FINANCIAL REPORT 2022

EVONIK
Leading Beyond Chemistry

Key figures for the Evonik Group

T01

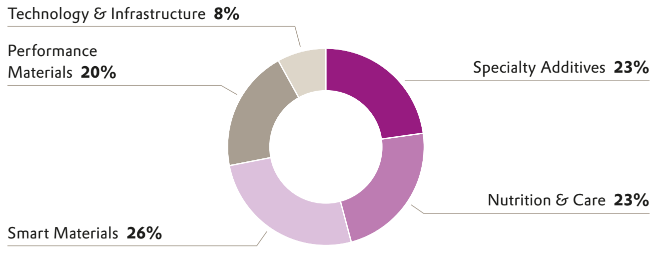
in € million	2018[a]	2019[a]	2020	2021	2022
Sales	13,267	13,108	12,199	14,955	18,488
Research & development expenses	437	428	433	464	460
Adjusted EBITDA[b]	2,150	2,153	1,906	2,383	2,490
Adjusted EBITDA margin in %	16.2	16.4	15.6	15.9	13.5
Adjusted EBIT[c]	1,361	1,201	890	1,338	1,350
Income before financial result and income taxes, continuing operations (EBIT)	1,049	1,086	819	1,173	942
ROCE[d] in %	10.2	8.6	6.1	9.0	8.3
Net income	932	2,106	465	746	540
Adjusted net income	1,014	902	640	986	1,054
Earnings per share in €	2.00	4.52	1.00	1.60	1.16
Adjusted earnings per share in €	2.18	1.94	1.37	2.12	2.26
Total assets as of December 31	20,282	22,023	20,897	22,284	21,810
Equity ratio as of December 31 in %	38.6	41.1	38.8	42.1	50.7
Cash flow from operating activities	1,760	1,321	1,727	1,815	1,650
Cash flow from operating activities, continuing operations	1,474	1,352	1,736	1,815	1,650
Cash outflows for investments in intangible assets, property, plant and equipment	948	880	956	865	865
Free cash flow[e]	526	472	780	950	785
Net financial debt as of December 31	−2,907	−2,141	−2,886	−2,857	−3,257
Lost time injury rate (LTI-R)[f]	0.17	0.24	0.16	0.19	0.25
Process safety incident rate (PSI-R)[g]	1.08	1.10	1.45	0.48	0.49
No. of employees as of December 31	32,623	32,423	33,106	33,004	34,029

[a] The methacrylates business was presented as a discontinued operation until its divestment on July 31, 2019.
[b] Earnings before financial result, taxes, depreciation, and amortization, after adjustments, continuing operations.
[c] Earnings before financial result and taxes, after adjustments, continuing operations.
[d] Return on capital employed.
[e] Cash flow from operating activities, continuing operations, less cash outflows for investments in intangible assets, property, plant and equipment.
[f] All reported work-related accidents (excluding traffic accidents) resulting in absences of at least one full shift per 200,000 working hours. Terminology altered from 2022; definition unchanged.
[g] Number of incidents in production plants involving the release of substances or energy, fire or explosion per 1 million working hours. Since 2021, the number of incidents has been measured per 200,000 working hours in accordance with the current Cefic definition. Terminology altered from 2022; definition unchanged versus 2021.

Due to rounding, some figures in this report may not add up exactly to the totals stated.

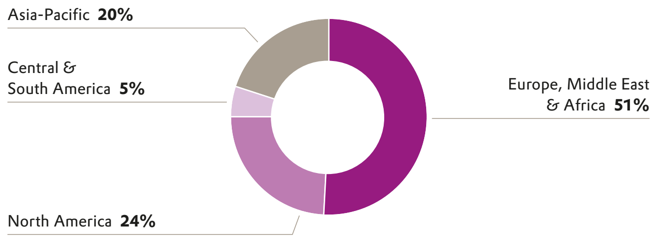
Sales by division

C01



Sales by region[a]

C02



[a] By location of customer.

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INTERACTIVE PDF

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WHY WE DO WHAT WE DO

Our purpose—Leading beyond chemistry to improve life, today and tomorrow—can be traced back to our company's roots. It describes why we do something, what drives us, and the contribution Evonik makes to society over and above generating profits.

At Evonik, we go beyond chemistry to make life a little better day in, day out—a goal we are committed to. We aim to have a direct, positive impact on everyone's life by enhancing the properties of our customers' products.

NEXT GENERATION EVONIK

Taking our green transformation one step further

Our green transformation will help us put Evonik in a strong position for the future. Green and profitable are not contradictory: We can only further expand our leading position in the market if we consistently focus on sustainability. This is the future—this is **Next Generation Evonik.** To this end, we have set ourselves ambitious targets: We will save energy in our production and significantly reduce CO_2 emissions. We will make our product portfolio systematically more sustainable. We are investing heavily in this.

GREEN AND PROFITABLE AT THE SAME TIME—IS THAT POSSIBLE?

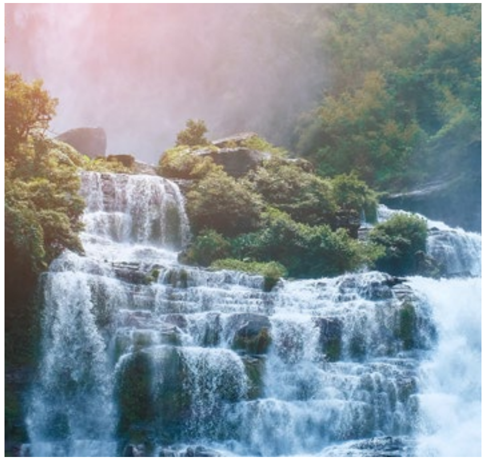
On the pages between the sections of the management report, we present key elements of our strategy.

[News[1]]

GREEN HYDROGEN— THE REVOLUTION IS BEGINNING

Evonik is committed to driving forward the transition from today’s conventional energy supply to tomorrow’s sustainable gas economy—with green hydrogen as one of the main elements. Evonik is working on many projects to turn this vision into reality.

More https://corporate.evonik.com/en/the-green-hydrogen-revolution-starts-now-175167.html



FIRST PRODUCTION PLANT FOR RHAMNOLIPIDS

Evonik is investing triple-digit millions in a new production facility for fully biodegradable, bio-based rhamnolipids. The sustainable aspect of this innovation is that it uses fermentation of sugar instead of petrochemical feedstocks.

More https://corporate.evonik.com/en/investor-relations/evonik-builds-worlds-first-industrial-scale-production-plant-for-rhamnolipids-168524.html

NEW CFO AT EVONIK MAIKE SCHUH TO SUCCEED UTE WOLF


Maike Schuh

Ute Wolf


Ute Wolf is leaving Evonik after 17 years with the company. Her successor as chief financial officer will be Maike Schuh, currently head of the Performance Materials division. The change takes effect on April 1, 2023.

Bernd Tönjes, chairman of the supervisory board: ”Ute Wolf has worked very successfully and achieved a lot with Evonik. I regret her departure and thank her on behalf of the entire supervisory board for her work.” In addition to her role as CFO, Wolf is also responsible for Group IT and the Americas region. She is also very successfully involved in the diversity council and in promoting women in management positions.

Tönjes: “I am very pleased that we have been able to secure Maike Schuh to succeed her. I have known her personally for years and hold her in high regard. In addition to her proven expertise in several financial functions, she also gained valuable experience at operational businesses in Germany and abroad. After eight years at Evonik, Maike Schuh will contribute this experience to the further development of the Finance department as our future chief financial officer.”

SECOND GREEN BOND

Evonik issued its second green bond in 2022. This €750 million senior bond attracted great interest, especially from sustainability-focused investors. In keeping with the Green Finance Framework issued in 2021, the proceeds will be invested mainly in Next Generation Solutions.

More in the combined management report, section 2.8 Financial condition p. 37 ff.

PLATFORM FOR MEDICAL APPLICATIONS

Evonik now offers the recombinant collagen platform Vecollan® on a commercial scale. The collagen is produced without animal-derived starting products, and many of its properties are similar to human collagen. Vecollan® can therefore be used in medical, pharmaceutical, and cell and tissue culture applications.

More https://healthcare.evonik.com/en/evonik-launches-non-animal-derived-collagen-platform-vecollan-at-commercial-scale-for-medical-device-175114.html

CIRCULARITY FOR TOOTHBRUSHES

A genuine circular economy needs products that can be recycled efficiently. Many everyday objects are made from multiple plastics that cannot be separated. Together with its project partners, Evonik has developed a toothbrush made from a single material.

More https://www.vestamid.com/en/next-generation-toothbrush-177855.html

WIND ENERGY FROM THE NORTH SEA

Evonik is becoming less dependent on fossil fuels: It has signed two long-term power purchase agreements (PPA) with energy supplier EnBW for wind energy from the 900 megawatt (MW) He Dreiht offshore wind farm. In the future, EnBW will supply 150 MW to Evonik from its new wind farm in the German North Sea. More in the combined management report, section 5.5 The environment p. 62 ff.

EVONIK AS ENABLER OF SUSTAINABLE CHANGE

ENSURE HEALTH & WELL-BEING

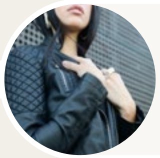
FIGHT CLIMATE CHANGE

Drug delivery systems

- Advanced oral & parenteral drug delivery systems (e.g., mRNA LNP)

Future mobility

- Lightweight solutions
- Solutions for hybrid & full battery cars



Specialty additives

- for environmentally-friendly solutions, e.g., water-based artificial leather

LEADING BEYOND CHEMISTRY

Eco-solutions

- Specialty peroxide solutions
- Membranes for gas separation

Circular economy

- Circular plastic & circular polyurethanes additive solutions

Sustainable nutrition

- Omega-3 fatty acids from natural marine algae
- Gut health solutions

Bio-based solutions

- Bio-based & fully biodegradable surfactants
- Natural active cosmetics ingredients

DRIVE CIRCULARITY

SAFEGUARD ECO-SYSTEMS

OUR DIVISIONS

GROWTH | **EFFICIENCY** | **SERVICES**

Specialty Additives

The Specialty Additives division combines the businesses of high-performance additives with versatile crosslinkers. Small amount—big effect: This is how our specialties make the difference, for end-products becoming more valuable, more durable, more energy-efficient and in many ways simply better.

Sales
€4,184 million

Adjusted EBITDA
€946 million

Nutrition & Care

In the Nutrition & Care division, everything revolves around human well-being—around health and the quality of life. All products are used directly on, or in humans or animals. They are functional actives, not simply materials.

Sales
€4,237 million

Adjusted EBITDA
€677 million

Smart Materials

The Smart Materials division supplies high-performance materials for environment-friendly and energy-efficient systems to the automotive, paints, coatings, adhesives, and construction industries, and many other sectors.

Sales
€4,833 million

Adjusted EBITDA
€684 million

Performance Materials

The forever young classics of the Performance Materials division stand for products and technologies that we continuously improve. They are the basis for many modern applications, for example, in the areas of mobility, nutrition, pharmaceuticals or plastics.

Sales
€3,660 million

Adjusted EBITDA
€409 million

Technology & Infrastructure

As a driver of innovation and digitization in the production environment, the Technology & Infrastructure division offers a full range of expertise revolving around chemical production.

Sales
€1,508 million

Adjusted EBITDA
€86 million

CHALLENGING CONDITIONS MASTERED SUCCESSFULLY

- A **challenging environment** with significantly higher energy and raw material prices
- **Sales** grew 24 percent to €18.5 billion, mainly due to price increases to pass on higher costs
- **Adjusted EBITDA** improved by 4 percent to €2.5 billion
- **Net income** fell 28 percent to €540 million, principally as a result of higher impairment losses
- **Free cash flow** was €785 million
- **Outlook for 2023:** adjusted EBITDA expected to be between €2.1 billion and €2.4 billion

KEY FIGURES

Sales € **18.5** billion
(2021: €15.0 billion)

Adjusted EBITDA € **2,490** million
(2021: €2,383 million)

Net income € **540** million
(2021: €746 million)

Free cash flow € **785** million
(2021: €950 million)

Letter from the chairman of the executive board

Ladies and Gentlemen,

At the beginning of 2022, we saw reason to be proud: We had weathered the pandemic and demonstrated that Evonik is robust and resilient. Following the outbreak of war in Ukraine, which deeply distressed us, it was already clear in February that Evonik would need these attributes more than ever in the upcoming year. Since then, we have been confronted by extensive geopolitical tensions, sharp hikes in energy prices, high inflation, and supply bottlenecks.

Once again, the tremendous commitment of our employees and the rapid response of our company, for example, in the provision of alternatives to natural gas from Russia, enabled us to stay on track despite the challenging conditions. Last year, Evonik improved adjusted EBITDA by 4 percent to €2.49 billion, the highest level for ten years. We therefore narrowly achieved our very tight forecast range for this indicator. That demonstrates to the capital markets that we are reliable. We grew sales 24 percent to €18.5 billion. Of course, that was partly due to high inflation; but it also shows the market strength of our specialties businesses. Despite a drop in the volumes sold, we managed to offset the at times sharp rise in variable costs by raising prices. That was aided by timely action to reduce expenses in response to the tougher business situation in the second half of the year. Thanks to resolute and consistent action in the latter part of the year, we achieved a free cash flow of €785 million. As a result, our cash conversion rate of 32 percent met the revised target published during the year.

At the annual shareholders' meeting, the executive board and supervisory board will be proposing a dividend payment of €1.17 per share to our owners. That reflects our understanding of stability.

The war in Ukraine has made it clear how dependent we had become on energy supply from Russia—especially in Europe. It will take years to reduce that dependency. For Evonik, that initially means using substitutes for natural gas wherever possible. It also means we have to use more coal and oil in the short term. In the longer term, however, we will be systematically reducing our dependency on fossil fuels: From 2026 we will be sourcing electricity from a wind farm in the North Sea operated by the utility company EnBW. Worldwide, half of our purchased electricity will then come from renewable resources. We are working on further partnerships of this sort, not just in Europe.

CHRISTIAN KULLMANN
Chairman of the Executive Board

"We are driving forward the transformation of our portfolio and stepping up our focus on Evonik's growth divisions. We are investing specifically—and massively—in green growth."

It is difficult to predict how the economy will develop this year. But one thing is clear: We will be prepared. Moreover, we are pushing ahead with our strategic agenda. We aim to be the best specialty chemicals company, and we are making progress in that. Last spring, we presented our trailblazing Next Generation Evonik strategy. Sustainability is being integrated into our corporate strategy at all levels. We are driving forward the transformation of our portfolio and stepping up our focus on Evonik's growth divisions. We are investing specifically—and massively—in green growth.

By 2030, we want to generate more than 50 percent of sales with our Next Generation Solutions, in other words, products with superior sustainability benefits. Therefore, the majority of our capital expenditures—80 percent of our annual growth investments—will be channeled to such future-oriented products. We will be spending more than €3 billion on them by 2030. A further €700 million will be invested in our Next Generation Technologies, in other words, enhancing production processes and infrastructure to avoid carbon dioxide emissions. As well as reducing our direct and indirect emissions of greenhouse gases, that will reduce our operating costs. That is the next phase in Evonik's strategic transformation.

In the reporting period, we found new owners for the TAA derivatives business and for our former betaines business in the USA. Our portfolio will change more extensively this year. We want to divest our Performance Materials businesses: superabsorbents, functional solutions such as potassium derivatives, and C_4 chemistry. Our strategic focus is clear: We are concentrating on businesses with high growth rates and above-average profit margins.

In Lafayette (Indiana, USA), we are about to start construction of a new production plant for pharmaceutical lipids, which are mainly required for mRNA medical applications. In Slovakia, we are building a production plant for bio-based rhamnolipids so we can produce surfactants for shower gels and cleaning agents from fermented sugar instead of petrochemical feedstocks and tropical fats. This is currently the only such industrial-scale project worldwide. In Mobile (Alabama, USA), we are erecting a new production facility for methylmercaptan, a key precursor for methionine. We are investing over half a billion euros in these three projects alone, because we are convinced that these technologies will be successful. Last year, we concluded the ramp-up of our expanded production facilities for our world-leading high-performance polymer polyamide 12 in Marl—Evonik's biggest ever investment project in Germany.

Our innovation pipeline is also well-stocked: In the future, there will be millions of battery-powered cars on the world's roads. They need lithium—more than is currently available. We are therefore investing in recycling this important material from used batteries. We are developing membranes so that it will finally be possible to competitively produce green hydrogen. Creavis, our strategic innovation unit, is involved in many of these ideas. By 2025, our innovation growth areas will generate additional sales of over €1 billion. In 2022, we had already reached €600 million.

We also invested in venture capital activities in the past year—for example, in technologies to reduce emissions and 3D screen printing for structured tablets. Evonik Venture Capital has now provided more than €400 million for solutions for tomorrow and beyond.

We successfully extended our €1.75 billion syndicated credit facility. So far, we have not needed it. We also issued Schuldschein loans totaling over €250 million and another green bond with a nominal value of €750 million. That secures our financial stability. The timing was good: Since then, interest rates have risen significantly.

Although these are unsettled times, we remain confident. Because Evonik is prepared.

CHRISTIAN KULLMANN
Chairman of the Executive Board

The executive board

THOMAS WESSEL
Chief Human Resources Officer

UTE WOLF
Chief Financial Officer

CHRISTIAN KULLMANN
Chairman of the Executive Board

DR. HARALD SCHWAGER
Deputy Chairman of the Executive Board

Evonik on the capital markets

Performance of Evonik shares

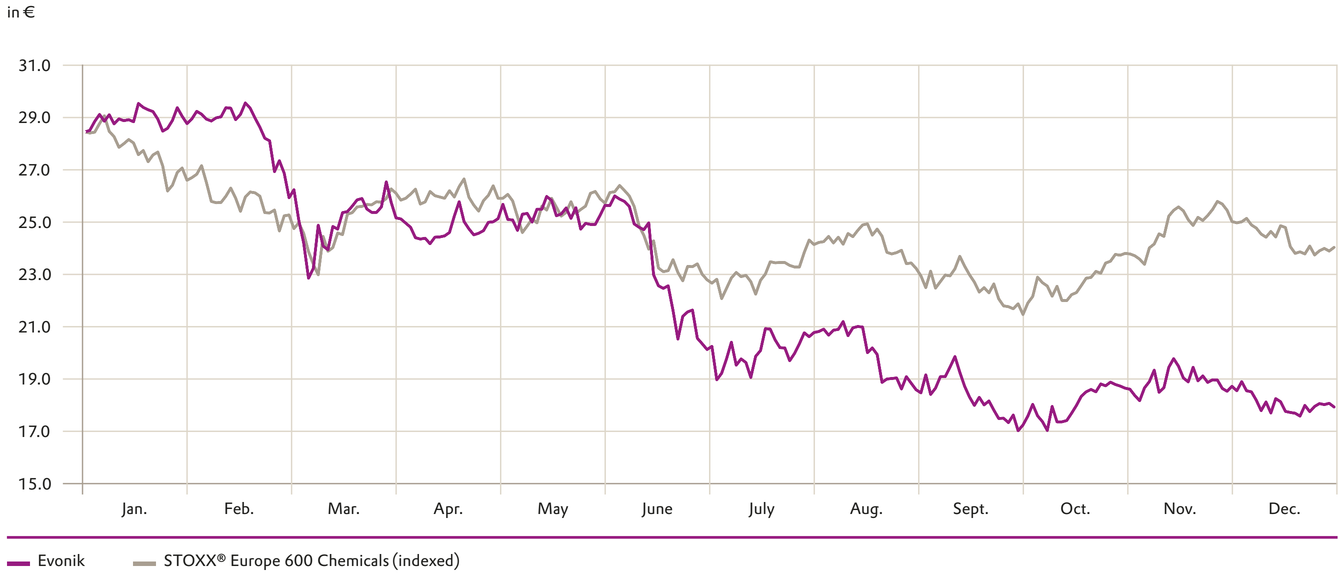
Having been driven to a large extent by the impact of the coronavirus pandemic in 2020 and 2021, the situation on the stock markets remained turbulent in 2022. Alongside China's strict zero-Covid policy, the war in Ukraine and its consequences resulted in considerable disruption. In particular, rising energy costs in Germany and throughout Europe held back the economy, leading to falling share prices. The central indices ended the year with significant losses. This also applied to shares in Evonik. Following gains in the previous year, at year-end 2022, they were down 37 percent.

Evonik shares started 2022 at €28.47 and made slight gains in the first few weeks of the year. The recovery of the global economy and the chemical industry, which started in 2021, continued into 2022 and was reflected in the equity markets. In mid-February, shares in Evonik rose to €29.58, their highest level for the year. Shortly afterwards, Russia invaded Ukraine, which immediately caused a significant downturn on the financial markets. Evonik shares dropped to around €25 and remained at this level until the end of May. The stabilization was supported by a very good operating performance, in which the results of the ongoing conflict and increasing lockdowns in China were not yet visible.

A further price correction started in June, when a sharp drop in the supply of gas from Russia to Europe became evident. As a result of concerns about energy supply and the related sharp hike in energy costs, energy-intensive companies, including German chemical companies, rapidly fell out of favor on the capital markets. Evonik was unable to buck this prevailing trend, even though it is still better positioned than many European competitors thanks to energy hedging transactions and substitution of supply.

At the end of September, shares in Evonik dropped to a low for the year of €17.03. That was followed by a slight recovery; the share subsequently traded sideways until year-end. Shares in Evonik closed at €17.94 on December 30, 2022, which was 37 percent lower than at the end of the previous year. The more broadly based STOXX® Europe 600 Chemicals fell by just over 16 percent in the same period.

Price performance of Evonik shares January 1 – December 31, 2022 C03



Dividend distribution

Evonik has a long-term dividend policy aligned to continuity and reliability. In view of the resilient business performance in 2021, the annual shareholders' meeting in May 2022 resolved to pay a slightly higher dividend of €1.17 per no-par share, which was then paid out. At the annual shareholders meeting on May 31, 2023, the executive board and supervisory board will propose a stable dividend of €1.17 per share for 2022. As in the previous year, that would result in a total dividend payment of €545 million and a payout ratio of 52 percent based on adjusted net income. The dividend yield of around 7 percent remains among the highest in the chemical industry.

Key figures T02

	2022
Highest share price[a] in €	29.58
Lowest share price[a] in €	17.03
Closing price[a] on December 30, 2022 in €	17.94
Market capitalization on December 30, 2022 in € billion	8.36

[a] Xetra trading.

Shareholder structure

At year-end 2022, RAG-Stiftung was still Evonik's largest shareholder with a stake of around 56 percent. The free float was about 44 percent.

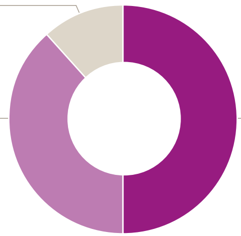
Dialogue with the capital markets

Evonik continued its intensive capital markets communication in 2022. The company gave shareholders and potential investors opportunities to gain impressions and engage in direct discussions at conferences and roadshows, as well as at several private investor events. After two years of almost exclusively virtual formats, 2022 marked the return of face-to-face dialogue. Following the start of the Ukraine war, communication with the capital markets was dominated by energy supply and energy prices.

In the second half of the year, investors' focus shifted to the inflation-driven drop in demand and the associated slowing of the global economy.

In May, Evonik hosted a capital markets day under the title "Next Generation Evonik" to present the evolution of its corporate strategy. The executive board outlined how sustainability is integrated systematically into the three strategic areas of portfolio management, innovation, and corporate culture. The presentation of ambitious new sustainability targets at the capital markets day marked the start of the next phase in Evonik's strategic transformation.

Analysts' ratings C04



Analysts' valuations of Evonik shares

At the end of 2022, Evonik was covered by 26 analysts. Thirteen of them rated the share as a buy, three as a sell, and ten issued neutral recommendations. The price targets at year-end ranged from €15 to €34, giving an average of just under €24, which was €9 lower than as of December 31, 2021.

Credit ratings

Evonik has a solid investment grade rating. It has a rating of Baa2 from Moody's and BBB+ from Standard & Poor's—with a stable outlook in each case.

Sustainability indices

Evonik has established itself among the leaders in the chemicals sector in renowned sustainability ratings and indices such as the MSCI, Sustainalytics, ISS-oekom, CDP, and EcoVadis. It is also represented in a range of SRI funds and sustainability-oriented index families. This good positioning shows that the capital markets reward Evonik's commitment to sustainability.

Basic data on Evonik stock T03

WKN	EVNK01
ISIN	DE000EVNK013
Ticker symbol	EVK
Reuters (Xetra trading)	EVKn.DE
Bloomberg (Xetra trading)	EVK GY
Trading segments	Regulated market (Prime Standard), Frankfurt am Main
Indices	MDAX, MSCI World, STOXX® Europe 600 Chemicals, FTSE4Good, STOXX® Global ESG Leaders, Euronext Vigeo Eiris Indices Europe 120 and Eurozone 120

INVESTOR RELATIONS

For further information on our investor relations activities, visit our website at **www.evonik.com/investor-relations.** The financial calendar on our website provides a convenient overview of important dates. The website also contains key facts and figures, especially financial and segment data, and details of the company's structure and organization. This is supplemented by information on Evonik shares, the terms of bond issues, and an overview of our credit ratings. Current presentations, analysts' estimates, and reports on our business performance are also available.

Contact: Phone +49 201 177-3146
investor-relations@evonik.com

COMBINED MANAGEMENT REPORT

About this report

This combined management report covers both the Evonik Group and Evonik Industries AG. Given the influence of the subsidiaries, statements relating to the development of the divisions in the Evonik Group also apply for Evonik Industries AG. The consolidated financial statements for the Evonik Group have been prepared in accordance with the International Financial Reporting Standards (IFRS), and the financial statements of Evonik Industries AG have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The takeover-relevant information, which is presented in the corporate governance chapter p. 120 ff., also forms part of the combined management report. The declaration on corporate governance is also included in the corporate governance chapter and is available on our website at www.evonik.com/declaration-on-corporate-governance. It is an unaudited component of the combined management report.

The combined non-financial statement (NFS) pursuant to sections 315b and c and sections 289b though 289e of the German Commercial Code (HGB) is integrated into the combined management report and presented in section 5 p. 49 ff. The components of the NFS are employee, environmental, and social matters, respect for human rights, preventing bribery and corruption, and the supply chain. The allocation of the aspects to these sections is shown in the index in section 5.2 p. 52 f. Combined non-financial statement.

KPMG AG Wirtschaftsprüfungsgesellschaft has audited the consolidated financial statements of Evonik Industries AG and the combined management report for fiscal 2022 and issued an unqualified opinion p. 205 ff. The auditor did not audit the content of the NFS presented in section 5. Instead, the NFS was subject to a separate limited assurance engagement and the disclosures in sections 5.3 Employees and 5.4 Safety were subject to a reasonable assurance engagement performed in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) p. 213 ff.

The following symbols indicate the level of the audit review:
▼▲ Section outside the scope of the statutory audit, but subject to a separate assurance engagement.

1. BASIC INFORMATION ON THE EVONIK GROUP

NEXT GENERATION EVONIK

NEXTGEN SOLUTIONS

WHAT ARE THE BENEFITS OF MORE SUSTAINABLE PRODUCTS?

Evonik already generates more than a third of its sales with Next Generation Solutions: products and solutions that have a high sustainability profile. As well as enabling us to make our customers' products more sustainable, this helps them improve their own climate footprint. By 2030, we want to expand the share of Next Generation Solutions to 50 percent. This means we are investing massively in growing businesses that deliver innovative solutions and sustainable products.

No end-market accounts for more than **20%** of sales

Around **80%** of sales generated by our growth divisions come from leading market positions

Production facilities in **27** countries

1.1 Business model

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

Our specialty chemicals products make an indispensable contribution to the benefits of our **customers'** products, which generate their success in global competition. Close cooperation with customers enables us to build up a deep knowledge of their business, so we can offer products tailored to their specifications and extensive technical service. Technology centers and customer competence centers play an important role in this around the world. Market-oriented research and development is an important driver of profitable, resource-efficient growth.

Sustainability is integrated into our strategic management process. Our goal for the future is to substantially increase the proportion of sales from attractive growth businesses with a clear sustainability profile (Next Generation Solutions). Evonik supports the objectives of the Paris Agreement on Climate Change. That is underscored by our commitment to the Science Based Targets initiative (SBTi). We aspire to be climate-neutral by 2050.

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

We systematically examine the positive and negative effects of business activities along the **value chain.** Early identification of future opportunities and risks makes our business model more resilient and sharpens our understanding of the long-term value that our activities create for society.

Market-oriented corporate structure

Our specialty chemicals operations are divided into four chemical manufacturing divisions, which operate close to their markets and customers. The chemicals divisions—Specialty Additives, Nutrition & Care, Smart Materials, and Performance Materials—are clearly aligned to our technology platforms to allow more selective management. They are supported by the Technology & Infrastructure division.

The Specialty Additives, Nutrition & Care, and Smart Materials **growth divisions** offer their customers customized, innovation-driven solutions. The aim is to achieve above-average, profitable growth in attractive markets through innovations, investments, and acquisitions. The Performance Materials division is characterized by processes that make intensive use of energy and raw materials. It therefore concentrates on integrated, cost-optimized technology platforms, efficient workflows, and economies of scale. In keeping with our concentration on specialty chemicals, we are preparing to sell all three businesses in the Performance Materials division—Superabsorbents, Functional Solutions, and Performance Intermediates. Evonik is looking for new owners or partners for each of these three businesses.

[1] We define these as ranking 1st, 2nd, or 3rd in the relevant market for the product, based on sales. Source: internal evaluations based on 2021. See the overview "Market positions 2022" on p. 221 of this financial report (outside the scope of the audit).
[2] SBTi is a partnership of CDP, the United Nations Global Compact, the World Resources Institute, and the World Wide Fund for Nature. The initiative supports companies that align their activities to achieving the 1.5 °C target defined in the Paris Agreement.

Corporate structure

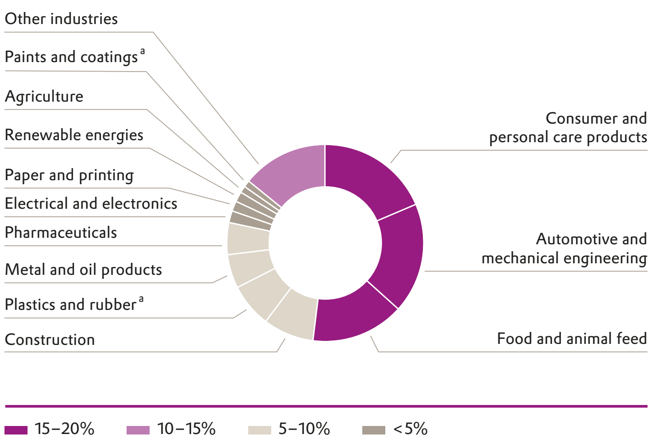
C05

Evonik					
Division	**Specialty Additives**	**Nutrition & Care**	**Smart Materials**	**Performance Materials**	**Technology & Infrastructure**
Description	A broad spectrum of additives, cross-linkers, and formulating expertise that make the key difference for customers in growth markets such as coatings, mobility, infrastructure, and consumer goods.	Sustainable solutions that improve health and the quality of life for applications in resilient end-markets such as personal care and cosmetics, medical products and drug delivery systems, and sustainable concepts for animal nutrition and livestock farming.	Innovative materials that enable resource-efficient solutions and replace conventional materials. They are the answer to the major challenges of our time: the environment, urbanization, energy efficiency, mobility, and health.	Efficient technology platforms for the production of high-volume intermediates for mobility and the plastics and rubber industries; superabsorbents for consumer applications and alkoxides for the production of biodiesel.	Experts in site management, asset life cycle management, supply chains, and production-focused digitalization.
Products and applications (examples)	**Additives for polyurethane foams** (rigid/flexible foam), for example, for mattresses, car seats, and insulating materials. **Additives, matting agents, fumed silicas,** and **specialty resins** for paints, coatings, and printing inks **Isophorone** and **epoxy curing agents,** for example, for coatings, adhesives, and composites **Pour point depressants and viscosity index improvers** for oil and other lubricants for construction machinery and the automotive sector	Feed additives **D-/L-methionine and lysine** as essential amino acids for the animal nutrition industry Health & care **Pharmaceutical active ingredients** Exclusive synthesis of active ingredients, pharmaceutical polymers for drug delivery systems **Medical products** Biocompatible and bioresorbable materials for orthopedic and medical applications **Cell culture** Pharmaceutical amino acids and peptides **System solutions for the cosmetics and detergents industries**	Inorganic materials **Fumed and precipitated silicas** and **silanes,** for example, for the automotive, tire, electronics, and cosmetics industries **Peroxides** as sterilizing agents for silicon wafers and environment-friendly bleaching agents for the paper and textile industries **Specialty catalysts** for synthesis High-tech polymers **Polyamide 12** for sports shoe soles, sunglasses, gas and oil pipelines, and many safety-critical automotive components **Polyimide foams** for lightweight structures, **specialty polybutadiene and polyester, membranes** for efficient treatment of biogas, natural gas, and hydrogen	C_4 derivatives **Butadiene, MTBE, butene-1, isononanol, DINP** for use in the automotive industry, for example, as plasticizers, synthetic rubber for tires, and fuel additives Superabsorbents for diapers and hygiene products Alkoxides For use as catalysts in the production of biodiesel	Energy management Integrated plant support and maintenance Process engineering, process safety Pipelines, transport management, logistics safety Digital solutions for chemical production Strategic site development
Sites	Herne, Essen (Germany), Mobile (Alabama, USA), Shanghai (China), Singapore, Wichita (Kansas, USA)	Essen, Hanau (Germany), Antwerp (Belgium), Slovenská L'upca (Slovakia), Lafayette (Indiana, USA), Mobile (Alabama, USA), Shanghai (China), Singapore	Marl, Rheinfelden (Germany), Antwerp (Belgium), Lenzing (Austria), Mobile (Alabama, USA), Dombivli (India), Nanjing (China), Yokkaichi (Japan)	Marl, Krefeld (Germany), Antwerp (Belgium), Mobile (Alabama, USA), Rosario (Argentina)	Marl, Hanau, Essen (Germany), Antwerp (Belgium), Mobile (Alabama, USA), Shanghai (China)

Broadly diversified end-customer markets

Most of our customers are industrial companies that use our products for further processing. The range of markets in which they operate is diverse and balanced. None of these end-markets accounts for more than 20 percent of our sales. In view of its focus on a broad spectrum of applications and its worldwide presence, Evonik operates in a business environment with many global and regional competitors. Since the chemical industry is highly interconnected, competitors in one product area are often customers of another product area.

Evonik's end-customer markets C06



[a] Where not directly assigned to other end-customer industries.

Integrated technology platforms give us a competitive advantage

Our products are manufactured using highly developed technologies that we are constantly refining. Evonik has many integrated production complexes where key precursors are produced in adjacent production facilities. In this way, we offer our customers maximum reliability of supply. At the same time, integrated world-scale production facilities combined with technologically demanding production processes act as entry barriers.

Global production

Evonik has a presence in more than 100 countries, and 84 percent of sales are generated outside Germany. We have production facilities at 104 locations in 27 countries on six continents and are therefore close to our markets and our customers. Our largest production sites, for example, in Marl, Wesseling, and Rheinfelden (Germany), Antwerp (Belgium), Mobile (Alabama, USA), Shanghai (China), and Singapore, have integrated technology platforms, most of which are used by several operating units.

Procurement

Procurement is organized globally at Evonik and comprises direct procurement (raw materials, logistics, and packaging) and indirect procurement (goods and services). As a global function, it ensures methodological excellence, process efficiency, compliance, and the use of purchasing synergies. Cross-business demand is pooled to obtain favorable prices in the market. The core tasks of Procurement are ensuring reliability of supply by accessing new procurement markets, diversifying our supplier base, and concluding long-term supply agreements. It continuously optimizes the cost of materials and services.

2022 was once again dominated by diverse supply bottlenecks and logistics constraints. In addition to ongoing pandemic-related restrictions, especially in China, the availability of supply was hampered principally by the war in Ukraine and the resulting trade restrictions. Moreover, the price of raw materials and packaging materials increased significantly as a result of the sharp hike in energy costs, which coincided with limited logistics capacity. However, availability and prices initially stabilized in the fourth quarter as demand for raw materials and logistics services dropped, and energy prices in Europe fell.

In 2022, Evonik spent €13.6 billion (2021: €10.4 billion) on raw materials and supplies, technical goods, services, energy, and other operating supplies from about 100 different countries. Europe accounted for the majority of Evonik's procurement expenditures (approx. 60 percent), and the Americas and Asia each accounted for around 20 percent. Raw materials made up 53 percent of total procurement volume. Evonik purchases fossil-based raw materials mainly from the petrochemicals (approx. 20 percent of total expenditures), synthetic organics (12 percent), and inorganics (11 percent) markets. We aim for a further increase in the proportion of renewable raw materials. Based on weight, the proportion increased to 11 percent of our raw material base in 2022 (2021: 10 percent).

Evonik's supplier base comprises around 35,000 suppliers. The 100 largest suppliers account for around 45 percent of procurement expenditure. About 60 of these 100 suppliers are in Europe, 25 are in the Americas, and 15 in Asia.

1.2 Principles and objectives

Building a best-in-class specialty chemicals company

We aspire to make Evonik a best-in-class specialty chemicals company. In 2022, we embarked on the next phase in our strategic transformation. **Sustainability** is integrated into all aspects of our corporate strategy—portfolio management, innovation, and corporate culture—as the basis for resource-efficient and profitable growth.

Our goal is to concentrate on businesses with clear specialty chemicals characteristics. Our **portfolio transformation** focuses on high-growth products and solutions, many of which also offer specific sustainability benefits (Next Generation Solutions). An important contribution to managing and driving forward our business comes from the sustainability analysis of our business, which integrates measurable sustainability impacts into the strategic management process. The proceeds from the planned divestment of businesses in the Performance Materials division will be used primarily to finance the expansion of Next Generation Solutions and ongoing development of production processes and infrastructure to reduce CO_2 emissions (Next Generation Technologies).

Innovation plays a key role in aligning Evonik systematically with sustainability. Our focus here is on working intensively with customers and partners along the value chain. Our six innovation growth fields[1] help us gain access to additional, new areas of business that contribute to greater sustainability.

Our performance-oriented **culture** is based on our corporate values: performance, trust, openness, and speed. We regard ourselves as an international company and see diversity as an opportunity. Moreover, sustainability is integrated into our human resources processes at all levels—from recruitment through vocational training and continuing professional development to remuneration (Next Generation Culture).

Ambitious targets

Our **mid-term financial targets** focus on growth, returns, and cash generation and therefore play a part in increasing the value of the company. We aim for average organic sales growth[2] of more than 4 percent a year in our three growth divisions. For the adjusted EBITDA margin, we have set a target range of between 18 percent and 20 percent. The target return on capital employed (ROCE) is around 11 percent, which is above the cost of capital. Moreover, Evonik aims to achieve a high cash conversion rate[3] of over 40 percent. We aim to pay a reliable and attractive dividend and uphold our investment grade rating.

Organic growth in our growth divisions was significantly above the target. Factors contributing to this were higher raw material and energy costs, which we were able to recoup from customers by adjusting our selling prices. We report on the development of these performance indicators in sections 2.3 Business performance p. 24 ff. and 2.8 Financial condition p. 37 ff.

Financial targets for the Evonik Group T04

	Status 2022[a]	Target
Organic growth in the growth divisions	13%	> 4%
Adjusted EBITDA margin	13.5%	Between 18% and 20%
Free cash flow: cash conversion rate	32%	> 40%
ROCE	8.3%	11%
Rating	A solid investment grade rating	A solid investment grade rating
Dividend	€1.17[b]	Reliable and attractive

[a] For information on the current development of these parameters, see section 2. Business review p. 21 ff.
[b] Proposal to the annual shareholders' meeting.

As a responsible specialty chemicals company, we are also continuing to pursue our **non-financial targets.** We strive to remain below the upper limits we have set for the lost time injury rate (LTI-R)[4] and process safety incident rate (PSI-R)[5]. Our goal is to increase the proportion of sales generated with our Next Generation Solutions[6] to over 50 percent by 2030. We are committed to the SBTi target "well below 2 °C" and to reducing our absolute scope 1 and 2 emissions[7] by 25 percent between 2021 and 2030.[8] We also aim to reduce scope 3 emissions by 11 percent in the

[1] See section 4. Research and development p. 45 ff.
[2] Organic sales growth is calculated from the change in volumes and prices. See section 2.3 Business conditions and performance p. 24 ff.
[3] Ratio of free cash flow to adjusted EBITDA.
[4] Number of work-related accidents (excluding traffic accidents) resulting in absences of at least one full shift per 200,000 working hours.
[5] Number of incidents in production plants involving the release of substances or energy, fire or explosion per 200,000 working hours.
[6] See section 5.1 Sustainability strategy p. 50 ff.
[7] Scope 1 comprises direct energy and process emissions, and scope 2 comprises emissions from purchased electricity and heat. Scope 3 contains indirect emissions such as emissions from the production of purchased raw materials.
[8] Validation of the targets by SBTi has not yet been completed.

same period. These replace our previous target of reducing absolute scope 1 and 2 emissions by 50 percent in the period 2008 to 2025. By 2021, we had reduced emissions by 43 percent, so we had already made good progress towards this target. This lower level is taken as the baseline for the new target. In addition, we have set a new target for water: Between 2021 and 2030, we aim to reduce specific freshwater intake[1] by 3 percent. We have also been pursuing an energy target since 2020. The aim is to reduce both absolute and specific[2] energy consumption by 5 percent by 2025. We report on the status of these targets in section 5.4 Safety p. 60 ff. and 5.5 The environment p. 62 ff.

Non-financial targets for the Evonik Group T05

	Status 2022[a]	Target
Targets for 2023		
LTI-R	0.25	Maximum 0.26
PSI-R	0.49	Maximum 0.40
Targets for 2025		
Absolute energy consumption	Reduction of 1%[b]	Reduction of 5%[b]
Specific energy consumption	No change[b]	Reduction of 5%[b]
Targets for 2030		
Sales from Next Generation Solutions	43%	> 50%
Absolute CO_2 emissions (scope 1 and 2)	Reduction of 6%[c]	Reduction of 25%[c]
Specific freshwater intake	Increase of 6%[c]	Reduction of 3%[c]

[a] For information on the current status of these targets, see section 5. Sustainability p. 49 ff.
[b] Reference base 2020.
[c] Reference base 2021.

1.3 Business management systems

Most important financial key performance indicators

Financial management of Evonik is based on a consistent system of value-oriented indicators. These are used to assess the business performance of the operational units and the Evonik Group. Through systematic alignment to these indicators, Evonik endeavors to create value by raising profitability and ensuring profitable growth.

We use **adjusted EBITDA** (i.e., EBITDA after factoring out special items) as a financial performance indicator. Adjusted EBITDA and the corresponding relative indicator, the adjusted EBITDA margin[3], show operating performance irrespective of the structure of the assets and the investment profile. We use this, in particular, for internal and external comparisons of the cost structure and profitability of our businesses.

The return on capital employed **(ROCE)** is used as a further indicator of value-driven management of the company. It is calculated from adjusted EBIT in relation to average capital employed. Comparison with the cost of capital, which shows the risk-adjusted return expectations of our investors, indicates relative value creation. This is calculated using a weighted average cost of capital, which reflects the return expectations of both shareholders, derived from the capital asset pricing model, and providers of debt capital.

The special items that are factored out when calculating adjusted EBITDA and adjusted EBIT include restructuring, impairment losses/reversals of impairment losses, income and expenses in connection with the purchase/disposal of investments in companies, and other income and expense items that, due to their nature or amount, do not reflect the typical operating business. We consider that the adjusted earnings figures are more suitable than unadjusted data for comparing the performance of operating units over several periods.

We also use **free cash flow** as an operational performance indicator. This is calculated from the cash flow from operating activities, continuing operations, less outflows for capital expenditures on intangible assets, property, plant and equipment. The free cash flow shows the remaining scope for financing. It therefore shows the company's internal financing capacity. In view of the heightened uncertainty about future economic development prevailing at the start of 2020, we introduced the cash conversion rate[4] to enhance the management of our business. This shows the proportion of adjusted EBITDA that is converted into free cash flow.

In addition, we forecast and comment on further financial indicators. These are, in particular, sales and cash outflows for capital expenditures on intangible assets, property, plant and equipment, which are important factors influencing the adjusted EBITDA margin and free cash flow.

Most important non-financial key performance indicators

Evonik also uses a wide variety of non-financial performance indicators. Traditionally, we accord special significance to safety, which is regarded as a holistic management task that has to be lived at all management levels. Our guiding principles for safety are binding for all managers and employees. In accordance with corporate policy, all operating units at Evonik have an occupational safety target. In addition, all production units have a plant safety target. The relevant indicators are the **lost time injury rate (LTI-R)** and the **process safety incident rate (PSI-R).**

[1] Freshwater intake per product unit.
[2] Energy consumption per product unit.
[3] Ratio of adjusted EBITDA to sales.
[4] Defined as the ratio of free cash flow to adjusted EBITDA.

2. BUSINESS REVIEW

NEXT GENERATION EVONIK

INVESTMENTS

WHERE IS EVONIK INVESTING AND WHERE DOES THE MONEY COME FROM?

The aim of our green transformation is to position Evonik well for the future. We have set ambitious targets and are investing heavily in growth areas: in products that will be in demand—Next Generation Solutions. In technologies that will transform our chemical production—Next Generation Technologies. And in markets that will grow. In the future, our financial resources, including divestment proceeds, will be consistently oriented towards green and profitable growth.

€2,490 million
Adjusted EBITDA

13.5% **Adjusted EBITDA margin**

€785 million
Free cash flow

2.1 Overall assessment of the economic situation

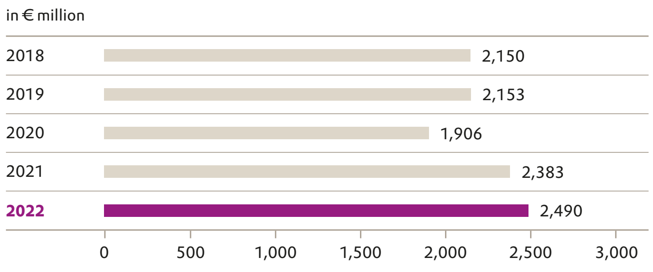
In 2022, we successfully drove forward Evonik's **strategic** development and embarked on the next phase of our transformation with Next Generation Evonik. Today, sustainability is integrated into all aspects of our corporate strategy—portfolio management, innovation, and corporate culture. That paves the way for profitable, resource-efficient growth. In addition, we have defined new sustainability targets and given a commitment to the Science Based Targets initiative. We aim to increase the proportion of sales generated with Next Generation Solutions to over 50 percent by 2030. In view of this we are investing, for example, in a new production facility in Slovakia for bio-based rhamnolipids, which are precursors for shower gels and cleaning agents. In addition, we are systematically continuing our efforts to make our structures leaner and improve efficiency in production and administration. Our goal for 2023 is short-term savings of €250 million to offset the effects of the difficult economic situation.

2022 was dominated by geopolitical tensions, general inflationary pressure, and the sharp hike in raw material and energy prices, which had a considerable impact on supply chains, including bottlenecks in the supply of some materials that are dependent on natural gas. We responded quickly and flexibly to these more difficult conditions. Our **operating** performance was satisfactory despite the challenging environment. The sharp rise in raw material and energy costs was more than offset by raising selling prices, although volumes declined over the year. Despite the difficult situation, we achieved our forecast for adjusted EBITDA.

Group sales grew by 24 percent to €18.5 billion thanks to higher selling prices and positive currency effects. **Adjusted EBITDA** improved by 4 percent to €2,490 million. The **adjusted EBITDA margin** declined to 13.5 percent (2021: 15.9 percent) and was therefore significantly below our target mid-term range of between 18 percent and 20 percent. **ROCE** dropped to 8.3 percent as a result of higher capital employed. It was therefore below the cost of capital and our mid-term target of 11 percent. In view of the poorer business outlook for the Performance Materials division, an impairment loss of €301 million was recognized on this division's goodwill as of December 31, 2022. The Evonik Group's **net income** was therefore 28 percent below the prior-year level at €540 million. After adjustment for special items, net income, continuing operations was 7 percent higher at €1,054 million. At the annual shareholders' meeting, the executive board and supervisory board will propose payment of an unchanged dividend of €1.17 per share. We generated a **free cash flow** of €785 million. The cash conversion rate of 32 percent shows the proportion of adjusted EBITDA that was converted into cash. It remained below our target of around 40 percent. Evonik has had a solid **investment grade rating** for many years. Net financial debt remains moderate. In addition to a comfortable liquidity position, we have high unutilized credit lines.

Operationally, we performed satisfactorily in a difficult environment. In all, it was a successful year for the Evonik Group. At Evonik Industries AG, pension valuation effects at the German companies had a substantial downside impact on earnings.

Development of adjusted EBITDA in the Evonik Group C07



2.2 Economic background

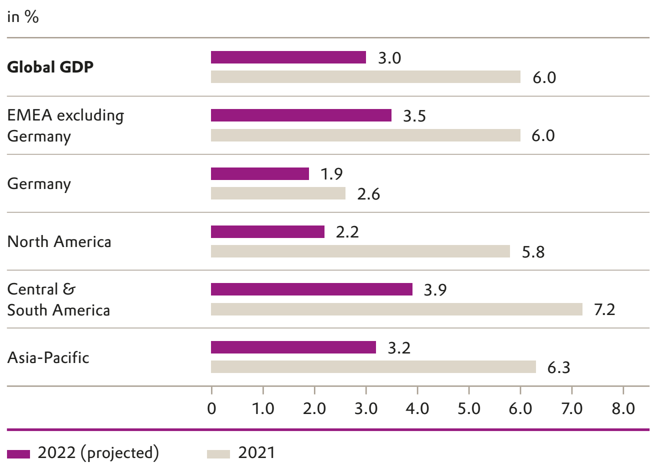
Economic growth held back by the pandemic, inflation, and the war in Ukraine

Global economic development was significantly worse than had been anticipated at the start of the year. IHS Markit[1] estimates that the global economy grew by 3.0 percent overall in 2022. At the beginning of 2022, growth of 4.2 percent had been forecast.

Inflationary pressure increased significantly in 2022, driven by high energy, food, and raw material prices—especially as a consequence of Russia's invasion of Ukraine. In many parts of the world, inflation was at its highest level for 40 years. The result was a drop in real incomes, consumer confidence, and consumer demand. Moreover, the central banks were forced to adopt a far more restrictive policy, resulting in a significant deterioration in financing conditions for private households and companies. Consequently, investments were scaled back. At the same time, the global economy was still affected by measures to contain the coronavirus pandemic—especially in China—and, at year-end, by a significant reduction in inventories and increasing uncertainty about future economic development.

Support for the economy came from the easing of supply bottlenecks. Moreover, in many regions the service sector benefited from the relaxation of measures to contain the pandemic and the related pent-up demand, especially in the summer months. Industrial output rose in 2022, but there were significant regional variances. An above-average rise in production was registered in North America, whereas growth in Europe was well below average, especially in energy-intensive industries. In all, the global economy remained resilient into the third quarter, although momentum declined considerably at year-end.

Development of GDP 2021/2022 C08



Based on data from IHS Markit as of January 17, 2023.

Economic growth slowed significantly in all **regions** in 2022. Despite the war in Ukraine, the European economy grew until the third quarter, boosted above all by pent-up demand in the service sector. However, growth momentum cooled significantly during the year against the backdrop of high inflation and the energy crisis. Energy-intensive sectors—especially the chemical industry—were affected by the high energy prices, resulting in a very significant contraction in some cases. The restrictive monetary policy caused a significant deterioration in financing conditions and held back the economy. At the end of the year, there were signs that inflation rates were dropping. The impact of the energy crisis and high inflation was cushioned by economic programs.

In North America and especially the USA, the Fed ended its expansionary monetary policy at the beginning of 2022, and the Fed Funds rate increased from 0.25 percent to nearly 5 percent at year-end. Despite high inflation, consumer spending was robust, and the labor market also proved very resilient. Industrial activity expanded significantly, benefiting from high demand and the energy crisis in Europe. However, the trend over the year was downward, mainly because of declining global demand.

Asia-Pacific registered strong economic growth but with regional variances. In China, growth was hampered mainly by lockdowns in the second quarter and over the year it was significantly lower than had originally been expected. Economic growth was also

[1] Based on data from IHS Markit as of January 17, 2023.

held back by the challenges in the country's real estate sector. The recovery in the second half of the year was held back by the abandonment of the zero-Covid policy in December and the resulting wave of infections. Consumer spending was dampened by the recurrent pandemic-induced restrictions. In Japan, economic activity was affected by, among other factors, supply chain problems and declining real incomes.

Many economies in Central & South America benefited from export demand and high raw material prices. However, economic activity was held back during the year by high inflation and the restrictive monetary policy. Nevertheless, so far there has not yet been a pronounced reaction to the global tightening of monetary policy or strong capital outflows.

Divergent trend in end-customer markets

A divergent trend was observed in the industrial sector in 2022: While a significant rise in demand was registered in the first half of the year, inflation had an increasing impact in the second half, and demand tailed off significantly. Overall, global industrial production nevertheless increased year-on-year, partly because the pandemic-driven supply chain disruption eased during the year so high order backlogs could be reduced. Supply times decreased significantly during the year.

Evonik's **end-customer markets** also grew in 2022. Demand for hygiene and personal care products was stable in 2022. Activity in the food and animal feed sector was almost unchanged year-on-year in all regions. Automotive and mechanical engineering production increased in all regions except Europe. Year-on-year, demand from the construction industry was stable in all regions apart from North America, where a significant decline was registered.

Chemical production in Europe affected by high energy costs

Regionally, the development of the **chemical industry** varied greatly in 2022. Globally, chemical output (excluding pharmaceuticals) grew by nearly 2 percent. As a result of high energy and raw material costs, production contracted by 5 percent in the EU. Germany registered a particularly significant decline of 10 percent in chemical production (excluding pharmaceuticals), driven principally by a 16 percent drop in petrochemicals. Specialty chemicals held up slightly better in Germany, but even here production volumes were 9 percent lower.[1] Growth was 4 percent in the USA and 6 percent in China.

Raw material prices initially rose sharply in 2022 but eased slightly during the year. Overall, prices at year-end were significantly above the previous year's level.

The euro depreciated significantly against Evonik's most important currency—the US dollar—to an average of US$1.04 compared with an average exchange rate of US$1.18 in the previous year.

[1] Based on data from the German chemical industry association (VCI) as of December 2022.

2.3 Business conditions and performance

Significant increase in sales

The Evonik Group's **sales** increased by 24 percent to €18,488 million. Organic sales growth was 14 percent as a result of a significant improvement in selling prices, while volumes were lower. Positive currency effects and other effects also contributed to the sales growth. The other effects in 2022 mainly related to the Technology & Infrastructure division, where external sales are dominated by energy supply to external customers.

Change in sales 2022 versus 2021 T06

in %	
Volumes	–4
Prices	18
Organic sales growth	**14**
Exchange rates	5
Portfolio/other effects[a]	5
Total	**24**

[a] Contains material changes in the comparative base in the chemicals divisions such as portfolio effects. Also includes effects of transactions that are not regular such as royalties, changes in the price of precious metals, and adjustments for hyperinflationary economies. Given the nature of the Technology & Infrastructure division's business and its position within the group, volume, price, and exchange rate deviations are not analyzed for this division; consequently, the entire change in sales is included here.

Slight improvement in adjusted EBITDA

Adjusted EBITDA improved 4 percent to €2,490 million. Although volumes declined, the substantial rise in variable costs was more than offset by raising selling prices. The adjusted EBITDA margin dropped from 15.9 percent in the prior-year period to 13.5 percent.

Adjusted EBITDA by division T07

in € million	2021	2022	Change in %
Specialty Additives	920	946	3
Nutrition & Care	717	677	–6
Smart Materials	650	684	5
Performance Materials	317	409	29
Technology & Infrastructure	97	86	–11
Enabling functions, other activities, consolidation	–318	–312	2
Evonik	**2,383**	**2,490**	**4**

The Specialty Additives, Smart Materials, and Performance Materials divisions improved their earnings contributions despite the significant increase in raw material and energy costs. In the Nutrition & Care division, earnings were slightly lower than in the previous year as a result of higher raw material costs and lower capacity utilization. The Technology & Infrastructure division contributed lower earnings, mainly because energy costs were higher. The adjusted EBITDA reported by enabling functions, other activities, including consolidation, contains, among other things, expenses for strategic research and internal reinsurance.

Sales and reconciliation from adjusted EBITDA to net income T08

in € million	2021	2022	Change in %
Sales	**14,955**	**18,488**	**24**
Adjusted EBITDA	**2,383**	**2,490**	**4**
Adjusted depreciation, amortization, and impairment losses	–1,045	–1,140	
Adjusted EBIT	**1,338**	**1,350**	**1**
Adjustments	–165	–408	
thereof restructuring	–20	–115	
thereof impairment losses/reversal of impairment losses	–27	–334	
thereof acquisition/divestment of shareholdings	–13	40	
thereof other	–105	1	
Income before financial result and income taxes, continuing operations (EBIT)	**1,173**	**942**	**–20**
Financial result	–88	–19	
Income before income taxes, continuing operations	**1,085**	**923**	**–15**
Income taxes	–316	–369	
Income after taxes, continuing operations	**769**	**554**	**–28**
Income after taxes, discontinued operations	–2	1	
Income after taxes	**767**	**555**	**–28**
thereof income attributable to non-controlling interests	21	15	
Net income	**746**	**540**	**–28**
Earnings per share	**1.60**	**1.16**	

The **adjustments** totaled –€408 million, compared with –€165 million in 2021. The restructuring expenses related mainly to the proposed sale of a business in the Performance Materials division and a new group-wide project to optimize administrative functions. The impairment losses include €301 million on goodwill in the Performance Materials division. Further impairment losses related to the assets of the Nutrition & Care division.[1] Income from the acquisition/divestment of shareholdings comprised the proceeds from the sale in the reporting period of the TAA derivatives business and a business in the Nutrition & Care division. This was countered by integration expenses for PeroxyChem, Philadelphia (Pennsylvania, USA) and the Porocel Group, Wilmington (Delaware, USA), which were acquired in 2020. The line item "Other" contains, among other things, income from the

[1] See note 6.5 to the consolidated financial statements p. 151 ff.

recognition of power derivatives, a power purchase agreement, and expenses in connection with the planned sale of a business in the Performance Materials division and the termination of a project in Russia. In the prior-year period, the adjustments mainly comprised restructuring expenses, principally for a site in the Nutrition & Care division, and expenses in connection with the settlement of a legal dispute, recognition of power derivatives, and the reorganization of the superabsorbents business.

The **financial result** improved substantially to −€19 million thanks to lower interest expense and, above all, higher interest income as a result of the higher discount rate applied to other provisions. In addition, the reduction in the interest rate applied to interest on taxes had a positive effect. The prior-year figure contained special items of €9 million, mainly for interest income in connection with the claim to the value-added tax refund in Brazil. The adjusted financial result improved from €97 million to €19 million. **Income before income taxes, continuing operations** was 15 percent lower at €923 million. The income tax rate was 40 percent, which was significantly above the group tax rate of 32 percent, principally as a result of the non-tax-deductible impairment losses on the goodwill of the Performance Materials division. The adjusted income tax rate was 29 percent. **Net income** contracted by 28 percent to €540 million, mainly due to higher impairment losses.

Reconciliation to adjusted net income T09

in € million	2021	2022	Change in %
Adjusted EBITDA	**2,383**	**2,490**	**4**
Adjusted depreciation, amortization, and impairment losses	−1,045	−1,140	
Adjusted EBIT	**1,338**	**1,350**	**1**
Adjusted financial result	−97	−19	
Adjusted amortization and impairment losses on intangible assets	162	169	
Adjusted income before income taxes[a]	**1,403**	**1,500**	**7**
Adjusted income taxes	−396	−431	
Adjusted income after taxes[a]	**1,007**	**1,069**	**6**
thereof adjusted income attributable to non-controlling interests	21	15	
Adjusted net income[a]	**986**	**1,054**	**7**
Adjusted earnings per share in €[a]	**2.12**	**2.26**	

[a] Continuing operations.

We use **adjusted net income** to assess the earnings power of the continuing operations, especially on a long-term view, and to forecast future development. The calculation starts from EBITDA[1] after adjustment for special items. The financial result is adjusted for income and expenses in connection with the purchase/disposal of shareholdings and other income and expense items that, by nature or amount, do not form part of typical current financing activities. Further, we eliminate amortization of intangible assets, which mainly results from acquisitions, and adjust income tax for taxes on special items. Adjusted net income improved by 7 percent to €1,054 million in 2022, while adjusted earnings per share increased from €2.12 to €2.26.

[1] See section 1.3 Business management systems p. 20.

Return on capital employed lower than in the previous year

Within our value-oriented management approach, our success is measured principally by **ROCE**, which was 8.3 percent in 2022 and therefore below our cost of capital, which was 9.0 percent before taxes in the reporting period.

The average **capital employed** increased by €1.4 billion to €16.2 billion. This was mainly due to capital expenditures for property, plant and equipment for our operating business and—partly as a consequence of the significant rise in raw material expenses—a considerable rise in net working capital. The decrease in the Evonik Group's ROCE resulted from the rise in capital employed. The Specialty Additives, Nutrition & Care, Smart Materials, and Technology & Infrastructure divisions posted lower ROCE, while ROCE in the Performance Materials division improved significantly.

Capital employed, ROCE, and economic value added (EVA®) T10

in € million	2021	2022
Intangible assets	5,957	6,070
+ Property, plant and equipment	6,707	7,042
+ Right-of-use assets	640	768
+ Investments recognized at equity	79	83
+ Inventories	2,170	2,992
+ Trade accounts receivable	1,761	2,201
+ Other interest-free assets	498	691
+ Assets held for sale	–	32
– Interest-free provisions	−773	−801
– Trade accounts payable	−1,572	−2,017
– Other interest-free liabilities	−668	−860
– Liabilities associated with assets held for sale	–	−9
= Capital employed[a]	**14,799**	**16,192**
Adjusted EBIT	**1,338**	**1,350**
ROCE (adjusted EBIT/capital employed) in %	**9.0**	**8.3**
Cost of capital (capital employed x WACC)	1,331	1,457
EVA® (adjusted EBIT – cost of capital)	**7**	**−107**

[a] Annual averages in each case.

ROCE by division T11

in %	2021	2022
Specialty Additives	17.7	16.3
Nutrition & Care	11.6	9.4
Smart Materials	8.1	7.3
Performance Materials	15.6	22.4
Technology & Infrastructure	−1.8	−5.7
Evonik (including enabling functions, other activities)	**9.0**	**8.3**

Year-on-year drop in EVA®

Economic value added **(EVA®)** is the difference between adjusted EBIT and the cost of capital, which is calculated by multiplying average capital employed by the average cost of capital (WACC). In 2022, EVA® was –€107 million. The year-on-year decline of €114 million was attributable to a significant rise in the operating result.

2.4 Comparison of forecast and actual performance

Despite the difficult conditions, we achieved our forecast for adjusted EBITDA. The forecast for the cash conversion rate was revised in August 2022, and we exceeded the new target.

Group sales grew by 24 percent to €18.5 billion in 2022, driven principally by significantly higher raw material and energy prices, which we were able to pass on to customers. The increase was exactly in line with our revised forecast. Adjusted EBITDA increased by 4 percent to €2.5 billion despite the difficult conditions and was therefore just in the range of €2.5 billion to €2.6 billion forecast at the beginning of the year. ROCE declined to 8.3 percent, partly due to the rise in net working capital resulting from higher raw materials. It was therefore below the prior-year level and our expectation. Cash outflows for investments in intangible assets, property, plant and equipment were €865 million and thus slightly below the expected level of around €900 million. The cash conversion rate of 32 percent exceeded the revised forecast.

Turning to our non-financial indicators, the lost time injury rate (LTI-R) was below the upper limit, but we failed to achieve our target for the process safety incident rate (PSI-R) in 2022.

Comparison of forecast and actual performance T12

Forecast performance indicators	2021	Forecast for 2022[a]	Revised forecast as of August 2022[b]	Revised forecast as of November 2022[c]	**2022**	Forecast for 2023
Group sales	€15.0 billion	Between €15.5 billion and 16.5 billion	Between €17.0 billion and €18.0 billion	Around €18.5 billion	€18.5 billion	Between €17.0 billion and €19.0 billion
Adjusted EBITDA	€2.4 billion	Between €2.5 billion and €2.6 billion	Between €2.5 billion and €2.6 billion	Between €2.5 billion and €2.6 billion	€2.5 billion	Between €2.1 billion and €2.4 billion
ROCE	9.0%	Slightly above the prior-year level	Slightly above the prior-year level	Slightly above the prior-year level	8.3%	Slightly above the prior-year level
Cash outflows for investments in intangible assets, property, plant and equipment[d]	€865 million	Around €900 million	Around €900 million	Around €900 million	€865 million	Around €975 million
Free cash flow: cash conversion rate	40%	Around 40%	Around 30%	Around 30%	32%	Above the prior year
LTI-R	0.19	Maximum 0.26	Maximum 0.26	Maximum 0.26	0.25	Maximum 0.26
PSI-R	0.48	Maximum 0.40	Maximum 0.40	Maximum 0.40	0.49	Maximum 0.40

[a] As in the financial report 2021.
[b] As in the half year financial report 2022.
[c] As in the quarterly statement on the third quarter of 2022.
[d] Capital expenditures for intangible assets, property, plant and equipment.

2.5 Performance of the divisions

2.5.1 Specialty Additives

Key figures T13

in € million	2021	2022	Change in %
External sales	3,710	4,184	13
Adjusted EBITDA	920	946	3
Adjusted EBITDA margin in %	24.8	22.6	–
Adjusted EBIT	739	753	2
Capital expenditures[a]	94	106	13
Depreciation and amortization	180	190	6
Capital employed (annual average)	4,168	4,631	11
ROCE in %	17.7	16.3	–
No. of employees as of December 31	3,693	3,824	4

[a] Capital expenditures for intangible assets, property, plant and equipment.

Higher sales

The Specialty Additives division performed well in difficult business conditions. Sales grew by 13 percent to €4,184 million thanks to higher selling prices, mainly to pass on the significant increase in raw material costs, and positive currency effects. By contrast, volumes declined. In the first half of the year, a more positive volume trend was held back by the problems with the supply of raw materials, packaging, and logistics.

Products for the construction and coating industries and for renewable energies generated considerably higher sales as a result of successful price rises to offset higher costs. Sales of additives for polyurethane foams and consumer durables also increased, primarily on price grounds. Sales of additives for the automotive sector rose because prices improved.

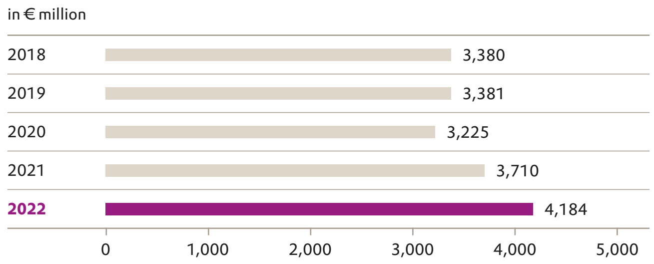
Adjusted EBITDA slightly above prior-year level

Adjusted EBITDA in the Specialty Additives division rose 3 percent year-on-year to €946 million. Upside factors were price adjustments, which more than offset the higher variable costs, and positive currency effects. The increase was held back by the decline in volumes. The adjusted EBITDA margin therefore dropped from 24.8 percent in the previous year to 22.6 percent.

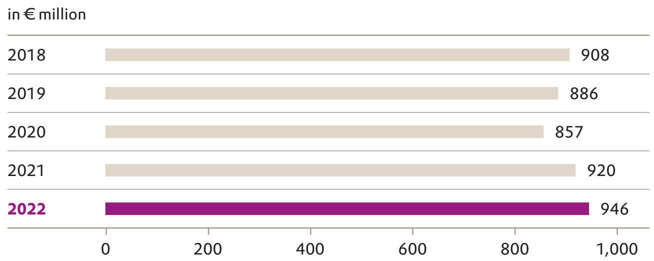
ROCE still high

Capital expenditures in the Specialty Additives division increased by 13 percent to €106 million. As in the previous year, they were substantially lower than depreciation and amortization, which amounted to €190 million. The average capital employed increased considerably to €4,631 million. ROCE dropped to 16.3 percent as a consequence of the rise in capital employed, but was nevertheless significantly above the group level.

Sales Specialty Additives C09



Adjusted EBITDA Specialty Additives C10



Investments to expand capacity for new products and process safety

In 2022, the Specialty Additives division invested amounts in the single-digit million euro range in a large number of projects at its sites in Germany, the USA, and China. While the capital expenditures in Essen and Rheinfelden (Germany) served to expand production capacity for specialty silicones, siloxanes, and silica, the investments in Marl and Herne (Germany) and Wichita (Kansas, USA) focused on process safety and product availability.

2.5.2 Nutrition & Care

Key figures T14

in € million	2021	2022	Change in %
External sales	3,557	4,237	19
Adjusted EBITDA	717	677	–6
Adjusted EBITDA margin in %	20.2	16.0	–
Adjusted EBIT	453	405	–11
Capital expenditures[a]	164	243	48
Depreciation and amortization	253	266	5
Capital employed (annual average)	3,893	4,286	10
ROCE in %	11.6	9.4	–
No. of employees as of December 31	5,453	5,690	4

[a] Capital expenditures for intangible assets, property, plant and equipment.

Sales up considerably year-on-year

The Nutrition & Care division reported a 19 percent rise in sales to €4,237 million. The increase resulted from significantly higher selling prices to compensate for higher raw material and energy costs and positive currency effects, but was held back by lower volumes.

Essential amino acids posted significant sales growth as a result of improved selling prices. Volumes were lower, mainly due to volatile demand in Asia—especially due to the Covid lockdowns in China—and a reduction in inventories in the animal nutrition industry. From mid-year, these developments also affected selling prices, which continued to drop since then, even though raw material prices remained high. Sales of health and care products increased significantly, thanks to a positive trend in active ingredients for cosmetic applications.

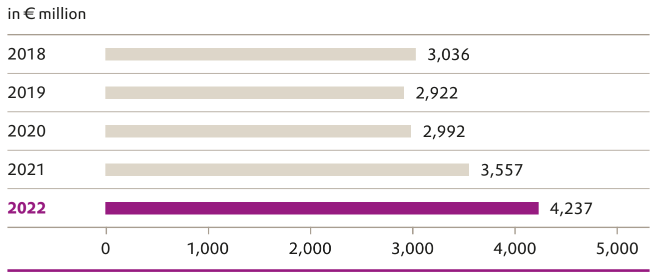
Earnings down year-on-year

Adjusted EBITDA declined by 6 percent to €677 million in the Nutrition & Care division. In the second half of the year, earnings were increasingly impacted by the declining selling prices for essential amino acids, compounded by higher raw material costs and lower capacity utilization. The adjusted EBITDA margin dropped from 20.2 percent in 2021 to 16.0 percent.

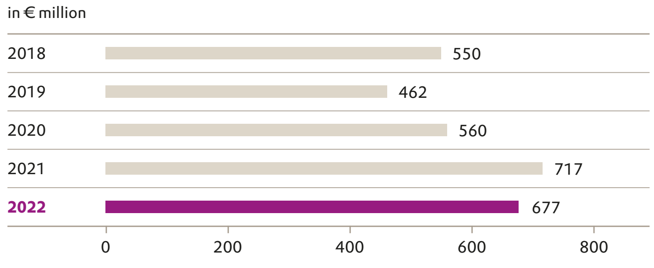
Higher capital expenditures

Capital expenditures in the Nutrition & Care division increased by 48 percent to €243 million. As a result, capital expenditures were slightly below depreciation and amortization, which amounted to €266 million. The average capital employed increased to €4,286 million. ROCE fell from 11.6 percent to 9.4 percent.

Sales Nutrition & Care C11



Adjusted EBITDA Nutrition & Care C12



Investment for future growth

The Nutrition & Care division is building a new production facility for fully biodegradable, bio-based surfactants (rhamnolipids). Production of rhamnolipids is based on the fermentation of sugar, obviating the need for crude oil and tropical oils, which have so far been essential for the production of conventional surfactants. Rhamnolipids are classed as biosurfactants and are used as active ingredients in shower gels and cleaning agents. Demand for environment-friendly surfactants is rising worldwide. This new facility at our site in Slovenská L'upca (Slovakia) is scheduled to come on stream in 2024.

To strengthen our European methionine production hub at our site in Antwerp (Belgium), a production facility for methylmercaptopropionaldehyde (MMP) was completed in Wesseling (Germany). The new production process developed for this makes it unnecessary to store acrolein at this site in the future. MMP is required for the production of methionine. We are currently building a new facility for methylmercaptan, a precursor for methionine, in Mobile (Alabama, USA). This completes the backward integration of methionine in the USA; complete backward integration has already been implemented at our production sites in Antwerp (Belgium) and Singapore. The aims are to strengthen our cost position and, at the same time, reduce our carbon footprint. In Singapore, we are extending our methionine facility to serve the Asian market. We plan to greatly reduce the specific carbon footprint of methionine production at the extended production facility by using innovative processes and green hydrogen. Start-up is scheduled for 2024.

As the world-leading supplier of drug delivery technologies, Nutrition & Care is also building a new, highly flexible world-scale production facility for pharmaceutical lipids in Tippecanoe, Lafayette (Indiana, USA). This plant is scheduled for completion in 2025. Total investment is US$220 million. The US authorities have provided support of around US$150 million for the construction of this plant, which is an investment in promising mRNA technology. Our investment in the production of lipids aims to strengthen our healthcare business and support the strategic transformation to Next Generation Evonik.

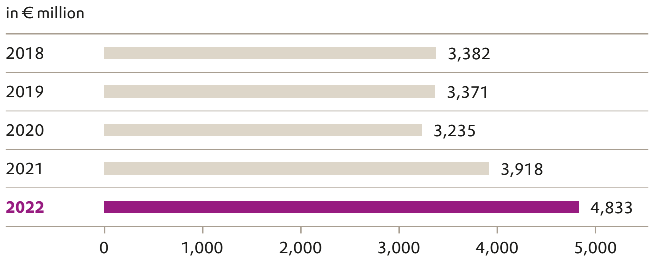
2.5.3 Smart Materials

Key figures T15

in € million	2021	2022	Change in %
External sales	3,918	4,833	23
Adjusted EBITDA	650	684	5
Adjusted EBITDA margin in %	16.6	14.2	–
Adjusted EBIT	374	367	–2
Capital expenditures[a]	379	264	–30
Depreciation and amortization	273	307	12
Capital employed (annual average)	4,637	5,044	9
ROCE in %	8.1	7.3	–
No. of employees as of December 31	7,742	7,921	2

[a] Capital expenditures for intangible assets, property, plant and equipment.

Sales Smart Materials C13



Significant increase in sales

Sales in the Smart Materials division climbed 23 percent to €4,833 million. While volumes were stable, the increase was driven by the significant rise in selling prices to pass on higher raw material costs and positive currency effects.

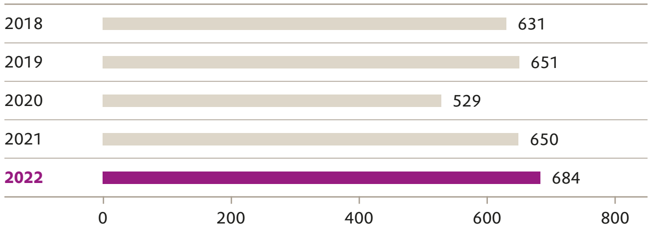
There was a substantial rise in sales of inorganic products. Demand was stable overall, and it was possible to raise selling prices significantly to recoup the rise in variable costs. Although volumes were almost unchanged, the Polymers business also registered considerably higher sales than in the prior-year period, thanks to improved selling prices.

Slight increase in adjusted EBITDA

The 5 percent rise in adjusted EBITDA in the Smart Materials division to €684 million was mainly price-driven. The adjusted EBITDA margin was 14.2 percent, which was below the previous year's level (16.6 percent).

Adjusted EBITDA Smart Materials C14

in € million



Capital expenditures down year-on-year

Capital expenditures in the Smart Materials division fell by 30 percent to €264 million and were therefore significantly below depreciation and amortization, which amounted to €307 million. Average capital employed increased by 9 percent to €5,044 million, driven mainly by higher working capital. ROCE decreased from 8.1 percent to 7.3 percent, mainly due to the increase in capital employed.

Investment projects to strengthen our market position

The Smart Materials division completed the production complex for the specialty polymer polyamide 12 (PA 12) in Marl (Germany) in 2022, increasing total PA 12 capacity by more than 50 percent. We supply this high-performance polymer worldwide to strategic growth markets such as 3D printing. This lightweight, durable polymer also makes a contribution to saving resources in many other applications such as automotive engineering. Smart Materials is building a new production plant for membranes for gas separation at its site in Schörfling (Austria). The new capacity is designed to meet rising demand for SEPURAN® membranes for applications for biogas, nitrogen, hydrogen, and natural gas. Evonik is investing an amount in the low double-digit million euros range in this new facility, which is scheduled to come into operation in 2023. In Darmstadt (Germany), Smart Materials is investing an amount in the double-digit million euro range in a new production plant for ROHACELL® to meet the continuously rising demand for structural foams, for example, from the aviation sector. Evonik has produced ROHACELL® structural foam in Darmstadt for more than 50 years. It is a core element in sandwich-structured composites. There has been a steady rise in market demand for lightweight components for various industries, ranging from medical technology through sports and components for the electronics industry to automotive and aircraft engineering.

We are optimizing the infrastructure at our site in Marl (Germany), for instance, by erecting a functional modern building to develop and test high-performance polymers. To provide the necessary capacities for the forecast demand for HPPO catalysts, we are building a new plant in Marl. This will increase energy efficiency in the process, improve energy and water consumption, and increase the raw material yield.

2.5.4 Performance Materials

Key figures T16

in € million	2021	2022	Change in %
External sales	2,911	3,660	26
Adjusted EBITDA	317	409	29
Adjusted EBITDA margin in %	10.9	11.2	–
Adjusted EBIT	188	274	46
Capital expenditures[a]	63	62	−2
Depreciation and amortization	126	134	6
Capital employed (annual average)	1,209	1,223	1
ROCE in %	15.6	22.4	–
No. of employees as of December 31	1,964	2,041	4

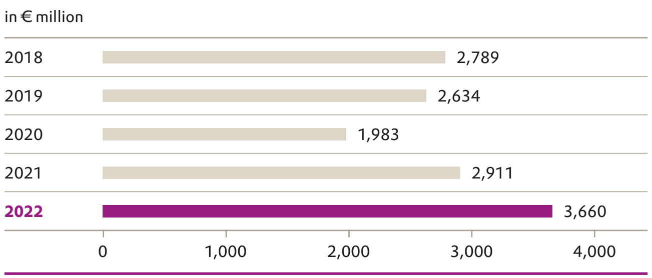
[a] Capital expenditures for intangible assets, property, plant and equipment.

Significant increase in sales

Sales in the Performance Materials division increased by 26 percent to €3,660 million, with contributions coming from significantly higher prices and positive currency effects, whereas volumes decreased considerably.

The C_4 business reported lower demand, but sales were up slightly as a result of the improvement in selling prices. The alkoxides business benefited from successful price rises and reported a significant increase in sales. Sales of superabsorbents rose significantly due to higher selling prices, mainly to recoup the increase in raw material costs, and improved market conditions.

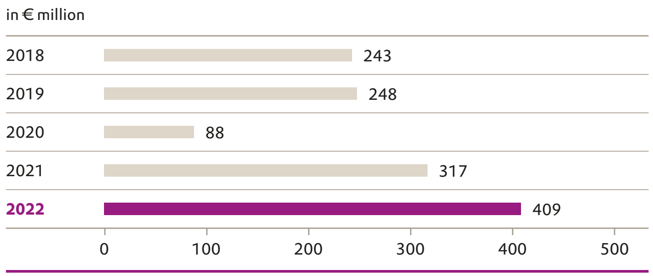
Sales Performance Materials C15



Further increase in adjusted EBITDA

In the Performance Materials division, adjusted EBITDA rose 29 percent to €409 million, principally due to the improvement in selling prices. The adjusted EBITDA margin increased from 10.9 percent to 11.2 percent.

Adjusted EBITDA Performance Materials C16



Better return on capital employed

Investment in the Performance Materials division aims to secure its leading market positions, raise efficiency, and broaden the technology base. Capital expenditures were €62 million, which was slightly below the prior-year level and considerably lower than depreciation and amortization (€134 million). The average capital employed increased slightly to €1,223 million. Thanks to the increase in earnings, ROCE improved from 15.6 percent to 22.4 percent.

Selective investment

The Performance Materials division has undertaken investment in the double-digit million euro range to increase production capacity for isobutene derivatives in Marl (Germany). The isobutene section of the C_4 production hub produces the petrochemical specialties tertiary butanol (TBA), di-isobutene (DiB), and 3,5,5-trimethylhexanal (TMH). This investment has increased production capacity for isobutene derivatives by more than 50 percent. Moreover, customers benefit from improvements in the reliability of supply, flexibility, and product quality.

2.5.5 Technology & Infrastructure

Key figures T17

in € million	2021	2022	Change in %
External sales	798	1,508	89
Adjusted EBITDA	97	86	–11
Adjusted EBITDA margin in %	12.2	5.7	–
Adjusted EBIT	–15	–53	–
Capital expenditures[a]	162	120	–26
Depreciation and amortization	108	121	12
Capital employed (annual average)	827	926	12
ROCE in %	–1.8	–5.7	–
No. of employees as of December 31	8,152	8,367	3

[a] Capital expenditures for intangible assets, property, plant and equipment.

The Technology & Infrastructure division generates sales internally, mainly with the chemicals divisions (2022: €1,709 million), and externally. External sales increased by 89 percent to €1,508 million, driven principally by higher natural gas and electricity prices in energy trading with external customers at our sites and for sales via energy exchanges. Adjusted EBITDA fell 11 percent to €86 million due to the increase in the cost of supplying energy.

Investments to reduce CO_2 emissions

Capital expenditures in the Technology & Infrastructure division decreased by 26 percent to €120 million and were around the same level as depreciation and amortization (€121 million). This division completed projects to build two state-of-the-art gas and steam turbine power plants at Marl Chemical Park in Germany. These highly efficient co-generation plants generate electricity and steam from natural gas, liquefied petroleum gas (LPG), and off-gases from chemical production, paving the way for continued reliable and flexible energy supply to the site. The two new plants have total efficiency of over 90 percent. Together, they have total rated power of 270 megawatts electricity and can generate up to 660 metric tons of steam per hour. In the future, it will be possible to operate the gas turbines partially—and following technical adaptation completely—with hydrogen. Flexible load management means the plants will also play a part in compensating for fluctuations in the amount of energy from renewable resources fed into the power network. That is a vital building block in the energy transition.

As a consequence of the present energy crisis, Evonik is continuing to operate its coal-fired power plant in Marl (Germany) beyond 2022. Therefore, the chemical park can use coal, LPG, and natural gas to meet its energy requirements. In addition, off-gases from chemical production can be used in the new gas-fired power plant. The fuel mix can be adjusted at short notice to respond to energy demand at the chemical and the current supply situation.

2.6 Regional development

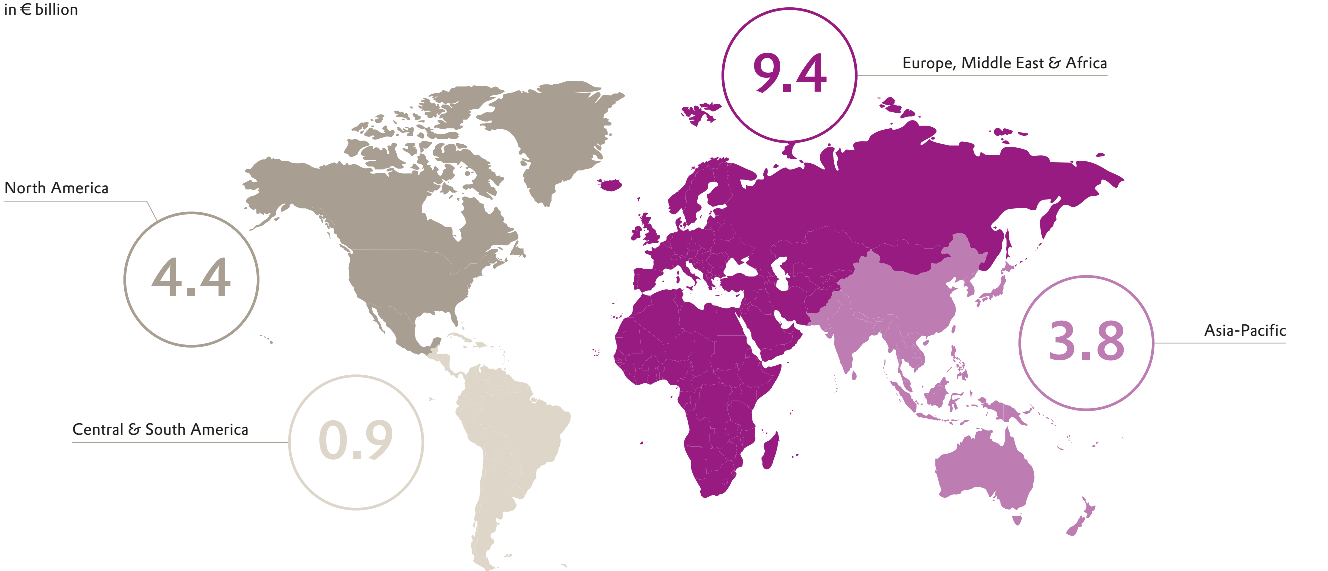
A global presence

We generated 84 percent of sales outside Germany in 2022.

Sales in **Europe, Middle East & Africa** (EMEA) were 27 percent higher at €9,360 million. In Germany, sales amounted to €2,904 million, up 18 percent year-on-year. All divisions in the EMEA region posted growth, especially the Technology & Infrastructure and Performance Materials divisions. This region accounted for 51 percent of the Evonik Group's sales. Capital expenditures were €569 million, which was below the prior-year level (2021: €713 million). Construction of a production facility for methylmercapto-propionaldehyde (MMP), a precursor for the production of methionine, was completed in Wesseling (Germany) to strengthen integrated methionine production with our site in Antwerp (Belgium). At our site in Marl (Germany), a production complex for the specialty polymer polyamide 12 and two gas and steam turbine power plants were completed. At this site, we also erected an innovative building for developing and testing high-performance polymers and expanded production capacity for HPPO catalysts. In Austria, we are currently investing in construction of a production facility for SEPURAN® membranes for gas separation. Investment at the Slovenská L'upca site in Slovakia comprised the construction of a production plant for sugar-based and thus fully biodegradable rhamnolipids.

Sales by region [a] C17

in € billion



[a] By location of customer.

In **North America,** sales rose 26 percent to €4,392 million, driven principally by significant increases in the Smart Materials, Nutrition & Care, and Specialty Additives divisions. This region accounted for 24 percent of group sales. Capital expenditures were €203 million, significantly higher than the prior-year level of €138 million. At our site in Mobile (Alabama, USA), we erected a production facility for methylmercaptan, enabling backward integration of our methionine production analogously to our production sites in Antwerp (Belgium) and Singapore.

Sales rose 39 percent to €952 million in **Central & South America,** and this region accounted for 5 percent of Group sales. The strong growth in this region came mainly from the Nutrition & Care division.

In the **Asia-Pacific** region, sales climbed 11 percent to €3,784 million. The strongest growth driver in this region was the Smart Materials division, and the region accounted for 20 percent of group sales. Capital expenditures were €75 million, which was above the prior-year level of €65 million.

2.7 Earnings position

Year-on-year drop in income before income taxes, continuing operations

The general increase in prices affected both the sales and the cost side: Sales rose 24 percent to €18.5 billion as selling prices were raised to recoup the significant increase in variable costs. Currency effects were positive. The cost of sales increased by 30 percent, driven principally by higher raw material prices. The gross profit improved by 5 percent to €4,231 million. Selling expenses rose by 19 percent, partly due to the price-related increase in freight costs. There was only a slight change in research and development and administrative expenses. The administrative area benefited from measures derived from optimization projects. Selling, research & development, and administrative expenses were affected by higher factor costs, which reduced earnings but were partially offset by lower earnings-related remuneration components. Other operating income rose 70 percent to €358 million. This was due to higher income from the disposal of assets and from business insurance. Other operating expense was 75 percent higher than in the previous year, mainly because of the impairment loss on goodwill in the Performance Materials division. Income before financial result and income taxes, continuing operations decreased by 20 percent to €942 million.

Income statement for the Evonik Group T18

in € million	2021	2022	Change in %
Sales	14,955	18,488	24
Cost of sales	−10,925	−14,257	30
Gross profit on sales	**4,030**	**4,231**	**5**
Selling expenses	−1,717	−2,035	19
Research and development expenses	−464	−460	−1
General administrative expenses	−546	−554	1
Other operating income	211	358	70
Other operating expense	−349	−610	75
Result from investments recognized at equity	8	12	50
Income before financial result and income taxes, continuing operations	**1,173**	**942**	**−20**
Financial result	−88	−19	78
Income before income taxes, continuing operations	**1,085**	**923**	**−15**
Income taxes	−316	−369	17
Income after taxes, continuing operations	**769**	**554**	**−28**
Income after taxes, discontinued operations	−2	1	−150
Income after taxes	**767**	**555**	**−28**
thereof income attributable to non-controlling interests	21	15	−29
Net income (earnings attributable to shareholders of Evonik Industries AG)	**746**	**540**	**−28**

Lower net income

There was a significant improvement in the financial result. This was mainly due to higher interest income on other provisions, but the reduction in the interest rate applied to interest on taxes also had an effect. The increase in the financial result was held back by higher costs for currency hedging due to the increase in interest rates. Income before income taxes, continuing operations was 15 percent lower at €923 million. Contrary to the earnings trend, income tax expense increased to €369 million because the impairment loss on the goodwill of the Performance Materials division was not tax-deductible. Non-controlling interests in after-tax income comprised the pro rata profits of fully consolidated subsidiaries that are attributable to shareholders outside the Evonik Group. Net income declined to €540 million.

2.8 Financial condition

Central financial management

The principal objectives of financial management are safeguarding the financial independence of the Evonik Group and limiting financial risks. We therefore apply a central financing strategy. Borrowing and bond issuance are normally undertaken by Evonik Industries AG. To reduce external borrowing, surplus liquidity at Group companies is placed in a cash pool at Group level to cover financing requirements in other Group companies through intragroup loans. Currency derivatives are used at Group level to hedge intragroup loans. Evonik has a flexible range of corporate financing instruments to meet liquidity requirements for operating activities, investments, and the repayment of financial debt.

Solid investment grade rating

Evonik has a solid investment grade rating. It has a rating of Baa2 from Moody's and BBB+ from Standard & Poor's (S&P)—with a stable outlook in each case. Maintaining a solid investment grade rating is a central element in our financing strategy and one of the Evonik Group's financial targets. In this way, we gain access to a broad investor base on appropriate financing terms and thus maintain our financial flexibility. A solid investment grade rating gives banks, investors, customers, and suppliers a reliable basis for a long-term business relationship with Evonik.

Cash flow statement (excerpt) T19

in € million	2021	2022
Cash flow from operating activities, continuing operations	1,815	1,650
Cash outflows for investments in intangible assets, property, plant and equipment	–865	–865
Free cash flow	**950**	**785**
Cash flow from other investing activities, continuing operations	–205	88
Cash flow from financing activities, continuing operations	–856	–672
Change in cash and cash equivalents	**–111**	**201**

Free cash flow below prior-year level

The **cash flow from operating activities, continuing operations,** decreased by €165 million to €1,650 million. This was mainly attributable to higher bonus payments for 2021 compared with the previous year and a slightly higher rise in net working capital.

The **free cash flow** was therefore €165 million lower than in the previous year at €785 million. The cash conversion rate[1] was 32 percent (2021: 40 percent).

All other investing activities resulted in a cash inflow of €88 million, mainly the proceeds from the sale of the TAA derivatives business in the Specialty Additives division and a business in the Nutrition & Care division. The cash outflow of €672 million for financing activities was principally due to the payment of the dividend of €545 million for 2021, while the repayment and addition of financial debt were basically balanced.

[1] Ratio of free cash flow to adjusted EBITDA.
[2] See note 4.2 to the consolidated financial statements p. 135.

Higher net financial debt

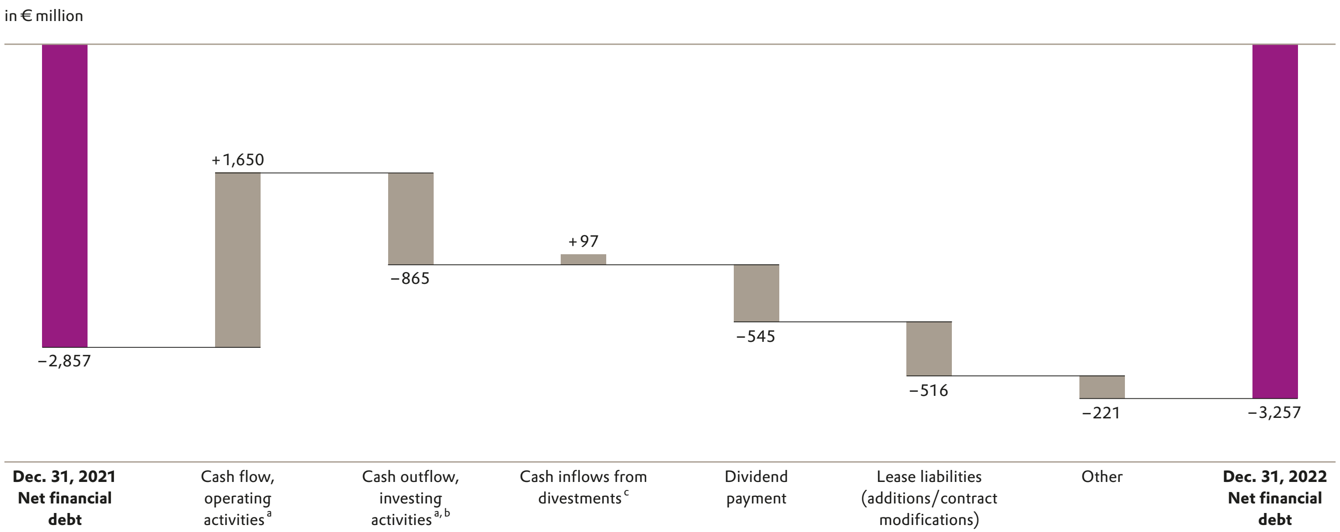
Net financial debt was €3,257 million, an increase of €400 million compared with December 31, 2021. The free cash flow of €785 million was offset by cash outflows of €545 million for the dividend for fiscal 2021 and additions of lease liabilities, especially due to the start-up of the gas and steam power plants in Marl (Germany).

Net financial debt T20

in € million	Dec. 31, 2021	**Dec. 31, 2022**
Non-current financial liabilities[a]	−3,527	−4,074
Current financial liabilities[a]	−232	−243
Financial debt	**−3,759**	**−4,317**
Cash and cash equivalents	456	645
Current securities	446	413
Other financial investments	–	2
Financial assets	**902**	**1,060**
Net financial debt as stated on the balance sheet	**−2,857**	**−3,257**

[a] Excluding derivatives, excluding the refund liability for rebate and bonus agreements.

Change in net financial status C18



[a] Continuing operations.
[b] Cash outflows for investments in intangible assets, property, plant and equipment.
[c] Cash inflows relating to the loss of control over businesses.

Successful issuance of second green bond

At year-end 2022, the financial debt of €4,317 million comprised five bonds with a total carrying amount of €2,947 million, Schuldschein loans totaling €252 million, lease liabilities totaling €947 million, bank loans totaling €71 million, and other financial liabilities of €100 million.

The bond due in January 2023, which had a nominal value of €750 million, was fully redeemed in October 2022 by exercising a right of early termination. To refinance this bond, in May 2022, Evonik Industries AG issued a **green bond** with a nominal value of €750 million and a tenor of 5 years and 4 months. The issue price was 99.386 percent, and the annual coupon is 2.25 percent. Following the green hybrid bond issue in August 2021 with a nominal value of €500 million, this is the second green bond issued under the Green Finance Framework published in August 2021, integrating sustainability even more closely into the financial strategy. The proceeds from the issue will be used primarily to fund investment in our Next Generation Solutions[1]. To further strengthen liquidity, in August 2022, we issued Schuldschein loans with a nominal value of €250 million and tenors of three, four, and seven years in several fixed and floating rate tranches.

[1] Next Generation Solutions are products and solutions, which our analysis shows have a strongly positive sustainability profile that is above or even well above the market reference level.

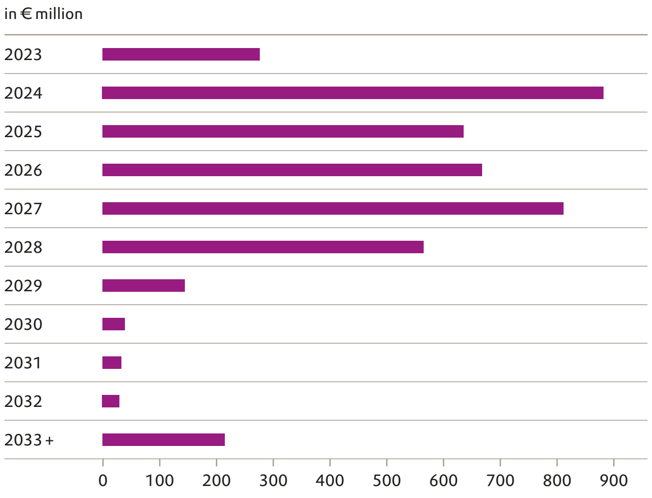
As of the reporting date, five bonds with a nominal value of €3.0 billion were outstanding:

Bonds T21

	Nominal value in € million	Rating (S&P/Moody's)	Maturity	Coupon in %	Issue price in %
Evonik Industries AG					
Bond 2016/2024[a]	750	BBB+/Baa2	Sep. 7, 2024	0.375	99.490
Bond 2020/2025[a]	500	BBB+/Baa2	Sep. 18, 2025	0.625	99.599
Bond 2022/2027[a]	750	BBB+/Baa2	Sep. 25, 2027	2.250	99.386
Bond 2016/2028[a]	500	BBB+/Baa2	Sep. 7, 2028	0.750	98.830
Hybrid bond 2021/2081[b]	500	BBB–/Ba1	Sep. 2, 2081	1.375	99.375

[a] Issued under the debt issuance program.
[b] The formal tenor of the bond is 60 years, and Evonik has an initial redemption right in 2026.

Maturity profile of financial liabilities C19



As of December 31, 2022.
The hybrid bond is included in 2026 (when Evonik has its first right of redemption).

Around 93 percent of the Evonik Group's non-derivative financial liabilities are denominated in euros. Including currency derivatives concluded for financing purposes, around 73 percent of financial liabilities are denominated in euros, 14 percent in US dollars, 11 percent in Singapore dollars, and 2 percent in other currencies.

Early refinancing of syndicated credit facility; liquidity reserve increased

As of December 31, 2022, Evonik had cash and cash equivalents amounting to €645 million and current securities totaling €413 million. In addition, Evonik has a €1.75 billion syndicated revolving credit facility as a central source of liquidity. The credit facility, which originally ran until June 2024, was refinanced with a group of 16 core banks in November 2022. The amount of this credit facility is unchanged; it runs for five years and there are two extension options of one year each, so it ends at the latest in November 2029. The syndicated credit facility represents the Evonik Group's long-term liquidity reserve and was not utilized in fiscal 2022. It still does not contain any covenants requiring Evonik to meet certain financial ratios. In addition, existing bilateral revolving credit facilities were increased to €800 million. These had not been drawn as of December 31, 2022. They are available alongside the syndicated credit facility as an additional liquidity reserve for Evonik Industries AG.

Significant reduction in pension provisions

Pension provisions account for nearly one-third of our net debt (sum of net financial debt and pension provisions). They are non-current and depend on the discount rate as specified in IAS 19. Compared with year-end 2021, pension provisions declined by €2,407 million to €1,359 million. This is mainly attributable to the significant rise in the discount rate. The funding of pension obligations[1] was 84 percent as of the reporting date and thus still at a solid level in line with the industry norm[2].

Capital expenditures down slightly year-on-year

Investment projects are aimed at utilizing potential for sustained profitable growth and value creation, as well as maintaining the value and availability of the existing property, plant and equipment. Evonik is therefore expanding in specialty chemicals businesses and markets where it already has—or intends to build—a strong competitive position. Every project is required to undergo detailed economic and strategic analyses. Evonik expects all projects to meet a minimum return requirement, which is the cost of capital. With regard to the expansion of our market positions, all projects are regularly reviewed for changes in the market situation.

[1] Ratio of plan assets to pension obligations.
[2] Internal evaluation of other chemical companies based on 2021.

Capital expenditures[1] were €856 million. That was below the prior-year level of €929 million, which contained major projects. There is a slight timing difference in outflows for property, plant and equipment as a result of payment terms. In the reporting period, outflows for capital expenditures totaled €865 million, as in the previous year. The Smart Materials division accounted for the highest share of capital expenditures (31 percent). The Nutrition & Care division accounted for 28 percent, the Infrastructure & Technology division for 14 percent, the Specialty Additives division for 12 percent, and the Performance Materials division for 7 percent. Regionally, capital expenditures were focused on the Europe, Middle East & Africa region (66 percent), followed by North America (24 percent), and Asia-Pacific (9 percent).

Major projects completed or virtually completed in 2022 T22

Project	Location
Smart Materials	
Completion of the expansion of production capacity for polyamide 12	Marl (Germany)
Nutrition & Care	
Construction of a production facility for methylmercapto-propionaldehyde	Wesseling (Germany)
Performance Materials	
Expansion of production capacity for isobutene derivatives	Marl (Germany)
Technology & Infrastructure	
Erection of two gas and steam turbine power plants	Marl (Germany)

For further information on current capital expenditure projects, see section 2.5 Performance of the divisions p. 29 ff.

Financial investments amounted to €48 million. They included the venture capital investments.

2.9 Asset structure

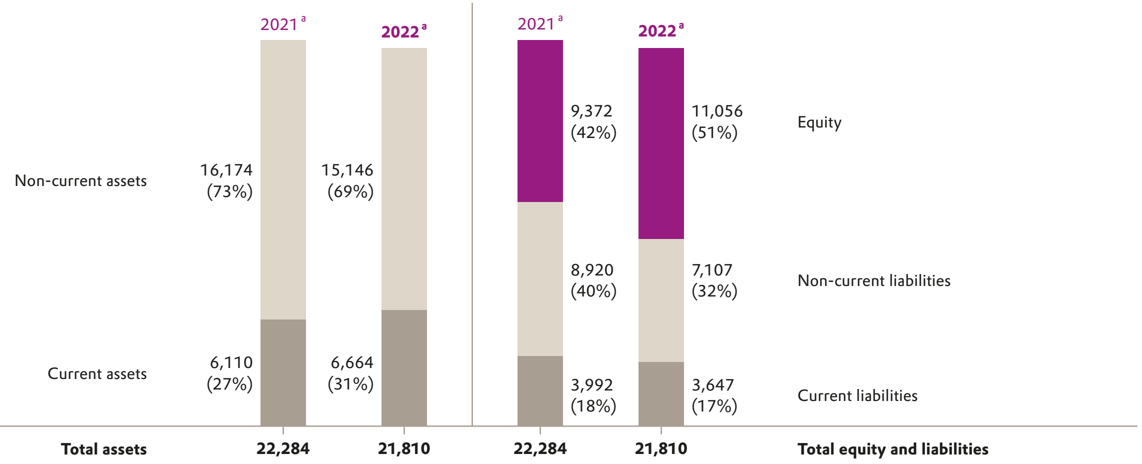
Reduction in total assets

As of December 31, 2022, total assets were €0.5 billion lower at €21.8 billion. Non-current assets decreased by €1.1 billion to €15.1 billion. The reduction was attributable to the decrease in deferred tax assets resulting from the remeasurement of pension obligations and the impairment loss on goodwill in the Performance Materials division. By contrast, there was an increase in right-of-use assets and currency effects. In all, non-current assets made up 69 percent of total assets (2021: 73 percent). Current assets increased by €0.6 billion to €6.7 billion. This was partly due to an increase in inventories, which was driven by raw material and energy prices. In addition, cash and cash equivalents were increased by the issuance of Schuldschein loans. Current assets therefore increased slightly to 31 percent of total assets (2021: 27 percent).

Equity increased by €1.7 billion to €11.1 billion because the after-tax effect of the remeasurement of pension obligations was recognized directly in equity. Currency effects also contributed to the rise in equity. The equity ratio increased from 42 percent to 51 percent. Non-current debt decreased by €1.8 billion to €7.1 billion. This was principally due to the reduction in pension provisions, which was mainly attributable to the increase in the discount rate. The increase in lease liabilities had a countereffect. Non-current liabilities decreased from 40 percent to 32 percent of total equity and liabilities. The €0.4 billion reduction in current liabilities to €3.6 billion was mainly due to a decline in liabilities to suppliers.

Balance sheet structure of the Evonik Group C20

in € million



[a] As of December 31.

[1] Capital expenditures for intangible assets, property, plant and equipment. For information on purchase commitments, see note 9.6 to the consolidated financial statements p. 199 f.

3. PERFORMANCE OF EVONIK INDUSTRIES AG

NEXT GENERATION EVONIK

EMPLOYMENT

WHAT IS THE STRATEGY FOR THE GERMAN SITES?

Next Generation Evonik is aligning Evonik even more closely with specialty chemicals and high-margin businesses with sustainable products—worldwide, including in Germany. We will be investing about €4 billion in Germany up to 2030. That is half of our total capital expenditures.

€1.17 Dividend per share

6.5% Dividend yield

Evonik Industries AG, Essen (Germany), is the parent company of the Evonik Group. It holds direct and indirect stakes in all subsidiaries in the Evonik Group. The annual financial statements for Evonik Industries AG have been prepared in accordance with the accounting standards set out in the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

Earnings position

The earnings performance of Evonik Industries AG is essentially dependent on income from its subsidiaries, income and expenses relating to corporate financing, and portfolio management activities. Financial management is therefore based on net income as an earnings indicator that contains all these effects and forms the basis for the ability of Evonik Industries AG to pay a dividend.

Income statement for Evonik Industries AG T23

in € million	2021	2022
Sales	509	526
Other own work capitalized	7	3
Other operating income	500	703
Cost of materials	−56	−51
Personnel expense	−367	−451
Depreciation and amortization of intangible assets, property, plant and equipment	−24	−22
Other operating expense	−760	−1,063
Operating result	**−191**	**−355**
Income from investments	996	279
Write-downs of financial assets and current securities	−2	−7
Write-ups of financial assets and current securities	4	5
Net interest income/expense	15	−112
Income before income taxes	**822**	**−190**
Income taxes	−90	−33
Income after taxes	**732**	**−223**
Net income (+)/net loss (−)	**732**	**−223**
Profit carried forward from the previous year	–	165
Withdrawals from (+) other retained earnings	–	603
Allocations to (−) other retained earnings	−22	–
Distributable profit	**710**	**545**

The €17 million increase in sales to €526 million was due principally to higher invoicing of IT services. The cost of materials decreased by €5 million to €51 million. Higher pension expenses were the main reason for the rise in personnel expense to €451 million, which was 23 percent more than in the previous year. Other operating income rose to €703 million, mainly as a result of currency translation gains. Due to the ban on netting in section 246 paragraph 2 of the German Commercial Code (HGB), currency translation gains of €659 million (2021: €454 million) are shown in other operating income, while the corresponding currency translation losses of €686 million (2021: €428 million) are shown separately in other operating expense. The net effect was a loss of €27 million (2021: gain of €26 million).

Income from investments fell by €717 million to €279 million, mainly as a result of pension effects at German subsidiaries, which led to lower profit transfers. Write-downs of €7 million were made on current securities in the reporting period. Write-ups of €5 million on financial assets were recognized for stakes in affiliated companies.

The net interest position declined significantly year-on-year from €15 million to −€112 million. The main reason was an expense in connection with the valuation of pension assets. In the previous year, this item contained income from repayment penalties resulting from early termination of intragroup loan agreements; no such income was recorded in the reporting period. Net interest also contains interest income and expense from the group-wide cash pool, which is concentrated at Evonik Industries AG.

Income before income taxes was impacted principally by pension valuation effects, both at Evonik Industries AG and at the German subsidiaries with which it has profit-and-loss transfer agreements. Income before taxes declined to –€190 million. Income tax expense was €33 million, compared with €90 million in 2021. The decrease was mainly attributable to lower taxable income in 2022 compared with 2021.

The net income of Evonik Industries AG, calculated on the basis of the German Commercial Code, decreased by €955 million year-on-year, resulting in a **net loss** of €223 million. Following the withdrawal of €602,701,103 from retained earnings and taking into account the profit of €164,780,000 carried forward from the previous year, net income was €545,220,000. A proposal will be put to the annual shareholders' meeting that the entire distributable profit should be used to pay a paid a **dividend** of €1.17 per share.

The total assets of Evonik Industries AG dropped from €13.6 billion in the previous year to €12.9 billion. Financial assets mainly comprise shares in subsidiaries. Financial assets declined from €8.1 billion to €7.8 billion, chiefly as a result of repayment of capital by subsidiaries. The receivables mainly comprise financial receivables of €4.2 billion (2021: €4.5 billion), principally in connection with cash pooling activities and intragroup loans. Securities comprise units totaling €409 million in two specialized funds, which were purchased in 2019.

Asset structure

Balance sheet for Evonik Industries AG T24

in € million	Dec. 31, 2021	Dec. 31, 2022
Intangible assets, property, plant and equipment	59	57
Financial assets	8,131	7,836
Non-current assets	**8,190**	**7,893**
Receivables and other assets	4,771	4,317
Securities	445	409
Cash and cash equivalents	154	299
Current assets	**5,370**	**5,025**
Deferred income	30	29
Total assets	**13,590**	**12,947**
Issued capital	466	466
Capital reserve	722	723
Retained earnings	4,138	3,535
Distributable profit	710	545
Equity	**6,036**	**5,269**
Provisions	804	1,002
Other liabilities	6,747	6,673
Deferred income	3	3
Total equity and liabilities	**13,590**	**12,947**

Equity decreased by €0.8 billion to €5.3 billion. The main reasons for this were the dividend payment in 2022 and the net loss. The equity ratio decreased from 44.5 percent in 2021 to 40.7 percent. The receivables and liabilities reflect the group-wide financing activities of Evonik Industries AG in its role as the holding company for the Group. Payables include financial liabilities of €6.5 billion (2021: €6.6 billion). €3.3 billion (2021: €3.6 billion) of this amount comprises liabilities to affiliated companies, principally in connection with cash pooling activities. A further €3.0 billion (2021: €3.0 billion) relates to corporate bonds.

Financial position

Evonik Industries AG plays a central role in the financial management of the Evonik Group.[1] Borrowing and bond issuance are normally undertaken by Evonik Industries AG.

The bond due in January 2023, which had a nominal value of €750 million, was fully redeemed in October 2022 by exercising a right of early termination. To refinance this bond, in May 2022, Evonik Industries AG issued a green bond with a nominal value of €750 million. To further strengthen liquidity, Schuldschein loans with a nominal value of €250 million were issued in August 2022. Extensive information on this and on central financial management can be found in section 2.8 Financial condition p. 37 ff.

As of December 31, 2022, Evonik Industries AG had cash and cash equivalents amounting to €299 million and current securities totaling €409 million. In addition, Evonik Industries AG has a €1.75 billion revolving credit facility as a central source of liquidity. Furthermore, the bilateral revolving credit facilities were increased to €800 million. These had not been drawn as of December 31, 2022. They are available alongside the syndicated credit facility as an additional liquidity reserve for Evonik Industries AG.[1]

At Evonik Industries AG, additions to intangible assets amounted to €5 million in the reporting period (2021: €17 million), and additions of property, plant and equipment totaled €15 million (2021: €10 million). The additions to property, plant and equipment mainly resulted from the procurement of IT equipment.

Opportunities and risks

The most significant operating subsidiaries in Germany have profit-and-loss transfer agreements with Evonik Industries AG. In line with the central financing strategy of the Evonik Group, most internal and external financing transactions are handled by Evonik Industries AG. Consequently, Evonik Industries AG is essentially exposed to the same risks and opportunities as the Evonik Group. Further information can be found in section 6. Opportunity and risk report p. 81 ff.

Outlook[2] for 2023

We expect the earnings of Evonik Industries AG to increase significantly year-on-year in 2023. We assume that expenses for the measurement of pension provisions and pension assets will be lower. That will also be reflected in a significant increase in income from investments. By contrast, optimization of legal structures at our investments could result in merger losses.

Report on relations with affiliated companies

A report on Evonik Industries AG's relations with affiliated companies has been prepared in accordance with section 312 of the German Stock Corporation Act (AktG). It concludes with the following declaration: "Our company received adequate remuneration or compensation for each of the transactions set out in this report on relations with affiliated companies under the circumstances known to us at the time when the transactions were undertaken. No actions were performed or omitted at the instigation of such companies."

[1] See section 2.8 Financial condition p. 37 ff.
[2] For details of the assumptions, see section 7. Report on expected developments p. 93 ff.

4. RESEARCH AND DEVELOPMENT

NEXT GENERATION EVONIK

LEADING IN INNOVATION

INNOVATION LEADER IN THE CHEMICAL INDUSTRY— HOW DO WE DO IT?

Our innovative strength is a key lever for green and profitable growth. We invest in research and development (R&D) activities in a targeted manner, particularly in our growth divisions, Specialty Additives, Nutrition & Care, and Smart Materials. They are consistently focused on delivering innovative solutions—for the issues that will be of importance to industry and end-customers in the coming decades.

€460 million
R&D expenses

2.5%
R&D ratio

Approx.
24,000
patents and pending patents

Our goal: leading in innovation

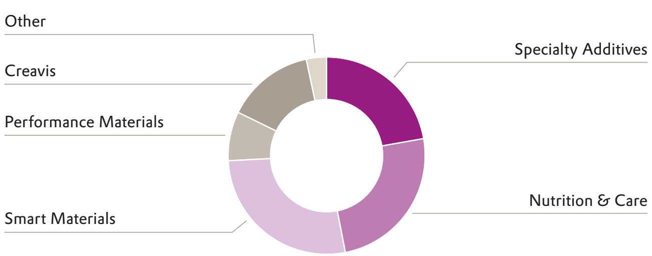
Innovations play a key role in aligning Evonik systematically with sustainability and profitable growth. We aim to support our customers by working closely with them, so they can achieve their own climate protection, circularity, and biodiversity targets. Examples of our innovative contribution to a sustainable transformation are our membrane technologies and our lipid nanoparticles for modern mRNA vaccines.

Sustainability is integrated into the management of our innovation portfolio. The aim is to improve both our handprint[1] and our footprint. Therefore, there are deliberate personnel overlaps between the research, development & innovation (RD&I) council and the sustainability council. We use strategic perspectives to allocate our research and development resources. These include an intensive sustainability assessment using the methodology that has become established for the sustainability analysis of our business[2]. Idea to Profit is used to manage our R&D projects—from the idea through systematic development to profitable commercialization.

Our innovative capability enables us to open up opportunities in new, future-oriented businesses in six innovation growth fields:

- **Sustainable Nutrition:** establishing additional products and services for sustainable nutrition of livestock and people
- **Healthcare Solutions:** developing new materials for implants, as components of cell culture media, and for custom-tailored, innovative drug formulations
- **Advanced Food Ingredients:** creating a portfolio of health-enhancing substances and nutritional supplements as a contribution to healthy nutrition
- **Membranes:** extending membrane technology for efficient gas separation to further applications
- **Cosmetic Solutions:** developing further products based on natural sources for cosmetics and sensorially optimized formulations for skincare products
- **Additive Manufacturing:** developing products and technologies for 3D printing

Breakdown of R&D expenses C21



Our aim is to generate additional sales[3] of over €1 billion with these innovation growth fields by 2025. We are making good progress towards this. Our R&D activities are guided by our RD&I function. This comprises the R&D teams of the growth divisions, innovation management, Creavis, which is our business incubator and strategic research institute, and Evonik Venture Capital. The strategic framework for our R&D is set by the RD&I council, which also manages the targeted allocation of human and financial R&D resources. It is chaired by the member of the executive board responsible for chemicals and innovation. Other members are the chief innovation officer, the head of Corporate Strategy, and the heads of the divisions.

Creavis serves the Evonik Group as an innovation driver for resource-saving solutions with a perspective that goes beyond 2025. In this role, it develops transformative innovations that go beyond the product and market focus of the operational units. Creavis bundles its activities in three incubation clusters:

- The Defossilation cluster helps industries become less dependent on fossil raw materials by developing high-growth solutions that make a contribution to the transition to a circular, climate-neutral economy.
- The Life Sciences cluster focuses on novel concepts for resource-efficient and sustainable food production for the world's continuously growing population. Another focal area is preventing and curing diseases, especially as many people are living to an advanced age.
- Solutions Beyond Chemistry fosters traceable, safe, and circular value chains based on domain knowledge and data-based solutions. These increase the transparency, effectiveness, and sustainability of industrial systems.

Our **venture capital** activities facilitate early insight into innovative technologies and business models. By collaborating with start-ups around the world, Evonik gains faster access to attractive future technologies and markets. The Evonik Group has

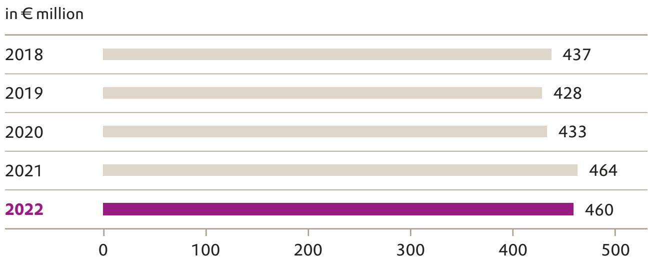
1 We consider our handprint to be the positive impacts of our products along the value chain compared with other established products and applications on the market, especially in customers' applications.
2 See section 5.1 Sustainability strategy p. 50 ff.
3 With products introduced in or after 2015.

made more than 50 investments since the establishment of Evonik Venture Capital in 2012. In May 2022, we set up a new Sustainability Tech Fund with a total investment volume of €150 million. This is oriented, on the one hand, towards climate-neutral technologies and business models and, on the other, towards innovative technologies that complement our Next Generation Solutions. In the reporting period, Evonik invested in the sustainability fund Azolla Ventures Full-Cycle Fund I, LP and prepared to invest in Chrsysalix Venture Capital's Carbon Neutrality Fund. Both concentrate on technologies to reduce CO_2.

Global research network

RD&I has more than 40 locations worldwide and around 2,700 R&D employees. R&D expenses totaled €460 million in 2022. The ratio of R&D expenses to sales was 2.5 percent (2021: 3.1 percent). At present, our operational chemicals divisions account for around 85 percent of our R&D expenses, while Creavis accounts for 15 percent. In the reporting period, some of our projects received funding from the European Union or the Federal Republic of Germany. In all, we received funding of around €5.2 million. Evonik has an extensive patent strategy to protect new products and processes. The value and quality of our patent portfolio have increased steadily in recent years. 256 new patent applications were submitted in 2022, and we had around 24,000 patents and pending patents.

R&D expenses C22



To position ourselves close to our customers with our innovative ideas, we have innovation hubs in attractive growth regions. We pressed ahead with this globalization strategy in the reporting period, for example, by opening a new innovation hub at our location in Allentown (Pennsylvania, USA). This hub comprises several state-of-the-art development and test laboratories and a pilot plant and creates 50 new jobs for scientists, engineers, and laboratory technicians in the Lehigh Valley region around Allentown. The expansion of this site makes it our leading research, development, and innovation center in North America.

Our progress in 2022

In the reporting period, we drove forward many research projects with which we are making a contribution to the transition to sustainability and more efficient use of resources.

The new Home of Polyurethanes at our location in Istanbul (Turkey) strengthens our technical service for customers in Turkey and the whole of the Middle East and Africa. This laboratory facility and center of excellence plays a key role in triggering the local development of new product solutions so we can unlock new business potential in this attractive region. The state-of-the-art facility offers customers digital analysis methods for polyurethane (PU) foam applications, technical service, and customized training opportunities.

In China, Evonik has launched a new portfolio of processing aids under the brand name TEGO® Surten E. These additives improve performance and efficiency in photovoltaic wafer cutting, which reduces the costly post-treatment required for cut wafers. This product series therefore extends our range of additives for renewable energy generation.

Evonik Venture Capital has invested in Laxxon Medical Corp. (Nevada, USA), a specialist in 3D screen printing technology for the manufacture of structured tablets that enable the controlled release of pharmaceutical active ingredients over a prolonged period of time. In addition, multiple ingredients can be combined in a single tablet, resulting in fewer tablets. Evonik polymers support accurate release of the active ingredients contained in these new types of tablets. Another benefit of this technology is that the speed of printing is significantly faster than established 3D printing processes, allowing mass production. Improved drug delivery could generate opportunities for pharmaceutical companies to extend existing patents.

Evonik launched its Vecollan® recombinant collagen platform for medical device applications on a commercial scale in July 2022. This high-purity collagen is reproducible and therefore simplifies regulatory approval of medical devices. It is produced without animal-derived starting products but many of its properties are similar to human collagen. It is therefore suitable, among other things, for medical, pharmaceutical and cell and tissue culture applications. The fermentation-based manufacturing process extends our portfolio of attractive system solutions for the medical device industry.

In September 2022, we signed a letter of intent on a strategic cooperation with Pörner Group (Austria) and the Thai company Phichit Bio Power Co. Ltd., which will enable us to offer the tire industry the first bio-based ULTRASIL® derived from rice husk ash. Since it is produced mainly with green energy, this product can reduce the carbon footprint by 30 percent. In this way, Evonik is supporting its customers' defossilation and circularity objectives.

In November 2022, we opened a new global center for lithium-ion batteries in Shanghai (China). Here we will be researching battery materials and supporting customers with battery prototyping. Joint development of test batteries enables us to test our materials in conditions that meet specific customer requirements, which speeds up the overall innovation process. More than 90 percent of lithium-ion battery producers are in Asia, and most of the leading producers are in China. With its new center in Shanghai, Evonik is well-prepared to provide high-performance solutions to support the expected growth in this region.

R&D at Evonik T25

	2022
R&D expenses	€460 million
R&D ratio[a]	2.5%
No. of new patent applications filed	256
Patents held and pending	approx. 24,000
R&D employees	approx. 2,700
R&D locations	more than 40

[a] R&D expenses as a proportion of sales.

5. SUSTAINABILITY

NEXT GENERATION EVONIK

NEXTGEN TECHNOLOGIES

WHAT IS CHANGING IN PRODUCTION AND PROCESSING AT EVONIK?

We are continuing to expand our Next Generation Technologies: processes and methods that save energy and greatly reduce CO_2 emissions. Examples are using the steam generated in production processes, environment-friendly energy from high-temperature heat pumps for our production plants, and new energy-saving drying concepts.

0.25 Lost time injury rate

0.49 Process safety incident rate

Employees from **108** nations

5.1 Sustainability strategy

Evonik aims to be the best-in-class specialty chemicals company. Our sustainability strategy makes a significant contribution to this: It provides ambitious targets and management tools that help us translate the transformation requirements into profitable growth. The strategy comprises the following elements:

- Giving sustainability a firm place in our market proposition and purpose
- Integrating sustainability into our strategic management process
- Increasing the proportion of attractive growth businesses in our portfolio with a clear focus on sustainability
- Foresighted resource management with ambitious environmental targets, including systematically considering the impact of our business along the value chain and on the Sustainable Development Goals (SDGs)
- Selective improvement of our sustainability reporting

We embarked on the next phase of our strategic business transformation in 2022. As part of **Next Generation Evonik,** sustainability is becoming an integral element of important core processes such as portfolio and innovation management, production and technology, and human resources work. In line with this strategic focus, we have set ourselves ambitious new sustainability targets. These relate, for example, to the transformation of our portfolio and the continuation of our climate strategy for the period 2021 through 2030, in keeping with our commitment to the Science Based Targets initiative (SBTi)[1].

In view of the transformation requirements made on our business activities, we draw a distinction between market-driven, location-based, and human resources influences. In line with this, our sustainability strategy is focused on three core processes: **Next Generation Solutions** (market perspective), **Next Generation Technologies** (asset perspective), and **Next Generation Culture** (human resources perspective). Between 2021 and 2030, we intend to invest more than €3 billion in the growth of our Next Generation Solutions and significantly increase their proportion of our business. In the same period, we intend to invest €700 million in Next Generation Technologies. These are, in particular, measures at production plants and infrastructure that are geared to our goal of further reducing our CO_2 emissions. The aim of Next Generation Culture is to establish sustainability firmly at all levels of the human resources process—from recruiting through training and continuing professional development to incentive systems and ideas management.

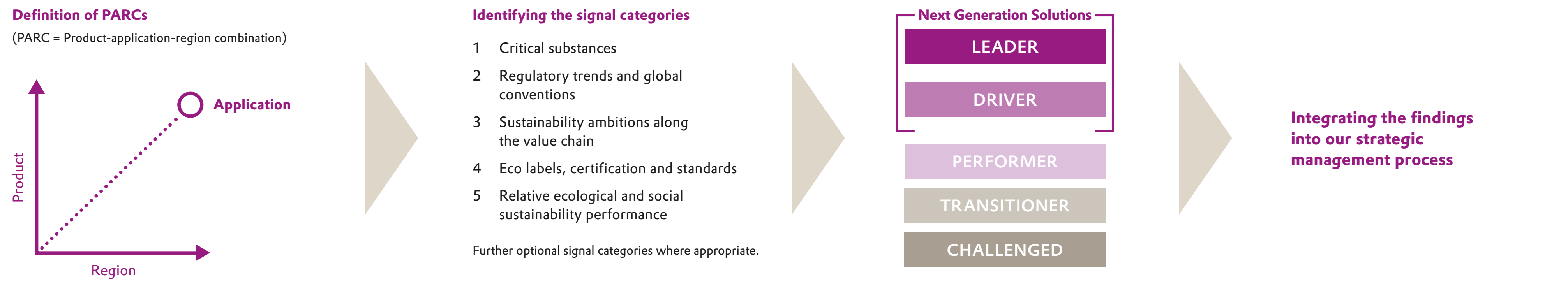
Our sustainability management is aligned with materiality. We performed a full new materiality analysis in the reporting period and identified 15 material sustainability topics for Evonik based on the concept of double materiality. The three most important topics are green energy, portfolio transformation, and circular economy.

Transformation requirements and core processes T26

Transformation perspective	Our response	Core processes
Market	Next Generations Solutions	Sustainability analysis of our business
Assets	Next Generation Technologies	Greenhouse gas emission management (including Evonik Carbon Footprint)
Human resources	Next Generation Culture	All levels of HR work

[1] See section 5.5 The environment p. 62 ff.

Sustainability analysis and portfolio management C23



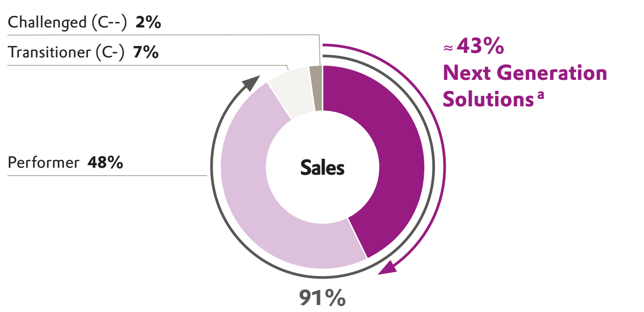
Sustainability analysis of our business supports portfolio management

The key tool for the strategic management and development of our portfolio is the **sustainability analysis of our business,** which centers on the market signals identified by Evonik as material. These include, for example, anticipated regulatory trends, environmental and social performance compared to alternative solutions, and sustainability ambitions in our markets. All market signals are based on the World Business Council for Sustainable Development's framework for portfolio sustainability assessments (PSA), which Evonik was involved in developing from the outset. One special feature of this approach is the differentiated assessment of the relevant products in specific product-application-region combinations (PARCs). For each PARC, we identify the benefits of using the product and will gradually be quantifying these in greater detail. The assessment of all the PARCs analyzed is used in a structured overall evaluation of the sustainability performance of our portfolio, resulting in allocation to the performance categories leader (A++), driver (A+), performer (B), transitioner (C–), or challenged (C––).

In 2022, we examined 534 PARCs, covering the total sales generated by Evonik with chemicals in the fiscal period. The most important findings are:

- Evonik generated 91 percent of sales with products and solutions whose sustainability performance was at least in line with the market reference level (leader, driver, or performer category), compared with 91 percent in 2021.
- 43 percent of our sales come from products and solutions with a clearly positive sustainability profile that is above or even well above the market reference level (leader and driver categories). In 2021, the proportion was 41 percent.
- Weak negative market signals were identified for 7 percent of sales (transitioner category), and strong negative signals were identified for 2 percent (challenged category). We are addressing these in dialogue with our customers through innovation or active portfolio management.

Portfolio overview C24



[a] Next Generation Solutions comprise products and solutions in the leader and driver categories.

We want to increase the proportion of sales generated by our Next Generation Solutions from 43 percent at present to over 50 percent by 2030. On a long-term view, we aim to keep the proportion of sales generated with products that are classified as challenged as a result of changes in market conditions, consumer behavior, rising reference levels, or tighter regulation below 5 percent.

Sustainable finance

The capital markets recognize our strategic and operational progress towards greater sustainability. For some years now, we have been established among the leaders in renowned sustainability ratings and rankings. In May 2022, the EcoVadis rating agency once again awarded us platinum status for our sustainability performance. That puts Evonik among the top 1 percent of the companies evaluated by EcoVadis in both the chemical industry and in other sectors.

In May 2022, Evonik successfully issued its second green bond—a senior bond with a nominal value of €750 million. "Green" funding is based on our Green Finance Framework[1]. The proceeds of this bond issue will be used primarily to expand our Next Generation Solutions.

In view of the increasing importance of non-financial indicators and their steering function, we launched a **sustainability data management** project. The aim is to make sustainability-related data available on one platform as a "single point of truth." Having successfully completed the preliminary project in 2021, in the reporting period we continued with our work on automating the sustainability analysis of our business and on the greenhouse gas emission management module. In the coming years, we want to successively add further sustainability-related management and reporting data to this platform.

Responsible management

Given the increasing relevance of sustainability for the management of the Evonik Group, we integrated further ESG aspects into our governance framework in the reporting period. That includes the sustainability council, which now meets at the executive board level, and closer alignment between sustainability risks and conventional risk management. Moreover, from 2023, we will be integrating further sustainability aspects into the long-term remuneration of the executive board and other executives.

As well as complying with legal requirements, responsible management requires conformance with internal regulations and internationally recognized standards. The starting point for responsible corporate management at Evonik is our code of conduct, together with our global social policy and our policy on the environment, safety, health, quality, and energy (ESHQE). In the reporting period, we prepared intensively for the new German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG). In 2022, Evonik conducted its first human rights risk analysis. This also covered environment-related aspects in its own business area and at direct and indirect suppliers. The executive board adopted a revised policy statement on human rights. We also updated Evonik's procurement rules, including the code of conduct[2] for suppliers.

5.2 Combined non-financial statement

The combined non-financial statement (NFS) pursuant to sections 315b and c and sections 289b though 289e of the German Commercial Code (HGBI) is integrated into the combined management report. The components of the NFS are employee, environmental, and social matters, respect for human rights, preventing bribery and corruption, and the supply chain. In the NFS, we report on concepts, processes, measures, and metrics. We used the GRI standards of the Global Reporting Initiative (GRI) as a guide. The disclosures on the EU taxonomy are contained in section 5.5 The environment p. 62 ff.

The relevant NFS topics are derived from our **materiality analysis**[3], based for the first time in 2022 on the principles of double materiality. Our analytical approach reflects the requirements of the GRI Sustainability Reporting Standards, which were revised in 2021, and the EFRAG working papers ESRG 1 and ESRS 4 of January 2022. Similarly, we took into account certain content from the exposure drafts of April 2022. The three top material topics identified by the materiality analysis—green energy, portfolio transformation, and circular economy—are included in the NFS for the first time, along with biodiversity, cybersecurity, and employee satisfaction. All 15 of Evonik's material topics are now included in the NFS.

[1] See **https://corporate.evonik.com/en/investor-relations/bonds-rating/green-finance**
[2] The code of conduct applies to a) all employees of Evonik Industries AG, b) all employees of companies where Evonik Industries AG directly or indirectly holds more than 50 percent of the shares or is able to exert a controlling influence in any other way, and c) the executive board of Evonik Industries AG and all managing bodies of the companies referred to in b). At companies where Evonik holds a stake but does not exert a controlling influence, we work towards establishing comparable standards.
[3] See sustainability report **www.evonik.com/sustainability-report**

In 2022, we did not identify any material individual risks or aggregated risks where there is a very high probability of negative impacts in connection with the respective non-financial matters. The opportunities and risks relating to the non-financial aspects are included in the opportunity and risk management system and described in the opportunity and risk report p. 81 ff.[1]

The content of the NFS was reviewed by KPMG through a limited assurance engagement, and sections 5.3 Employees p. 54 ff. and 5.4 Safety p. 60 ff. were the subject of a reasonable assurance engagement. The assurance engagement on the sustainability reporting was based on audit standard ISAE 3000 p. 213 ff.

Information relating to Evonik Industries AG

Evonik Industries AG is the parent company of the Evonik Group. As a management holding company, it defines concepts and rules that have to be observed worldwide and monitors compliance with them. All aspects described here apply for both Evonik Industries AG and the Evonik Group. Global data are compiled for management and monitoring purposes. Consequently, the focus is on key data for the Evonik Group. Few of the key indicators are meaningful for Evonik Industries AG as it does not operate any production sites itself.

Key data on Evonik Industries AG T27

	2021	2022
Employees (as of December 31)	2,447	2,537
Women as a proportion of the total workforce in %	46.6	47.7
Female managers in %	32.8	34.7
Total turnover in %	7.1	3.8
Average length of service in years	17.2	17.1

Overview T28

Contents of the NFS	Topics	Chapter in the combined management report
Business model		1.1 Business model[a] p. 16 ff.
		5.1 Sustainability strategy p. 50 ff.
	Portfolio transformation	1.2 Principles and objectives p. 19 f.
		5.1 Sustainability strategy p. 50 ff.
	Cybersecurity	5.6 Value chain p. 74 ff.
Employee matters	Occupational safety and plant safety	5.4 Safety p. 60 ff.
	Attractiveness as an employer	5.3 Employees p. 54 ff.
	Employee satisfaction	5.3 Employees p. 54 ff.
	Diversity and equal opportunity	5.3 Employees p. 54 ff.
	Health protection and promotion	5.4 Safety p. 60 ff.
Environmental matters	Green energy	5.5 The environment p. 62 ff.
	Mitigating climate change	5.5 The environment p. 62 ff.
	EU taxonomy	5.5 The environment p. 62 ff.
	Water management	5.5 The environment p. 62 ff.
	Biodiversity	5.5 The environment p. 62 ff.
	Circular economy	5.6 Value chain p. 74 ff.
	Product stewardship	5.6 Value chain p. 74 ff.
Respect for human rights	Responsible management and human rights	5.6 Value chain p. 74 ff
Preventing bribery and corruption	Responsible management and human rights	5.6 Value chain p. 74 ff. Declaration on corporate governance[b] p. 106 ff.
Supply chain	Responsibility within the supply chain	5.6 Value chain p. 74 ff.
Social matters	Social commitment	5.6 Value chain p. 74 ff.

[a] Audited as part of the audit of the combined management report.
[b] Content outside the scope of the audit.

[1] In addition, we refer to the risks relating to climate change, which are published in connection with our participation in CDP Climate Change. This information can be found on our website http://evonik.com/CDP-ClimateChange (Outside the scope of the limited assurance engagement)

5.3 Employees

Employees are the foundations of our success

People are at the heart of the workplace at Evonik. Our employees are the basis of our success. Their professional qualifications and commitment are their key attributes and make Evonik strong.

Global management

Gaining and retaining employees and employee satisfaction are the basis for lasting and sustainable success and support our aim of becoming the best-in-class specialty chemicals company. That places high demands on our human resources activities. The focus is on our goal of being an attractive employer. We continuously develop our human resources (HR) activities as part of the HR strategy process, in line with our materiality analysis and the goals of our corporate strategy. The most important aspects are based on the needs of our businesses and developments in our markets. These are:

- Actively shaping the transformation through leadership
- Engaging people in their career path
- Ensuring availability of mission-critical talent
- Offering performance-oriented reward opportunities

To support the objectives of these focal areas, our global HR organization provides efficient digital services and processes, such as myHR and a global knowledge database for managers and employees.

Our **HR organization** comprises the HR Talent Management and HR Business Management functions, both of which have global management tasks and work closely together. HR Talent Management bundles activities relating to attracting, developing, retaining, and leading employees. HR Business Management coordinates the regional employer function, all performance-related aspects, and the global HR Solutions & Systems Organization, Labor Relations, HR IT, and Workforce Analytics units.

The heads of both functions report directly to the chief human resources officer (CHRO). The HR Executive Committee is the highest decision-making body for HR. It adopts the global strategy for the functional structure of both HR functions and makes decisions on the group-wide human resources strategy. The committee comprises the CHRO, selected representatives of the divisions, and the heads of HR Talent Management and HR Business Management. The permanent members of the global HR roundtable, which is the decision-making body at operational level, are the HR representatives of the divisions and regions and the process owners from the HR organizational units. The HR business council, which is chaired by the CHRO, drives continuous exchange about the portfolio and performance of the global HR units. It includes all HR representatives of the divisions and the heads of the two HR functions. Evonik has a special focus on the development of the Asian markets. Since fall 2022, this has been supported by the new HR, ESHQ and Sustainability function. This overarching function coordinates key strategic issues in the region and is a member of the HR decision-making bodies. The development of corporate executives is a separate function, which reports directly to the chairman of the executive board.

Higher headcount

The Evonik Group had 34,029 employees at year-end 2022. That was an increase of 1,025 compared with year-end 2021.

Employees by division T29

	Dec. 31, 2021	Dec. 31, 2022
Specialty Additives	3,693	3,824
Nutrition & Care	5,453	5,690
Smart Materials	7,742	7,921
Performance Materials	1,964	2,041
Technology & Infrastructure	8,152	8,367
Enabling functions, other activities, consolidation	6,000	6,186
Evonik	**33,004**	**34,029**

Personnel expense, including social security contributions and pension expense, increased by 2 percent to €3,487 million (2021: €3,408 million). Personnel expense declined to 18.9 percent of sales (2021: 22.8 percent).

5.3.1 Attractiveness as an employer

We want to provide an attractive working environment to motivate and develop our employees, be a preferred employer, and gain talented new staff. In addition to performance-oriented remuneration and fringe benefits, we offer numerous opportunities for learning and continuing professional development. We place special emphasis on flexible working conditions, work-life balance, and health-related measures. Our modern understanding of leadership and culture and our networking initiatives empower employees to shape the future meaningfully and responsibly.

Evonik employees are its most important advocates: They give the company a distinctive identity and play a key role in developing an authentic employer brand with people at its heart. External rankings, internal surveys, and early employee turnover[1] are important indicators of our attractiveness as an employer.

[1] Termination of employment by new hires in the first year of employment.

Systematic talent management

We regularly assess and evaluate potential, succession scenarios, and development requirements at HR meetings attended by the executive board. Attractive career paths, job rotation, and high-quality, in some cases hybrid, development programs are essential to develop tomorrow's top executives. Sustainability aspects, responsible decision-making perspectives, and geopolitical development play a central role in this.

However, filling top management positions is not the only focus. The Evonik Explorer concept is an opportunity for motivated, performance-oriented employees to actively shape their own career by participating in an Evonik-wide talent program and taking the next step in their career. This may be either a management or a specialist career path.

Creative onboarding

The introduction of the Workday HR software has positively altered the onboarding process. In particular, it provides a dashboard, which has simplified access to our onboarding offerings and their use. Examples are checklists for managers and training videos. Participants in the virtual onboarding process value the welcome by regional executives and information from Evonik experts on relevant topics. Onboarding helps make our new employees feel welcome and integrated from day one. That is vital for Evonik's success and to retain talented employees. We are currently extending onboarding to include production sites.

Culture initiative

The world and thus Evonik's business environment are becoming increasingly complex. Aspects such as digitalization, upheaval in trade policy and international relationships, work-related changes, and demographic change are only some of the major challenges confronting our company. That makes the guidance provided by our corporate values even more important. That is reflected in the ONE Culture initiative, which aims to drive forward our corporate culture so we can respond appropriately to changes.

Many formats and activities have been introduced through this initiative. Examples are adjustments to the performance management system, competitions for ideas, and integrating the elements of our culture into the onboarding process. The cultural shift in many parts of Evonik was perceptible even during the Covid-19 pandemic. As the next step, we will give sustainability an integral role in our HR processes under the motto **Next Generation Culture.** To this end, we started to compile an inventory of present and future sustainability requirements in various occupations. This topic was also taken up in a wide range of events and employee information media. The aim is to raise our employees' awareness of how culture can advance sustainability as an integral part of Evonik. That includes giving sustainability a firm place in the long-term remuneration of executives and members of the executive board.

An extensive performance management system

Performance management at Evonik is based on eight performance dimensions. As well as performance and leadership behavior, these include the achievement of goals and the quality and quantity of work. The behavior with which results are achieved is also taken into account. In the past year, greater weight was given to further aspects—diversity, sustainability, and leadership behavior. These are also incorporated into Evonik's competency model, which describes the abilities our employees and executives need to achieve their targets and perform their work. We are convinced that sustainable business activities and the diversity of our teams are the basis for performance excellence.

Addressing the shortage of skilled workers

The intensifying shortage of skilled workers requires us to step up our activities to retain and develop our employees and recruit qualified new employees while they are training or studying. Together with the operating units and sites, **Employer Branding** develops nationwide recruitment campaigns in Germany to market vacancies that urgently need to be filled. Digital advertisements with different regional focuses are used around our sites, especially to attract power plant operators, chemical operators, and engineers. A stronger online presence and advertisements tailored to specific target groups enabled us to fill vacancies quickly.

We also use our long-standing alliances with student networks and the Evonik Perspectives retention program for interns to strengthen our contact with students. Alongside established recruitment methods such as active sourcing, Evonik increasingly uses on-the-job training of potential candidates and cooperative projects with other companies, for example, in regional labor markets, to overcome the shortage of skilled workers.

Long-term jobs

Around 95 percent of our permanent employees worldwide have permanent contracts. We work with staffing agencies in Germany to cover short-term or temporary bottlenecks. All agencies must provide evidence of a valid operating permit. If agency staff have been used for a job for more than six months, we examine whether it is a permanent job for which a permanent employee can be hired. Alongside appropriate remuneration, we make sure that agency staff are covered by the high social and safety standards applicable to our own staff. Since the chemical industry requires a large number of highly qualified employees, fewer agency staff are used than in other sectors of manufacturing industry. Agency staff only accounted for a low proportion of Evonik's total workforce as of December 31, 2022.

Employees by contractual status T30

	2021	2022
Employees	33,004	34,029
of which employees on permanent contracts	30,463	31,368
of which employees on limited-term contracts	1,433	1,605
of which apprentices/trainees [a]	1,108	1,056

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

Awards in 2022

For the fifth time in succession, we were awarded the "Leading Employer" accolade in Germany. This cross-sector ranking positions Evonik among the ten most attractive companies in Germany. In China, Evonik was once again listed as one of the ten most popular employers by the Top Employer Institute.

5.3.2 Employee satisfaction

The satisfaction of our employees is the basis for Evonik's long-term success. Our employees benefit from a wide range of offerings from fair remuneration through attractive training and career prospects to preventive healthcare. In this way, we aim to preclude low productivity and high turnover of new hires. We use regular employee surveys, supplemented by annual pulse checks, to measure employee satisfaction and derive action.

In view of the dynamic labor markets, the focus on employee satisfaction is becoming even more important than in the past. Personal and work-related factors combine to make people satisfied with their job. Flexible worktime models and a suitable working environment, a good communication and leadership culture, development opportunities, a meaningful job, and fair remuneration are important criteria. Satisfied employees value their employer, contribute to a positive working atmosphere, and are less likely to change employer. For prospective employees, customers, and colleagues, motivated and committed employees are our most important advocates.

Employee survey 2021

In our sixth employee survey in November 2021, around 33,000 employees around the world were asked to assess their working conditions. We received feedback from 84 percent of our group-wide workforce. The employee survey provides an insight into how organizational changes and the implementation of our corporate values—performance, openness, trust, and speed—are perceived throughout the Evonik Group. The commitment index, which measures employee satisfaction and commitment, was 73 percent (for comparison, in 2018 it was 68 percent). The index was compiled from six of the 56 survey items. The questions focused on employees' general satisfaction with employment at the company, whether they would recommend the company as an employer, whether they are proud to work for Evonik, their support for Evonik's future direction, motivation, and team spirit. The results were evaluated at team level and were made available via a dashboard. In the follow-up process, managers were able to present the results to their teams with the support of project staff and, where necessary, define suitable improvement measures at workshops. To support the teams, we drew up a catalog of potential measures for each topic. In all, more than 2,500 specific improvements were defined.

In addition, 30 ad-hoc interim surveys were performed in 2022. Topics included, for example, experience with agile working methods within the Finance function and how candidates experienced the new Evonik Explorer talent program. These varied activities have systematically established a good feedback culture at Evonik.

Employee retention

Early turnover and total employee turnover were slightly lower than in previous years. Early turnover decreased from 2.2 percent to 1.9 percent, and the total turnover rate dropped from 7.0 percent to 6.7 percent. We aim to reduce both early turnover and the total turnover rate.

Key data on employee retention T31

	2021	2022
Total turnover in %	7.0	6.7
Early turnover rate in %	2.2	1.9
Average length of service in years	14.5	14.1

Global remuneration policies

Fair, market- and performance-oriented remuneration is anchored in our human resources tools worldwide. The principles we use to structure remuneration, including fringe benefits, are set out in group-wide policies. Remuneration is set on the basis of objective criteria such as responsibility, competencies, and success. In addition, minimum standards defined by law and in collective agreements, e.g., local minimum wages, are applied. Personal attributes such as gender, age, etc., play no part in the process, and our policies explicitly forbid discrimination.

Collective agreements on remuneration cover almost 100 percent of our employees in Germany and around 70 percent of our employees worldwide. Almost all of our sites and companies have performance- or profit-oriented incentive systems. These systems cover nearly all of our permanent employees. Evonik offers voluntary social benefits to employees in all regions where it has a presence. In addition, in 2022, we once again offered employees in Germany, the USA, Belgium, and Singapore the opportunity to take part in the "Share" employee share program. The participation rate remained high at 42 percent.

Evonik offers pension plans in many countries, where it is customary to do so. In the past, defined benefit pensions financed solely by the employer were most common. Newer, defined contribution plans are generally based on mandatory or voluntary contributions by employees. Evonik does not restrict employees' rights to freedom of association or the right to collective bargaining. These rights are also ensured in countries where freedom of association is not protected by the state.

Work-life balance

A family-friendly HR policy that is geared to different phases in people's lives is important to Evonik. More than 95 percent of our employees around the world have access to related initiatives. At the heart of this approach are flexible worktime models, support for people caring for close relatives, and assistance with childcare. The PAIRfect initiative offers a job-sharing platform to help employees structure their worktime more flexibly by bringing them together with colleagues who want to share a job. Evonik is perceived by the general public as a family-friendly employer. We have been audited annually since 2009 by the Hertie Foundation for the berufundfamilie certificate. In 2022, the German women's magazine BRIGITTE once again singled out Evonik as one of the best employers for women.

well@work

Alongside work-life balance, the focal areas of our in-house well@work initiative are exercise, nutrition, and mental fitness. A wide range of offerings at our sites, supplemented by group-wide digital programs, foster the physical and mental health of our employees. In 2022, this initiative celebrated its tenth anniversary with cross-site anniversary offerings covering vocal health, resilience, shift work, and upbringing. The formats were very popular and attracted around 1,000 registrations.

#SmartWork project

SmartWork is our approach to **hybrid working,** comprising a balanced mixture of presence in the workplace and mobile working. The project got off to a successful start in April 2022, helped by the fact that there were already related policies in various regions. They define the scope of the technical equipment and when and to what extent a job is suitable for flexible working. In Germany, agreements had already been signed by employer and employee representatives. Introduction of the process for employees and managers to evaluate and define the scope and type of mobile working at individual and departmental level was supported by a registration app. In agreement with their manager, employees in Germany can work remotely for up to 50 percent of their worktime. More than 11,000 employees worldwide have now registered for #SmartWork.

We also expect this project to bring cost savings by reducing the office space required and business travel. Both aspects contribute to an improvement in Evonik's ecological footprint. In fall 2022, we lowered the threshold for participation in #SmartWork in Germany in light of the energy crisis and rising fuel costs.

5.3.3 Diversity and equal opportunity

As an international company, we see diversity as an opportunity. In our view, diversity is not simply a social or political obligation. We see it as a key to business success.

Diversity enriches

Employees with different backgrounds and personalities enrich our teams and our company. We do not tolerate discrimination. Diversity enhances Evonik's creativity, innovative capability, and proximity to customers. It also makes recruiting new employees and retaining staff more successful. Therefore, we raise employees' awareness of the importance of diversity through our corporate media and various campaigns.

Our **diversity strategy** is derived from our corporate strategy. Diversity is a firm element in our corporate values, working principles, and the Evonik competency model. The parameters we use to manage diversity often exceed the legal requirements. and the executive board receives quarterly information on the development of important diversity indicators. We inform all employees about the present situation in an annual diversity report. The role of the diversity council is to embed diversity in our organization and to drive it forward through cross-business criteria. It comprises the members of the executive board, the heads of the divisions, and representatives of the regions and corporate functions. In keeping with our corporate value of openness, the diversity council's meeting was streamed live for all employees for the first time in the reporting period. The meeting focused on unconscious bias, which is one of the biggest barriers to greater diversity. Special learning sessions were offered in the Evonik regions ahead of the meeting to raise awareness of this important topic.

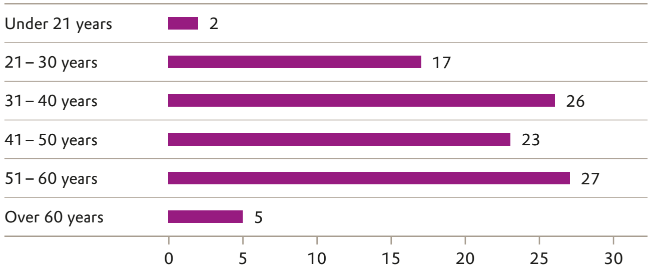
All measures to foster diversity take a holistic approach: We address the issue from strategic, cultural, and process perspectives. We want our executives to consistently set an example in diversity and manage it through indicators in the dimensions experience, age, training, nationality, and gender. We also take account of different mentalities and perspectives arising, for example, from religious conviction and sexual orientation. We integrate diversity into our HR processes and measure its day-to-day implementation in the Evonik Group. Actively encouraging diversity is first and foremost a management task—it is a key leadership requirement and plays an integral part in development goals.

Age structure

We foster cross-generational collaboration in our teams and place special importance on maintaining mental and physical health. Examples are the Fit for Life program and support for employees who care for relatives. Other offerings include LILY (Learning and Individualized Library), an online platform for lifelong learning. Our reverse mentoring offers different generations an opportunity to learn from one another and actively advance diversity at Evonik.

Age structure in the Evonik Group C25

in %



In 2022, the average age of Evonik employees was around 43 years. 45 percent of new hires were under 30, 48 percent were aged 30 to 50, and 7 percent were over 50.

Higher percentage of women

Increasing the proportion of women in our company worldwide and at all levels is one of Evonik's declared objectives. Our aim is for **women** to account for 23 percent of executives at each of the top two management levels and 30 percent of other managers by 2023. We take equality of opportunity very seriously in the recruitment of new employees. As a guide, we use the proportion of women studying the disciplines that are relevant for us. Our objective is for women to make up around 40 percent of new management employees. At present, 26 percent of our employees are female. The proportion of female managers was 29 percent in 2022.

An extensive range of measures supports the attainment of our target quotas for female employees. They include offerings to help employees combine working and family life, such as childcare, vacation programs for kids, and a regular get-together for parents. We also offer our employees networks such as GroW, an internal network for female employees, and our job-sharing platform on the Evonik Social Network.

Evonik supports social impetus for equality and takes part in the "Chefsache" network in Germany, which aims to achieve a gender balance between men and women in leadership positions.

#TogetherAsOneEvonik stands for Evonik's commitment to fairness and diversity and the rejection of hatred and discrimination. We offer our employees and managers a wide range of training modules on diversity and on aspects of human rights and inclusive

Key data on diversity T32

	2021	2022
Women as a proportion of the total workforce in %	26	26
Female managers in %	28	29
Female managers as a proportion of other management levels in %	29	30
Female managers as a proportion of middle management in %	18	17
Female managers as a proportion of top management in %	18	20
Nationalities	106	108

leadership. As a result of numerous diversity initiatives, several employee resource groups (ERGs) have been established in the USA and Canada. Examples are the BUILD network for Afro-American employees and the ASPIRE ERG for employees with an Asian background.

Evonik currently employs people of 108 **nationalities** at 210 sites in 54 countries. The proportion of managerial employees who do not hold German citizenship is around 46 percent. Group-wide, the proportion in middle management is around 26 percent.

Our code of conduct and global social policy forbid discrimination on the basis of ethnic origin, skin color, religion or beliefs, age, gender, sexual identity, physical constitution, appearance, or other attributes that are protected by law. Employees who feel they have been discriminated against have a right to lodge a complaint via our anonymous whistleblower system, which can be accessed both internally and externally.

Training and continuing professional development

Well-trained employees are a key success factor in competition. Our learning strategy and personnel development programs focus on future business needs.

Learning strategy for continuing professional development

Our training and continuing professional development activities comprise further training of our employees as well as vocational training of young people. Evonik has a global learning strategy developed together with our employees. Considerable progress with this was made in 2021. The central elements are uniform and consistent global solutions for advanced training and personal development with digital self-learning content, simplification of the offering of digital learning platforms, and increasing the acceptance of self-directed digital learning and lifelong learning.

The learning and individualized library tool (LILY) gives our employees access to a wide range of learning journeys and digital content for self-directed learning. The global development portal provides a transparent overview of our continuing professional development offerings and our learning and development strategy. Both platforms are available to all employees worldwide, provided they have the necessary IT infrastructure and access to the intranet. Our FutureZone learning platform administers the participation of employees in mandatory training and e-learning sessions and notifies them of the need to complete them.

Since we have more than 1,000 apprentices as well as a strategy to secure skilled employees, we consider that we are well-prepared for the challenges of demographic change and the associated reduction in the availability of skilled workers for production and related jobs. To retain young people in the company, all apprentices who are able and willing to take up employment are offered jobs. In addition, we are training around 470 apprentices in cooperation with other companies.

Training ratio remains high

In 2022, Evonik trained more than 1,500 young people. Our offering covered 22 recognized vocational training courses and combined vocational training and study programs at 16 sites. Apprentices accounted for 5.3 percent of our workforce in Germany, which is still well above the national average of around 5 percent in both the chemical industry and the industrial sector. In all, we invested around €61 million in vocational training. Our high commitment to vocational training is also reflected in good examination results, although the pass rate dropped slightly as a result of the coronavirus pandemic. The “Start in den Beruf” pre-apprenticeship program has proven very effective preparation for youngsters who are not ready for a vocational training course. In the 2021/2022 project year, we offered an additional 30 places on this program, bringing the total to 80. This complementary offering gives young people an insight into the dual training system and the occupations available to help them make a career choice. In Marl (Germany), this pre-apprenticeship program for disadvantaged youngsters celebrated its twentieth anniversary.

The quality of vocational training at Evonik was highlighted by various awards in 2022. In a study of Germany’s best vocational training companies, Evonik was awarded first place in the specialty chemicals category, positioning it among the top 1 percent of vocational training companies in Germany—across all sectors, sizes of company, and organizational forms. In addition, we were again given a five-star rating by the business magazine Capital for our performance in dual vocational training and combined vocational training and university courses. The new career content for apprentices on Evonik’s website was ranked favorably as part of the Employer Branding Award 2021/2022.

In the reporting period, Evonik invested around €538 per employee in training and continuing professional development. That was a total of €18 million. The increase in external training expenses compared with 2021 can be explained by the reduction in coronavirus infections and the partial easing of the pandemic-related restrictions. This enabled an increase in face-to-face training.

In summer 2022, we successfully launched the new nine-month Evonik Explorer development program simultaneously in China, Singapore, Brazil, the USA, and Germany. This program also uses a blend of digital self-directed learning phases, remote group-work, online seminars, and face-to-face sessions.

The aim of the Evonik learning sessions is to try out new methods of collaboration and encourage networking with colleagues from other disciplines. The corresponding community now has around 12,000 members worldwide. The program content, which is developed by the community itself, includes a broad spectrum of topics and speakers.

5.4 Safety

5.4.1 Occupational and plant safety

Safety as a management task

Protecting the health, safety, and employability of our employees and preventing accidents and incidents at work and in the operation of our production facilities are of central importance to Evonik. The aim of our high safety standards is to prevent accidents and fatalities and avoid damage to health and the environment. That includes both our employees and contractors' employees during their working hours, commuting, and transportation of goods. Another goal is to prevent Evonik releasing hazardous substances into the environment and to exclude damage to our production facilities resulting from inadequate safety precautions. We take into consideration both internal and external factors such as extreme weather, manipulation, and terrorist attacks.

The group-wide management of occupational and plant safety at Evonik is based on global policies, processes, and systems. These are an integral part of our integrated management systems. We use centrally planned internal audits to evaluate the implementation of the applicable rules and regulations and identify any scope for optimization. Our internal processes are supplemented by external audits by certification bodies. The Environment, Safety, Health and Quality (ESHQ) function makes sure that mission-critical processes are standardized across the divisions. Requirements and the need for action are defined in binding targets based on performance indicators. Accident frequency is also reflected in the variable remuneration of members of the executive board.

Our ESHQE[1] management handbook sets out our mandatory global rules on the environment, safety, health, quality, and energy. The aim is to continuously optimize our processes, plants, products, and services. That includes minimizing the undesirable influences of our activities on people and nature.

We have developed the **Safety at Evonik** culture initiative into a group-wide management approach for all aspects of occupational and transportation safety. It defines binding principles of action that give our managers and employees, including personnel from staffing agencies, reliable guidance on safety-compliant conduct in their daily work. We have supplemented this initiative with Safety at Evonik 2025. The individual elements of this program are being implemented as planned. They include ongoing development of our occupational safety indicators.

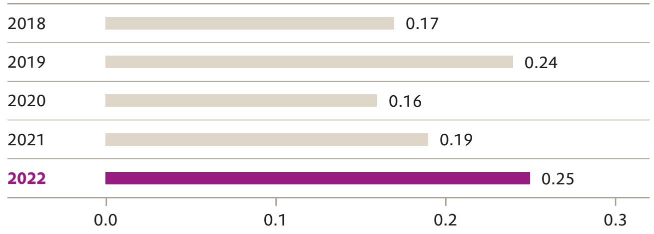
Our crisis and incident management are designed to prevent and limit the damage if accidents nevertheless happen. We systematically analyze and simulate incidents with external support. In this way, we aim to further improve our safety performance. We share the findings within the company via our ESHQ Global SharePoint. Successful formats used for this are our safety flyer and safety moments. To build and share experience, we also participate in various national and international networks.

Lost time injury rate below the upper limit

We have always paid special attention to occupational safety, which includes both safety on the way to and from work and the safety of contractors' employees working at our sites. The key performance indicator for occupational safety at Evonik is the lost time injury rate (LTI-R). In 2022, we once again achieved our target of remaining below the defined minimum **LTI-R**[2] for Evonik employees[3] of 0.26 accidents resulting in absences of at least one full shift per 200,000 working hours. The LTI-R was 0.25[4] and thus below the upper limit.

Lost time injury rate (LTI-R) C26

Number of accidents per 200,000 working hours



The figure for 2018 contains the methacrylates business, which was divested in July 2019.

The LTI-R[5] for contractors' employees[6] was 0.43, which was significantly below the previous year's rate (0.67). There were no fatal accidents at our sites or on the way to or from work involving our employees or contractors' employees in 2022. Four employees were seriously injured in accidents. However, there were no accidents resulting in more than six months' absence from work.

[1] ESHQE = Environment, safety, health, quality, and energy.
[2] This indicator contains all reported work-related accidents (excluding traffic accidents) resulting in absences of at least one full shift per 200,000 working hours.
[3] Evonik employees, including employees from staffing agencies, as defined in the German legislation (AÜG).
[4] The total number of hours worked by Evonik's employees in the reporting period was approximately 67 million hours.
[5] Number of reported work-related accidents (excluding traffic accidents) resulting in absences of at least one full shift per 200,000 working hours.
[6] Calculation based on estimates and assumptions. The method of calculating working hours was altered in 2019.

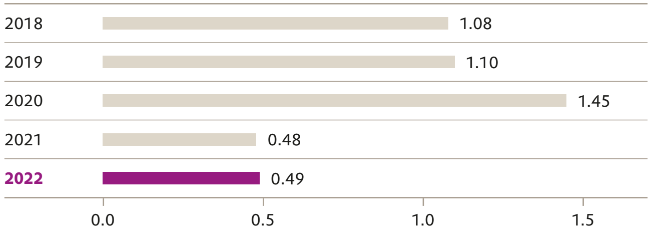
Process safety incident rate above the upper limit

Safety is the basic precondition for the operation of our facilities and their performance. It is the basis for reliable, effective, and future-oriented production. We set demanding safety standards for the entire life cycle of our plants worldwide. We regard safety as an all-around task, which is established worldwide through our safety management systems and regularly reviewed.

The key performance indicator for plant safety at Evonik is the **process safety incident rate (PSI-R)[1].** We monitor the number of process safety incidents (PSI) involving the release of substances, fire, or explosion in line with the Cefic[2] definition. The PSI-R for the reporting period was 0.49, so we failed to meet our target of remaining below the upper limit of 0.40. This was mainly attributable to incidents involving the release of substances.

Process safety incident rate (PSI-R) C27

Number of incidents per 1 million working hours; from 2021 per 200,000 working hours



2018 to 2020 based on the "Cefic 2011" definition, 2021 and 2022 based on "Cefic 2016."

We work steadily to optimize our safety management system. Our expert circle on plant safety launched several new projects in the reporting period. The focus is on the ongoing development of our plant safety regulations. Furthermore, based on the experience gained with ESTER (Evonik Standard Tool ESHQ and Reporting), we have embarked on further optimization of the change management process. The leading indicators adopted in the previous year were put into place in the reporting period, allowing targeted improvements with respect to our inspection and investigations obligations.

Targets for 2023

Our overriding aim is to avoid all accidents and incidents. We set annual limits for occupational safety and plant safety indicators.

The upper limits for 2023 are unchanged.
- The LTI-R should not exceed 0.26.
- The PSI-R should not exceed 0.40.

5.4.2 Health protection and promotion

Global management of health protection and promotion at Evonik takes a long-term, holistic approach, covering employees, the working situation, and the general working environment.

Healthy employees are our goal

Our approach to health protection and promotion includes high-quality medical care as required, applying ergonomic and health-related measures to structure working conditions, and a functioning emergency management system at plant level. Our aim is to meet all statutory requirements on occupational health and safety and avoid high rates of sickness-related absence. We offer our employees a range of voluntary measures to foster their health. These are bundled in the group-wide **well@work** initiative. In this way, we support a healthy lifestyle. A family-friendly human resources policy that takes account of different phases in employees' lives and supports a good work-life balance is important to Evonik. Appropriate offerings are designed to counter a poor work-life balance and the increase in mental health and stress-related illness. Our health protection and promotion measures are available to all employees, including personnel from staffing agencies.

The main goals and aspects of our occupational health strategy are outlined in the Evonik Global Health Program. We use this as the basis for refining our strategy and adapting it to the latest developments. The main challenges identified for the period 2020 through 2025 are the aging workforce, the global increase in mental health problems, and changes in the working world due to digitalization and Work 4.0. On this basis, priorities have been defined for our occupational health activities. Our occupational health management policy sets binding worldwide standards for health protection and promotion at Evonik.

In Germany, issues relating to occupational safety and health protection have to be agreed on with the employee representatives. Taking this as our basis, we have worked out policies for our global workforce. In line with statutory requirements, at our German sites, we have occupational safety committees that meet at least four times a year to discuss issues relating to occupational safety and the protection of health. There are also comparable bodies at other sites. Fulfillment of the relevant requirements is monitored through internal and external environment, safety, and health audits, accompanied by extensive reporting. We recommend or require action to address indications that there is scope for improvement and deviations from the applicable guidelines.

[1] Number of incidents in production plants involving the release of substances/energy, fire, or explosion per 200,000 working hours.
[2] Cefic = Conseil Européen des Fédérations de l'Industrie Chemique/European Chemical Industry Council.

Achieving our health protection goals is measured by our Occupational Health Performance Index, which comprises parameters from the areas of occupational medicine, health promotion, and emergency medical management. We have defined a long-term target of ≥ 5.0[1]. According to the reports submitted by our organizational units, we achieved this.

Emergency medical management
Evonik's Medical Incident and Emergency Management standard defines binding basic requirements for emergency medical management at all sites worldwide. The exact equipment and human resources required depend on production-related risks and the availability and quality of local medical infrastructure.

Ongoing pandemic measures
Occupational health protection was still confronted with special challenges in 2022 as a result of the coronavirus pandemic. There were pandemic plans in place at all sites worldwide. The steering bodies were active at group, regional, and site levels. The Evonik steering committee issued binding global instructions for the Group. Based on these, local committees defined measures aligned to their situation. In Germany, the works agreement on COVID-19 concluded with representatives of the workforce was adapted again, and new aspects were added. Through the defined measures, combined with systematic and extensive case and quarantine management, we were largely able to avoid infection chains and clusters at our sites.

As part of its preventive health promotion activities, Evonik uses suitable measures to prevent occupational illnesses and work-related health impairments. In this context, Evonik regularly reports on occupational illnesses.

Corporate health promotion
Our well@work program centers on three central areas: exercise, a healthy diet, and work-life balance. Mental fitness was added in 2021. Our corporate health promotion activities center on basic programs with a long-term focus to encourage employees to adopt a healthy lifestyle. These are supplemented by health campaigns, which change every year. At all of our German sites, there are interdisciplinary health task forces to implement well@work. The Care & Support program in Germany enables employees to contact the company medical service with private medical questions. They are given advice and support. In the event of illnesses requiring treatment, they are referred to their general practitioner or a specialist physician.

5.5 The environment

Protecting our environment and the climate are major global challenges of our age. Maintaining the natural basis of life for future generations is part of our corporate responsibility. That includes continuously reducing emissions in keeping with our sustainability strategy.

Worldwide management
As a specialty chemicals company, we are aware that our production impacts the environment. We take many steps to minimize this. According to our materiality analysis, the most important sustainability issues for Evonik are green energy, mitigating climate change, water management, and biodiversity.

Our actions are based on an extensive, integrated management system for the environment, safety, health, and quality. This applies to the whole of the Evonik Group and is based on legal requirements, internal policies and standard operating procedures. In addition to meeting compliance requirements, we therefore support continuous improvement of our environmental performance. Furthermore, we require our manufacturing sites to be validated as conforming to ISO 14001, the internationally recognized environmental management standard. In the energy sector, we use ISO 50001 and are working to implement it digitally. At present, 48 sites are certified in conformance with ISO 50001, so around 80 percent of Evonik's energy consumption is certified.

The ESHQ function has a central audit system to regularly monitor the implementation of our strategy and management system. Based on the findings and analyses of internal and external audits and site inspections, talks are held on possible improvements and ways of implementing them. The executive board is informed annually of the outcome of the audits. The processes used to collect and process environmental data are subject to internal and external audits. Our high quality standards are backed up by regular training. Data input is decentralized, and the data can be evaluated on the basis of management units, legal structures, or regions.

The ESHQ function bundles all group-wide strategic management and coordination activities relating to the environment, plant safety, occupational safety, and health. Decisions on the implementation of this strategy are taken by the ESHQ panel. Its members are representatives of the divisions, regions, the

[1] Maximum that can be achieved: 6.0.

technical committee, and employee representatives. The panel is chaired by the head of the ESHQ function, who reports directly to the chief human resources officer. Management and decision-making for the environment area of action are assigned to the sustainability council and the sustainability circle. The Sustainability and ESHQ functions work together closely to prepare and implement the work of the sustainability council and the sustainability circle.

Our divisions and regions are subject to annual audits to monitor compliance with DIN EN ISO 14001 and/or RC 14001 validation at our production locations. In 2022, 67 internal and external ESHQ audits were conducted worldwide. The proportion of output covered varies from year to year because of the addition of newly acquired units. However, it is always between 95 percent and 100 percent.

5.5.1 Green energy

Green energy is one of our top three material topics. In the reporting period, we made good progress with the **strategic transformation** of Evonik in this area. More and more of our sites source energy from renewable resources. Worldwide, we are working closely with the various business lines, sites, and specialists in the Technology and Infrastructure division to increase the proportion of total energy sourced by Evonik as green energy, in other words, from certified sustainable energy sources. In 2021, more than 15 percent of the electricity used in the Evonik Group came from renewable sources. More than 30 sites in Europe, Asia, and North and South America currently source or generate sustainable energy. That avoids around 250,000 metric tons of CO_2 a year. Our energy management system, which we are extending to create an integrated digital solution, increases our energy efficiency and, at the same time, helps us further optimize the efficient use of resources.

Significant increase in the proportion of green energy

From 2026, our European sites will be far less dependent on fossil fuels. In November 2022, we signed a long-term **power purchase agreement** with the utility company EnBW, Karlsruhe (Germany) for the 900 megawatt (MW) He Dreiht offshore wind farm. On the basis of this power purchase agreement, Evonik will source output of 100 MW from this new wind farm in the German North Sea over a period of 15 years. A second power purchase agreement was signed in December 2022 to increase this by a further 50 MW. Consequently, renewable energy sources will cover more than one-third of our electricity requirements in Europe from 2026. Evonik will compensate for fluctuations in the wind energy feed-in through its own balance group management. This shows that we have a keen eye on the reliability of supply, can avoid potential bottlenecks, and safeguard the long-term operation of our production facilities.

In 2022, we concluded power purchase agreements for the supply of electricity from wind farms and photovoltaic installations to five Chinese sites. For example, since May 2022, our Health Care business line at the site in Nanning has been supplied with green electricity from wind power instead of coal-fired plants. Additional energy and recycling activities at the site have brought a further appreciable reduction in CO_2 emissions.

Worldwide, 23 percent of electricity purchased by Evonik from external suppliers already comes from renewable sources. The power purchase agreements with EnBW in Germany increase this substantially to around 50 percent. At the same time, this cooperation will reduce scope 2 emissions (purchased power) by 100,000 metric tons CO_2 a year. Our goal is to reduce scope 1 and 2 emissions from 6.5 million metric tons to 4.9 million metric tons between 2021 and 2030. About one-third of this reduction should be achieved by using renewable energies.

Energy management systems and measures to increase energy efficiency

Evonik aims to reduce both absolute and specific **energy consumption** by 5 percent by 2025 (baseline year: 2020). That is helped by new technologies and efficient processes such as digitally controlled energy systems. In this way, our digital energy management system (EnMS) supports the achievement of operational energy targets at our sites. In 2021[1], successful energy efficiency activities led to a reduction of more than 218 GWh in energy consumption, as well as reducing emissions by around 42,000 metric tons CO_2.

The ISO 50001-validated EnMS was used at 48 sites in the reporting period. As a result, more than 80 percent of our global energy consumption is subject to continuous improvement via a certified energy management system. In 2022, we successfully certified further sites in Europe and Asia-Pacific. ISO 50001 certification is planned for a further 20 sites in the coming years.

Through the targeted rollout of energy efficiency measures, we reduced specific energy consumption at all sites that use the EnMS by an average of 3.8 percent a year between 2019 and 2021.

In our energy reporting, we distinguish between primary energy inputs, generally fossil fuels used to generate electricity and steam, and secondary energy inputs. These mainly comprise purchased electricity and steam. We also use substitute fuels such as thermal processing of by-products, waste, and sewage sludge. At present, natural gas and coal are Evonik's main fuels. Looking beyond the current energy shortage caused by Russia's invasion of Ukraine, Evonik's goal following the commissioning of the new gas and steam turbine power plants in Marl (Germany) is to completely exit coal-fired power generation worldwide.

[1] The figures for 2022 will not be available until spring 2023.

In addition to natural gas-fired generation of electricity and steam for captive use, large amounts of process heat from exothermic reactions, for example, from the production of acrolein, are used in integrated heating systems.

Energy inputs T33

in petajoules[a]	2021	2022
Total fuels	55.46	50.38
Purchased electricity and steam	25.10	25.45
Electricity and steam supplied to third parties	–11.71	–11.57
Gross energy input[b]	**80.55**	**75.83**
Net energy input[c]	**68.84**	**64.26**
Change in net energy input versus 2020 in %	**6**	**–1**
Production in million metric tons	9.54	8.81
Specific net energy input in petajoules per million metric tons production	7.22	7.29
Change in specific net energy input versus 2020 in %	**–1**	**–**

Prior-year figures restated.
[a] The energy data are presented on the basis of the reporting boundaries and principles set out in the SBTi standard.
[b] Fuel inputs plus purchased electricity and steam.
[c] Fuel inputs plus purchased electricity and steam less electricity and steam supplied to third parties.

Volume-driven decrease in net energy input

The reduction in the volume of coal used in 2022 was due to the start-up of the new gas and steam turbine power plants in Marl (Germany). Since then, heating oil has played am insignificant role in the energy mix. It is only used for auxiliary firing systems in the coal-fired power plant I in Marl. In addition, insignificant amounts are required for emergency generators at some sites.

The decrease in the use of substitute fuels was due to the drop in production and, among other things, the renewal of the energy infrastructure in Marl. The electricity and steam data were virtually unchanged. The change in absolute and specific net energy input versus 2020 mainly reflects the trend in production.

5.5.2 Mitigating climate change

Mitigating climate change—which is one of our material topics—and the related extreme weather events are a major challenge for society and one that we are also addressing. We are driving forward the reduction of all climate-relevant emissions and other environmental impacts of our business activities. To actively mitigate the effects of climate change, we set ambitious new targets in the reporting period. We also integrated reducing our CO_2 emissions (scope 1 and 2 emissions) into the remuneration of the executive board and other executives. Carbon pricing is used as an additional planning criterion in investment decisions. Along the value chain, we are working on innovative solutions to reduce emissions—often in collaboration with suppliers and customers.

The main lever to reduce greenhouse gas emissions (GHG) emissions is our own production. In addition, compared with conventional alternatives, many of our Next Generation Solutions make a further contribution at the application stage.

Ambitious new climate targets 2021 – 2030 due to our commitment to SBTi[1]

We joined the Science Based Targets initiative (SBTi) in the reporting period. SBTi is a partnership of CDP, the United Nations Global Compact, the World Resources Institute, and the World Wide Fund for Nature. It defines and encourages best practices for science-based target-setting and independently evaluates targets set by companies from this perspective. It has now become an internationally accepted standard.

We are committed to the SBTi target "well below 2 °C" and to reducing our absolute scope 1 and 2 emissions by 25 percent between 2021 and 2030. In the same period, we aim to reduce scope 3 emissions in all upstream categories and the downstream category "transport and distribution" by 11 percent[2]. In this way, Evonik actively supports the Paris Agreement on Climate Change.

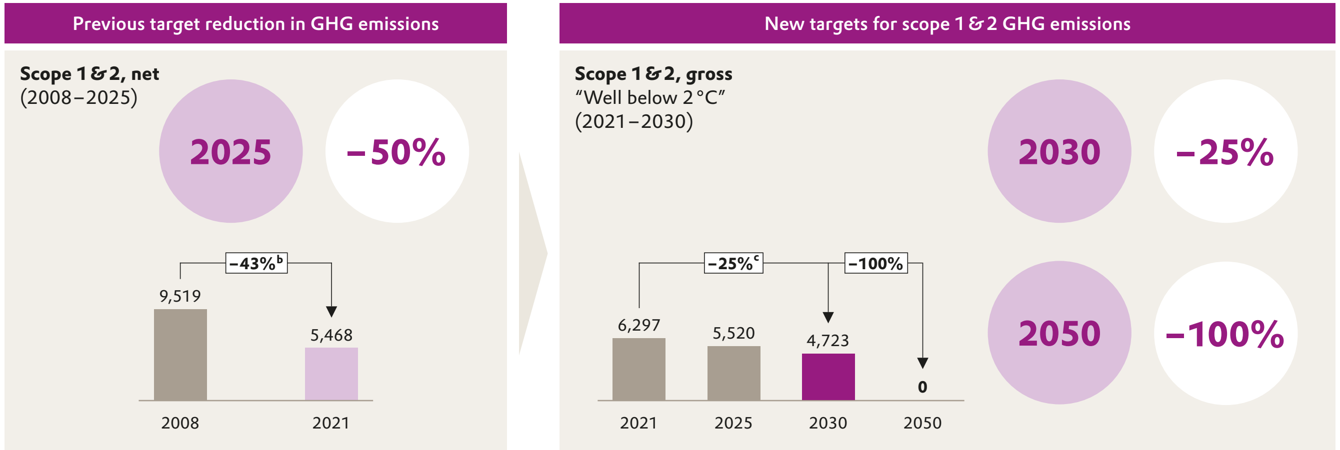
Our levers[a] to reduce GHG emissions along the value chain C28

Upstream	Gate-to-gate	Downstream
• Projects with key suppliers • Using climate-neutral instead of fossil-based raw materials • Closed-loop material flows; raw materials from recyclate	• Integrated facilities to use by-products • EAGER[b] project/Next Generation Technologies/research • Green energy • Process efficiency • Sustainable data management	• Next Generation Solutions • CO_2eq avoided by using Evonik products • Products to support a circular economy

[a] Examples.
[b] EAGER = Evonik Assessment of Greenhouse Gas Emission Reduction.

[1] Validation of the targets by SBTi not yet completed.
[2] Exact target: 11.07 percent.

Our commitment to SBTi[a]: ambitious new scope 1 & 2 targets C29



[a] Validation by SBTi not yet completed.
[b] Net emissions (= gross emissions minus electricity and steam purchased externally); reference base 2008; refers to the original target of –50% by 2025.
[c] Gross emissions; base year 2021, target year 2030.

Here is a summary of our previous and new **climate-related targets:**

Previous target for scope 1 and scope 2 (valid until year-end 2021): This target was to reduce absolute scope 1 and 2 by 50 percent by 2025, reference base 2008—the first full year after the establishment of Evonik (status 2021: –43 percent).

New target for scope 1 and scope 2: We aim to reduce scope 1 and 2 emissions by 25 percent between 2021 and 2030. This is aligned with the SBTi target of "well below 2 °C" (status 2022: –6 percent).[1]

Previous target for scope 3 (valid until year-end 2021): We aimed to reduce scope 3 emissions from the upstream value chain—principally from the "raw material backpack"—by 15 percent, reference base 2020.

New target for scope 3: We aim to reduce our scope 3 emissions in all upstream categories and in the downstream category "transport and distribution" by 11 percent [2] by 2030, reference base 2021 (status 2022: –7 percent).[1]

To achieve our ambitious scope 1 and 2 targets, we have put in place a wide range of measures. These include exiting coal-fired power generation at our site in Marl (Germany), ongoing global development of production processes and infrastructure (Next Generation Technologies), and switching to renewable energy.

In the first half of 2022, the EAGER project (Evonik Assessment of Greenhouse Gas Emission Reduction) identified the potential to reduce GHG emissions at our sites. A cross-functional team identified scope to reduce CO_2eq (scope 1 and 2 emissions) at the top 20 sites around the world by around 1 million metric tons (including the related costs of emissions avoidance), in accordance with the "well below 2 °C" target. The top 20 sites account for 80 percent of Evonik's GHG emissions. In the period to 2030, we plan to invest €700 million in **Next Generation Technologies,** in other words, in the ongoing development of production processes and infrastructure to reduce GHG emissions. We are continuously developing our GHG reduction path in consultation with the business lines and multi-user sites and have started to implement the first measures.

In view of the geopolitical situation, we could not decommission the coal-fired power plant in Marl (Germany) as planned in 2022. Due to the consequences of Russia's invasion of Ukraine, we are required to retain the capacity for the time being to safeguard general reliability of supply. Following modification of the statutory framework, Evonik hired the necessary personnel, invested in technical maintenance, and procured coal on the global market. The supply of electricity, heat, and steam to the site is therefore safeguarded beyond 2022. We nevertheless assume that we will be able to achieve our scope 1 and 2 emissions reduction target for the period between 2021 and 2030.

[1] Validation of the targets by SBTi not yet completed.
[2] Exact target: 11.07 percent.

Measures to reduce scope 3 emissions between 2021 and 2030

Reducing scope 3 emissions is challenging for the entire value chain because these emissions are outside their direct sphere of influence and are affected by many external factors. That necessitates intensive cooperation with partners along the value chain.

We aim to reduce our scope 3 emissions in all upstream categories and in the category "downstream transport and distribution" by 11 percent[1] by 2030. Therefore, we are analyzing which raw materials and suppliers offer us the greatest potential for reduction. The starting point comprises secondary data from databases but also, increasingly, primary data. To increase the proportion of primary data, we contact our key suppliers once a year. In this context, we discuss, among other things, the main ways we can leverage emissions reduction with our suppliers. That may be renewable energies, improved processes, or alternative raw materials. Taking the overview of all factors, we then discuss specific targets with our suppliers. In 2022, Evonik signed a letter of intent on a strategic cooperation with Pörner Group (Austria) and Phichit Bio Power Co. Ltd. (Thailand) to offer the tire industry the first bio-based silicas derived from rice husk ash. By using this by-product, we can reduce the carbon footprint of the natural raw material sodium silicate by 30 percent and support our customers' focus on reducing carbon emissions and a circular economy.

The short-term availability of low-carbon raw materials is limited. Therefore, we use mid- and long-term scenario analyses for the alignment of our procurement strategies. Green hydrogen is expected to drive the energy transition in the area of raw materials. That opens up opportunities for the production of green ammonia and green methanol. In the methanol process, CO_2 removal is possible, so the product would have a negative carbon footprint. Evonik is monitoring these developments and is in close contact with potential suppliers. Since ammonia can be used as a transport medium for hydrogen and as a substitute for marine diesel, we assume that the development here will be faster than for other raw materials.

Greenhouse gas emissions T34

in thousand metric tons CO_2 equivalents[a, b]	2021	2022
Gas	1,881	1,918
Coal	1,275	1,060
Substitute fuels and process emissions	1,168	1,018
Other (oil, methane[c], dinitrogen oxide[c], hydrofluorocarbons)	57	56
Total scope 1	**4,381**	**4,051**
Purchased electricity and steam[d]	1,916	1,853
Total scope 2	**1,916**	**1,853**
GHG emissions, total scope 1 + 2	**6,297**	**5,904**
Reduction compared with the reference year (2021)	**–**	**–6**

Prior-year figures restated.
[a] The calculation of greenhouse gases as CO_2 equivalents is based on the Sixth Assessment Report IPPC AR6 (2021) and is based on a period of 100 years.
[b] GHG emissions are presented in accordance with the SBTi standards for the first time.
[c] Emissions from production and energy generation.
[d] Market-based method using individual emission factors of electricity suppliers.

Greenhouse gas emissions on track

The standard used to report our GHG emissions is the Greenhouse Gas (GHG) Protocol Standard. We distinguish between direct scope 1 emissions from energy generation and production and indirect scope 2 emissions from the purchase of electricity and steam. Purchased electricity is calculated by the market-based method using the individual emission factors of the power suppliers.

GHG emissions decreased by 6 percent to 5.9 million metric tons CO_2eq[2] in the reporting period. The principal reasons for this, apart from specific energy-saving measures, were the demand-driven reduction of 8 percent in production and the commissioning of the new gas and steam turbine power plant in Marl (Germany). The purchase of electricity from renewable resources, for example, by the Active Oxygens business unit, remained at the prior-year level. Globally, these purchasing activities reduced our scope 2 emissions by around 250,000 metric tons CO_2 in the reporting period.

In 2022, Evonik had 24 facilities (2021: 23 facilities) that fall within the scope of the EU Emissions Trading System (EU ETS). Our new gas and steam turbine power plant came on stream in Marl (Germany) in the reporting period. In total, Evonik emitted 3.0 million metric tons CO_2 from EU ETS facilities in 2022 (2021: 3.3 million metric tons CO_2).

In addition, we are directly affected by carbon pricing systems in a number of countries. In Germany, we are subject to the national emissions trading system as well as the EU ETS. In the provinces of Fujian and Shanghai in China, our Nanping and Shanghai sites are subject to regional emissions trading systems. National emissions trading systems apply for our sites in Morrinsville (New Zealand) and Ulsan (South Korea). Our sites in Gibbons and Maitland (Canada) and Singapore are subject to the relevant national CO_2 taxes. Overall, about 61 percent of Evonik's GHG emissions are subject to carbon pricing systems.

[1] Exact target: 11.07 percent.
[2] CO_2 equivalents.

Carbon pricing factored into investment calculations

Evonik uses internal carbon pricing for major investments as a basis for effective management of its CO_2 reduction target. This adds another relevant indicator to the established planning parameters for investments, such as exchange rates and raw material prices. The aim is to be able to reflect the development of carbon-intensive investments in a reliable and harmonized manner in all investment applications worldwide. At present, we assume that the carbon pricing for the EU ETS will be €95 per metric ton CO_2 by 2030. In all other regions of relevance to Evonik, we are retaining our forecast of €50 per metric ton CO_2 by 2030 at the latest. In view of regional differences in the starting situation, we have developed scenarios for the development of carbon pricing—differentiated by countries and regions—showing the rise to the assumed final price. In these, we take into account both direct CO_2 emissions (scope 1 emissions) from production and energy generation and indirect CO_2 emissions from the purchase of secondary fuels (scope 2 emissions).

Information based on TCFD

We are following the objectives of the Task Force on Climate-related Financial Disclosures (TCFD) very closely, for example, through a cross-functional working group. The TCFD focuses on climate reporting by companies and their climate-related opportunities and risks. We are considering purchasing an IT solution to enable us to produce scenario analyses in the future. In keeping with its participation in CDP Climate Change, in 2022 Evonik again published detailed strategies, data, and development paths on climate change. Key climate-related information is presented in the following overview using the TCFD structure, divided into the categories governance, strategy, risk management, and metrics and targets.

Governance[a]

Climate change is a matter of the utmost importance for the entire executive board. Direct responsibility for implementing our group-wide sustainability and climate strategy, monitoring, and reporting is assigned to the member of the executive board responsible for sustainability. The head of the Environment, Safety, Health and Quality function regularly reports to the executive board on climate-related issues.

In view of the increasing relevance of sustainability for the management of the Evonik Group, we integrated further ESG aspects into our governance in 2022. For example, the sustainability council—which is responsible for guidance and decision-making on sustainability topics—is now chaired by the chairman of the executive board. Other members, alongside the executive board members, are the heads of the divisions to ensure close alignment with the businesses. The decisions taken by the sustainability council are prepared by the sustainability circle, which comprises representatives of the functions and departments of relevance for sustainability.

The supervisory board addressed sustainability issues at several meetings in 2022, including climate-related aspects and the related disclosures on the EU taxonomy.

The ongoing strategic development of sustainability management at Evonik is also reflected in the remuneration of the executive board and corporate executives: From 2023, the attainment of sustainability targets such as the reduction in our scope 1 and 2 emissions is included as an additional long-term component.

[a] You can find further information here: Sustainability report, chapters "The environment" **p. 79 ff.** and "Further elements of our sustainability management" **p. 122 ff.**; 2022 CDP Climate Change response: Governance chapter; **https://evonik.com/CDP-ClimateChange** (Outside the scope of the limited assurance engagement).

Strategy[a]

Climate and sustainability aspects are integrated into all aspects of our corporate strategy—portfolio management, innovation, and corporate culture. That is illustrated, for example, by our commitment to SBTi. We are committed to the SBTi target "well below 2 °C." In this way, we support the Paris Agreement on Climate Change.

In the upstream value chain, we consider both our "raw material backpack" and scope 1 and 2 emissions from our production facilities. Measures to reduce our scope 1 and 2 emissions include exiting coal-fired power generation at our site in Marl (Germany), ongoing global development of production processes and infrastructure (Next Generation Technologies), and the transition to renewable energies. Downstream, our products improve our customers' CO_2 profile. In view of the increasing climate awareness, we expect demand to rise further, with a correspondingly positive impact on our business. Our goal is to increase the proportion of our products with a pronounced sustainability profile (Next Generation Solutions) from 43 percent in 2022 to over 50 percent by 2030.

Climate change involves considerable opportunities and risks for Evonik. We have identified short-, mid-, and long-term transformation risks and physical risks. You can find an extensive description of the individual risks in our CDP Climate Change response.

Our contributions to a sustainable transformation are grouped in four Sustainability Focus Areas (SFAs), which include "fight climate change." Each SFA addresses specific sustainability requirements.

[a] You can find further information here: section 1.2 Principles and objectives **p. 19 f.**; Evonik Carbon Footprint **www.evonik.com/sustainability**; sustainability report, chapters "The environment" **p. 79 ff.** and "Strategy and growth" **p. 14 ff.**; 2022 CDP Climate Change response: Business Strategy chapter; **https://evonik.com/CDP-ClimateChange** (Outside the scope of the limited assurance engagement).

Risk management[a]

In keeping with the executive board's overall responsibility, the chief financial officer (CFO) is responsible for ensuring the correct functioning of risk management. To ensure this, we use an integrated, multidisciplinary opportunity and risk management system, which explicitly includes climate-related opportunities and risks. The short- and mid-term opportunities and risks are taken into account in our financial planning. Our risk management system also includes extreme risks, which are partly due to climate change. Opportunities and risks are identified and evaluated group-wide and measures are taken to control and monitor them.

The risk committee chaired by the CFO meets quarterly. The corporate risk officer reports regularly to the executive board on the opportunities and risks for the Evonik Group, including climate-related risks.

To strengthen the focus on sustainability-related risks and opportunities in our risk identification and reporting, we use our annual risk coordinator conference to raise the awareness of our risk coordinators of the rising significance of these aspects. In many cases, the time horizon for sustainability risks goes well beyond the mid-term period used in our conventional risk management. Therefore, we are currently working on an approach to identify long-term sustainability-related risks and opportunities so that we can define adequate targets and measures to address them. We want to include these opportunities and risks even more effectively in our portfolio and innovation management and our investment activity in the future.

[a] You can find further information here: section 6. Opportunity and risk report **p. 81 ff.**; 2022 CDP Climate Change response: Risks and opportunities; **https://evonik.com/CDP-ClimateChange** (Outside the scope of the limited assurance engagement). Sustainability report, chapter "Governance and compliance (opportunity and risk management)" **p. 25 ff.**

Metrics and targets[a]

Evonik and its predecessor companies have defined ambitious environmental targets since 2004. As a member of SBTi, we have given a commitment to reduce absolute scope 1 and 2 emissions by 25 percent between 2021 and 2030. To achieve our ambitious targets, a wide range of measures are planned. We also aim to reduce scope 3 emissions by 11 percent by 2030. Furthermore, we want to reduce both absolute and specific energy consumption by 5 percent between 2020 and 2025.

Calculation of our CO_2eq emissions is based on the Greenhouse Gas Protocol.

In 2022, our CO_2eq emissions were:

Scope 1: 4.1 million metric tons

Scope 2: 1.9 million metric tons

Scope 3: 21.7 million metric tons

[a] You can find further information here: section 1.2 Principles and objectives **p. 19 f.**; sustainability report, chapter "The environment" **p. 79 ff.**; 2022 CDP Climate Change response: Chapter Targets and performance; **https://evonik.com/CDP-ClimateChange** (Outside the scope of the limited assurance engagement).

Other emissions into the air

Alongside emissions of greenhouse gases as reported above, energy generation and industrial production result in further emissions into the air. We want to reduce these further and therefore take the emissions situation into account when planning new facilities. Our clean air measures include returning exhaust gases to the production process, thermal processing of residual gases with a high calorific value (as substitutes for natural gas), the use of electric filters to remove particulates, the use of catalysts to reduce nitrogen oxide, and desulfurization by washing with subsequent precipitation. We also use other methods to reduce emissions from production facilities. Examples are wet and dry scrubbing, condensation, adsorption, and thermal and catalytic incineration. Some of these emissions treatment facilities are used simultaneously by several units. The other emissions into the air declined in 2022 as a result of lower production output and the reduced use of coal for energy generation at Marl Chemical Park.

5.5.3 Disclosures on the EU taxonomy

EU taxonomy—little focus on specialty chemicals at present

As part of the Green Deal, the EU taxonomy is designed to direct financing towards sustainable investments. The EU taxonomy has six environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

For 2022, there is a reporting obligation for the first two environmental objectives. Their main focus is on economic activities that currently result in high carbon dioxide emissions, where a reduction in emissions would make the biggest contribution to achieving the EU's climate targets. Consequently, the chemical products mainly affected by the delegated acts issued for these two environmental objectives to date are commodity chemicals. At present, only a few categories of precursors are affected.

Evonik's portfolio of specialty chemicals is therefore only affected to a small extent by the EU taxonomy's climate change mitigation objective at present. In other words, only a few of our activities are taxonomy-eligible[1]. In 2022, these taxonomy-eligible activities accounted for just 15 percent of turnover, 17 percent of CapEx[2], and 13 percent of OpEx[2]. None of Evonik's activities are taxonomy-eligible with regard to the climate change adaptation objective.

For 2022, we examined the taxonomy alignment[3] of the taxonomy-eligible activities for the climate change mitigation objective for the first time. As we had expected, this is less than 1 percent of turnover, CapEx, and OpEx. The background to these low ratios is that for the climate change mitigation objective for chemical products, the EU taxonomy mainly addresses the carbon footprint of the products and especially their raw materials. By contrast, it disregards the positive impacts (handprint)[4] of many products. In view of the rising use of non-fossil raw materials and greater certification, we assume that we can increase this percentage in the coming years.

Unlike the EU taxonomy, the sustainability analysis[5] of our business covers the footprint, handprint, and further signals and market requirements. Many Evonik products are differentiated from competing products principally through their handprint. Our sustainability analysis with its holistic approach therefore remains the key tool for the strategic management and ongoing development of our portfolio.

Assessment of the taxonomy eligibility of activities

To determine which activities are taxonomy-eligible for the first two environmental objectives—climate change mitigation and climate change adaptation—we screened our portfolio at product level to see whether products are allocated to the individual economic activities defined in the delegated acts. In this analysis, we were supported by intensive discussions with experts from our operating units. The result is that only a few of our products are taxonomy-eligible for the first two objectives. These are butadiene, which is allocated to the EU taxonomy activity 3.14 Manufacture of organic basic chemicals, and products that are within the scope of activity 3.17 Manufacture of plastics in primary form. In addition, we identified some precursors within the scope of activity 3.5 Manufacture of energy efficiency equipment for buildings[6]. In 2022, a new delegated act was issued on the inclusion, among others, of gas power plants in the EU taxonomy. Under this act, the sale of electricity and steam from the Technology & Infrastructure division's gas and steam turbine power plants is taxonomy-eligible under activity 4.30 High-efficiency co-generation of heat/cool and power from fossil gaseous fuels[7]. All products and activities for which disclosures are required under the EU taxonomy are at levels well below our reporting segments, which are our divisions.

In the assessment of taxonomy-aligned economic activities, we set a threshold below which we do not screen activities for potential taxonomy alignment and do not disclose them as taxonomy-eligible because of their very low contribution to turnover, CapEx, and OpEx. These also include activities that were included in our report in the previous reporting period: manufacture of hydrogen, electricity distribution and transmission systems, and freight rail transport and operation of rail networks.

Screening of taxonomy-eligible activities for taxonomy alignment

The first step was to determine whether the taxonomy-eligible activities met the stringent technical screen criteria for taxonomy alignment. If they did, they were further screened to determine whether the products or production plants harm any of the other five environmental objectives (do-no-significant-harm criteria). For this purpose, the products concerned and the sites where they are produced were screened centrally in accordance with appendices A through D of the delegated act. We have valid operating permits for all plants and sites worldwide. Consequently, they have undergone extensive inspection and evaluation by the responsible authorities from an environmental due diligence perspective. Our plants and sites within the EU comply with the EU directives set out in the appendices, and we monitor compliance with any official requirements by performing systematic internal and external controls as an integral part of our management systems. The EU directives do not apply to sites outside the EU. Instead, these sites and plants are evaluated on the basis

[1] Taxonomy-eligible economic activities are activities within the scope of the EU taxonomy that are listed in Annexes I and II of the delegated regulation supplementing Regulation (EU) 2020/852 for the first two environmental objectives.
[2] As defined by the EU taxonomy, see below.
[3] Taxonomy-aligned economic activities are taxonomy-eligible activities that meet the stringent technical screening criteria set out in the delegated acts on the EU taxonomy, the do-no-significant-harm (DNSH) criteria, and the minimum social safeguards.
[4] Positive impacts of our products along the value chain compared with other established products and applications on the market, especially in customers' applications.
[5] See section 5.1 Sustainability strategy p. 50 ff.
[6] In the delegated acts for the environmental objectives climate change mitigation and climate change adaptation, the economic activity "manufacture of energy efficiency equipment for buildings" comprises both products and their key components. Evonik products that are precursors for such equipment and influence their energy efficiency have therefore been included here are taxonomy-eligible key components.
[7] As the economic activities described in Annex XII of Commission Delegated Regulation 2022/1214 do not make a material contribution to the turnover, OpEx, and taxonomy-aligned CapEx KPIs, reporting in accordance with Annex XII to Commission Delegated Regulation 20212/2178 is not applied. The reporting templates for the taxonomy-non-aligned CapEx KPI are reproduced in the annex to the combined management report.

of the environmental regulations applicable to the specific location, which include environmental due diligence aspects. We comply with the applicable environmental regulations in all cases, implement all requirements imposed by the authorities, and monitor their observance through systematic internal and external controls.[1, 2, 3]

A further requirement is the observance of the minimum safeguards. We based our examination on the Draft Report on Minimum Safeguards of the Platform on Sustainable Finance and evaluated four focus areas: human rights, corruption, taxes, and fair competition at the level of the Evonik Group. In keeping with their high significance for good corporate governance, all four topics are part of our House of Compliance[4]. Evonik is committed to observing internationally recognized standards and its own more far-reaching guidelines and principles of conduct. In 2022, the executive board has adopted a new version of its policy statement on human rights, which has been revised, in particular, in light of the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG). All standards and guidelines apply group-wide, i.e., they also apply to sites outside the EU.

Determination of the key performance indicators

For 2022, the EU taxonomy requires disclosure of the share of turnover, CapEx, and OpEx attributable to both taxonomy-eligible and taxonomy-aligned activities. In the previous year, only the share attributable to taxonomy-eligible activities had to be reported.

Turnover as defined in the EU taxonomy corresponds to IFRS sales.[5] **CapEx** and **OpEx** are defined in a delegated act and do not correspond to any of the IFRS parameters. The CapEx KPI for the EU taxonomy differs from our internal key performance indicators capital expenditures and cash outflows for investments in intangible assets, property plant and equipment. The calculations are presented in the following tables. Most of the components used in these indicators at the level of the Evonik Group can be found in the notes to our consolidated financial statements in accordance with IFRS.

Calculation of CapEx for the EU taxonomy T35

in € million	2021	2022
Capital expenditures for property, plant and equipment[a]	912	848
Capital expenditures for intangible assets[b]	17	8
Capital expenditures	**929**	**856**
Additions to property, plant and equipment from business combinations[a]	3	0
Additions to intangible assets from business combinations[b]	20	0
Additions from business combinations	**23**	**0**
Additions from leasing transactions[c]	110	518
Additions from leasing transactions due to business combinations[c]	3	0
Additions from leasing	**113**	**518**
Total CapEx for the EU taxonomy	**1,065**	**1,374**

[a] See note 6.2 to the consolidated financial statements p. 147 f.
[b] See note 6.1 to the consolidated financial statements p. 145 f. Goodwill is not included because it does not meet the definition of an intangible asset in IAS 38.
[c] See note 6.3 to the consolidated financial statements p. 149 f.

Calculation of OpEx for the EU taxonomy T36

in € million	2021	2022
Research and development expenses[a]	464	460
Maintenance and repair expenses[b]	316	366
Expenses for short-term leases[c]	12	17
Total OpEx for the EU taxonomy	**792**	**843**

[a] See income statement p. 124.
[b] The maintenance and repair expenses are derived from the cost element accounting and contain services and materials incurred principally for production facilities, buildings, and operating infrastructure. Other cost items are not included.
[c] See note 9.2 to the consolidated financial statements p. 175 ff. On materiality grounds, we have not undertaken a further analysis of whether these items contain taxonomy-eligible economic activities.

1 For appendix A, the basis for technical screening of activities in the EU is directive 2000/60/EC ("water policy framework"), which applies directly for our plants and sites within the EU. Possible requirements resulting from inspection by the responsible authorities could be the measurement and analysis of water emissions and, where applicable, the implementation of any necessary measures.
2 Screening based on the pollution prevention and control criteria pursuant to appendix C is assessed using our EHS data system.
3 The basis for appendix D is the EU directive on environmental impact assessment (2011/92/EU) or equivalent impact assessments for sites/operations located in or near biodiversity-sensitive areas. Potential requirements are, for example, the measurement of emissions into the air or water or noise emissions, including their analysis and, where applicable, the implementation of any necessary measures. An overview of our 10 largest sites located in or near biodiversity-sensitive areas (e.g., based on the IUCN criteria) can be found in Evonik's sustainability report 2022.
4 See the declaration on corporate governance p. 106 ff.
5 See note 5.1 to the consolidated financial statements p. 136 ff.

While turnover is determined and consolidated at product level using a system-supported process, direct assignment of the CapEx and OpEx KPIs to taxonomy-eligible economic activities is not always possible. In these cases, we used appropriate coding to the next highest level where an indicator was available. The next highest level is either a product line or a business line. Our system compiles and consolidates the CapEx and OpEx KPI indicators at least at the level of business lines. This method prevents double-counting of turnover, CapEx, and OpEx.

Evonik does not currently have any major investment plans (CapEx plans) for taxonomy-eligible activities, which would transform a taxonomy-non-aligned activity into a taxonomy-aligned activity within the next five years and for which CapEx or OpEX as defined in the EU taxonomy definition was incurred in 2021 or 2022.

For the CapEx and OpEx KPIs, we examined whether we purchased taxonomy-eligible or taxonomy-aligned activities for our own use. We could not identify any material contributions.

Based on the definitions in the EU taxonomy[1], we have derived the following key performance indicators for our taxonomy-eligible and taxonomy-aligned activities:

EU taxonomy: overview of KPIs for 2022 T37

	Turnover		CapEx		OpEx	
	€ million	Share in %	€ million	Share in %	€ million	Share in %
Taxonomy-eligible and taxonomy-aligned activities	79	–	2	–	2	–
Taxonomy-eligible and taxonomy-non-aligned activities	2,725	15	230	17	109	13
Total taxonomy-eligible activities	**2,804**	**15**	**232**	**17**	**111**	**13**
Taxonomy-non-eligible activities	15,684	85	1,142	83	732	87
Evonik Group	**18,488**	**100**	**1,374**	**100**	**843**	**100**

EU taxonomy: overview of KPIs for 2021 T38

	Turnover		CapEx		OpEx	
	€ million	Share in %	€ million	Share in %	€ million	Share in %
Taxonomy-eligible activities	2,444	16	222	21	103	13
Taxonomy-non-eligible activities	12,511	84	843	79	689	87
Evonik Group	**14,955**	**100**	**1,065**	**100**	**792**	**100**

The turnover of the taxonomy-eligible activities increased significantly in 2022 but since Group sales grew faster, their share of Group sales decreased from 16 percent to 15 percent. In 2022, the taxonomy-eligible activities accounted for 17 percent of CapEx, which was below the prior-year level of 21 percent. There were two opposing effects: First, the prior-year figure contained high expenditures for the construction of a polyamide 12 production plant, to which some taxonomy-aligned products were coded on a pro rata basis. Second, the reporting period contains expenditures for the construction of the gas and steam turbine power plants. OpEx for the taxonomy-eligible activities was below the prior-year level; the share of Group OpEx was unchanged at 13 percent.

It is not possible to discuss any change in the share of taxonomy-aligned activities as there are no reference data for 2021. Coding of the data for taxonomy-aligned activities by components is not meaningful given the low amounts involved.

[1] The full tables can be found in the annex to the combined management report p. 216 ff.

5.5.4 Water management

We save water wherever possible and endeavor to achieve a further reduction in our emissions. In the reporting period, we set a new target for water: Between 2021 and 2030, we aim to reduce specific freshwater intake relative to production volume by 3 percent. This is to be achieved by a wide range of measures at our production sites. The measures were identified in the EAGER project. At the same time, we are continuing our work on established water management topics and monitoring our sites in water stress areas.

Adequate availability of water for cooling and production processes plays a key role in our production activities. We therefore regularly analyze the short-, medium-, and long-term availability of water at our sites. The focus is on the next ten to twenty years. We pay special attention to water scarcity and water stress, which is defined as the ratio of the amount of water available in a specific area to general demand for water. If this indicator points to mid- or long-term water scarcity, the site is potentially exposed to water stress. In such cases, Evonik takes steps to reduce water requirements and safeguard production. We draw up a catalog of all relevant measures and evaluate them from technical and economic perspectives. Our global water management takes into account quantitative, qualitative, and social aspects of water use. We also consider our neighbors' claims. We take the AWARE method[1] recommended by the EU Commission as our guide. This uses the categories extreme—high—medium—moderate.

To take account of projections for climate change and socio-economic developments, we have identified the sites which could be most affected by water stress. In the reporting period, 13 production sites were classified as being exposed to extreme or high water stress using the AWARE system, and a further twelve were classified as having medium or moderate exposure. To avoid high water consumption and water pollution in water stress areas, we take effective precautions and develop site-specific measures. For example, we examine the use of alternative cooling systems or transportation options and options to reduce the use of process water. In this, we ensure close involvement of our ESHQ experts, the process and technology experts responsible for the relevant site, and the site itself.

Our water stress analysis is supplemented by a risk analysis covering the potential impact of natural catastrophes such as storms, hail, floods, hurricanes, tornadoes, and heavy rainfall. Moreover, our sites are regularly audited by insurance companies.

Evonik strives to steadily reduce specific water intake at all sites. One example is our site in Umbogintwini (South Africa): Here, recovery of steam condensate and rainwater collection should help bring a further improvement in water efficiency.

Water data

Total water intake was 446 million m³ in the reporting period, while discharges amounted to 439 million m³. The difference of 7 million m³ between water intake and discharge mainly comprises water used to replace evaporation losses. Around 98 percent (1,810 million m³) of our total water requirement (including water consumption) was for cooling purposes in energy generation and production. Only 2 percent (45 million m³) was used for production purposes. We include water used in closed cooling circuits and evaporation losses when calculating the proportion of total water used for cooling.

Water intake by source[a] T39

in million m³	2021	2022
Drinking water[b]	20.7	20.3
Groundwater	56.6	53.6
Surface water	174.3	172.7
Recycling of water from third parties and use of rainwater	4.3	3.1
Total freshwater	**255.9**	**249.8**
Salt water (sea water)	206.0	196.6
Total	**461.9**	**446.3**
Production in million metric tons	**9.5**	**8.8**
Specific water intake in m³ freshwater per metric ton production	**26.8**	**28.3**
Development of specific freshwater usage in % relative to the reference base 2021	**0**	**6**

[a] Differences due to rounding.
[b] Water from municipal or other utilities.

Evonik's consumption of freshwater—the total of recycled water, drinking water, groundwater, and surface water—declined slightly from 255.9 million m³ to 249.8 million m³ in the reporting period. Freshwater is mainly used for cooling. Demand therefore depends on the utilization of production capacity and the temperature. That is also the main reason why specific freshwater consumption increased by 6 percent in 2022, although production declined.

[1] AWARE stands for Available WAter REmaining.

In 2022, the salt water used for cooling purposes in methionine production on Jurong Island (Singapore) was around the prior-year level. Since 2022, the government has provided us with treated water, so we were able to reduce the intake of freshwater at this site.

Emissions into water

Our sites aim to make a contribution to protecting natural water resources. When planning new production plants, we therefore consider the use of processes that generate little or no wastewater. Where contaminated water from production processes (production effluent) is unavoidable, partial streams are tested, for example, for biodegradability. We have high technology standards and infrastructure for the disposal of wastewater at our sites. In some cases, production effluent is pretreated in the production plants. Consequently, the effluent load of wastewater discharged into our own or third-party treatment facilities is moderate.

5.5.5 Biodiversity

Biodiversity is one of Evonik's 15 material topics. We are aware that our business operations involve both opportunities and risks with regard to biodiversity. These include the loss or protection of biodiversity on land and in the oceans, including microbial organisms. It is important to avoid supply chain disruption and production stoppages caused by reduced biodiversity and damaged ecosystems. The starting points for our examination of biodiversity are conventional environmental topics such as emissions into water and the air and responsible water and waste management, which we report on regularly.

The following aspects of biodiversity are addressed in the sustainability analysis of our business: water, eutrophication, acidification, land use, use of renewable raw materials, emissions of critical and persistent chemicals, and microplastics. Our contributions to maintaining diversity are bundled in our Sustainability Focus Area safeguard ecosystems. Within this Sustainability Focus Area, we examine both water intake for production and water consumption over the entire life cycle of our products, including raw materials and the usage phase. A life cycle assessment of our entire water consumption in the reporting period confirmed that the main leverage for our water consumption is in the upstream value chain: More than 70 percent of our water consumption is attributable to our procurement of both fossil-based and bio-based raw materials.

As part of a strategic project in the reporting period, we gained a deeper insight into our stakeholders' biodiversity requirements by conducting interviews, for example, with NGOs and investors. In the future, we intend to look more closely at both the impact of our activities on biodiversity and our dependence on what nature provides. Furthermore, we keep a close eye on the activities of biodiversity initiatives such as the Task Force on Nature-related Financial Disclosure (TNFD).

Evonik's products and solutions

Declining biodiversity has a negative effect on Evonik's business activities. At the same time, our business activities can have a negative effect on biodiversity. However, Evonik's products and solutions also play a part in maintaining biodiversity and help protect habitats. For example, the use of amino acids in the nutrition of poultry and pigs greatly reduces the land required to produce feed. The use of our amino acids in aquaculture aims to maintain marine biodiversity by replacing the use of fishmeal and fish oil. For salmon farming, Evonik and DSM have jointly developed an innovative process for the biotechnological production of omega-3 fatty acids from natural algae. This can avoid the use of fish oil, which is a limited resource. The joint venture Veramaris has a world-scale production facility in Blair (Nebraska, USA). Veramaris therefore helps meet demand from the global salmon farming industry for the omega-3 fatty acids EPA[1] and DHA[2]. Evonik produces special marine coatings such as silicone hybrid resin and silicon to protect ships from fouling by marine organisms and thus reduce the spread of non-native species in our oceans. In the selection of raw materials, we apply internationally recommended certification standards for palm oil and plan to use exclusively deforestation-free palm derivatives. In 2022, Evonik once again participated in CDP Forest and was awarded a B rating. ▲

[1] EPA = eicosapentaenoic acid.
[2] DHA = docosahexaeneic acid.

5.6 Value chain

We drive forward our sustainability activities along the value chain. In addition to our own production and business processes, we always have an eye on the supply chain for our raw materials, goods, and services and on product benefits and applications for customers.

5.6.1 Responsible management and human rights

As well as complying with the law and respecting human rights, the principles of business ethics involve respecting internal regulations and binding voluntary commitments. We strive to prevent compliance violations within Evonik as well as breaches of human rights by Evonik and in our supply chain. We therefore see fulfilling statutory regulations, for example, on fair competition and on fighting corruption and money laundering, as a minimum requirement.

We are also committed to observing internationally recognized standards and our own more far-reaching guidelines and principles of conduct. The starting point for responsible corporate management at Evonik is our code of conduct, together with our global social policy and our policy on the environment, safety, health, quality, and energy (ESHQE)[1,2]. In addition, the executive board has adopted a new version of its policy statement on human rights, which has been revised, in particular, in light of the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG). Human rights have been included in the code of conduct since 2018.

Our global social policy sets out rules for social responsibility and business ethics in our relationship with our employees and their dealings with one another. As a member of the UN Global Compact, we have given an undertaking that, within our sphere of influence, we will actively respect and promote labor rights and human rights, avoid discrimination, protect people and the environment, and fight against corruption.

As a signatory to the chemical industry's Responsible Care® Global Charter, we have an obligation to continuously improve our performance in health protection, environmental protection, product stewardship, safety, and engagement with our stakeholders. Our ESHQE positions are predicated on the protection of people and the environment. Together with more detailed policies and procedures, they form Evonik's ESHQE regulations.

Evonik is involved in many national and international competency networks in the area of sustainability. These include econsense—Forum for Sustainable Development of German Business, and Chemie[3], the sustainability initiative of the German chemical industry. We are also a member of the World Business Council for Sustainable Development (WBCSD) and are committed to its Vision 2050. We regularly report our climate and water performance to CDP. Since 2020, we have also reported our contribution to deforestation-free supply chains.

Human rights

Respecting human rights is a central element in corporate responsibility. We address the associated obligations throughout the company and along the value chain within our sphere of influence. Evonik has various tools, principles of conduct, and guidelines to support compliance with human rights obligations.

From 2023, Evonik is subject to the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG). This law sets out companies' obligations to make sure that their business activities do not contribute to breaches of human rights. It requires them to respect the core labor standards issued by the International Labour Organization (ILO) to prevent forced or compulsory labor and child labor, the right to freedom of association, the UN International Covenant on Civil and Political Rights, the UN International Covenant of Economic, Social and Cultural Rights, and the employment protection regulations applicable at the place of employment. In addition, the law requires compliance with three international environmental conventions, including the Minamata Convention[3].

In 2021, the executive board instructed a project group to set up a compliance management system for human rights, including environment-related aspects, to comply with the German legislation on due diligence in supply chains. Established standards and processes were examined using a gap analysis and are being adapted to the requirements of the German legislation on due diligence in supply chains. The project work benefited from the expertise and resources of the established compliance management systems. It was also able to build on established processes such as Evonik's established process for risk-based validation of suppliers.

[1] ESHQE = Environment, safety, health, quality, and energy.
[2] The code of conduct applies to a) all employees of Evonik Industries AG, b) all employees of companies where Evonik Industries AG directly or indirectly holds more than 50 percent of the shares or is able to exert a controlling influence in any other way, and c) the executive board of Evonik Industries AG and all managing bodies of the companies referred to in b). At companies where Evonik holds a stake but does not exert a controlling influence, we work towards establishing comparable standards.
[3] The aim of the Minamata Convention is to protect human health and the environment from anthropogenic emissions and the release of mercury and mercury compounds into the air, water, and soil. The other two conventions are the Stockholm Convention and the Basel Convention.

Human rights was added to our House of Compliance[1] and integrated into the area of responsibility of the chief compliance officer. To support this, we are setting up a compliance management system for human rights. Its aims are timely identification of risks and the establishment of preventive and remedial action to avoid or mitigate breaches of human rights. We therefore consider that we are well-prepared with a view to future European and international requirements.

Evonik appointed its first group human rights officer effective July 1, 2022. His role includes implementing and continuously developing the compliance management system for human rights. He also chairs a cross-functional roundtable on human rights, which brings together representatives of the Procurement, ESHQ, HR, Marketing & Sales Excellence, and Sustainability functions.

Human rights risk analysis

In 2022, Evonik conducted its first human rights risk analysis. This also covered environment-related aspects in its own business area and at direct and indirect suppliers. The analysis is based on Evonik's existing human rights risk map. The identified risks were validated, weighted, and prioritized on the basis of criteria such as the likelihood and severity (scope and remediability) of possible breaches of human rights. We will perform annual and ad-hoc risk analyses in the future. To this end, we developed an appropriate IT solution in the second half of the reporting period. Since the appointment of the human rights officer, risk analyses have been performed as part of the due diligence in M&A projects. We have also improved the management of the important interfaces between the Procurement, ESHQ, and HR functions.

Policy statement on human rights

The policy statement on human rights was revised in the reporting period on the basis of the risk analysis, the requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG), and the UN Guiding Principles on Business and Human Rights and adopted by the executive board.

Complaints procedure and reports of potential violations of human rights

Violations of human rights at or in connection with Evonik can be reported via internal channels and an electronic whistleblower system operated by an external service provider. Both employees and external stakeholders, such as business partners, suppliers, and local inhabitants in the vicinity of Evonik sites, can use this system, which is available in 20 languages, to report non-compliance or potential non-compliance to Evonik. The system has a separate category for human rights, and reports are channeled directly to the group human rights officer. Alongside the electronic whistleblower system, suspected violations of regulations can be reported directly to the responsible compliance office by phone, email, or letter.

5.6.2 Responsibility within the supply chain

Careful supplier selection

Evonik has a significant influence on the environment and society through its procurement volume. By working closely with our suppliers, we want to help prevent breaches of human rights and environmental violations. We strive to counter a lack of transparency and inadequate traceability in the supply chain.

By selecting suppliers carefully, we do not simply secure and increase their sustainability standards, we also enhance the quality of the entire value chain. Our focus is on validating and evaluating suppliers. Suppliers of certain critical raw materials are subject to a special examination. We define critical raw materials as all raw materials that could potentially involve a supply risk or reputational risk, such as conflict minerals and renewable raw materials. We have established specific procurement strategies for these critical raw materials. The processes are integrated into a management system, where they are mapped. As well as monitoring suppliers of critical raw materials, we aim to examine all major raw material suppliers[2] from sustainability perspectives by 2025. At year-end 2022, we had validated around 66 percent of this group using the corresponding criteria.

Continuous dialogue with our suppliers is very important for us. In addition to direct contact to Evonik's procurement organization, employees at supplier companies always have the option of reporting any issues or problems to our externally operated whistleblower hotline. All cases are examined promptly so that appropriate action can be taken. In 2022, one issue relating to a supplier was reported, and appropriate action was taken.

The aim of our procurement organization is to guarantee long-term reliability of supply for the production of Evonik products and to secure competitive advantages for our operating businesses. Alongside economic requirements, our procurement strategy takes account of criteria such as health, quality, safety, social factors, and environmental protection. As a member of the UN Global Compact, we are committed to its principles. These requirements are documented in our code of conduct for suppliers,

[1] See declaration on corporate governance p. 106 ff.
[2] Annual procurement volume > € 100 thousand.

which is based on our corporate values, the principles of the UN Global Compact, the International Labor Standards issued by the International Labour Organization (ILO), and the topics addressed by the Responsible Care® initiative. The code of conduct for suppliers was updated in the reporting period to give greater prominence to the importance of respecting human rights by direct and indirect suppliers and to draw attention to the risks and consequences of failure to comply.

Together for Sustainability
Harmonizing global standards in the supply chain creates transparency and makes it easier for both suppliers and customers to reliably assess and evaluate sustainability performance. The chemical industry set up the Together for Sustainability (TfS) initiative for this purpose in 2011. Evonik is one of the six founding members. The aim of TfS is the joint development and implementation of a global assessment and audit program for responsible procurement of goods and services. It also provides webinars and training on sustainability. In this way, the initiative does not simply make environmental and social standards in supply chains measurable; it also contributes to a direct improvement.

As a member of the TfS initiative, we are also subject to TfS assessments. The EcoVadis rating agency once again awarded us platinum status in 2022. This award places us among the top 1 percent of the companies evaluated by EcoVadis in both the chemical industry and other sectors. In previous years, EcoVadis awarded our specialty chemicals company gold status on six occasions.

Worldwide, the TfS member companies initiated 378 audits and 1,545 assessments in 2022.[1] Evonik initiated 11 of these audits and 108 of the assessments. About 90 percent of our direct and over 80 percent of our indirect procurement volume was covered by TfS assessments.

Suppliers are validated and evaluated
We expect our suppliers to share our principles and to act correctly in all respects, which means accepting responsibility towards their employees, business partners, society, and the environment. Validation is the first step in every new supply relationship. For this purpose, we use a validation process based on the values defined in our code of conduct for suppliers. Alongside quality, environmental protection, safety, health, and energy management, the assessment of potential risk factors includes corruption prevention, cybersecurity, labor and social standards (the right to freedom of association and collective bargaining), human rights (compulsory, forced, or child labor), conflict minerals, and responsibility within the supply chain. All details are entered online and evaluated using a validation matrix. The initial validation is a country-based process and does not include a separate review of the location of operations. The values and expectations set out in our code of conduct for suppliers are communicated to all suppliers in our general terms and conditions of purchase. In 2022, we evaluated 1,804 new suppliers. That was over 93 percent of new suppliers.

Successfully completed TfS assessments can also be used as evidence of validation. Overall, suppliers are evaluated using a method that identifies and quantifies risk factors as a basis for risk mitigation. This safeguards the supply of raw materials and technical goods to Evonik and enables us to gain access to new procurement markets and suppliers. In the reporting period, TfS assessments were performed on 118 new suppliers of raw materials, technical goods, and services.

The total of 2,054 suppliers evaluated comprises audits, assessments, and supplier validations performed by TfS and directly by Evonik.

5.6.3 Circular economy
Circular economy means decoupling economic growth and the use of resources by recycling valuable raw materials at the end of their useful life and returning them to the loop. Better use of resources and the circular economy are becoming increasingly important for Evonik in view of the growing shortage of raw materials and tight supply chains. That is also confirmed by our latest materiality analysis, where circular economy is ranked as one of the top 3 topics. Our activities aim to mitigate the inadequate availability of resources in the supply chain and our production processes. At the same time, circularity opens up new business opportunities and attractive growth potential for Evonik. That is shown, for example, by the joint development with the Vita Group of an efficient process for recycling mattresses and the extension of our portfolio of additives for mechanical and chemical recycling.

[1] The results of the audits and assessments by EcoVadis and TfS were outside the scope of the auditor's limited assurance engagement.

As part of the sustainability analysis of our business, we examine the circularity of our portfolio and of key value chains. To determine the environmental impact of circular products, Evonik mainly uses life cycle assessments in accordance with ISO standards 14040 and 14044. In this context, we also examine which methods could be used for quantitative indicators in the future. One example is the circular economy baselining project, which we conducted in 2022. This comprised developing a method to evaluate the circularity of our products. In 2023, we will examine how this can be integrated into the sustainability analysis of our business. Furthermore, we are playing an active role within the WBCSD in the ongoing development of a circularity-related sustainability analysis.

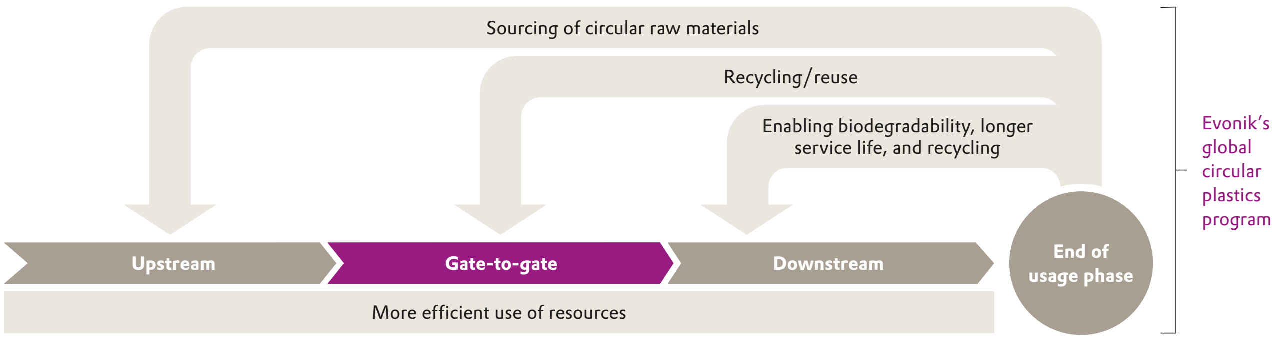
Global circular plastics program

Our global circular plastics program brings together our group-wide activities in the area of circularity that address plastics throughout the value chain. The program comprises short- to mid-term projects with a clear focus on commercialization. Aspects addressed include

- the use of circular raw materials,
- the development of solutions for mechanical and chemical recycling technologies, and
- the development of innovative business models that take account of the requirements of the circular economy.

We regard intensive examination of our own value chains and the corresponding partnerships as an important key to supporting the transformation to circular forms of economy. Overall, we expect the global circular plastics program to generate additional sales of more than €350 million p.a. by 2030.

Our contribution to a circular economy along the value chain C30



- Procurement of circular raw materials
- Partnerships to produce and use circular raw materials
- Access to recyclable waste streams

- Integrated technology platforms
- Backwardly integrated world-scale facilities
- Research & development
- Recycling of packaging
- Reduction in waste

- Products and solutions for mechanical and chemical recycling
- Products and solutions to improve durability and usability
- Completely bio-based and biodegradable products

Upstream

The procurement of circular raw materials is important to leverage our own footprint and, especially, to reduce scope 3 emissions. Therefore, we aim to increase the use of alternative raw materials in the manufacture of our products. This may include recycled secondary raw materials derived from fossil and bio-based waste, bio-based primary raw materials, or CO_2-based raw materials. We are endeavoring to increase the proportion of renewable raw materials. That includes examining technical, economic, ecological, and social aspects. One ongoing challenge is the limited availability of circular raw materials due to regional fluctuations in supply.

Gate-to-gate

We generate 84 percent of our sales outside Germany. That highlights the global alignment of our business. We have production facilities in 27 countries and are therefore close to our markets and our customers. Our largest production sites—Marl, Wesseling, and Rheinfelden (Germany), Antwerp (Belgium), Mobile (Alabama, USA), Shanghai (China) and Singapore—have integrated technology platforms, most of which are used by several business lines. This results in valuable economies of scale and integrated use of our material flows. Continuous process optimization and the efficient use of resources have always been very important in our production activities.

We strive to reduce and recycle the packaging used for our products. Measures include reducing the thickness of the body of steel drums, reducing the weight of the plastic liners used in intermediate bulk containers (IBC), and reducing the grammage of paper sacks. We are stepping up the reuse of packaging.

Downstream

Evonik also offers solutions that support circularity during the use of products and at the end of their life cycle. For example, our additives increase the durability of our customers' products and therefore make a contribution to saving resources. Furthermore, our additives improve mechanical and chemical recycling processes and recyclates. Evonik provides an extensive range of additives for **mechanical recycling.** In this way, we help our partners optimize the efficiency and quality of their circular processes.

For example, with our surfactants, printing inks can be washed out of used plastics faster, reducing the ink residues in recycled plastics. Moreover, after the washing process, less water remains on the plastic, saving time and energy in the drying process. Our additives also minimize odor and improve the processability and mechanical properties of recyclates. As a result, the yields of secondary materials are increased. We are also involved in a joint project with BMW and other companies along the value chain that aims to increase the proportion of recyclates that can be used in automotive components.

Chemical recycling is a solution for plastic waste streams that cannot be recycled eco-efficiently using mechanical or technical processes. That applies, on the one hand, to mixed, heavily contaminated or colored thermoplastics and, on the other, to duroplasts that cannot be melted. To achieve this, Evonik makes additives, adsorbents, catalysts, and process know-how available to its partners. We therefore facilitate chemical recycling of plastics residues that would otherwise be incinerated or disposed of in landfills. We have developed chemical recycling processes to regain the basic components of polyurethanes for use in the production of new polyurethanes. With our expertise in catalysts and process technology, we are making a key contribution to this. Similarly, our catalysts and process technologies enable chemical recycling of PET packaging and colored PET plastics, which are not suitable for mechanical recycling, at the end of their life cycle.

Efficient use of scarce resources

Evonik uses a wide range of raw materials in the production of its products. Like technical goods and services, they are sourced from a variety of suppliers. Production inputs decreased from 8.3 million metric tons in 2021 to 7.7 million metric tons in 2022. Production output was 8.8 million metric tons. Evonik replaces CO_2eq-intensive raw materials with alternatives wherever this is possible and competitive.

In its production processes, Evonik uses dextrose and saccharose, mainly as substrates 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 industries and in technical processing aids. Renewable raw materials are classed as critical raw materials for procurement purposes, especially with a view to the reliability of supply. Consequently, they are subject to a special examination.

We are endeavoring to increase the proportion of renewable raw materials. That includes examining technical, economic, ecological, and social aspects. In 2022, the proportion of renewable raw materials increased to 11 percent of production inputs (2021: 10 percent).

5.6.4 Product stewardship

Product stewardship is a vital precondition for our business. It is our "license to operate." It includes timely identification, evaluation, and minimization of the potential health and environmental risks in our portfolio.

At Evonik, product stewardship includes complying with all statutory requirements such as the European chemicals regulation REACH [1] and the Globally Harmonized System of Classification and Labelling of Chemicals (GHS). The key elements of our product stewardship have also been defined in a product policy. To supplement this, a group-wide standard defines how these commitments are to be implemented within Evonik, together with control mechanisms to monitor their observance. We have been committed for many years to the international Responsible Care® initiative and the Responsible Care Global Charter of the International Council of Chemical Associations (ICCA), which includes the global product strategy (GPS).

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

Responsible handling of chemicals

We examine the entire value chain of our products from the procurement of the raw materials to the delivery to our industrial customers. This is a product stewardship approach and should not be confused with a complete life cycle assessment. In the light of global trade in chemicals and chemical products, it is important to encourage broad communication on their safe handling and use. We therefore have an extensive worldwide information system. This includes information portals, safety data sheets—not just for dangerous products—in more than 30 languages, technical data sheets, and extensive information on our website. We also have 24/7 emergency hotlines, including an interpreting service, and email addresses.

Our specialist departments provide advice for our customers at all stages in the product life cycle, from the selection of the raw materials through dealing with possible toxicological, ecotoxicological, and physical chemistry risks and the resulting exposure-based risks. Our advice also includes regulatory requirements relating to the planned application, right up to transportation and disposal. Where necessary, we give customers training on how to handle our products. We did not register any breaches of product labeling regulations in 2022.

Our chemicals management systems

We evaluate all substances placed on the market (> 1 metric ton p.a.). Particularly dangerous substances are included from lower amounts. That allows a soundly based assessment of the risks. Where necessary, restrictions are placed on certain usage patterns or, in extreme cases, a complete ban is issued on use in certain products. Evonik evaluates its substances using its own chemicals management system (CMS). This system supports us in global evaluation of our substances. The content of the CMS has been harmonized with the GPS requirements of the International Council of Chemical Associations (ICCA) and the REACH requirements. By the end of 2023, we want to include and evaluate all substances that have been added through acquisitions since 2017.

As an extension of the CMS, our Chemicals Management System^{PLUS} is used for products containing more than 0.1 percent substances of very high concern. Our aim is to reduce or replace these wherever possible. The precondition for this is a detailed analysis so that we can derive suitable action to bring about a further reduction in the possible negative effects on people and the environment. Around 1 percent of our products currently meet the criteria for evaluation on the basis of CMS^{PLUS}. Since 2017, further substances that are within the scope of CMS^{PLUS} have been added to our portfolio through acquisitions. We aim to include and evaluate these products by the end of 2023.

The Green Deal published by the EU Commission sets out a timetable for the EU to become climate-neutral by 2050. One element in the zero-pollution target is the chemicals strategy for sustainability (CSS), which will have far-reaching consequences for the chemical industry and its value chain. Based on an internal examination and the economic analysis of the potential impacts of the CSS published by Cefic, we are engaging actively in the debate with decision-makers at national and European level through industry associations. Evonik supports the goals of the Green Deal. In this context, we are campaigning for the proposed changes to be made circumspectly to safeguard planning reliability and retain REACH as the central regulatory instrument for chemicals. That includes playing an active role in consultations and in both phases of Cefic's analysis of the economic impacts. We are also drawing the EU Commission's attention to the threat to our industry of a shortage of certain classified substances or substance groups.

5.6.5 Cybersecurity

Evonik regards cybersecurity and information security as vital preconditions for successful digitalization. The challenges in cyberspace are increasing exponentially. This is attributable for further professionalization of cyber blackmail, the serious effects of ransomware attacks, the increasing diversity of malware programs and their mutations, and critical weaknesses in widely used software products. The growing importance of this topic is confirmed by the extensive materiality analysis performed in the reporting period. For the first time, cybersecurity was ranked as a material topic. To heighten cybersecurity, we are focusing on the risks of a loss of intellectual property, combined with a loss of business, inadequate observance of regulatory and compliance requirements, and inadequate robustness of critical IT and operational technology systems. We are also focusing on inadequate technical equipment and speed in order to keep pace with digital business projects, risks for third parties such as the loss of customer data, reputational risks, and emerging technological risks.

Cybersecurity affects IT throughout the Evonik Group, including both office systems and IT for operational technology (OT). The chief financial officer bears overall responsibility for cybersecurity. The chief information officer (CIO), who reports directly to the CFO, is responsible for cybersecurity at operational level.

The CIO and chief IT security officer (CISO) report regularly to the CFO on the related tasks and risks, as well as the appropriateness and efficacy of the IT security management system. Our IT security organization includes a central cybersecurity operation center, which protects Evonik's digital territory and brings together the important operational IT security functions. The cybersecurity operation center includes the cyber defense team, which is based in Germany and is responsible for identifying and dealing with IT security incidents.

We continuously review our extensive security measures to prevent attacks by third parties and invest in technical and organizational measures to identify and ward off such attacks. One example is our cybersecurity enforcement program, which classifies our employees in cyberattack protection (CAP) groups. The higher the CAP classification, the greater the level of protection required. In addition, we are sharpening security measures for particularly high-risk employees and applications. For this purpose, a further level was added to our CAP system in the reporting period. This covers information requiring special protection, for example, information affecting Evonik's competitiveness or access to critical IT infrastructure. For risk-based checking and improvement of the security of IT systems, we carry out regular penetration tests and IT security audits.

We drive forward and monitor the implementation of our security measures for the operation and use of IT with the aid of an internal management system. In this way, we keep a constant eye on the present threats and align our security measures to them. Our cybersecurity performance is measured and evaluated by the external rating agencies BitSight and CyberVadis using their own parameters. Evonik's current rating positions it in the top third of the manufacturing industry peer group. Evonik increasingly uses digital networking in its collaboration with suppliers, partners, and customers and develops special cybersecurity measures for this purpose.

Increasingly, our production plants are networked with each other. Originally designed as stand-alone solutions in many cases, they are increasingly being connected to the Office network and the internet. To mitigate the associated cyber risks, we constantly adapt the protection level for our plants by implementing our EMPOS program (Evonik Management Platform for OT Security). We use our Cyber Security Resilience Program—known as CRISP for short—to protect the Evonik Group against increasingly aggressive, state-motivated cyberattacks.

We regularly train our employees and use posters, training modules, video formats, and interactive events such as the Evonik learning sessions to heighten awareness. We also carry out phishing tests. In the reporting period, we introduced mandatory online training for all system administrators to further enhance the risk awareness of this mission-critical group of employees. Timely information on current threats is posted on the intranet and via an app for mobile devices.

5.6.6 Social commitment

We produce where our markets and customers are. Consequently, we have production facilities in 27 countries on six continents. Local residents around our sites play an especially important part in stakeholder management at Evonik. At all our sites, they have an elementary interest in experiencing Evonik as a reliable partner and want timely information on the latest developments in the Evonik Group. We maintain contact with them, for example, through invitations to visit our sites, personal discussions, and written communication. The most important issues for local residents include the safety of our production sites, questions on current business development and operational changes, our attractiveness as an employer, and our local activities.

Our commitment comprises donations and sponsorship activities, with a special focus on our corporate purpose: leading beyond chemistry to improve life, today and tomorrow. We only sponsor projects and initiatives that fit our core brand and have a social component. In addition, our aim is to foster the positive development of society around our sites worldwide. Our operating units support their own projects tailored to their business and local communities—within our strategic guidelines, which are set out in our policies on donations and sponsorship. Overall, we concentrate our social commitment on the areas of education and science, social projects, culture, and sports.

The Evonik Foundation has a special place in Evonik's social commitment. Its motto is supporting people because it is people who shape the future. The Evonik Foundation pursues its goals through its own programs and projects and by making donations to support projects by other organizations. The foundation's mission defines young people, science, and integration as its key areas of focus. The Evonik Foundation's support centers primarily on the regions close to Evonik's German sites.

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6. OPPORTUNITY AND RISK REPORT

NEXT GENERATION EVONIK

RESPONSIBILITY

WHAT DOES RESPONSIBILITY MEAN FOR EVONIK?

Evonik takes responsibility, not just for its business and its workforce, but also for the environment and society. Now we are taking the next steps in our green transformation.

Material risks

(Expected value >€100 million)

- Macroeconomic development
- Threat of cyberattacks
- Development of margins for C_4 chemicals
- Changes in exchange rates
- Price trend for methionine

Material opportunities

(Expected value >€100 million)

- Changes in exchange rates
- Price trend for methionine

6.1 Opportunity and risk management

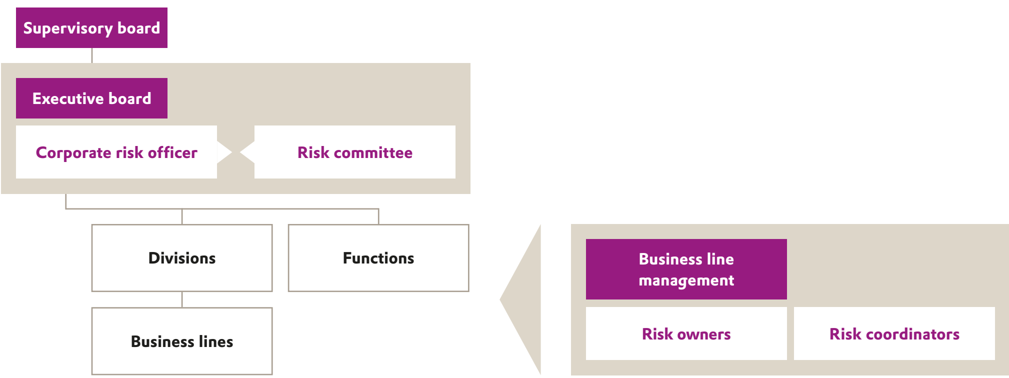
Risk strategy

Evonik aims to identify risks and opportunities as early as possible so that action can be taken to minimize and mitigate the risks and ensure optimal use is made of the opportunities. The group-wide opportunity and risk management implemented for this purpose is therefore a central element in the management of the Evonik Group. We only enter into entrepreneurial risks if we are convinced that, in this way, we can generate a sustained rise in the value of the company and, at the same time, permanently limit possible negative implications.

Tools to implement the risk strategy

In compliance with the requirements of section 91 paragraph 2 of the German Stock Corporation Act (AktG), Evonik has established a risk detection system as part of its **risk management system** (RMS). The most recent revision took place in 2021: The risk landscape was extended to include extreme risks and a risk-bearing capacity was defined. Risk management also includes safeguarding the functioning of all material business processes through **internal control systems** (ICS). These are principles, processes, and measures introduced by the management, comprising the control environment, risk assessment, control activities, information and communication, and oversight. As a further risk prevention and mitigation tool, we establish and maintain **compliance management systems** (CMS). These are based on the standards derived from IDW PS 980. We have CMS of this type for the areas we deem to be particularly relevant from a compliance risk perspective. The main purpose of the CMS is to systematically identify the corresponding risks, define suitable risk prevention measures, and continuously manage these processes. The CMS is therefore an integral part of risk management and the ICS. Information on material risks is taken into account in risk management through reporting. Further information on the appropriateness and efficacy of these systems can be found in the declaration on corporate governance.

Structure of risk management C31



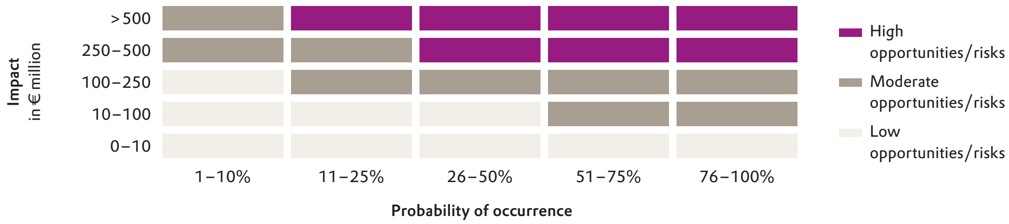
Structure and organization of risk management

At Group level, risk management is assigned to the chief financial officer and is organized on a decentralized basis in line with Evonik's organizational structure. The divisions and functions bear prime responsibility for risk management. That comprises early identification of risks and estimating their implications. Furthermore, suitable preventive and control measures have to be introduced and internal communication of risks must be ensured. Risk coordinators in the organizational units are responsible for agreeing on the relevant risk management activities and ensure the reporting line to the corporate risk officer. At all levels in the Group, systematic and timely risk reporting is a key element in strategic and operational planning, the preparation of investment decisions, projections, and other management and decision-making processes.

A central corporate risk officer coordinates and oversees the processes and systems. The corporate risk officer is the contact for all risk coordinators and is responsible for information, documentation, and coordination at Group level. Further responsibilities include the ongoing development of the methodology used by the risk management system. The risk committee is chaired by the chief financial officer and composed of representatives of the functions. It validates the group-wide risk situation and verifies that it is adequately reflected in financial reporting. The supervisory board, especially the audit committee, oversees the risk management system.

In 2022, risk management again included all consolidated companies in the Evonik Group. At companies where we do not exert a controlling influence, we implement our risk management requirements primarily through our presence in management and supervisory bodies. Material opportunities and risks are integrated into our risk management via our matrix organization. The Group

Opportunity/risk matrix C32



Audit function monitors risk management in our organizational units to make sure they comply with statutory and internal requirements and to ensure the continuous improvement of risk management. The risk detection system is included in the annual audit in compliance with the requirements for listed companies.

The RMS is based on the internationally recognized COSO Enterprise Management standard. It is implemented through a binding group-wide policy. Individual risks are systematically identified and managed with the aid of a special risk management software. Their probability of occurrence and the possible damage (potential impact) are evaluated and documented, together with their expected value (product of probability of occurrence and potential impact). Analogously to current planning, the evaluation is based on a period of three years (mid-term planning). Opportunities and risks are defined as positive and negative deviations from the plan. The relevant indicators include adjusted EBITDA. In addition, longer-term opportunities and risks, including those relating to sustainability, are included. The opportunities and risks are assigned to categories in a uniform risk catalog. Climate-related opportunities and risks are integrated into appropriate established categories.

The organizational units conduct an extensive annual risk inventory in connection with the mid-term planning process. They are required to provide details of the measures to be taken with regard to the risks identified, introduce them immediately, and track their timely implementation. Internal management (for example, reporting by the risk committee) takes a mid-term view. The opportunities and risks identified are classified as low, moderate, or high (see opportunity and risk matrix). The evaluation is always based on a net view, in other words, taking into account risk limitation measures. Risk limitation measures can reduce, transfer, or avoid gross risks. Common measures include economic mitigation measures, insurance, and the establishment of provisions on the balance sheet. In the context of the risk inventory, the risk exposure (expected aggregate value of all risks) is compared with the risk-bearing capability. The risk-bearing capability is calculated using a combination of an equity-based and a liquidity-based approach. The risk-bearing capacity is intact.

The risk inventory is supplemented by regular quarterly reviews of all opportunities and risks relating to the present year, both to spot changes in the opportunities and risks that have already been identified and to identify new risks and opportunities.

All high and moderate risks and opportunities with an expected value of over €100 million in the mid-term are classified as material individual risks and opportunities. The expected value is used exclusively as a basis for prioritization and to focus reporting on key issues.

6.2 Overall assessment of opportunities and risks

Given the measures planned and implemented, as of the reporting date, no risks have been identified that—either individually or in conjunction with other risks—could jeopardize the continued existence of Evonik as a whole, including Evonik Industries AG in its role as the holding company for the Group.

For **2022,** we expected more risks than opportunities. Given the general volatility resulting from the Russia-Ukraine conflict and the ongoing supply chain problems, the opportunities were around the same level as the previous year, which was affected by the coronavirus pandemic; by contrast, there was a slight decrease in the risk expectations. In all the chemicals divisions apart from Performance Materials, more risks than opportunities materialized in 2022. Our reporting distinguishes between the categories markets and competition, legal and compliance, and process and organization. The main parameters influencing the risk categories in terms of both opportunities and risks that materialized resulted from the development of specific market and competitive situations. From the present standpoint, as in previous years, the risks for **2023** outweigh the potential opportunities. Compared with 2022, the risks for the Evonik Group are higher and the opportunities are around the same level.

Risk catalog C33

Material individual risks for the Evonik Group are a negative macroeconomic development, the threat of cyberattacks, lower margins for C_4 chemicals, changes in the exchange rates of the main currencies of relevance for Evonik, and the development of the price of methionine. The material opportunities for the Evonik Group are changes in exchange rates and the development of the price of methionine. Compared with the previous year, the negative macroeconomic development and the development of the price of methionine exceeded the materiality threshold. Measures to reduce the risks include general economic mitigation measures, strengthening our IT security, and, especially with regard to changes in exchange rates, the use of hedging instruments. Sections 6.3 p.84 ff., 6.4 p.90 ff., and 6.5 p.92 present the material risks and material opportunities, along with further opportunities and risks in each of the main categories (see C33). Except where otherwise indicated, they apply to all divisions.

6.3 Markets and competition opportunities and risks

In accordance with our internal management, opportunities and risks in the markets and competition category are allocated to risk quantification classes within sub-categories (see C34). The chart below shows the highest class to which an individual risk or opportunity is allocated in each sub-category. Individual opportunities and risks may also be allocated to the lower risk classes. Where two sub-categories have the same profile in the chart, they are ranked first on the basis of the opportunities, then listed in descending order, based on their expected impact.

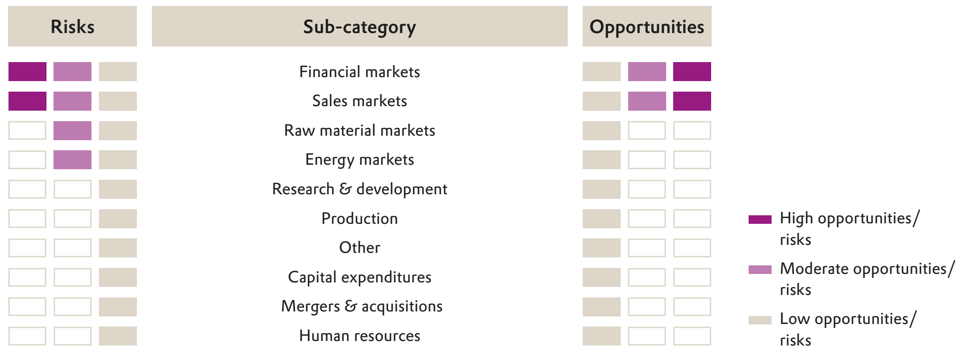
1. Financial markets

As a rule, liquidity, currency, interest rate, and credit default risks, and the risks relating to pension obligations are managed centrally. All material financial risk positions are identified and evaluated in accordance with group-wide policies and principles. This forms the basis for selective hedging to limit risks. In the use of derivative and non-derivative financial instruments to minimize the risks, Evonik applies the principle of separation of front office, risk controlling, and back office functions and takes as its guide the banking-specific minimum requirements for risk management (MaRisk) and the requirements of the German legislation on corporate control and transparency (KonTraG). Financial derivatives[1] are only used in connection with corresponding hedged items.

Liquidity risks

To manage the Group's solvency, Evonik uses central liquidity risk management[2]. At its heart is a group-wide cash pool. In addition, Evonik's financial independence is secured through a broadly diversified financing structure, a €1.75 billion syndicated revolving credit facility and bilateral revolving credit facilities totaling €800 million as central sources of liquidity, and our solid investment grade rating. Overall, we believe that adequate financing instruments are available to ensure sufficient liquidity at all times.

Opportunity and risk classes within the market and competition category C34



[1] Further details of the financial derivatives and their recognition and measurement can be found in note 9.4 to the consolidated financial statements p.179 ff.
[2] A detailed overview of liquidity risks and their management can be found in note 9.4 to the consolidated financial statements p.179 ff. Details of the financing of the Evonik Group and action to protect liquidity can be found in section 2.8 Financial condition p.37 ff.

Exchange rate volatility

Transaction-related exchange rate risks arise from the translation of operating monetary assets and liabilities on the balance sheet into the functional currency of the respective Group company. The resulting net risk is normally hedged in full using derivatives. Furthermore, our transaction-related currency management takes account of forecast cash inflows and outflows, which are hedged on the basis of forecast transactions, with a target hedging rate of up to 75 percent. Material opportunities and risks may arise from the remaining unhedged items and from discrepancies between the actual forward rates and the average rates used to hedge forecast transactions. Scenario analyses are performed to estimate and control such risks and opportunities. The focus is on the main foreign currencies of relevance for the Evonik Group, the US dollar and the Chinese renminbi yuan. In view of the rising importance of regions outside the euro zone, risks and opportunities relating to transactions in foreign currencies will increase in the long term. In addition, there are currency-related risks from the translation of separate financial statements. Increasing volatility of exchange rates can be seen, in particular, in emerging markets classified as hyperinflationary economies such as Argentina and Turkey. On principle, the related transaction risks are hedged. Economic risks also arise because exchange rates influence our competitiveness in global markets.

Changes in interest rates

Potential changes in capital market rates on the financial markets result in opportunities and risks. These comprise, on the one hand, changes in the fair value of fixed-interest financial instruments and, on the other, changes in interest payments on variable-rate financial instruments. To control these risks, when setting interest rate terms Evonik pays special attention to the structure of the fixed-floating rate mix and uses interest rate swaps for further optimization where appropriate. Through the use of fixed-interest loans and interest rate hedging instruments, 88 percent of all financial liabilities were classified as fixed-interest as of the reporting date and therefore had no material exposure to changes in interest rates.

Default risks

Default risks involve the risk of a loss if our debtors are fully or partially unable to meet their payment commitments. The credit risk of our customers and financial counterparties is therefore systematically examined when the contracts are concluded and monitored continuously afterwards. Limits are set for each contractual partner on the basis of internal or rating-based creditworthiness analyses.

Financial opportunities and risks in connection with pension obligations

Both opportunities and risks may arise from potential changes in the parameters used to evaluate our pension obligations[1]. Changes, especially in interest rates but also in mortality rates and rates of salary increases, can alter the present value of pension obligations, which directly alters equity and can result in changes in the expenses for pension plans.

Market opportunities and risks, and liquidity and default risks relating to financial instruments, also arise from the management of our pension plan assets. We counter these risks through an active risk management approach, combined with detailed risk controlling. Strategic management of the portfolios takes place via regular asset/liability studies. To minimize risk, we use derivative hedging strategies where appropriate. The broad diversification of asset classes, portfolio sizes, and asset managers avoids cluster risks, but there are unavoidable residual risks in the individual investments.

Impairment risk

The risk of asset impairment arises when the interest rate used in an impairment test rises, the forecast cash flows decline, or investment projects are halted. Specific risks may arise in connection with goodwill or individual assets.

2. Sales markets

The global macroeconomic development entails both opportunities and risks for Evonik. These opportunities and risks will be driven by the development of the war in Ukraine, the coronavirus pandemic, inflation, and monetary policy. The end of the war in Ukraine would contribute to a normalization of energy prices (in Europe), greatly reduce inflationary pressure, and therefore enable an upswing. By contrast, further escalation of the war would increase the economic pressure in Europe and on the global economy (in both the industrial and service sectors).

The end of the pandemic would bring opportunities in the form of strong industrial growth and pent-up demand. Conversely, setbacks in combating the pandemic, reintroduction of the zero-Covid policy in China or the appearance of new virus mutations would entail a risk of supply chain disruption, lower growth in China, and rising insolvencies. Other relevant parameters affecting the macroeconomic development, apart from geopolitical conflict and trade disputes, are the general economic trend in

[1] See note 6.10 to the consolidated financial statements p. 158 ff.

major economies and their monetary and fiscal policies. The present high inflation rates and restrictive monetary policy are holding back demand in the markets of relevance for Evonik. Further tightening of monetary policy would increase the risk of recession and a financial crisis.

Global economic trends influence the development of Evonik's earnings and cash flows. We counter these economic risks by constantly monitoring the macroeconomic environment, optimizing cost structures and competitive positions in our established areas of business, setting up production facilities close to our markets, and extending businesses in our portfolio that have low cyclical exposure.

Alongside the general demand situation, intensive competition in the various market segments entails both opportunities and risks. These may result from either demand in specific markets or the competitive situation in various industries. Changes in demand can have a considerable impact on our business volume and sales. In our market segments, climate change could also result in both opportunities and risks for Evonik. There could be a significant hike in the rising demand from our customers for resource-saving products, resulting in a correspondingly positive impact on our business. Additional regulations or weather-related incidents could put pressure on production costs and, at the same time, lead to rising demand for our resource-efficient products. To reduce the risks, we monitor the specific developments very carefully and work closely with our customers on the development of sustainable solutions.

Competitors in emerging markets and developing countries, especially China, can increase competitive pressure through new capacities and aggressive pricing policies that can adversely affect our selling prices and volume trends. To counter this, we are broadening our foreign production base and gaining access to new markets in high-growth regions such as Asia and South America. To reduce these risks, the operating units affected also use various methods of increasing customer loyalty and gaining new customers, enter into strategic research alliances with customers, and extend the services offered along the value chain. We are constantly developing attractive and competitive new products and technologies to mitigate the risk that chemical products could be replaced by new, improved, or less expensive materials or technologies. One potential risk factor for our amino acids business, for example in Asia, is the possible impact of substandard food quality and food safety. We utilize opportunities for profitable future growth by gaining access to new markets as part of our strategic development.

Customer concentration is basically low in our chemicals business. None of the end-customer markets/industries that we serve accounts for more than 20 percent of sales. Nevertheless, some operational units, especially in the Smart Materials division and the services business in the Technology & Infrastructure division have a certain dependence on key customers. Dependence may arise, in particular, with regard to production facilities erected in the direct vicinity of major customers. The possible loss of a major customer could result in lower sales and in impairment losses.

3. Raw material markets

For our business operations, we use a wide range of raw materials, from high-volume materials that are generally readily available to specialties of high strategic relevance for our business that can only be sourced from a few producers. In both cases, Evonik is confronted with opportunities and risks relating to the increasing volatility of the availability of raw materials and their prices. The operating business is dependent on the availability and price of strategic raw materials, especially petrochemical feedstocks obtained directly or indirectly from crude oil or natural gas. The price of renewable raw materials such as lauric oils is highly volatile and is driven, for example, by weather-dependent harvest yields and, in the case of inorganic materials, the political framework. Changes in exchange rates are another significant aspect affecting price risks. These risks are hedged by optimizing the global focus of procurement activities, for example, by accessing new markets and concluding market-based contracts. To further reduce the price risks with regard to end-products that have intensive raw material requirements, our aim is to pass both the risks and the opportunities of fluctuations in raw material prices along to other stages in the value chain, where possible, for example through price escalation clauses.

The overriding aim of our procurement strategy is to ensure the availability of raw materials on the best possible terms. Short- and mid-term bottlenecks in the availability of precursors and intermediates are potential risks. To anticipate bottlenecks and mitigate risks, we continuously monitor political and macroeconomic developments, markets, suppliers, and raw materials. To this end, we have a cross-functional task force to identify potential risks and develop suitable countermeasures. These range from site-specific to global. As well as making preparations to use substitute suppliers in an emergency, we constantly monitor the business situation of selected suppliers of key raw materials. Through continuous monitoring of the markets, market volatility can open up opportunities, especially in the procurement of sustainable raw materials. For example, higher gas prices in Europe have increased the price of fossil-based feedstocks compared with raw materials from renewable resources. That has improved opportunities for renewable raw materials.

In 2022, this procedure proved helpful and effective in dealing with the additional supply risks caused by the coronavirus pandemic that started in 2020, global logistics constraints, and the war in Ukraine and resulting additional supply risks. It will remain an important risk mitigation measure in the future as well. The supply risks are primarily characterized by heightened market volatility. There are three factors, in particular, that play a key role here. Firstly, the market environment is influenced by political uncertainty and trade barriers. Secondly, the volatility is characterized by crisis-driven changes in end-markets and the related regional shifts. Thirdly, in Europe, the restricted availability of chemical raw materials, mainly due to the sharp hike in energy prices, plays a key role.

The opportunities and risks arising from changes in the price of petrochemical feedstocks mainly impact the Performance Materials division and the Performance Intermediates business line because of their high procurement volumes. Price and availability risks, which are mainly attributable to the political situation, predominantly affect inorganic materials and thus the Smart Materials division, especially the Silicas business line. Further risks relating to single sourcing and restricted short-term availability of raw materials mainly relate to the Nutrition & Care and Specialty Additives divisions.

Supply chain

Compliance with sustainability criteria and human rights in the supply chain is a central aspect of procurement. Failure to fulfill sustainability criteria entails reputational and business risks. On the other hand, there are opportunities if the minimum legal requirements are exceeded and proactive action is taken to increase sustainability in the supply chain. To realize these opportunities, we expect our suppliers to share our principles of entrepreneurial responsibility. We therefore have our own code of conduct for suppliers, based on the principles of the UN Global Compact, the International Labour Standards issued by the International Labour Organization (ILO), and the Responsible Care® initiative. In light of the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG), which came into force in 2023, we will be extending our risk monitoring and preventive and remedial action in the area of human rights. A concept for this developed by a group-wide project has been approved. This approach to sustainability is also supported by the sector initiative Together for Sustainability, of which Evonik is a founding member, through the global use of standardized assessments. Evonik's principal suppliers and the majority of critical suppliers have already taken part in these assessments, which are evaluated by an impartial sustainability rating company.

Logistics

In order to supply our products reliably to our customers, it is essential to procure and manage the necessary transportation capacities. Risks for global marine transportation result from local lockdowns, which can cause the temporary (partial) closure of ports and from pronounced, short-term fluctuations in demand due to unforeseen economic dynamics that cause imbalances in global trade flows and thus temporary local shortages of ocean freight capacity. Within Germany, the main logistics challenges are weather-related restrictions on transportation, for example, by inland waterway due to low water levels in the Rhine river. In addition, present and planned infrastructure measures affecting the German railroad network result in delays and temporary disruption to transportation by rail in Europe.

4. Energy markets and emissions trading

Evonik requires considerable amounts of energy from a wide variety of sources for its chemical facilities and infrastructure. The main sources are natural gas, electricity, and coal. At several major sites, our power and steam requirements are fully or partially met by highly efficient co-generation plants. We constantly monitor trends in the national and international energy markets, including the extended scope to use "green" energy from renewable resources, enabling us to respond in a risk- and cost-conscious manner, which is compliant with our strategy.

In countries where the sourcing of energy is not state-regulated, we procure and trade in energy and, where necessary, emission allowances (CO_2 allowances) within the framework of defined risk strategies on the futures and spot markets. The aim is to balance the risks and opportunities of the volatile markets for energy and CO_2 allowances. The reporting period was dominated by disruption, especially in the European energy markets, caused by the Russia-Ukraine war. Evonik expects that the related challenges on the cost side and possibly with regard to reliability of supply will continue at least into winter 2023/24. So far, the increase in the price of most fuels to unprecedented levels has been partially mitigated by a multi-year procurement strategy, but price adjustments as a result of energy costs were unavoidable. Evonik is currently taking a cautious view on whether it will be able to benefit to a significant extent from government caps on the cost of electricity, gas, and heat. To safeguard the supply of energy, Evonik has substituted or prepared to substitute other fuels for natural gas at various sites, especially in Germany, where this is possible from a technical, regulatory, and economic perspective. In this context, attention should be drawn to the overhaul of the coal-fired power plant in Marl, (Germany), which was originally to be decommissioned as of October 31, 2022, to allow continued operation on a temporary basis as part of the national power plant reserves. Two highly efficient gas and steam turbine power plants came into service as scheduled at the site in Marl (Germany) in 2022. These can generate energy with LPG (liquefied petroleum gas) as a substitute for natural gas. Based on long-term power purchase agreements (PPA), as from 2026, EnBW should start delivery of green power to us from the He Dreiht offshore wind farm that is to be built in the North Sea. The expected volume should cover more than one-third of Evonik's present electricity consumption in Europe. Depending on the development of general conditions and the ongoing market trend, the overall energy supply situation could result in additional costs and risks, but also opportunities, for our operating units.

For those Evonik facilities that fall within the scope of the European emissions trading system (EU ETS), adverse effects arise from the structure of the fourth trading period (2021 to 2030), especially a more stringent benchmark for the allocation of free CO_2 allowances. Moreover, we assume that the decision made in 2020 to raise the EU climate target to a 55 percent reduction in CO_2 by 2030 will result in a reduction in the allocation of free allowances and thus to further costs. Since 2021, our German sites have been affected by the national Fuel Emissions Trading Act (BEHG) for the traffic and heat sectors (which are outside the scope of the EU ETS). The related financial burden is only partially offset by the BEHG carbon leakage ordinance, especially as it is currently contingent upon the EU Commission's approval for state aid. Carbon pricing regimes are to be sharpened or introduced in other jurisdictions as well in the foreseeable future, but the resulting costs will still be concentrated in Europe. More far-reaching regulatory measures such as climate protection laws or tougher energy efficiency requirements cannot be ruled out or are already being planned.

In the broader regulatory context, how energy-related fees, taxes and levies develop and whether the existing relief for industry is upheld or modified in Germany is of particular significance for Evonik. Allocation of the cost of renewables under the Renewable Energies Act (EEG) ended on July 1, 2022. Legal proceedings are currently under way to clarify certain legal issues in connection with intersite supply of power from captive power generation. Possible additional costs could arise from the increase in fees for electricity grids and the natural gas network resulting from the energy transition and the present energy crisis, including further state-driven cost components and possible fundamental changes to the grid fee system or energy taxes. To sum up, we are exposed to fluctuations in the market price and cost of various energy sources and CO_2 allowances of various types as a result of the specific demand/supply situation and political events. These entail both opportunities and risks.

5. Research and development

Opportunities for Evonik also come from market-oriented research and development (R&D), which we regard as an important driver of profitable growth. Our R&D pipeline comprises a balanced mixture of short-, mid-, and long-term R&D projects. On the one hand, we constantly strive to improve our processes in order to strengthen our cost leadership, and on the other, our projects open the door to new markets and new fields of technology. Our project portfolio is consistently aligned with our innovation growth fields and Next Generation Solutions, which have high sustainability benefits. Through our venture capital program, we take stakes in companies whose know-how can support us in joint developments. Aspects of digitalization are becoming more significant. Opportunities and risks in R&D relate to the viability of planned product and process developments and the timing of their implementation. In our view, the main additional potential arising from the introduction of new products that go beyond our present planning comes from our Next Generation Solutions.

6. Production

As a specialty chemicals company, Evonik is exposed to the risk of business interruptions, quality problems, and unexpected technical and IT malfunctions. The pandemic still entails a heightened risk of business interruptions, either as a result of shortages of workers at individual sites due to illness or quarantine or as a result of raw material and supply chain problems. Business operations could also be disrupted by climate-related factors, for example, extreme weather events such as the low water level in the river Rhine in 2022 as a result of the hot summer in Europe, or by geopolitical disruption such as the Russia/Ukraine conflict and the resulting threat of an energy shortage in Europe. Bottlenecks in the supply of electricity affecting our European sites cannot be entirely ruled out. Cold periods could result in temporary bottlenecks and recurrent blackouts for a few hours. All sites have emergency plans for such eventualities and in case the supply of natural gas is reduced. With a view to the supply of natural gas, Evonik has set up scope to use other fuels at various sites. Moreover, in the event of shortages of natural gas, the German sites are dependent on decisions made by the Federal Network Agency. Capacity constraints could hold back organic growth. Evonik uses complex production processes, some of them with interdependent production steps. Consequently, disruption and stoppages can adversely affect subsequent production steps and products. The outage of production facilities and interruptions in production workflows could have a significant negative influence on business and earnings performance and could also harm people and the environment. Group-wide policies on project and quality management, site-specific emergency plans, highly qualified employees, and regular maintenance of our plants effectively minimize these risks. Insofar as is economically viable, we take out insurance to cover damage to our plants and sites and production stoppages, so the financial consequences of potential production risks are largely insured. Nevertheless, there is a risk of unforeseeable individual incidents.

7. Other

Continuous efforts are made to improve efficiency in production, procurement, and technology through the continuous improvements process. This mainly comprises our efficiency enhancement programs to support our strategy of sustainable growth and enhance our competitiveness. There may be both opportunities and risks relating to the achievement of cost-saving targets. The possible risks include delays in implementation, the loss of key personnel, ineffectiveness of measures, and higher costs for the realization of measures. Project management, including involving relevant stakeholders, is used to counter these risks.

8. Investments

Investments geared to creating and protecting value involve inherent risks in connection with the selection, definition, and execution of the projects. These risks are addressed using structured processes and well-established policies. For example, defined risk assessment methods are used to mitigate the risk in the selection of projects, while project execution risks are minimized through technical standards. Both projects that are at the planning stage and those that have been approved and have commenced are constantly monitored to track project progress and changes in the market situation so that they can be adjusted as necessary. Evonik regards planning and building new production facilities in target regions and markets as a key element in leveraging sustainable and profitable growth. In this context, the strategic development and transformation of Evonik is supported, in particular, by steady investment in Next Generation Products, i.e., products with a positive sustainability profile that is superior to the market level.

9. Mergers and acquisitions

Active portfolio management has high priority for Evonik as part of our value-based management approach. We have set out clear procedures for preparing, analyzing, and undertaking acquisitions and divestments. In particular, these include clear rules on accountability and approval processes. An intensive examination of potential acquisition targets (due diligence) is undertaken before they are acquired. This involves systematic identification of all material opportunities and risks and an appropriate valuation. Key aspects of this process are strategic focus, sustainability, earnings power, and development potential on the one hand, and any legal, financial, and environmental risks on the other. New companies are rapidly integrated into the Evonik Group and thus into our risk management and controlling processes. Every transaction of this type entails a risk that integration of the business may not be successful or that integration costs may be unexpectedly high, thus jeopardizing realization of the planned quantitative and qualitative targets such as synergies. Where businesses no longer fit our strategy or meet our profitability requirements despite optimization, we also examine external options. If a planned divestment is not achieved successfully, this could generate risks that impact the Evonik Group’s earnings position.

10. Human resources

As a global corporation, we respect the principles of the International Charter of Human Rights, the ten principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises, and the International Labour Standards of the International Labour Organization (ILO). Qualified specialists and managers are the basis for the achievement of our strategic and operational targets and thus a key competitive factor. Both the loss of key personnel and difficulties in attracting and hiring skilled and talented staff could therefore constitute a risk in this context.

To ensure that we can recruit and retain qualified staff to meet our future requirements, we offer varied employment opportunities worldwide, systematic personnel development, and competitive remuneration. As a responsible employer, Evonik helps the majority of employees build financial security to cover adverse risk factors such as the risk of accident or disability and to provide for retirement, either directly or through pension contributions to external institutions. The arrangements are based on the economic, legal, and tax situation in the various countries. In addition to this, we foster the personal wellbeing of employees through programs such as well@work, a range of consulting offers for employees caring for close relatives, and support in childcare. In this way, we retain and foster high-performers and talented employees and position Evonik as an attractive employer for prospective staff. We maintain close links to universities and professional associations to help us recruit suitable youngsters. Both our employer branding and many internal activities are aligned to diversity. The aim is to make Evonik even more attractive to talented specialists and managers. Our strategic human resources planning identifies requirements for a five-year period, so timely steps can be taken to cover future personnel needs. We have thus largely limited potential human resources risks. Opportunities and risks for the development of personnel expenses could come, for example, from future collective agreements.

6.4 Legal/compliance opportunities and risks

The opportunities and risks in this category are far more difficult to quantify than market and competition risks, as they not only have financial implications but often also involve reputational risks for the company and/or criminal law consequences. Provisions are set up on our balance sheet to cover the financial impact. These are reflected in our system as reducing risk. In view of this complexity, legal/compliance opportunities and risks are not assigned to the opportunity/risk matrix illustrated above, nor are they allocated to the risk quantification classes.

1. Compliance, law, and the regulatory framework

Compliance means lawful business conduct. The principal compliance rules are set out in the Evonik Code of Conduct, which explicitly prohibits, for example, all forms of corruption, including "facilitation payments," and violation of antitrust regulations. Risks could result from failure to comply with the corresponding regulations. To minimize compliance risks, extensive training and sensitization of employees are undertaken at face-to-face training sessions and/or through e-learning programs. Our code of conduct is binding for all Evonik employees worldwide, including the executive board and the governance bodies of all Evonik companies. They are required to comply with the rules set forth in the code of conduct, to ensure they are familiar with its content, and to take part in the relevant training.[1]

Evonik respects human rights in its own business area and in the supply chain. To minimize the risk of breaches of human rights, we have established a compliance management system for this area. In particular, we require compliance with the principles set out in our code of conduct for suppliers and the principles outlined in our policy statement on human rights.

In its business operations, Evonik is exposed to the normal legal risks, resulting, for example, from legal disputes such as claims for compensation, and from administrative proceedings and fines. In its operating business, the Evonik Group is exposed to liability risks, especially in connection with product liability, patent law, tax law, competition law, antitrust law, and environmental law. Changes in public law could also give rise to legal risks or materially alter such risk positions. As a chemical company with its own power plants, one risk of particular relevance here is the possible amendment of the European emissions trading regulations (see above). Further, Evonik may be liable for guarantee claims relating to divestments. Moreover, structured post-transaction management closely monitors any liability and guarantee risks resulting from divestments. We have developed a concept involving high quality and safety standards to ensure a controlled approach to such legal risks. Insurance cover has been purchased for the financial consequences of any loss that may nevertheless occur as a result of damage to property, product liability claims, and other risks. Where necessary, Evonik sets up provisions for legal risks.

As a matter of principle, we refrain from disclosing the opportunities and risks of potential legal proceedings or proceedings that have commenced in order not to influence our position. With regard to employment law, there are risks relating, for example, to possible legislative changes and/or legal judgments on retirement pensions, which could require the recalculation of pension commitments entered into by companies in the Evonik Group and their legal predecessors. Tax opportunities and risks relate to differences in the valuation of business processes, capital expenditures, and restructuring by the financial authorities, tax reforms in some countries, and potential refunds or retroactive payments in the wake of tax audits.

[1] See declaration on corporate governance p. 106 ff.

2. Information security and the protection of intellectual property and know-how

Innovations play a significant part in Evonik's business success. Protecting know-how and intellectual property is therefore of central importance. In view of the increasing globalization of business, a competent approach to protecting our competitive edge is a key element in our investment activities. The company is also exposed to a risk that intellectual property cannot be adequately protected, even through patents, especially when building new production facilities in certain countries. Similarly, the transfer of know-how in joint ventures and other forms of cooperation also entails a risk of an outflow of expertise from Evonik. For example, in the event of the possible separation from a joint venture or other cooperation partner, there is no guarantee that the business partner will not continue to use know-how or disclose it to third parties, thereby damaging Evonik's competitive position. Measures to minimize and avoid such risks are coordinated by the Group Security, Legal, and Intellectual Property Management functions.

Cybersecurity risks

IT-assisted business processes are key elements in Evonik's success. Therefore, sustained protection of the availability, confidentiality, and integrity of IT-assisted business processes is especially important. If these systems are compromised, there is a significant risk that this could have a detrimental effect on our business and production processes. We have developed a cybersecurity strategy and established organizational and technical measures to protect our operations and the associated knowledge from cybercrime from both within and outside the Evonik Group (including industrial espionage and manipulation through cyberattacks) and to minimize the related risks. The secure use of information systems is described in binding group-wide policies and regulations and driven forward and monitored by an internal control system.

In view of the considerable and continuously rising threat, we regularly review our security measures, implement risk-based countermeasures as required, and adapt them wherever necessary. Training, including compulsory training in some cases, constant information, for example, via the Evonik Group intranet and internal social networking platforms, and awareness-raising campaigns are used to heighten employees' awareness of the need for cybersecurity. Evonik identifies those IT systems that are at particular risk and implements appropriate protective measures. At the same time, action is taken to raise managers' awareness of cybersecurity. The Evonik Cyber Defense Team (CDT) is networked externally at various levels (Germany: member of the German CERT network, Europe: member of TF-CSIRT*, globally: member of FIRST).

3. Environmental risks (environment, safety, health, quality)

Evonik is exposed to risks in the areas of occupational and plant safety. For example, workplace accidents and incidents in production facilities can cause injury to our employees or substance releases that impair the health of our employees and local residents. Our guiding principles for safety are binding for all managers and employees. In this way, Evonik makes it clear that safety is a central element in its corporate culture. We analyze accidents and incidents carefully so we can learn from them. Moreover, audits are conducted at the request of the executive board to check the controlled handling of such risks.

The aim of our product stewardship is timely identification and evaluation of possible health and environmental risks in our portfolio. We examine the entire value chain of each of our products—from procurement of the raw materials to delivery to our industrial customers, who receive all relevant information on the handling and disposal of our products. That includes, for example, safety data sheets and technical information sheets. As well as complying with all statutory requirements such as the European chemicals regulation (REACH) and the Globally Harmonized System of Classification and Labelling of Chemicals (GHS), product stewardship at Evonik includes voluntary commitments that go beyond these regulations.

In the event of a pandemic, Evonik could be exposed to unforeseeable staff shortages because employees are sick, in quarantine, have to care for relatives, or are required to undertake pandemic-related civic tasks (e.g., civil protection, assisting public health organizations). If the number of employees in production facilities falls below the minimum level as a result, a controlled safety shutdown of the production facilities would be necessary. That would halt production. Evonik has carefully prepared pandemic plans to counter the risk of a pandemic. These contain measures to maintain productivity and reduce the risk of infection for employees, visitors, and contractors.

The effects of climate change are already visible today, for example, in water stress[1] and acute weather-related events such as low water levels in the river Rhine and hurricanes. Alongside these direct negative effects of climate change, we are also exposed to risks resulting from stricter environmental regulations. The group-wide environmental protection and quality management

[1] Especially water scarcity.

system, which is validated as conforming to international standards, undergoes constant development and improvement. As a responsible chemical company, Evonik ensures that such processes are operated in accordance with the principles of the global Responsible Care® initiative and the UN Global Compact. Adequate provisions have been established to secure or remediate contaminated sites where necessary. Alongside the need to adjust environmental provisions identified through structured internal processes, for example, as a result of changes in the regulatory framework, further unplanned additions to such provisions may be necessary.

6.5 Process/organization risks

1. General

This risk category relates to the interface between risk management and the internal control system (ICS). In this category, risks generally result from specific process shortcomings. Alongside general weaknesses, these include, in particular, risks within the ICS and the accounting-related ICS. Classification is therefore based on the list of processes drawn up by Group Audit. Starting from key corporate processes, the existence of relevant control objectives and standard controls for the main risks identified is checked. In view of the types of risk in this category, a purely qualitative assessment is normally used. The evaluation of specific risks resulting from weaknesses in processes within the organizational units showed very little scope to optimize existing processes because of the efficacy of the current controls. The corresponding scope for improvement has been identified.

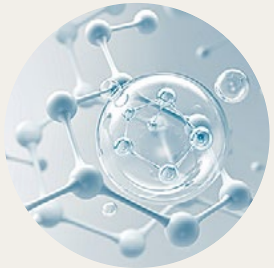
2. Internal control system for financial accounting

The main financial reporting risks are identified in the ICS through a quantitative and a qualitative analysis. Controls are defined for each risk area of the accounting process. Their efficacy is reviewed at regular intervals and improved where necessary. All elements of the control process are verified by the internal audit function on the basis of random samples.

To ensure the quality of financial statements, we have a group-wide policy, which defines uniform accounting and valuation principles for all German and foreign companies included in the consolidated financial statements for the Evonik Group. Apart from a few immaterial exceptions, the financial statements of the companies are prepared by Global Financial Services. Through systematic process optimization, standardization, and the utilization of economies of scale, this leverages sustained cost benefits and also improves the quality of accounting. The Accounting function (center of excellence) has developed a standardized control matrix for the accounting-related internal transactional control system. This is implemented in the three global shared service centers: in Offenbach (Germany) for Germany, Austria, Finland, Turkey, Slovakia, and Russia; in Kuala Lumpur (Malaysia) for the Asia region and countries in the EMEA region not served by the Offenbach center; and in San José (Costa Rica) for the Americas region. The aim is to ensure a uniform global standard for the internal control system for financial accounting. The annual financial statements of the majority of fully consolidated companies and joint operations are audited. In the few exceptions from this rule, an upfront risk assessment is performed with the auditor.

All data are consolidated by the Accounting function using the SAP SEM-BCS system. Group companies submit their financial statements via a web-based interface. A range of technical validations is performed at this stage. Computerized and manual process controls and checking by a second person are the key oversight functions performed in the financial reporting process. The preparation of the monthly consolidated income statement and three quarterly reports allows us to gain experience with new accounting issues and provide a sound basis for plausibilization of the year-end accounts. The executive board receives monthly reports, and quarterly reports are submitted to the audit committee of the supervisory board. Aspects that may represent opportunities or risks for financial reporting in the future are identified and evaluated early through the risk management system. This ensures that risk management can be closely aligned to controlling and accounting processes.

7. REPORT ON EXPECTED DEVELOPMENTS



NEXT GENERATION EVONIK

PORTFOLIO

WHAT PRODUCTS ARE ASSOCIATED WITH EVONIK IN THE MARKETPLACE?

Evonik focuses on specialty chemicals and sustainable products. With success: In recent years, we have systematically aligned our product portfolio to our growth markets. We have increased the share of specialty chemicals businesses that are particularly profitable. And Next Generation Solutions already account for 43 percent of our sales. We are thus sharpening our profile in the market and strengthening our competitive position.

Basis for our forecast:

- **Global growth: 1.9% (2022: 3.0%)**
- **Internal raw material index: slightly lower than in the prior year**

7.1 Economic background

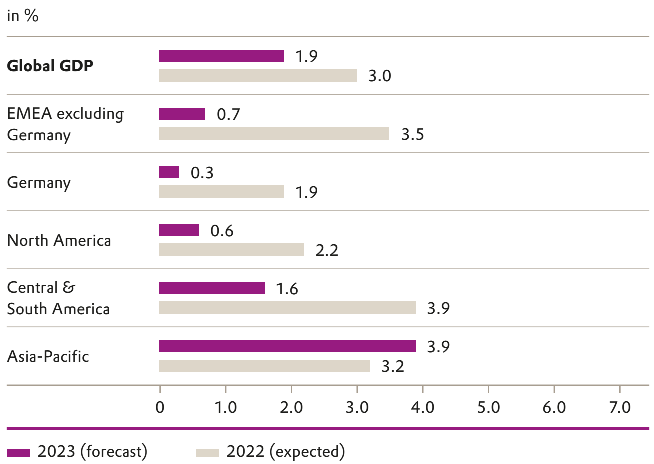
Global economic environment expected to be challenging in 2023

We assume that economic conditions will remain challenging in 2023.[1] Global economic momentum weakened at the end of 2022, and this trend will probably continue, especially at the beginning of 2023—not least because the full impact of the monetary policy turnaround in 2022 will only be felt in the course of 2023. With monetary policy expected to remain restrictive, the forecast increase in financing costs is likely to dampen investment spending and consumption. The labor market, which was still very robust in 2022, could weaken in 2023, which would have further negative implications for consumer spending. The end of China's zero-Covid policy could have a considerable economic impact at first, for example, because sickness-related production stoppages could aggravate supply bottlenecks in the short term.

On the other hand, the economy will benefit from supporting factors in 2023, which could enable a global economic recovery, especially in the second half of the year. In the developed countries, in particular, fiscal policy should remain supportive in order to cushion the impact of energy prices rises, especially in Europe. During the year, the global economy could also benefit from the end of China's zero-Covid policy. Demand for raw materials and precursors should rise worldwide, providing global economic stimulus. Inflation should also have peaked in many regions. This is already visible in the USA and parts of Europe. The main reasons for this are the significant reduction in energy and raw material prices and lower demand for goods. Nevertheless, there is still a risk that inflation could pick up again. Renewed price rises could be driven, for example, by supply shortages as a result of the war in Ukraine or rising demand for energy and raw materials during the year, especially in the wake of China's recovery. Overall, we expect that the inflation targets set by the central banks will not be met in 2023. As a consequence, we expect further monetary tightening, which would dampen economic activity.

In all, we anticipate that the global economy will grow by 1.9 percent[2] in 2023.

GDP forecast for 2023 C35



Based on data from IHS Markit as of January 17, 2023.

We expect persistently high inflation, rising interest rates, global economic weakness, and declining investment to hamper economic growth in Europe in the first half of the year. A slight upturn in economic activity is anticipated in the second half of the year and could be supported by rising export demand, especially from China and the USA.

The economy in North America also looks set to lose momentum in the year ahead. With inflation remaining high, the Fed is likely to raise its rates further in the early part of 2023, which could slow economic development in the first half of the year. Consumer spending will be dampened further by the end of the fiscal policy stimuli, exacerbated by further interest rate rises and a weaker labor market. Moreover, investment by private households and companies is likely to slow. If inflation continues to drop, the Fed could relax its restrictive monetary policy towards the end of the year, providing upward economic momentum.

The growth prospects for the Asia-Pacific region in 2023 are better than for the other regions. Unlike Europe and North America, low inflation is increasing the potential for growth in consumer spending. The end of the zero-Covid policy in China could hamper economic activity considerably at the beginning of the year. However, the stabilization of infection rates and the absence of further lockdowns could be reflected in greater robustness as the year progresses and support the regional economy. Consumer spending and, above all, the service sector should also benefit. We anticipate that the Chinese government will introduce further growth-oriented fiscal and monetary policies in 2023.

[1] Based on data from IHS Markit, Kiel Institute for the World Economy (IfW), and Berenberg Bank; as of December 2022/January 2023.
[2] Based on data from IHS Markit as of January 17, 2023.

Central & South America faces a tougher environment in 2023, with public budgets and private households suffering from rising financing costs and the appreciation of the US dollar. This will be compounded by the uncertainty about Brazil's future economic policy. In all probability, commodity-driven countries will benefit from higher export and tax revenues as commodity prices will remain high. Overall, growth momentum in this region is expected to slow significantly in 2023.

The forecast for the world economy still entails great uncertainty. Risk factors for the global economy are the reliability of energy supply—particularly in Europe—and continued high energy prices. A renewed rise in prices could prompt central banks to step up their restrictive monetary policy, which would slow the global economic recovery considerably and increase the risk of stagflation. Further interest rate rises by the Fed could bring a sharper deterioration of the financial situation in the emerging markets. The probability of a global financial crisis has increased and could have serious consequences given the high level of global debt. High real estate prices are an additional risk factor. Moreover, the development of the pandemic, especially the potential emergence of new virus mutations, remains a major source of uncertainty. It could lead to renewed economic downturns and further disruption of global supply chains. Ultimately, the development of the global economy could differ from our expectations due to geopolitical conflicts.

We expect the prices of the specific raw materials used by Evonik to be slightly lower in 2023 than in 2022.

7.2 Outlook

Our forecast is based on the following assumptions:

- Global growth: 1.9 percent (2022: 3.0 percent)
- Internal raw material index: slightly lower than in the prior year

Sales and earnings

Our outlook for 2023 is based on the challenging macroeconomic situation described in the section headed "Economic background" p. 94 f. Global economic growth will be far lower in 2023 than in previous years. In particular, the volatility of energy prices in Europe and the impact of inflation around the world remain sources of uncertainty. Moreover, the end of China's zero-Covid policy is likely to have a considerable downside impact on the economy, at least in the first six months. Similarly, we expect the weak economic momentum at year-end 2022 to continue in the early part of the year. We therefore expect 2023 to be divided into two: a slow start followed by a successive upturn in our business.

Evonik[1] anticipates that **sales** will be between €17.0 billion and €19.0 billion in 2023 (2022: €18.5 billion). Following last year's significant price rises, which successfully compensated for the higher raw material, energy, and logistics costs, we expect selling prices—especially for our specialty chemicals businesses—to be stable or decline only slightly during the year. In our high-volume Animal Nutrition and Performance Intermediates businesses, prices are likely to fall more significantly from the high prior-year level. In a macroeconomic environment that is expected to be challenging, the volumes sold by Evonik are likely to fall slightly overall. Demand—especially for sustainable solutions—should nevertheless develop positively, for example, for the transition to renewable energies and electromobility. We are therefore forecasting continued strong growth in demand for our Next Generation Solutions, in other words, Evonik products and solutions with a superior sustainability profile. In addition, our six innovation growth fields should continue to grow in 2023. Overall, we expect **adjusted EBITDA** to be between €2.1 billion and €2.4 billion (2022: €2,490 million). While the Specialty Additives and Smart Materials divisions and the Health & Care business should prove resilient, earnings from Animal Nutrition and Performance Intermediates will be lower than in the previous year. Our short-term contingency measures to cut costs by €250 million should largely offset the rising factor costs. Based on our long-term hedging strategy, we expect that energy costs will be slightly higher than in the past year.

In 2023, the **Specialty Additives** division will again benefit from its specific customer solutions, which are geared to improving product properties and sustainability profiles. Applications that support the energy transition and improve efficiency are expected to make particularly good headway. The negative impacts of supply chain disruption are unlikely to recur. Overall, we anticipate stable earnings at around the prior-year level (2022: €946 million).

We anticipate a heterogeneous performance in the **Nutrition & Care** division in 2023. In the Health & Care business, the structural growth trend in our resilient end-markets is expected to

[1] Portfolio unchanged year-on-year.

continue. In particular, our system solutions for cosmetics and health should register further above-average and profitable growth. In the Animal Nutrition business, we expect the market for essential amino acids to be back on a growth track, but we also expect prices to normalize considerably following the strong prior-year performance. Overall, we anticipate that this division's earnings will be considerably lower than in the prior year (2022: €677 million).

In the **Smart Materials** division, an unchanged positive trend is expected for the Inorganics unit, driven by its environment-friendly hydrogen peroxide specialties and catalysts. Support will come from alkoxides for the production of biodiesel, which were reclassified from the Performance Materials division to the Catalysts business line effective January 1, 2023. Polymers will benefit above all from new capacities for our high-performance polymers. Overall, we expect earnings to rise slightly year-on-year (2022: €743 million[1]).

In the **Performance Materials** division, we expect a further improvement in the market environment for superabsorbents, so we should benefit from our long-standing customer relationships and higher prices. By contrast, we anticipate a significant deterioration in margins in Performance Intermediates (C_4 derivatives). Overall, we assume that earnings in this division will be significantly lower than in the previous year (2022: €350 million[1]).

For **Technology & Infrastructure and Others**[2], we assume that overall earnings will be significantly less negative than in the previous year (2022: −€226 million). Contingency measures and a reduction in negative effects, especially in connection with the supply of energy, will have a positive impact year-on-year.

In 2023, the return on capital employed **(ROCE)** is expected to be slightly below the previous year's level (2022: 8.3 percent).

Financing and investments

As in previous years, the base budget for **cash outflows for investments in property, plant and equipment** will be around €900 million (2022: €865 million). In 2023, this will be supplemented by investment of around €75 million in Next Generation Technologies, in other words, measures to raise efficiency and reduce CO_2 in production. Overall, we plan to invest around €700 million in these technologies by 2030.

While the free cash flow was held back by a temporary rise in outflows for net working capital, especially in the first half of 2022, we expect to see a year-on-year increase in the absolute free cash flow in 2023 (2022: €785 million). The development of net working capital and lower bonus payments for 2022 should be positive for the free cash flow this year. The **cash conversion rate**[3] will therefore develop towards our target of around 40 percent again (2022: 32 percent).

Occupational and plant safety

Our aim is to avoid all accidents and incidents. Our goal is still to keep the **lost time injury rate (LTI-R)** below the upper limit of 0.26 defined for 2022. We anticipate that we can improve the **process safety incident rate (PSI-R)** (2022: 0.49), and that it will be below the upper limit of 0.40.

This report contains forward-looking statements based on the present expectations, assumptions, and forecasts made by the executive board and the information available to it. These forward-looking statements do not constitute a guarantee of future developments and earnings expectations. Future performance and developments depend on a wide variety of factors which contain a number of risks and unforeseeable factors and are based on assumptions that may prove incorrect.

[1] The alkoxides business was reclassified from Performance Materials to Smart Materials as of January 1, 2023. The prior-year figures have been restated (adjusted EBITDA 2022: €59 million).
[2] Enabling functions, other activities, consolidation.
[3] Ratio of free cash flow to adjusted EBITDA.

CORPORATE GOVERNANCE

Report of the supervisory board

BERND TÖNJES
Chairman of the Supervisory Board

Ladies and Gentlemen,

in 2022, the supervisory board of Evonik Industries AG (Evonik) performed the obligations defined by law and the articles of incorporation correctly and with the utmost care and regularly and conscientiously supervised the work of the executive board. We supported the executive board by providing advice on the management and strategic development of the company.

Collaboration between the executive board and supervisory board

The executive board always gave us full and timely information on all material issues affecting Evonik and involved us in all fundamental decisions affecting the company. Key areas were business performance and the situation of the company, along with aspects of business policy, corporate planning, and Evonik's ongoing strategic development.

The supervisory board's oversight of the executive board centered in particular on ensuring the correct, orderly, expedient, and cost-effective management of group-wide business activities. The content and scope of reporting by the executive board complied with the law, the principles of good corporate governance, and the requirements set by the supervisory board.

Section 16 of the articles of incorporation of Evonik Industries AG and the rules of procedure of the supervisory board set out business activities and measures of fundamental importance on which the executive board is required to seek the approval of the supervisory board or, in some cases, individual committees. In the past fiscal year, the supervisory board took decisions on business activities and measures submitted by the executive board after examining them and discussing them with the executive board.

Meetings and work of the supervisory board

The meetings on March 2, 2022, May 25, 2022, June 14, 2022, and December 7, 2022 were held in a hybrid format comprising a mixture of attendance in person and remote participation. The meeting on September 21, 2022 comprised in-person attendance. At these five meetings, we discussed issues of central importance for the Evonik Group. In addition, the supervisory board adopted one resolution on filling a vacancy on the audit committee using the written circulation procedure.

The work of the supervisory board was again supported and prepared by its committees in 2022. The meetings of the committees also used the hybrid format, in other words, a combination of in-person attendance and remote participation. The committees and their members in the reporting period were as follows:

- **Executive committee:** Bernd Tönjes (chairman), Karin Erhard (deputy chairwoman), Martin Albers, Dr. Volker Trautz.
- **Audit committee:** Michael Rüdiger (chairman and financial expert with specialist knowledge of accounting within the meaning of section 100 paragraph 5 of the German Stock Corporation Act/AktG and recommendation D.4 of the German Corporate Governance Code), Alexandra Krieger (from May 26, 2022, deputy chairwoman), Birgit Biermann (until May 25, 2022, deputy chairwoman), Jens Barnhusen (until March 31, 2022), Prof. Barbara Grunewald, Dr. Thomas Sauer, Gerd Schlengermann (from April 1, 2022), Angela Titzrath (financial expert with specialist knowledge of auditing within the meaning of section 100 paragraph 5 AktG and recommendation D.4 of the German Corporate Governance Code).
- **Finance and investment committee:** Prof. Aldo Belloni (chairman), Karin Erhard (deputy chairwoman), Martin Albers, Frank Löllgen (until May 25, 2022), Gerhard Ribbeheger, Michael Rüdiger, Harald Sikorski (from May 26, 2022), Bernd Tönjes, Ulrich Weber.
- **Innovation and research committee:** Prof. Barbara Albert (chairwoman), Harald Sikorski (from May 26, 2022, deputy chairman), Frank Löllgen (until May 25, 2022, deputy chairman), Prof. Aldo Belloni, Hussin El Moussaoui, Martina Reisch, Gerhard Ribbeheger, Bernd Tönjes, Dr. Volker Trautz.
- **Nomination committee:** Bernd Tönjes (chairman), Dr. Volker Trautz, Ulrich Weber.
- **Mediation committee:** Bernd Tönjes (chairman), Karin Erhard (deputy chairwoman), Martin Albers, Dr. Volker Trautz.

The tasks assigned to the committees are described in detail in subsection 2.3 p. 110 ff. of the declaration on corporate governance.

The executive committee held five meetings in the reporting period, and the audit committee and the finance and investment committee each held four meetings. The innovation and research committee met twice in the reporting period. Furthermore, there was one meeting of the nomination committee. Once again, there was no need for the mediation committee to meet in the reporting period. The chairperson or deputy chairperson of each committee reported regularly at the meetings of the supervisory board on the issues discussed and the outcome of all committee meetings. The supervisory board therefore always received extensive information on all matters of significance in the Evonik Group.

At its meeting in March, the supervisory board focused primarily on the annual financial statements—following a detailed preliminary examination by the audit committee—as well as preparations for the annual shareholders' meeting and the bonus payments to the executive board members for the preceding fiscal year. Further, the meeting set the targets for the executive board for fiscal 2022 and modified the remuneration system for the executive board from fiscal 2023. It also defined the target for the percentage of women on the executive board and adopted the declaration on corporate governance. The meeting on May 25, 2022 was used for supplementary information and preparation shortly before the annual shareholders' meeting and the election of new members of the committees of the supervisory board. The meeting in June was mainly dedicated to reporting. The supervisory board received the report on the workforce and the report on the analysis of major IT incidents and effective measures to counter cyberattacks. In September 2022, the supervisory board held a detailed discussion of Evonik's strategy and the adjustment of the age limit for executive board members. In light of the political debate, the increase in the statutory retirement age, and increasing management experience with age, it came to the conclusion that a rigid age limit of 65 years is outdated and therefore raised the maximum age for executive board members moderately from 65 years to 68 years. At the meeting in December, the supervisory board discussed including sustainability targets in the long-term incentive (LTI) as part of the remuneration of the executive board. When determining the short-term variable remuneration for 2022, the exceptional circumstances in 2022 will be taken into account by using an inflation-adjusted sales figure to calculate the performance indicator "adjusted EBITDA margin." For the LTI plans 2018 through 2022, the supervisory board utilized the option of a payment that deviates from the measured target attainment. The background to these adjustments is that the basic conditions taken into consideration when setting the targets for the short- and long-term remuneration of the executive board, as well as of the workforce as a whole, no longer prevail due to a cluster of several unforeseen developments such as the war in Ukraine, the energy crisis, the coronavirus pandemic, and supply chain disruption. Consequently, there was a need to correct the variable remuneration. In addition, the supervisory board considered the resolution pursuant to section 26n paragraph 1 of the Introductory Act to the German Stock Corporation Act (EGAktG) on approval to hold the annual shareholders' meeting 2023 in virtual format in accordance with section 118a of the German Stock Corporation Act (AktG). Furthermore, the agenda included two personnel issues relating to the executive board (for further information, see the section headed "Personnel issues relating to the executive board and supervisory board" p. 105).

The main issues addressed by the **executive committee** in the reporting period were: an examination of the aforementioned personnel issues relating to the executive board and the related recommendation to the supervisory board; the bonus payments to the executive board members for 2021; discussion of the business situation, current projects, and Evonik's share price; granting of general power of attorney; adjustments to the LTI plans 2018 through 2022 and the calculation of one performance indicator for short-term variable remuneration as a result of the cluster of unforeseen developments outlined above; granting of consent to two executive board members for secondary employment; inclusion of sustainability targets in the LTI.

In February 2022, the **audit committee** focused principally on the annual financial statements and the consolidated financial statements. Among other things, it also examined the remuneration report 2021, opportunity and risk management, the declaration on corporate governance, the annual compliance report 2021, and the proposal for the election of the auditor for fiscal 2022. The central point on the agenda for the meeting in May was the quarterly financial statement as of March 31, 2022. Another item was how the hedging of currency, interest rate, and energy price risks is managed. The quality of the audit was also assessed. At its meeting in August 2022, the audit committee considered in detail the half year financial report as of June 30, 2022 and discussed the business performance in the first half of 2022. Another topic comprised cybersecurity at Evonik and a new quality of attacks, requiring additional measures to ensure prompt and effective counteraction. One of the main items discussed at the meeting in November 2022 was the business performance in the third quarter of 2022, together with the quarterly financial statement as of September 30, 2022. Other items were the revision of the Group functional policy for non-audit services and the recommendation to the supervisory board on commissioning a voluntary review of the content of the remuneration report. Furthermore, the audit committee discussed the report to the supervisory board on corporate governance. At all meetings in the reporting period, the audit committee also considered the non-audit services performed by the external auditor.

In the reporting period, the **finance and investment committee** concentrated intensively on growth projects and the integration of acquisitions into the Evonik Group (see "Investments, acquisitions, divestments" p. 101). Other topics included the planning for 2023, the macroeconomic situation, the latest developments in the proposals for a minimum level of harmonization of national tax systems, how the capital markets currently view Evonik, which included the participation of an external analyst, and status reports on projects and topical issues.

At its meeting in April, the **innovation and research committee** discussed the latest developments in the investments in start-up and technology companies and digital solutions developed by the additives business within the Coating Additives business line for the coatings and printing inks industry. The November meeting of this committee focused on the strategy project to optimize Evonik's exclusive synthesis business and raise earnings and the reorganization of the development and research unit Creavis.

In 2022, the agenda for the **nomination committee** comprised preparing proposals for resolutions on the election of new shareholder representatives to the supervisory at the annual shareholders' meeting 2023. In particular, the nomination committee considered proposals for suitable candidates with a focus on strengthening expertise in the areas of human resources and sustainability and finding successors for Dr. Volker Trautz and Ulrich Weber, who will not be standing for reelection to the supervisory board in May 2023.

In addition to the standard reporting required by law, the supervisory board and its committees also discussed and examined the following topics in detail:

Performance and situation of the Evonik Group

Despite the challenging conditions in fiscal 2022, the Evonik Group developed well overall. The year was dominated by the sharp hike in raw material and energy prices and general inflationary pressure, which had a considerable impact on supply chains, including bottlenecks in the supply of some materials that are dependent on natural gas. Evonik posted a strong business performance in the first six months, but this weakened towards the end of the year. The sharp rise in raw material and energy costs was more than offset by raising selling prices, although volumes declined over the year. Group sales grew by 24 percent to €18,488 million thanks to higher selling prices and positive currency effects. Adjusted EBITDA improved 4 percent to €2,490 million. As a result of the poorer business outlook for the Performance Materials division, an impairment loss of €301 million was recognized on this division's goodwill as of December 31, 2022. The Evonik Group's net income was therefore 28 percent below the prior-year level at €540 million.

Investments, acquisitions, divestments

Our discussions centered on major growth projects, including investment controlling of ongoing projects, and one divestment. The projects considered in particular detail by the supervisory board and the finance and investment committee included:

- Construction of a new polyamide 12 production line in Marl (Germany)
- Construction and operation of a production facility for lipids in Tippecanoe (Indiana, USA)
- Expansion of capacity at the integrated methionine complex on Jurong Island (Singapore)
- Divestment of the TAA and TAA derivatives business

The finance and investment committee received post-completion information or performed a post-completion audit for the following projects:

- Acquisition and integration of PeroxyChem, Philadelphia (Pennsylvania, USA)
- A joint venture with the Wynca Group in China to build a new production facility for fumed silicas in Zhenjiang (China)
- Acquisition of Infinitec Activos SL, Barcelona (Spain)
- Construction and operation of a backwardly integrated methionine complex on Jurong Island (Singapore)

Other issues addressed by the supervisory board and its committees

In addition to the issues and developments outlined above, the main topics addressed by the supervisory board and its committees in the reporting period were:

- Proposals for resolutions at the annual shareholders' meeting in May 2022
- Budget for 2023 and mid-term planning to 2025
- Commissioning a voluntary review of the content of the remuneration report
- Network strategy and network optimization for precipitated silicas in North America (USA)
- Framework for the approval of borrowing 2023–2025
- Business allocation plan
- Appropriateness of the internal control system, the risk management system, and the compliance management system
- Resolution on the declaration of conformity in compliance with section 161 of the German Stock Corporation Act (AktG)
- Report of the supervisory board to the annual shareholders' meeting
- Development of the health care business
- Implications of the war in Ukraine and related issues such as Evonik's business in Russia and gas supply in Europe
- The ongoing coronavirus pandemic
- The extent and impact of supply chain disruption
- Authorization for the executive board relating to the exercise of rights at subsidiaries in accordance with section 32 of the German Codetermination Act (MitbestG)
- Resolution on the employee share program 2023

Individual disclosure of the attendance at meetings of the supervisory board and its committees T40

	Supervisory board		Executive committee		Finance and investment committee		Audit committee		Nomination committee		Mediation committee		Innovation and research committee	
Supervisory board member	Presence	in %	Presence	in %	Presence	in %	Presence	in %	Presence	in %	Presence	in %	Presence	in %
Bernd Tönjes (chairman)	5/5	100	5/5	100	4/4	100			1/1	100	0/0		2/2	100
Karin Erhard (deputy chairwoman)	5/5	100	5/5	100	3/4	75					0/0		2/2	100
Martin Albers	5/5	100	5/5	100	4/4	100					0/0			
Prof. Barbara Albert	5/5	100											2/2	100
Jens Barnhusen (until March 31, 2022)	1/1	100					1/1	100						
Prof. Aldo Belloni	5/5	100			4/4	100							2/2	100
Birgit Biermann (until May 25, 2022)	2/2	100					2/2	100						
Hussin El Moussaoui	5/5	100											2/2	100
Werner Fuhrmann	5/5	100												
Prof. Barbara Grunewald	5/5	100					4/4	100						
Alexandra Krieger (from May 26, 2022)							2/2	100						
Martin Kubessa	5/5	100												
Frank Löllgen (until May 25, 2022)	2/2	100			1/2	50							0/1	0
Cedrik Neike	3/5	60												
Martina Reisch	5/5	100											2/2	100
Gerhard Ribbeheger	5/5	100			4/4	100							2/2	100
Michael Rüdiger	5/5	100			4/4	100	4/4	100						
Dr. Thomas Sauer	5/5	100					4/4	100						
Gerd Schlengermann (from April 1, 2022)	3/4	75					3/3	100						
Harald Sikorski (from May 26, 2022)	3/3	100			2/2	100							1/1	100
Angela Titzrath	3/5	60					4/4	100						
Dr. Volker Trautz	5/5	100	5/5	100					1/1	100	0/0		2/2	100
Ulrich Weber	5/5	100			4/4	100			1/1	100				

Corporate governance
The supervisory board is committed to the principles of good corporate governance. This is based principally on the recognition of the provisions of the German Corporate Governance Code in the current version of April 28, 2022. This does not exclude the possibility of departing from the recommendations and suggestions in legitimate individual cases.

Since it is listed on the stock exchange, Evonik is subject to the obligation contained in section 161 of the German Stock Corporation Act (AktG) to submit a declaration of the extent to which it has complied with, or will comply with, the German Corporate Governance Code and which recommendations have not been and will not be met, together with the reasons for this (declaration of conformity). In December 2022, the executive board and supervisory board issued a declaration of conformity, which is published on the company's website at **www.evonik.com/declaration-on-corporate-governance** and in the declaration on corporate governance **p. 106 ff.**

The supervisory board has set objectives for its composition, which are taken into consideration in proposals submitted to the shareholders' meeting for elections to the supervisory board. The present supervisory board satisfies all objectives for its composition, especially:

- The supervisory board currently comprises six women and 14 men. In accordance with its own targets and in compliance with statutory requirements, it therefore meets the minimum of 30 percent women and 30 percent men.
- At least six supervisory board members representing the shareholders should be independent of the company and its executive board and independent of a controlling shareholder. The supervisory board classifies all current members as independent.

Further details of the independence of the supervisory board members and the diversity requirements are presented in the declaration on corporate governance **p. 106 ff.**

The company supports new members of the supervisory board in the performance of their duties and organizes annual training for the members of the supervisory board. The support for new members includes extensive information on Evonik and its governance structure, including the relevant rules and regulations, and an opportunity for individual site tours. In the reporting period, the supervisory board members were offered a choice of two dates—in May and November 2022—for an internal training session on the Nutrition & Care division, which lasted for several hours. In all, 18 members of the supervisory board attended. Furthermore, a further multi-hour training session on aspects of capital market compliance was organized in December 2022 with the support of external expertise. This session was attended by one member of the executive board and 13 members of the supervisory board.

In addition to attendance fees, the members of the supervisory board will once again receive only fixed remuneration for their work on the supervisory board in the past fiscal year and any membership of committees (see subsection 2 of the remuneration report **www.evonik.com/remuneration-report**).

There were no consultancy, service, or similar contracts with any members of the company's supervisory board in 2022. Furthermore, there were no transactions between the company or a company in the Evonik Group, on the one hand, and supervisory board members and related parties, on the other.

Audit of the annual financial statements
KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG), Berlin (Germany) has audited the financial statements of Evonik Industries AG as of December 31, 2022, prepared in accordance with the German Commercial Code (HGB), the consolidated financial statements for the Evonik Group prepared using the International Financial Reporting Standards (IFRS) applicable for use in the EU, as permitted by section 315e paragraph 1 of the German Commercial Code (HGB), and the combined management report for Evonik Industries AG and the Evonik Group for fiscal 2022, and has endorsed them with an unqualified opinion pursuant to section 322 of the German Commercial Code (HGB). The supervisory board awarded the contract for the audit of the annual financial statements of Evonik Industries AG and the consolidated financial statements of the Evonik Group in line with the resolution taken by the shareholders' meeting on May 25, 2022. In accordance with section 317 paragraph 4 of the German Commercial Code (HGB), the annual audit includes an audit of the risk identification system. The audit established that the executive board had taken the steps required in compliance with section 91 paragraph 2 of the German Stock Corporation Act (AktG) to establish an appropriate risk identification system and ensure that this system is suitable for the timely identification of developments that could represent a threat to the continued existence of the company.

In addition, KPMG was awarded the contract for a limited assurance review of the content of the combined non-financial statement prepared in accordance with sections 289b and 315b of the German Commercial Code (HGB), which is integrated into the combined management report. The principal components of the non-financial statement are employee and environmental matters, respect for human rights, preventing bribery and corruption, social matters, and the supply chain. The environmental matters also include the disclosures required under the EU taxonomy regulation on how and to what extent the activities of the reportable group are associated with economic activities that are classified as ecologically sustainable.

The executive board submitted the above documents, together with the auditor's reports and the executive board's proposal for the distribution of the profit, to all members of the supervisory board to prepare for the meeting of the supervisory board on March 1, 2023. At its meeting on February 24, 2023, at which the auditor participated, the audit committee discussed the annual financial statements, the auditor's reports, and the proposal for the distribution of the profit to prepare for the subsequent examination and discussion of these documents by the full meeting of the supervisory board. Further, the audit committee requested the auditor to report on its collaboration with Group Audit and the other units involved in risk management, as well as on the effectiveness of the risk identification system with respect to accounting. In this connection, the auditor established that the executive board had taken the steps required in compliance with section 91 paragraph 2 of the German Stock Corporation Act (AktG) to establish an appropriate risk identification system and ensure that this system is suitable for timely identification of developments that could represent a threat to the continued existence of the company.

The supervisory board conducted a thorough examination of the annual financial statements of Evonik Industries AG, including the net loss reported in the income statement, the consolidated financial statements for the Evonik Group, the combined management report for fiscal 2022, including the non-financial declaration contained in the management report, and the executive board's proposal for the distribution of the profit and—on the basis of explanations of these documents by the executive board—discussed them at its meeting on March 1, 2023. The net income of Evonik Industries AG, calculated on the basis of the German Commercial Code, decreased by €955 million year-on-year, resulting in a net loss of €223 million. This was mainly due to the inflation-related adjustment of pension provisions in the annual financial statements, without the relief of an increase in the discount rate, which is permitted in the consolidated financial statements. In view of the group's earnings position, at this meeting, the supervisory board discussed the executive board's proposal that the profit carried forward from the previous year and a withdrawal from the other retained earnings of Evonik Industries AG should be used to pay a dividend and that the level of the dividend should be unchanged. The auditor took part in the meeting on March 1, 2023 and reported on the main findings of the audit. He also answered questions from the supervisory board about the type and extent of the audit and the audit findings. The discussion included the audit of the risk identification system. The supervisory board shares the audit committee's assessment of the effectiveness of this system.

Following its thorough examination of the annual financial statements of Evonik Industries AG, the consolidated annual financial statements, and the combined management report (including the declaration on corporate governance and the combined non-financial statement), the supervisory board declares that, based on the outcome of its examination, it has no objections to raise to the annual financial statements of Evonik Industries AG, the consolidated annual financial statements, and the combined management report. In line with the recommendation made by the audit committee, the supervisory board has therefore accepted the audit findings. At its meeting on March 1, 2023, the supervisory board therefore endorsed the annual financial statements of Evonik Industries AG and the consolidated annual financial statements. The annual financial statements for 2022 are thus ratified. The supervisory board concurs with the executive board's assessment of the situation of the company and the Evonik Group as expressed in the combined management report. The supervisory board considered the executive board's proposal to generate and distribute a profit, in particular with a view to the dividend policy, the impact on liquidity and investment plans, including the policy of retaining earnings at subordinated companies, and its regard for shareholders' interests. This also included an explanation by the executive board and a discussion with the auditor. The supervisory board then voted in favor of the proposal put forward by the executive board for the distribution of the profit.

Examination of the report by the executive board on relations with affiliated companies

The executive board has prepared a report on relations with affiliated companies in 2022. This was examined by the auditor, who issued the following unqualified opinion in accordance with section 313 of the German Stock Corporation Act (AktG):

"In accordance with our professional audit and judgment, we confirm that

1. the factual disclosures made in this report are correct, and
2. the company's expenditures in connection with the legal transactions contained in the report were not unreasonably high."

The executive board submitted the report on relations with affiliated companies and the associated auditor's report to all members of the supervisory board to enable them to prepare for the supervisory board meeting on March 1, 2023.

The audit committee conducted a thorough examination of these documents at its meeting on February 24, 2023 to prepare for the examination and resolution by the full supervisory board. The members of the executive board provided detailed explanations of the report on relations with affiliated companies and answered questions on it. The auditor, who took part in this meeting, reported on the main findings of the audit of the report on relations with affiliated companies and answered questions raised by members of the audit committee. The members of the audit committee acknowledged the audit report and the audit opinion. The audit committee recommended that the supervisory board should approve the results of the audit and, since it was of the opinion that there were no objections to the executive board's declaration on the report on relations with affiliated companies, should adopt a corresponding resolution.

The supervisory board discussed the report on relations with affiliated companies at its meeting on March 1, 2023. The members of the executive board provided detailed explanations of the report on relations with affiliated companies and answered questions on it. Moreover, the auditor took part in this meeting of the supervisory board and reported on the main findings of the audit of the report on relations with affiliated companies and answered questions from members of the supervisory board. The supervisory board ascertained that, under the circumstances known at the time they were undertaken, the company's expenditures in connection with the transactions outlined in the report on relations with affiliated companies were not unreasonably high and compensation had been received for any disadvantages. In particular, it obtained an explanation of the principles used to determine the relevant activities and the remuneration therefor, especially in the case of transactions of material significance. The audit committee had discussed the report on relations with affiliated companies and gave the supervisory board a detailed overview of the outcome of its deliberations.

The supervisory board examined the completeness and correctness of the report on relations with affiliated companies. There were no grounds for objection.

The supervisory board thus has no objection to raise to the final declaration made by the executive board in its report on relations with affiliated companies and concurs with the auditor's findings.

Personnel issues relating to the executive board and supervisory board

At the meeting on December 7, 2022, the supervisory board approved, as recommended in each case by the executive committee, the early termination of Ute Wolf's term as a member of the executive board and her resignation from the executive board as of the end of March 31, 2023, and the appointment of Maike Schuh, currently head of the Performance Materials division, as a member of the executive board and chief financial officer effective April 1, 2023.

On the supervisory board, there were three changes on the employee side in 2022.

Jens Barnhusen resigned from the supervisory board with effect from the end of March 31, 2022. In accordance with the German Codetermination Act, Gerd Schlengermann, the substitute member elected for Jens Barnhusen at the election of the employee representatives in 2018, took over from him on April 1, 2022. Birgit Biermann and Frank Löllgen resigned from the supervisory board with effect from the end of the annual shareholders' meeting on May 25, 2022. Essen Local Court appointed Alexandra Krieger (successor to Birgit Biermann) and Harald Sikorski (successor for Frank Löllgen) to the supervisory board with effect in both cases from May 26, 2022.

As a consequence of these changes, there were also some changes in committee members.

The supervisory board first elected Gerd Schlengermann as a member of the audit committee to replace Jens Barnhusen effective April 1, 2022 and subsequently elected Alexandra Krieger as successor to Birgit Biermann and deputy chairwoman of the audit committee effective May 26, 2022. Further, the supervisory board elected Harald Sikorski as a member and deputy chairman of the innovation and research committee as successor to Frank Löllgen effective May 26, 2022. As of the same date, the supervisory board elected Harald Sikorski as successor to Frank Löllgen on the finance and investment committee.

The supervisory board would like to thank Birgit Biermann, Jens Barnhusen, and Frank Löllgen for their long-standing and committed work for the good of the company and its workforce.

Concluding remark

The supervisory board would also like to thank the executive board, works councils, executive staff councils, and all employees of Evonik Industries AG and its affiliated companies for their successful work during the past year.

The supervisory board adopted this report at its meeting on March 1, 2023, in accordance with section 171 paragraph 2 of the German Stock Corporation Act (AktG).

Essen, March 1, 2023

Bernd Tönjes

On behalf of the supervisory board
Bernd Tönjes, Chairman

Declaration on corporate governance [1]

The following report on the principles of corporate management at Evonik (sections 289f and 315d of the German Commercial Code [HGB]) and corporate governance at the company in accordance with principle 23 of the German Corporate Governance Code is issued jointly by the executive board and supervisory board of Evonik Industries AG.

1. Principles of corporate governance and corporate structure

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, between these two boards, and between the 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 is committed to the German Corporate Governance Code

Evonik Industries is a stock corporation established under German law. Alongside compliance with the provisions of the relevant legislation, the basis for ensuring responsible management and supervision of Evonik with a view to a sustained increase in corporate value is our commitment to the German Corporate Governance Code in the version dated April 28, 2022. This code, which was adopted by the Government Commission on the German Corporate Governance Code, contains both key statutory provisions on the management and supervision of publicly listed German companies and recommendations and suggestions based on nationally and internationally recognized standards of responsible corporate governance.

The executive board and supervisory board of Evonik Industries AG are explicitly committed to responsible corporate governance and identify with the goals of the German Corporate Governance Code. According to the foreword, in the interest of good and proactive corporate governance, a company may depart from the recommendations set out in the code if this is necessary to take account of company-specific characteristics.

2. Information on corporate management and corporate governance

2.1 Declaration of conformity with the German Corporate Governance Code pursuant to section 161 of the German Stock Corporation Act (AktG)

Under section 161 of the German Stock Corporation Act (AktG), the executive board and supervisory board of Evonik Industries AG are required to annually submit a declaration that the company has been, and is, in compliance with the recommendations of the Government Commission on the German Corporate Governance Code, as published by the Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger), and which recommendations have not been, or are not being, applied, together with the associated reasons. The declaration has to be made permanently available to the public on the company's website.

The executive board and supervisory board of Evonik Industries AG (hereinafter the company) hereby submit the following declaration pursuant to section 161 of the German Stock Corporation Act:

Since submitting its last declaration of conformity in December 2021, the company has complied with the recommendations of the German Corporate Governance Code in the version dated December 16, 2019, which was published in the Federal Gazette on March 20, 2020, with the following exceptions. The company complies with the recommendations of the German Corporate Governance Code in the version dated April 28, 2022, which was published in the Federal Gazette on June 27, 2022, with the following exceptions, and will continue to do so in the future.

According to recommendation C.5, members of the management board of a listed company should not hold more than two supervisory board mandates in non-group listed companies or comparable functions. Ms. Angela Titzrath is the chief executive officer of the listed company Hamburger Hafen und Logistik Aktiengesellschaft. In addition to her mandate on the company's supervisory board, she has other mandates covered by the recommendation. The supervisory board has satisfied itself that Ms. Angela Titzrath has sufficient time to perform her mandate. In addition, her extensive experience in corporate management and her high level of economic and international expertise make valuable contributions to the fulfillment of the profile of skills and the effective work of the supervisory board. Taking into account all relevant aspects, the deviation from recommendation C.5 is therefore considered justifiable.

[1] The declaration on corporate governance also forms an integral part of the combined management report for Evonik Industries AG (sections 289 ff. HGB) and the Evonik Group (sections 315 ff. HGB). In accordance with section 317 paragraph 2 sentence 6 of the German Commercial Code (HGB), the disclosures are not included in the audit.

According to recommendation C.5, members of the management board of a listed company should not accept the chairmanship of the supervisory board of a non-group listed company. Mr. Christian Kullmann, chairman of the company's executive board, has also been chairman of the supervisory board of Borussia Dortmund GmbH & Co. KGaA since September 25, 2021. He is familiar with the special nature and challenges of professional soccer within the framework of a listed company and is also familiar with the tasks entailed by the position of chairman of the supervisory board. In addition, the company is linked to Borussia Dortmund both through a shareholding and through the current sponsorship agreement and therefore has an interest in Mr. Kullmann exercising this mandate. The company's supervisory board has also examined the time requirements and strategic aspects of this mandate. Taking into account the above aspects, the deviation from recommendation C.5 is therefore considered justifiable.

According to sentence 1 of recommendation G.7, the supervisory board should establish the performance criteria for each management board member for the forthcoming financial year, covering all variable remuneration components; besides operating targets, the performance criteria should be geared mainly towards strategic goals. In keeping with the remuneration system adopted by the annual shareholders' meeting in 2022, and in view of the cluster of various unforeseen developments (the war in Ukraine, the energy crisis, the coronavirus crisis, supply chain disruption, inflation, the threat of recession, the impact of climate change), at its meeting in December 2022 the supervisory board decided that when calculating the STI 2022, inflation-adjusted sales should be taken into account for the target "adjusted EBITDA margin." For this fiscal year, the supervisory board has therefore corrected the calculation of one of the performance criteria established in order to ensure appropriate remuneration of the executive board and, in this way, to take account of the altered circumstances. In light of this, as a precaution, the company hereby declares a deviation from G.7 sentence 1. Furthermore, with regard to the LTI, the supervisory board resolved to reduce the lower limit for relative performance (comparison with the external share price index) for the current LTI plans, which have not yet expired, from 70 percent to zero percent. Together with the STI, this should ensure appropriate target remuneration of the executive board that withstands market comparison.

Recommendation G.8 states that subsequent changes to the targets or comparison parameters should be excluded. In view of the aforementioned cluster of various unforeseen developments (the war in Ukraine, the energy crisis, the coronavirus crisis, supply chain disruption, inflation, the threat of recession, the impact of climate change), the basic conditions taken into consideration when establishing the targets for the short- and long-term remuneration of the executive board members no longer prevail. As a result, the targets set for the two variable remuneration components no longer represent an appropriate benchmark for target attainment and, if they were to be retained, could act as false incentives. The company's supervisory board has therefore resolved that, for the calculation of the STI 2022, inflation-adjusted sales will be used for the "adjusted EBITDA margin" target and that for the outstanding exercise periods for the LTI plans 2018 through 2022, with effect from January 1, 2023, i.e., for the first time for the payment in 2023, the lower limit for relative performance should be set at zero percent instead of 70 percent, as defined for the LTI plans from 2023 in the remuneration system approved by the annual shareholders' meeting. Without these corrections, the value of the LTI tranche 2018 would be reduced to zero; there would also be a significant loss of value for the LTI tranches 2019 through 2022 and the STI parameter "adjusted EBITDA margin," which would not be justified by the performance of the executive board. The supervisory board considers these corrections to the remuneration of the executive board within the framework of the approved remuneration system to be appropriate in order to pay the executive board members remuneration that is commensurate with their tasks and performance and to set the right incentives for the benefit of the company. Particularly high commitment is required from the executive board members in these times of crisis. The supervisory board considered it necessary, in particular, to wait for the opportunity to assess the economic impact on the company, which only became sufficiently clear late in the year.

Essen, December 2022

The Executive Board The Supervisory Board

2.2 Relevant information on corporate management practices

Corporate governance

The company is explicitly committed to good corporate governance and complies with the recommendations of the German Corporate Governance Code, apart from the exceptions set out in subsection 2.1 p. 106 f.

Compliance

Evonik understands compliance as all activities to ensure that the conduct of the company, its governance bodies, and its employees respect all applicable mandatory standards such as legal provisions, statutory requirements and prohibitions, in-house directives, and voluntary undertakings.

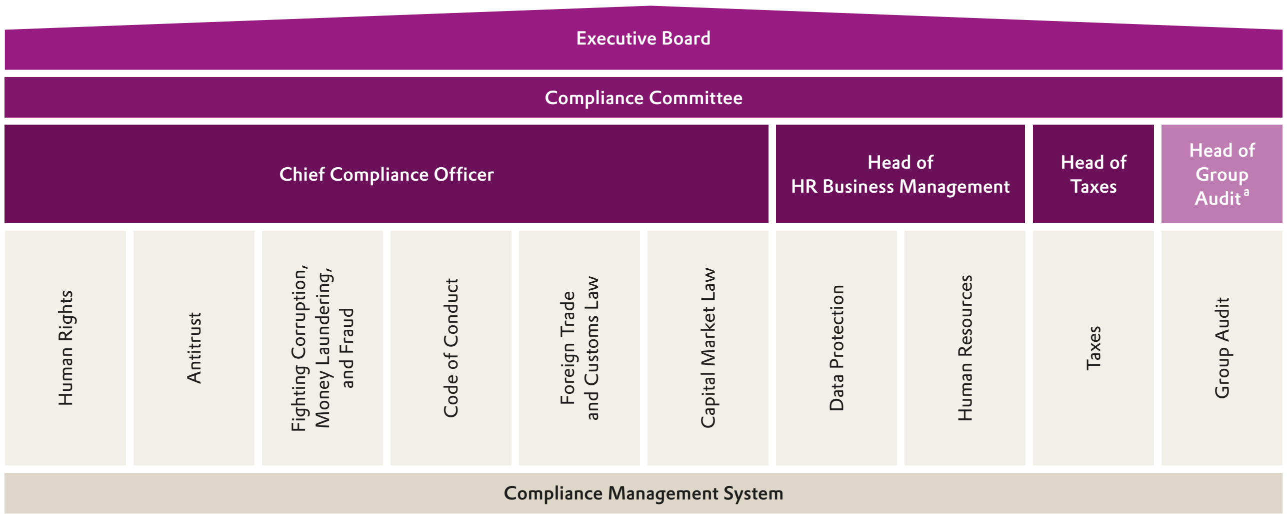
The most important external and internal principles and rules are set out in Evonik's group-wide code of conduct. This is binding for both the executive board and all Evonik employees, both internally in their treatment of one another and externally in contact with shareholders, business partners, representatives of authorities and government bodies, and the general public. It requires all employees to comply with the applicable laws, regulations, and other obligations. Evonik does not do business at any price. All employees worldwide receive regular training on the code of conduct and specific issues. Systematic action is taken to deal with any breach of the code of conduct.

The compliance areas identified as being of specific relevance to our company are bundled in a House of Compliance. Failure to observe the applicable laws and regulations in these areas leads to substantial risks for the company, its legal representatives, and holders of protected legal positions. To ensure a risk-based approach and take account of similarities between topics, the areas covered by the House of Compliance therefore comprise antitrust law, fighting corruption, money laundering, and fraud, as well as the code of conduct, foreign trade and customs law, capital market law, data protection, taxes, human resources, and, as a new addition, human rights. Group Audit has an advisory role. Environment, safety, health, and quality, including compliance-related aspects, are also very important topics and are managed and monitored by a separate function.

The role of the House of Compliance is to define minimum group-wide standards for the compliance management systems (CMS) for these areas and ensure that they are implemented. The process of forming a consensus, sharing experience, and coordinating joint activities takes place in the compliance committee, which is composed of the heads of the respective units, who have independent responsibility for their areas, and the head of Group Audit. The compliance units are responsible for the appropriateness, efficacy, and continuous improvement of the CMS for the compliance topics allocated to them.

For information relating to principle 5 of the German Corporate Governance Code on the fundamental aspects of the CMS and its topics, please refer to the above presentation. There are no indications that the CMS for the compliance issues bundled in the House of Compliance are not appropriate or effective in all key respects (the human rights CMS is currently being established, see below). The necessary elements of the CMS are structured and implemented throughout the Evonik Group on a risk-oriented basis reflecting the content required by the standards for the respective issue. By and large, the established standards and processes are put into practice in the company.

House of Compliance C36



[a] Advisory role.

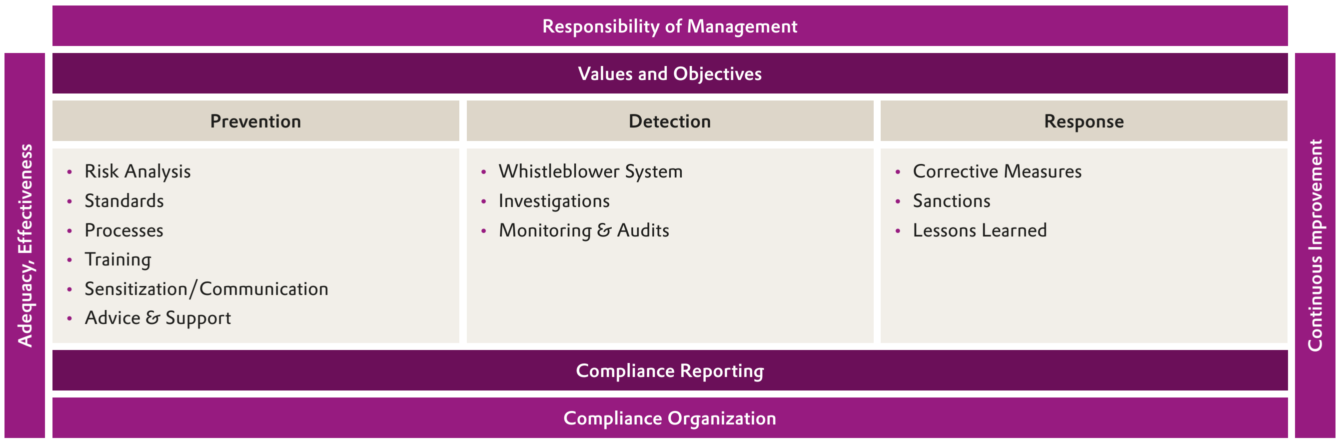
Regular efficacy checks identify individual weak points relating to specific aspects and suitable measures to remedy them are integrated into a continuous improvements process. In the same way, the CMS is adapted and aligned to changes in the basic framework (for example, due to changes in the relevant legislation or internal requirements or policies) and the actual circumstances (for example, due to changes in (corporate) structures or business models).

For instance, the human resources departments in the Evonik Group have been restructured in recent years and new personnel management software has been introduced. In this context, the responsibilities within the area of human resources were reallocated and aligned more strongly to individual HR processes. The reorganization of the HR function made it necessary to revise internal policies to bring them into line with the new situation. This revision has not yet been completed.

The CMS for human rights is currently being established. The content is based on the requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) and audit standard IDW PS 980 in order to take account of further international requirements. Since the new German legislation came into force on January 1, 2023, all elements of a CMS have been set up. In some cases, concrete implementation or operationalization of individual standards, processes, and measures has not yet been completed. These aspects will be introduced and rolled out stepwise from 2023. Consequently, a full efficacy check has not yet been established.

Based on the present stage of development, there are no indications that this CMS is not appropriate in all material respects.

Compliance Management System (CMS) C37



The compliance issues and the appropriateness and efficacy of the relevant CMS are examined at regular intervals through internal and external audits. Here are some examples:

- External audit of fighting corruption based on audit standard IDW PS 980 (KPMG 2020)
- Internal audit of the anti-money laundering measures (Group Audit, 2022)
- Internal audit of antitrust law (Group Audit)
- External readiness check in the area of data protection based on IDW PS 980 (Luther law firm, 2022)
- External readiness check on the German supply chain legislation (KPMG, 2022)
- External audit of the tax compliance management system of Evonik Industries AG and other Group companies in Germany covering the areas of income tax, wage tax, value-added tax, transfer pricing, and withholding tax pursuant to IDW PS 980 (KPMG, 2021)
- Internal audit of the tax compliance management system (Group Audit, 2021)
- Regular internal audits of internal export controls
- Official audits of customs and export control processes in connection with export permit processes, customs and foreign trade audits, and certification as an "Authorized Economic Operator" (AEO)
- Inspection of chemical weapons controls by the Organisation for the Prohibition of Nuclear Weapons (OPNW).

The above comments on the CMS are based on self-assessments by the relevant functional areas, which are prepared in good faith on the basis, in particular, of the references cited.

Further information on Evonik's compliance management system and the corresponding areas of focus, as well as the action taken in the year under review, can be found in the sustainability report.
www.evonik.com/sustainability-report

Sustainability

During the year, the executive board and supervisory board examine sustainability from various perspectives. Examples are the environment, safety, and portfolio transformation. Sustainability was also one of the main topics at the supervisory board's strategy meeting in September 2022. For many years, the development of accident frequency and severity has been reflected in the executive board's variable pay as a performance-related component. From 2023, the long-term variable remuneration system for the executive board will be revised and will include sustainability targets. Extensive information on sustainability can be found in the sustainability section of the combined management report p. 49 ff. and the sustainability report **www.evonik.com/sustainability-report**.

Transparency

Evonik regards timely and equal public disclosure of information as a key basis of good corporate governance. Evonik provides extensive information in German and English on its website. This includes our financial calendar, which provides a convenient overview of important dates **www.evonik.com/investor-relations**. Evonik's business performance is outlined principally in our financial reports and investor relations presentations. These are supplemented by information on Evonik's shares, the terms of bond issues, and an overview of our credit ratings. Mandatory publications such as ad-hoc announcements, voting rights announcements, and information on directors' dealings are also published immediately on our investor relations site **www.evonik.com/investor-relations (News & Reports/Ad-hoc announcements, Share/Voting rights, and Corporate Governance/Directors' Dealings)**. The offering also includes information on corporate strategy and Evonik's corporate structure and organization. In addition, the investor relations site provides information on Evonik's approach to corporate responsibility and how the management and supervision of the company (corporate governance) are aligned to responsible and sustained value creation **www.evonik.com/investor-relations (Sustainable Investment (SRI) and Corporate Governance)**.

2.3 Work of the executive board and supervisory board

The German Stock Corporation Act (AktG) forms the legal basis for the incorporation of Evonik Industries AG. Further details are set forth in the company's articles of incorporation and the provisions of the German Corporate Governance Code. See subsection 2.1 p. 106 f.

Executive board

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

The executive board defines and updates the company's business objectives, its basic strategic focus, business policy, and corporate structure. It ensures compliance with statutory provisions and internal directives and exerts its influence to ensure that they are observed by Group companies (compliance). It is also responsible for ensuring appropriate measures aligned to the company's risk situation (compliance management system), and appropriate risk management and risk controlling in the company. A whistleblower system has been set up. This enables employees and third parties to report, in a protected manner, suspected breaches of the law within the company.

When making appointments to management functions in the company, the executive board applies the principles of diversity. In this it strives, in particular, to ensure adequate representation of women.

The executive board has four members at present. One member is appointed to chair the executive board. With the approval of the supervisory board, the executive board has adopted rules of procedure and a plan allocating areas of responsibility. The chairman coordinates the work of the executive board, provides information for the supervisory board, and maintains regular contact with the chairman of the supervisory board. If the chairman is not available to perform these tasks, they are assumed by the deputy chairperson. The members of the executive board are jointly responsible for the overall management of the company. They work together constructively and keep each other informed of the main activities and developments in their areas of responsibility. The executive board endeavors to take decisions unanimously but may also adopt resolutions by majority vote. If an equal number of votes is cast, the chairman has the casting vote.

Ensuring that the supervisory board receives sufficient information is the joint responsibility of the executive board and supervisory board. The executive board provides the supervisory board with the reports to be prepared in accordance with section 90 of the German Stock Corporation Act (AktG) and the rules of procedure of the supervisory board. It gives the supervisory board timely, regular, and full information on all matters that are relevant to the company and the Group relating to strategy, planning, business development, risks, risk management, and compliance. It outlines deviations between the planned and actual business performance and targets and the reasons therefor.

Further, the executive board submits timely reports to the supervisory board on business matters and actions for which it is required by the articles of incorporation or the supervisory board's rules of procedure to obtain the approval of the supervisory board. In addition, the supervisory board can make further business activities and measures dependent on its consent on a case-by-case basis.

Members of the executive board are required to act in the interests of the company. They may not pursue personal interests in their decisions or utilize business opportunities available to the company for themselves. The members of the executive board are subject to a comprehensive non-compete obligation during their term of office. They may only assume additional posts, especially seats on the supervisory boards of companies that are not affiliated companies of Evonik Industries AG, with the consent of the supervisory board. In such cases, the executive board member shall accept the post as a personal office and shall ensure strict confidentiality and strict separation from his/her activities as a member of the executive board. Every member of the executive board is required to disclose any conflict of interest to the chairman of the supervisory board without delay and to inform the other members of the executive board. In fiscal 2022, there were no conflicts of interest relating to members of the executive board of Evonik Industries AG.

All transactions between the company or companies in the Evonik Group, on the one hand, and executive board members and related parties, on the other, must take place on terms that are customary in the sector. The report of the supervisory board contains details of the relevant transactions in the reporting period p. 98 ff.

The composition of the executive board and membership of supervisory boards and similar governance bodies are outlined in the further information on corporate officers p. 117 ff.

Supervisory Board

The supervisory board advises and supervises the executive board. It appoints the members of the executive board and names one member as the chairperson of the executive board. It also decides on the remuneration of the members of the executive board. The executive board is required to obtain the approval of the supervisory board on decisions of fundamental importance, which are defined in a separate list. These include:

- Fundamental changes to the structure of the company and the Group
- Setting the annual budget for the Group
- Investments exceeding €100 million
- The assumption of loans and the issuance of bonds exceeding €300 million and with a maturity of more than one year

The supervisory board examines the company's annual financial statements, the executive board's proposal for the distribution of the profit, the consolidated financial statements for the Evonik Group, and the combined management report, including the combined non-financial statement. The supervisory board submits a written report on the outcome of the audit to the shareholders' meeting.

The supervisory board is subject to the German Codetermination Act (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 shareholders are elected by the shareholders' meeting on the basis of nominations put forward by the supervisory board as prepared by the nomination committee. The representatives of the employees are elected by the workforce and comprise seven employee representatives and three representatives of the industrial union.

The composition of the supervisory board should ensure that its members collectively have the knowledge, skills, and professional expertise required to properly perform their duties. The members of the supervisory board may not undertake any duties as officers or advisors to the company's major competitors.

The supervisory board should not include more than two former members of the executive board. A former member of the executive board was elected to the supervisory board. In compliance with the statutory waiting period, his term of office on the executive board ended more than two years before the date of his election to the supervisory board. All members of the supervisory board shall ensure that they have sufficient time to perform their tasks as a member of the supervisory board. Members of the supervisory board who are also members of the executive board of a publicly listed stock corporation should not hold more than two seats on the supervisory boards of listed companies outside their group of companies or boards where comparable demands are made on them; members of the supervisory board who are not members of the executive board of a publicly listed corporation may not hold more than five seats on such supervisory or comparable boards. For this purpose, chairing a supervisory board counts as holding two seats. Members of the supervisory board must act in the interests of the company and not pursue personal interests in their decisions, nor may they utilize business opportunities available to the company for themselves. Members must disclose conflicts of interest to the supervisory board. Any member of the supervisory board who discloses a conflict of interest is excluded from resolutions at the meetings of the supervisory board dealing with matters relating to the conflict of interest. In its report to the shareholders' meeting, the supervisory board discloses any conflicts of interest that have arisen and how they have been dealt with. Material conflicts of interest relating to a member of the supervisory board that are not by nature temporary should lead to termination of his/her term of office.

Consultancy, service, and similar contracts between a member of the supervisory board and the company must be approved by the supervisory board. There were no contracts of this type in 2022.

The supervisory board has adopted rules of procedure, which also govern the formation and tasks of the committees. At least two regular meetings of the supervisory board are held in each calendar half-year. In addition, meetings may be convened as required, and the supervisory board may adopt resolutions outside meetings. If an equal number of votes is cast when taking a decision, and a second vote does not alter this situation, the chairman of the supervisory board has the casting vote.

The supervisory board has set the following objectives for its composition, which are taken into account in the proposals put to the shareholders' meeting with regard to the regular election of members of the supervisory board and the subsequent election of a member of the supervisory board:

- At least two members should have a sound knowledge of and experience in regions that are of material importance for the Evonik Group's business, either through their background or through professional experience gained in an international context.
- At least two members should have special knowledge of and experience in business administration and finance/accounting or auditing.
- The members of the supervisory board as a whole should be familiar with the chemical sector.
- At least two members should have experience in managing or supervising a major company.
- The supervisory board should comprise at least 30 percent women and at least 30 percent men.
- The members of the supervisory board should not hold consulting or governance positions with customers, suppliers, creditors, or other business partners that could lead to a conflict of interest. Deviations from this rule are permitted in legitimate individual cases.
- Members of the supervisory board should not normally be over 75 when they are elected.
- Members of the supervisory board should not normally hold office for more than three full terms within the meaning of section 102 paragraph 1 of the German Stock Corporation Act (AktG), i.e., normally 15 years. It is possible to deviate from this rule, in particular, in the case of a member of the supervisory board who directly or indirectly holds at least 25 percent of the company's shares or belongs to the governance body of a shareholder that directly or indirectly holds at least 25 percent of the company's shares.
- The collective knowledge and professional expertise of the members of the supervisory board should adequately reflect the skills profile.
- At least six supervisory board members representing the shareholders should be independent of the company and its executive board and independent of a controlling shareholder.

These targets were last revised in December 2019.

The supervisory board currently comprises six women and 14 men. In accordance with its own targets and in compliance with statutory requirements, it therefore meets the minimum of 30 percent women and 30 percent men.

The independence of a supervisory board member representing the shareholders depends on whether the member is independent of the company and its executive board and independent of a controlling shareholder. The supervisory board classifies all current members as independent. In this context, it is satisfied, in particular, that the fact that Dr. Trautz has been a member of the supervisory board for more than twelve years and Mr. Tönjes' position as chairman of the executive board of RAG-Stiftung do not constitute a conflict of interests with regard to the work of the supervisory board that would counteract their independence. Even taking into account the more far-reaching criteria set out in the European Commission's recommendation of February 15, 2005, there are no conflicts of interest and no doubts regarding the independence of the members of the supervisory board.[1]

The shareholders' representatives classified by the supervisory board as independent members are: Bernd Tönjes, Prof. Barbara Albert, Prof. Aldo Belloni, Werner Fuhrmann, Prof. Barbara Grunewald, Cedrik Neike, Michael Rüdiger, Angela Titzrath, Dr. Volker Trautz, and Ulrich Weber.

The financial experts within the meaning of section 100 paragraph 5 of the German Stock Corporation Act (AktG) and recommendation D.3 of the German Corporate Governance Code are Ms. Angela Titzrath (auditing expertise) and Mr. Michael Rüdiger (accounting expertise). In addition to their academic qualifications, both have acquired the necessary knowledge and experience for this through their professional careers, especially as members of executive boards of large companies and their work on a variety of supervisory bodies. As a former executive board member at large companies and chairwoman of the executive board of a listed company, Ms. Angela Titzrath has extensive experience in the area of auditing. For a number of years, she has also been intensively engaged in the preparation and review of sustainability reports. Through his former role in the area of internal auditing, Mr. Michael Rüdiger has many years' experience in the field of finance and special knowledge and experience of the application of accounting policies and of internal control and risk management systems. As a member of the audit committee at another listed company, Mr. Rüdiger is intensively involved in auditing, including auditing of sustainability reporting. Moreover, as members of the audit committee of Evonik Industries AG, Ms. Titzrath and Mr. Rüdiger are continuously involved in these fields. Furthermore, as chairman of this committee, outside of its meetings, Mr. Michael Rüdiger is in contact with the external auditors, the executive board, and the heads of the relevant corporate functions.

The length of membership of the supervisory board is disclosed in the resumes of the members of the supervisory board.

The present supervisory board satisfies the objectives for its composition.

[1] Section 13.2 in conjunction with annex 2 of the Commission Recommendation of February 15, 2005 on the role of non-executive directors/supervisory board members of publicly listed companies and committees of the board of directors/supervisory board (2005/162/EC).

In accordance with the recommendation in the German Corporate Governance Code, as well as setting objectives for its composition, the supervisory board has drawn up a profile of the skills and expertise required for the entire supervisory board. Future proposals for the election of supervisory board members will be based on this profile. The objectives and profile together form the supervisory board's diversity concept pursuant to section 289f paragraph 2 no. 6 and section 315d of the German Commercial Code (HGB), which is outlined in subsection 2.4 p. 115.

In 2022, the supervisory board added "experience in ecological and social sustainability" and "technological knowledge (including digitalization and information technology)" to its profile of required skills and expertise and now considers that the following skills are appropriate for the proper performance of its duties and are reflected by its members:

Profile of skills and expertise required of the supervisory board T41

	International experience	Knowledge of business administration	Experience in human resources and social issues	Scientific knowledge (especially of the chemical sector)	Experience in corporate management	Experience in ecological and social sustainability	Technological knowledge (including digitalization and information technology)
Bernd Tönjes		x	x		x	x	x
Karin Erhard			x		x		
Martin Albers		x	x				
Prof. Barbara Albert	x			x	x	x	x
Prof. Aldo Belloni	x	x	x	x	x	x	
Hussin El Moussaoui			x				
Werner Fuhrmann	x	x	x	x	x	x	
Prof. Barbara Grunewald			x				
Alexandra Krieger		x	x				
Martin Kubessa			x	x			
Cedrik Neike	x	x	x		x	x	x
Martina Reisch		x	x		x		x
Gerhard Ribbeheger			x				x
Michael Rüdiger	x	x	x		x	x	
Dr. Thomas Sauer	x	x	x	x	x	x	
Gerd Schlengermann			x				
Harald Sikorski		x	x		x		x
Angela Titzrath	x	x	x		x	x	x
Dr. Volker Trautz	x	x	x	x	x		
Ulrich Weber		x	x		x	x	

The supervisory board has the following committees:

The **executive committee** comprises the chairman of the supervisory board, his deputy, and two further members. It undertakes the regular business of the supervisory board and advises the executive board on fundamental issues relating to the ongoing strategic development of the company. Insofar as is permitted by law, it takes decisions in place of the full supervisory board on matters which cannot be deferred until the necessary resolution is passed by the full supervisory board without detrimental effects for the company. It also takes decisions on the use of authorized capital. It prepares meetings of the supervisory board and, in particular, personnel decisions and resolutions on the remuneration of the executive board, including the main contractual elements and the overall remuneration of individual members of the executive board. It is also responsible for concluding, amending, and terminating employment contracts with the members of the executive board, where this does not involve altering or setting remuneration, and represents the company in other transactions of a legal nature with present and former members of the executive board and certain related parties. **Members:** Bernd Tönjes (chairman), Karin Erhard (deputy chairwoman), Martin Albers, Dr. Volker Trautz.

The **audit committee** has six members, who have specialist knowledge and experience in the application of accounting standards and internal control systems. Moreover, the chairman is independent and is not a former member of the company's executive board. Acting on behalf of the supervisory board, the audit committee's principal tasks comprise supervising the accounting, the accounting process, the effectiveness of the internal control system, the risk management system, and the internal audit system, the auditing of the financial statements, especially the independence of the auditor, any additional services provided by the auditor by prior agreement and retrospective review, as well as compliance and the related decisions. It can make proposals and recommendations geared to ensuring the integrity of the financial reporting process. It prepares the supervisory board's proposal to the shareholders' meeting on the appointment of the auditor. If the audit engagement is put out to tender, the proposal must include at least two candidates. Further, the audit committee takes decisions on the appointment of the auditor, the focal points of the audit, and the agreement on audit fees. It assumes the specific duties regarding the statutory audit of public-interest entities assigned to the audit committee under applicable law, especially EU Regulation no. 537/2014. The audit committee prepares the decision of the supervisory board on approval of the annual financial statements of Evonik Industries AG and the consolidated financial statements for the Evonik Group. For this purpose, it is required to conduct a preliminary examination of the annual financial statements of Evonik Industries AG, the consolidated financial statements for the Evonik Group, the combined management report, including the combined non-financial statement, and the executive board's proposal for the distribution of the profit. The audit committee also examines the auditor's report. The audit committee reviews the interim reports, especially the half-yearly report, discusses the audit review report with the auditor—if an auditor is engaged to conduct a review—and decides whether to raise any objections. Further, it examines issues relating to corporate governance and reports to the supervisory board at least once a year on the status, effectiveness, and scope to implement any improvements to corporate governance, and on new requirements and new developments in this field. **Members:** Michael Rüdiger (chairman), Alexandra Krieger (deputy chairwoman), Prof. Barbara Grunewald, Dr. Thomas Sauer, Gerd Schlengermann, Angela Titzrath.

The **finance and investment committee** has eight members. Its work covers aspects of corporate finance and investment planning. For example, it takes decisions on behalf of the supervisory board on approving investment and real estate transactions with a value of more than €100 million. Further, the finance and investment committee takes decisions on behalf of the supervisory board involving approval for the establishment, acquisition, and divestment of businesses, and on capital measures at other Group companies with a value of between €100 million and €500 million. It also prepares decisions of the full supervisory board on such measures, where they exceed €500 million. Furthermore, it takes decisions on the assumption of guarantees and sureties for credits exceeding €50 million and on investments in companies of more than €100 million. **Members:** Prof. Aldo Belloni (chairman), Karin Erhard (deputy chairwoman), Martin Albers, Gerhard Ribbeheger, Michael Rüdiger, Harald Sikorski, Bernd Tönjes, Ulrich Weber.

The **innovation and research committee** has eight members. It examines the company's innovation and research strategy, in particular by analyzing expected future developments both in the chemical sector and in the markets of relevance to the company. It discusses the resulting implications for the company's innovation and research programs with the executive board. **Members:** Prof. Barbara Albert (chairwoman), Harald Sikorski (deputy chairman), Prof. Aldo Belloni, Hussin El Moussaoui, Martina Reisch, Gerhard Ribbeheger, Bernd Tönjes, Dr. Volker Trautz.

The **nomination committee** comprises three supervisory board members elected as representatives of the shareholders. The task of the nomination committee is to prepare a proposal for the supervisory board on the candidates to be nominated to the shareholders' meeting for election to the supervisory board. **Members:** Bernd Tönjes (chairman), Dr. Volker Trautz, Ulrich Weber.

Finally, there is a **mediation committee** established in accordance with section 27 paragraph 3 of the German Codetermination Act. This mandatory committee is composed of the chairman of the supervisory board, his deputy, one shareholder representative, and one employee representative. This committee puts forward proposals to the supervisory board on the appointment of members of the executive board if the necessary two-thirds majority of the supervisory board members is not achieved in the first vote. **Members:** Bernd Tönjes (chairman), Karin Erhard (deputy chairwoman), Martin Albers, Dr. Volker Trautz.

The mediation committee is only convened when necessary. All other committees meet regularly and may also hold additional meetings on specific issues in line with their responsibilities as set out in the rules of procedure for the supervisory board.

Further details of the work of the supervisory board and its committees in the past fiscal year can be found in the report of the supervisory board p. 98 ff. The report of the supervisory board also outlines the composition of the various committees and the meetings attended by members the supervisory board. The composition of the supervisory board and membership of supervisory boards and similar governance bodies are outlined in the further information on corporate officers p. 117 ff.

The supervisory board regularly examines the efficiency of its work. A self-assessment involving supervisory board members filling out a questionnaire was conducted in 2020. On the basis of the evaluation of the results, measures were resolved and implemented during the year.

Directors' dealings

In accordance with article 19 paragraph 1 of the EU market abuse regulation (MAR), members of the executive board and supervisory board and persons closely associated with them (including spouses, partners who are equivalent to a spouse, and dependent children) are required to notify Evonik Industries AG and the Federal Financial Supervisory Authority (BaFin) of any transactions in shares or debt instruments of Evonik Industries AG, or derivatives, or other financial instruments linked thereto. This applies to transactions undertaken within a calendar year after a total value of €20,000 has been reached. The transactions notified are disclosed on the website of Evonik Industries AG. www.evonik.com/investor-relations (Corporate Governance)

2.4 Diversity at Evonik

Since Evonik Industries AG is a publicly listed company and is also subject to German codetermination legislation, the diversity requirements set forth in the German Stock Corporation Act (AktG) and the recommendations of the German Corporate Governance Code apply.

The statutory ratio of at least 30 percent women and at least 30 percent men applies for the composition of the supervisory board. The supervisory board meets this ratio: Alongside 14 men, it has six female members, three of whom represent the shareholders, and three of whom represent the workforce. For the proportion of women on the executive board, the supervisory board set a target of at least 25 percent, with a deadline for achieving this of June 30, 2022. On the reporting date, the executive board comprised one woman and three men. In 2022, the supervisory board set a new target of at least 25 percent female members of the executive board (which is equivalent to one woman as the executive board currently has four members), to be met by June 30, 2027. The executive board also meets the statutory requirement that an executive board with more than three members must include at least one woman and one man (section 76 paragraph 3a AktG). For the period from January 1, 2021 through December 31, 2024, the executive board set a target of 30 percent female managers at both the first and the second management level below the executive board. At year-end 2022, the proportion of female managers was 38.5 percent at the first management level and 31.0 percent at the second management level.

Diversity concept

The previous diversity requirements set out in the German Stock Corporation Act (AktG) and the German Corporate Governance Code for publicly listed corporations that are also classified as large stock corporations have been extended by the provisions of section 289f paragraph 2 no. 6 of the German Commercial Code (HGB). The diversity concept, which has to be described pursuant to this provision, and which has to be followed in appointments to the supervisory board and the executive board, comprises the following elements at Evonik Industries AG:

The diversity concept for Evonik's supervisory board comprises both the supervisory board's objectives for its composition and the profile for the skills and expertise of the supervisory board as a whole. Further details can be found in subsection 2.3 p. 110 ff. Most of the requirements set out in the new rules for the supervisory board's diversity concept are already reflected in the supervisory board's objectives. These include rules on the age and gender of supervisory board members and on professional experience and knowledge of business administration and the chemical sector. These objectives have been supplemented by a profile that sets out the required skills and expertise and documents the extent to which they are met. The diversity concept is implemented by ensuring that the proposals put to the shareholders' meeting for the election of supervisory board members reflect the objectives and the profile. The present composition of the supervisory board meets all requirements of the diversity concept. The supervisory board, executive committee, and executive board together ensure long-term succession planning for appointments to the executive board. Structured talent management and targeted executive development form the basis for filling executive board positions from within the company where possible. The principles of succession planning are agreed with the executive committee, and the executive board and the chairman of the supervisory board regularly discuss potential candidates. The chairman of the supervisory board informs the executive committee or the full supervisory board of the status of succession planning, as necessary. The basis for this includes the diversity concept for the executive board. Alongside the target of 25 percent female members outlined above, it sets a maximum age limit for members of the executive board. In fiscal 2022, the supervisory board increased the previous maximum age limit from 65 years to 68 years. The decision to raise the age limit was based on the political debate about greater flexibility in the duration of working life, the increase in the statutory retirement age, and the discussion about whether it should be left to individuals to decide when they wish to retire. In addition to this age limit, when selecting suitable candidates for the executive board, the supervisory board ensures a suitable mixture of ages to ensure long-term succession planning. Further, as a leading global specialty chemicals company, when making appointments to the executive board, Evonik pays attention to ensuring that at least one member has knowledge of the area of human resources, one has knowledge of finance and accounting, and one has knowledge of the chemical sector. In addition, at least one member of the executive board should have international professional experience. The present composition of the executive board fully meets the requirements set by the diversity concept.

3. Shareholders and the shareholders' meeting

The shareholders exercise their rights at the shareholders' meeting. The shareholders' meeting elects the auditor and the shareholder representatives on the supervisory board and resolves on the ratification of the actions of members of the executive board and supervisory board, the distribution of the profit, capital transactions, and amendments to the articles of incorporation. The shares are registered shares. Shareholders who are entered in the register of shareholders are eligible to attend the shareholders' meeting and exercise their voting rights, providing they register in good time to attend the meeting. The shareholders may exercise their voting rights at the shareholders' meeting in person, through a proxy of their choice or through a proxy appointed by the company. Each share entitles the holder to one vote.

4. Information on accounting and auditing of the financial statements

Evonik Industries AG prepares its annual financial statements in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The consolidated financial statements are prepared on the basis of the International Financial Reporting Standards (IFRS), as adopted for use in the EU. In addition, the applicable statutory provisions of section 315e paragraph 1 of the German Commercial Code (HGB) are taken into account. The consolidated financial statements are also published in the European Single Electronic Format (ESEF), which was audited separately by the auditor. As proposed by the supervisory board, the annual shareholders' meeting on May 25, 2022 elected KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG), Berlin, as auditor for the annual financial statements of Evonik Industries AG, the consolidated financial statements of the Evonik Group, and the combined management report for fiscal 2022. The supervisory board previously ascertained the independence of the auditor. The auditors that sign the audit of the annual financial statements of Evonik Industries AG and the consolidated financial statements of the Evonik Group are Dr. Thorsten Hain (since fiscal 2021) and Dr. Kathryn Ackermann (since fiscal 2021). In addition to the accounting, the audit covered the system to identify emerging risks and the accounting-related internal control system. Based on the resolution of May 25, 2022, KPMG also reviewed the half year financial report in fiscal 2022.

5. Internal control system and risk management system

Evonik's internal control system (ICS) covers the entire organization and is designed to safeguard the functioning and cost-efficiency of business processes, the reliability of business information, protect assets, and ensure compliance with regulations (COSO). The individual controls are based on the principles of transparency (in other words, comparison with the target process), double-checking, separation of functions, and the need-to-know basis. The ICS for each process is defined centrally using a uniform process classification and applied on a decentralized basis throughout the Evonik Group. A defined procedure involving the heads of the process expert groups (PEG), risk coordinators, and process/function owners ensures that process and organizational risks can be ruled out in all organizational units. In close alignment with the risk management, all units within the Evonik Group evaluate whether there are any process and organizational risks and estimate whether these could possibly impact the effectiveness of Evonik's ICS. Experts regularly update and optimize the ICS. Oversight is based on three elements: risk management, Group Audit, and external auditors. Group Audit uses randomized audits to assess the appropriateness and effectiveness of the ICS and risk management system (RMS). The Evonik Group's RMS, including the ICS relating to the accounting process, is described in the opportunity and risk report in the combined management report p. 81 ff. The randomized audits performed by Group Audit in 2022 did not identify any systematic weaknesses in the ICS or RMS, nor are there any indications that the ICS and RMS are not, in all material respects, appropriate and effective.

6. Remuneration

The principles of the remuneration system and the remuneration of the members of the executive board and the supervisory board are outlined in the remuneration report **www.evonik.com/remuneration-report.** To meet the new content requirements for the declaration on corporate governance pursuant to section 289f paragraph 2 no. 1a of the German Commercial Code (HGB), the remuneration system (section 87a paragraph 1 and paragraph 2 sentence 1 of the German Stock Corporation Act [AktG]) and the remuneration resolution (section 113 paragraph 3 AktG) are published on the website of Evonik Industries AG at **www.evonik.com/remunerationsystem-executiveboard** and **www.evonik.com/remunerationsystem-supervisoryboard.** In addition, the remuneration report and the auditor's report can be viewed at **www.evonik.com/remuneration-report.**

Further information on corporate officers

Supervisory board of Evonik Industries AG

Bernd Tönjes, Marl
Chairman of the Supervisory Board

Chairman of the Executive Board of RAG-Stiftung

a) • RAG Aktiengesellschaft (Chair)
b) • DEKRA e.V.

Karin Erhard, Hanover
Deputy Chairwoman of the Supervisory Board

Member of the Central Board of Executive Directors of the IGBCE

a) • 50Hertz Transmission GmbH

Martin Albers, Dorsten
Chairman of the General Works Council of Evonik Industries AG

Chairman of the Works Council of the jointly operated Essen campus

b) • RAG-Stiftung (Chairman of the Working Group of Works Councils)

Prof. Barbara Albert, Darmstadt
Rector of the University of Duisburg-Essen

a) • Schunk GmbH
• Essen University Hospital (public-sector institution)

Prof. Aldo Belloni, Eurasburg
Former Chairman of the Executive Board of Linde Aktiengesellschaft

b) • TÜV Süd e.V. (Chair)
• AviComp Controls GmbH

Hussin El Moussaoui, Arnstein
Deputy Chairman of the General Works Council of Evonik Industries AG

Deputy Chairman of the Works Council for the jointly operated Hanau site

Werner Fuhrmann, Gronau
Former member of the Executive Committee of Akzo Nobel N.V.

b) • Kemira Oyj, Helsinki (Finland)
• Ten Brinke B.V., Varsseveld (Netherlands)

Prof. Barbara Grunewald, Bonn
Emeritus Professor of Civil Law and Commercial Law at the University of Cologne

Alexandra Krieger, Langenhagen
(since May 25, 2022)

Head of Controlling and Compliance at the IGBCE

a) • AbbVie Komplementär GmbH
b) • Commerzbank Aktiengesellschaft

Martin Kubessa, Velbert
Member of the Works Council for Evonik's Marl facilities

Cedrik Neike, Berlin
Member of the Managing Board of Siemens Aktiengesellschaft and CEO of the Digital Industries business unit

b) • ATOS SE, Bezons (France) (until May 18, 2022)
• Siemens France Holding S.A., Saint-Denis (France)
• Siemens Aktiengesellschaft Österreich, Vienna (Austria)

a) Membership of statutory supervisory boards.
b) Membership of comparable German and foreign supervisory bodies of business enterprises pursuant to section 125 paragraph 1 sentence 5 of the German Stock Corporation Act (AktG).

Martina Reisch, Rheinfelden
Chairwoman of the Works Council
for Evonik's Rheinfelden facilities

Gerhard Ribbeheger, Haltern am See
Deputy Chairman
of the General Works Council of Evonik Industries AG
b) • PEAG Holding GmbH

Michael Rüdiger, Utting am Ammersee
Independent management consultant
a) • BlackRock Asset Management Deutschland AG (Chair)
• Deutsche Börse AG

Dr. Thomas Sauer, Bad Homburg
Chairman of the Executive Staff Council of the Evonik Group

Gerd Schlengermann, Bornheim
(since April 1, 2022)
Chairman of the Works Council of the jointly operated Wesseling site and member of the General Works Council of Evonik Industries AG

Harald Sikorski, Munich
(since May 25, 2022)
District Director Westfalen of the IGBCE
a) • RAG Aktiengesellschaft
• Vivawest GmbH
• Vivawest Wohnen GmbH
b) • Gesellschaft zur Sicherung von Bergmannswohnungen mbH
• Ruhrfestspiele Recklinghausen GmbH

Angela Titzrath, Hamburg
Chairwoman of the Executive Board of
Hamburger Hafen und Logistik Aktiengesellschaft
a) • Deutsche Lufthansa AG
• HDI Haftpflichtverband der Deutschen Industrie VVaG
• Talanx AG
b) • Metrans a.s., Prague (Czech Republic)

Dr. Volker Trautz, Munich
Former Chairman of the Executive Board of
LyondellBasell Industries
b) • CERONA Companhia de Energia Renovável, São Paulo (Brazil)

Ulrich Weber, Krefeld
Former member of the Executive Board,
Human Resources & Law, Deutsche Bahn AG
a) • HDI Global SE (until March 3, 2022)
• ias Aktiengesellschaft
b) • ias Stiftung

The following members left the supervisory board in 2022:

Jens Barnhusen, Bottrop
(until March 31, 2022)
ESHQ management expert
a) • Pensionskasse Degussa VVaG

Birgit Biermann, Bochum
(until May 25, 2022)
Member of the Central Board of Executive Directors of the IGBCE
a) • Merck KGaA (since July 6, 2022)
• Adidas AG (since August 28, 2022)

Frank Löllgen, Cologne
(until May 25, 2022)
Regional Director North Rhine of the IGBCE
a) • Bayer AG
• Covestro AG (since March 17, 2022)

a) Membership of statutory supervisory boards.
b) Membership of comparable German and foreign supervisory bodies of business enterprises pursuant to section 125 paragraph 1 sentence 5 of the German Stock Corporation Act (AktG).

Executive board of Evonik Industries AG

Christian Kullmann, Hamminkeln
Chairman of the Executive Board

a) • Borussia Dortmund GmbH & Co. KGaA (Chair)

Dr. Harald Schwager, Speyer
Deputy Chairman of the Executive Board

a) • Evonik Operations GmbH (Chair)
• Currenta Geschäftsführungs-GmbH (since July 15, 2022)

b) • DEKRA e. V.
• KSB Management SE

Thomas Wessel, Recklinghausen
Chief Human Resources Officer and Labor Relations Director

a) • Evonik Operations GmbH
• Pensionskasse Degussa VVaG (Deputy Chair since June 23, 2022)
• Vivawest GmbH
• Vivawest Wohnen GmbH

b) • Gesellschaft zur Sicherung von Bergmannswohnungen mbH

Ute Wolf, Düsseldorf
Chief Financial Officer

a) • DWS Group GmbH & Co. KGaA
• Klöckner & Co. SE
• Pensionskasse Degussa VVaG

b) • Borussia Dortmund Geschäftsführungs-GmbH

a) Membership of statutory supervisory boards.
b) Membership of comparable German and foreign supervisory bodies of business enterprises pursuant to section 125 paragraph 1 sentence 5 of the German Stock Corporation Act (AktG).

Information pursuant to sections 289a and 315a of the German Commercial Code (HGB) and explanatory report by the executive board pursuant to section 176 paragraph 1 of the German Stock Corporation Act (AktG)[1]

Structure of issued capital

The capital stock of Evonik Industries AG is €466,000,000 and is divided into 466,000,000 no-par registered shares. Each share entitles the holder to one vote. Under section 5 paragraph 2 of the articles of incorporation, shareholders do not have any claim to the issue of certificates for their shares unless the issue of a certificate is required by the rules of a stock exchange on which the share has been admitted for trading. There are no different share classes, nor any shares with special rights.

Restrictions on voting rights or the transfer of shares

In connection with Evonik's employee share programs, there are restrictions on the ability of participating employees to dispose of their shares for a certain time period. In particular, they are required to hold their shares in each case until the end of the next-but-one calendar year after the year of allocation. The executive board is not aware of any other restrictions on voting rights or the transfer of shares.

Direct and indirect shareholdings that exceed 10 percent of the voting rights

Under the German Securities Trading Act (WpHG), every shareholder whose voting rights in the company reach, exceed, or drop below a certain level, whether through the purchase or sale of shares or in any other way, must notify the company and the Federal Financial Supervisory Authority (BaFin). Under section 33 paragraph 1 of the German Securities Trading Act, the relevant thresholds are 3, 5, 10, 15, 20, 25, 30, 50, and 75 percent of the voting rights. Changes in voting rights between these thresholds are not subject to notification under the German Securities Trading Act, so the following data may differ from more recent overviews of the shareholder structure. In compliance with section 160 paragraph 1 no. 8 of the German Stock Corporation Act (AktG), the notes to the financial statements of Evonik Industries AG contain an overview of all voting rights notifications submitted to the company pursuant to section 33 of the German Securities Trading Act.

Under section 289a sentence 1 no. 3 and section 315a sentence 1 no. 3 of the German Commercial Code (HGB), all direct and indirect shareholdings exceeding 10 percent of the voting rights must be declared. As of December 31, 2022, the executive board had only received notification of one direct shareholding exceeding 10 percent of the voting rights—from RAG-Stiftung, Essen (Germany). The executive board is not aware of any further direct or indirect holdings in the company's capital stock that exceed 10 percent of the voting rights.

Method of exercising oversight through voting rights in the event of employee shareholdings

Employees can become shareholders in the company through employee share programs. Instead of exercising their rights of oversight themselves, employees who hold shares in the company's capital may transfer these rights to an employee shareholder association, which acts in their interests. 154,435 voting rights had been transferred to the employee shareholder association as of the reporting date.

Appointment and dismissal of executive board members, amendments to the articles of incorporation

The appointment and dismissal of members of the executive board of Evonik Industries AG is governed by section 84 of the German Stock Corporation Act (AktG) and section 31 of the German Codetermination Act (MitbestG), in conjunction with section 6 of the company's articles of incorporation. Section 6 of the articles of incorporation states that the executive board should comprise at least two members. Further, the supervisory board is responsible for determining the number of members.

Changes to the articles of incorporation are normally resolved by the annual shareholders' meeting. Section 20 paragraph 2 of the articles of incorporation states that, unless mandatory legal provisions require otherwise, resolutions shall be adopted by a simple majority of the votes cast and—unless, besides a majority of the votes, a majority of the capital is required by law—by a simple majority of the capital stock represented. Under section 11 paragraph 7 of the articles of incorporation, the supervisory board is authorized to resolve on amendments to the articles of incorporation, provided they are only editorial. A simple majority vote is sufficient.

Authorization of the executive board, especially to issue and repurchase shares

Pursuant to a resolution of the shareholders' meeting of August 31, 2020, the executive board is authorized until August 30, 2025, subject to the approval of the supervisory board, to purchase up to 10 percent of the company's capital stock. Together with other

[1] This report is part of the audited combined management report.

shares in the company, which the company has already acquired or still owns, or which are attributable to it pursuant to sections 71d and 71e of the German Stock Corporation Act (AktG), the shares acquired under this authorization may not, at any time, exceed 10 percent of the capital stock. Shares in the company may not be purchased for trading purposes. Subject to the principle of equal treatment (section 53a AktG), the purchase may take place via the stock exchange or via a public offer to all shareholders for the purchase or exchange of shares. In the latter case, notwithstanding the exclusion of tender rights permitted in specific circumstances, the principle of equal treatment (section 53a AktG) must also be taken into account. The resolution adopted by the annual shareholders' meeting on May 18, 2016 authorizing the executive board to buy back shares in the company was rescinded.

The annual shareholders' meeting on May 25, 2022 adopted an amendment to section 4 paragraph 6 of the articles of incorporation authorizing the executive board until May 24, 2027, subject to the approval of the supervisory board, to increase the company's capital stock by up to €116,500,000 (authorized capital 2022). This authorization may be exercised through one or more issuances. The new shares may be issued against cash and/or contributions in kind. The executive board is authorized, subject to the approval of the supervisory board, to exclude shareholders' statutory subscription rights when issuing new shares in the following cases:

- capital increases against contributions in kind
- if the capital increase is against cash and the proportionate share of the capital stock attributable to the new shares does not exceed 10 percent of the capital stock, and the issue price of the new shares is not significantly below the stock market price of shares already listed on the stock exchange
- to exclude fractional amounts arising from the subscription ratio
- insofar as is necessary to grant holders and/or creditors of warrants and/or conversion rights or obligors of warrant and/or conversion obligations subscription rights to new shares to the extent that they would be entitled to them after exercise of their warrants and/or conversion rights or fulfillment of their warrant and/or conversion obligations
- to grant shares to employees (employee stock), provided that the new shares for which subscription rights are excluded do not, in aggregate, account for a proportionate share of the capital stock in excess of 1 percent
- for the execution of a scrip dividend.

The proportionate amount of the capital stock attributable to the shares for which subscription rights are excluded, together with the proportionate amount of the capital stock attributable to treasury stock or to conversion and/or warrant rights or obligations arising from debt instruments, which are sold or issued after May 25, 2022 under exclusion of subscription rights, may not exceed 20 percent of the capital stock. If the sale or issue takes place in application—analogously or mutatis mutandis—of section 186 paragraph 3 sentence 4 of the German Stock Corporation Act (AktG), this shall also be deemed to constitute an exclusion of subscription rights.

The executive board is authorized, subject to the approval of the supervisory board, to define further details of capital increases out of the authorized capital 2022. The authorized capital has not yet been utilized.

In connection with the authorization of May 25, 2022 to issue convertible and/or warrant bonds with a nominal value of up to €1.25 billion up to May 24, 2027, the capital stock is conditionally increased by a further €37,280,000 (conditional capital 2022). The conditional capital increase will only be conducted insofar as holders or creditors of warrant or conversion rights or obligors of warrant or conversion obligations arising from warrant bonds and/or convertible bonds issued or guaranteed on the basis of the authorization resolved at the annual shareholders' meeting of May 25, 2022, exercise their warrants or conversion rights or, insofar as they have an obligation to exercise the warrants or conversion obligations, meet the obligation to exercise the warrant or conversion obligations, and other forms of settlement are not used. The new shares are entitled to a dividend from the start of the fiscal year in which they are issued.

Significant agreements concluded by the company that are contingent upon a change of control resulting from a takeover bid

Evonik Industries AG is a contracting party in the following agreements that are contingent upon a change of control resulting from a takeover bid:

- In 2022, the company agreed a €1.75 billion syndicated credit facility with its core banks; this had not been drawn as of December 31, 2022. In the event of a change of control resulting from a takeover bid, these banks could withdraw the credit facility. On the terms agreed, this applies if a new major shareholder (apart from RAG-Stiftung and its subsidiaries) acquires direct or indirect voting rights of more than 50 percent in Evonik Industries AG—including through a voting rights agreement with one or more other shareholders (pursuant to section 30 paragraph 2 of the German Securities Acquisition and Takeover Act/WpÜG).

- The company has bilateral credit facilities totaling €800 million with five core banks ("the lenders") for general funding of working capital, which had not been draw as of December 31, 2022. In the event of a change of control resulting from a takeover bid, these banks could withdraw the credit facility. On the terms agreed in the respective credit agreement, this applies if a new major shareholder (apart from RAG-Stiftung and its subsidiaries) acquires direct or indirect voting rights of more than 50 percent in Evonik Industries AG—including through a voting rights agreement with one or more other shareholders (pursuant to section 30 paragraph 2 of the German Securities Acquisition and Takeover Act/WpÜG).
- The company has a debt issuance program to place bonds with a total volume of up to €5 billion. By December 31, 2022, four bonds with a total nominal value of €2.5 billion had been issued under this program. The issue conditions contain a change-of-control clause. In the event of a change of control resulting from a takeover bid and a deterioration in the credit rating of Evonik Industries AG to non-investment grade within 90 days as a result of such change of control, the bondholders have the right to demand redemption of the bond at nominal value plus accrued interest. A change of control is deemed to have occurred if a person (apart from RAG-Stiftung or a (direct or indirect) subsidiary of RAG-Stiftung) or persons acting in a concerted manner directly or indirectly acquire(s) more than 50 percent of the voting rights in Evonik Industries AG.
- The company issued a €500 million green hybrid bond in 2021. If there is a change of control and if, within a defined change-of-control period, the rating agencies withdraw all ratings previously assigned to the company or downgrade them to non-investment grade, Evonik Industries AG has the right to redeem the bond within a defined period. If the bond is not redeemed, the interest rate applicable for interest payments on the bond will be increased by 5 percentage points p.a.

Agreements on payment of compensation by the company to members of the executive board or other employees in the event of a change of control

Change-of-control clauses are only agreed with members of the executive board in connection with long-term remuneration. A change of control is defined as cases when another company obtains control of Evonik Industries AG as defined in the German Securities Acquisition and Takeover Act (WpÜG), or there is a material change in the company's shareholders as a result of a merger or comparable reorganization or business combination. In such cases, the long-term remuneration due to the eligible employees is calculated immediately on a pro rata basis, i.e., based on the period between the grant date and the change of control relative to the total four-year performance period, and paid into their salary account with their next regular salary payment.

CONSOLIDATED FINANCIAL STATEMENTS

Income statement

T42

in € million	Note	2021	2022
Sales	5.1	14,955	18,488
Cost of sales	5.2	−10,925	−14,257
Gross profit on sales		**4,030**	**4,231**
Selling expenses	5.2	−1,717	−2,035
Research and development expenses	5.2	−464	−460
General administrative expenses	5.2	−546	−554
Other operating income	5.3	211	358
Other operating expense	5.3	−349	−610
Result from investments recognized at equity	5.4	8	12
Income before financial result and income taxes, continuing operations (EBIT)	5.5	**1,173**	**942**
Interest income		64	144
Interest expense		−129	−122
Other financial income/expense		−23	−41
Financial result	5.6	**−88**	**−19**
Income before income taxes, continuing operations		**1,085**	**923**
Income taxes	5.7	−316	−369
Income after taxes, continuing operations		**769**	**554**
Income after taxes, discontinued operations		−2	1
Income after taxes	5.8	**767**	**555**
thereof attributable to non-controlling interests		21	15
thereof attributable to shareholders of Evonik Industries AG (net income)		746	540
Earnings per share in € (basic and diluted)	5.9	**1.60**	**1.16**
thereof continuing operations		1.60	1.16
thereof discontinued operations		0.00	0.00

Statement of comprehensive income

T43

in € million	Note	2021	2022
Income after taxes		**767**	**555**
Unrealized amounts from hedging instruments: designated risk components	9.4.3	−79	−89
Realized amounts from hedging instruments reclassified to profit or loss: designated risk components	9.4.3	−36	87
Deferred taxes on hedging instruments: designated risk components	9.4.3	36	1
Unrealized amounts from hedging components: cost of hedging	9.4.3	−11	−15
Realized amounts from hedging instruments reclassified to profit or loss: cost of hedging	9.4.3	15	13
Deferred taxes on hedging instruments: cost of hedging	9.4.3	−2	1
Other comprehensive income from currency translation	6.4	527	291
Other comprehensive income from currency translation of investments recognized at equity	6.4	−3	2
Other comprehensive income that can be reclassified		**447**	**291**
Other comprehensive income from the remeasurement of the net defined benefit liability	6.10	995	2,426
Deferred taxes from the remeasurement of the net defined benefit liability	6.10	−329	−838
Other comprehensive income from equity instruments measured at fair value through OCI	9.4.1, 9.4.2	−62	−200
Other comprehensive income that cannot be reclassified		**604**	**1,388**
Other comprehensive income after taxes		**1,051**	**1,679**
Total comprehensive income		**1,818**	**2,234**
thereof attributable to non-controlling interests		21	14
thereof attributable to shareholders of Evonik Industries AG		1,797	2,220

Balance sheet

T44

in € million	Note	Dec. 31, 2021	Dec. 31, 2022
Goodwill	6.1, 6.5	4,785	4,568
Other intangible assets	6.1, 6.5	1,260	1,142
Property, plant and equipment	6.2, 6.5	6,963	6,962
Right-of-use assets	6.3	608	972
Investments recognized at equity	6.4, 6.5	81	88
Other financial assets	6.6	581	441
Deferred taxes	6.14	1,755	890
Other income tax assets	6.14	16	19
Other non-financial assets	6.8	125	64
Non-current assets		**16,174**	**15,146**
Inventories	6.7	2,548	2,820
Trade accounts receivable	6.6	1,954	1,898
Other financial assets	6.6	571	581
Other income tax assets	6.14	199	98
Other non-financial assets	6.8	382	546
Cash and cash equivalents	6.6, 7	456	645
		6,110	**6,588**
Assets held for sale	4.3	–	76
Current assets		**6,110**	**6,664**
Total assets		**22,284**	**21,810**

in € million	Note	Dec. 31, 2021	Dec. 31, 2022
Issued capital		466	466
Capital reserve		1,168	1,168
Retained earnings		7,767	9,345
Other equity components		–112	–5
Equity attributable to shareholders of Evonik Industries AG		**9,289**	**10,974**
Equity attributable to non-controlling interests		83	82
Equity	6.9	**9,372**	**11,056**
Provisions for pensions and other post-employment benefits	6.10	3,766	1,359
Other provisions	6.11	657	542
Other financial liabilities	6.12	3,531	4,117
Deferred taxes	6.14	628	661
Other income tax liabilities	6.14	195	246
Other non-financial liabilities	6.13	143	182
Non-current liabilities		**8,920**	**7,107**
Other provisions	6.11	892	732
Trade accounts payable	6.12	2,022	1,735
Other financial liabilities	6.12	477	429
Other income tax liabilities	6.14	211	189
Other non-financial liabilities	6.13	390	501
		3,992	**3,586**
Liabilities associated with assets held for sale	4.3	–	61
Current liabilities		**3,992**	**3,647**
Total equity and liabilities		**22,284**	**21,810**

Statement of changes in equity

Note 6.9

T45

				Other equity components						
in € million	Issued capital	Capital reserve	Retained earnings	Equity instruments at fair value through OCI	Hedging instruments: designated risk components	Hedging instruments: cost of hedging	Currency translation	**Equity attributable to shareholders of Evonik Industries AG**	Equity attributable to non-controlling interests	**Total equity**
As of January 1, 2021	**466**	**1,167**	**6,876**	**100**	**45**	**–2**	**–640**	**8,012**	**87**	**8,099**
Capital increases/decreases	–	–	–	–	–	–	–	–	–3	–3
Dividend distribution	–	–	–536	–	–	–	–	–536	–22	–558
Income after taxes	–	–	746	–	–	–	–	746	21	767
Other comprehensive income after taxes	–	–	666	–62	–79	2	524	1,051	–	1,051
Total comprehensive income	–	–	1,412	–62	–79	2	524	1,797	21	1,818
Offset against the cost of acquisition (cash flow hedges)	–	–	–	–	–	–	–	–	–	–
Other changes	–	1	15	–	–	–	–	16	–	16
As of December 31, 2021	**466**	**1,168**	**7,767**	**38**	**–34**	**–**	**–116**	**9,289**	**83**	**9,372**
Capital increases/decreases	–	–	–	–	–	–	–	–	–	–
Dividend distribution	–	–	–545	–	–	–	–	–545	–12	–557
Changes in ownership interests in subsidiaries without loss of control	–	–	–2	–	–	–	–	–2	–3	–5
Income after taxes	–	–	540	–	–	–	–	540	15	555
Other comprehensive income after taxes	–	–	1,588	–200	–1	–1	294	1,680	–1	1,679
Total comprehensive income	–	–	2,128	–200	–1	–1	294	2,220	14	2,234
Basis adjustment (cash flow hedges)	–	–	–	–	15	–	–	15	–	15
Other changes	–	–	–3	–	–	–	–	–3	–	–3
As of December 31, 2022	**466**	**1,168**	**9,345**	**–162**	**–20**	**–1**	**178**	**10,974**	**82**	**11,056**

Cash flow statement

Note 7 T46

in € million	2021	2022
Income before financial result and income taxes, continuing operations (EBIT)	1,173	942
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets	1,073	1,568
Result from investments recognized at equity	−8	−12
Gains/losses on the disposal of non-current assets	43	−50
Change in inventories	−675	−270
Change in trade accounts receivable	−449	42
Change in trade accounts payable	680	−257
Change in provisions for pensions and other post-employment benefits	83	−19
Change in other provisions	207	−149
Change in miscellaneous assets/liabilities	−23	10
Cash inflows from dividends	19	19
Cash outflows for income taxes	−432	−353
Cash inflows from income taxes	124	179
Cash flow from operating activities, continuing operations	**1,815**	**1,650**
Cash outflows for investments in intangible assets, property, plant and equipment	−865	−865
Cash outflows to obtain control of businesses	−70	−1
Cash outflows relating to the loss of control over businesses	−145	–
Cash outflows for investments in other shareholdings	−15	−26
Cash outflows relating to divestments of intangible assets, property, plant and equipment	−21	–
Cash inflows from divestments of intangible assets, property, plant and equipment	9	5
Cash inflows relating to the loss of control over businesses	–	97
Cash inflows from divestment of other shareholdings	2	–
Cash inflows/outflows relating to securities, deposits, and loans	23	−3
Cash inflows from interest	12	16
Cash flow from investing activities, continuing operations	**−1,070**	**−777**
Cash outflows for dividends to shareholders of Evonik Industries AG	−536	−545
Cash outflows for dividends to non-controlling interests	−21	−13
Cash outflows due to changes in ownership interests in in subsidiaries	–	−5
Cash outflows for the purchase of treasury shares	−15	−16
Cash inflows from the sale of treasury shares	12	12
Cash inflows from the addition of financial liabilities	655	1,649
Cash outflows for repayment of financial liabilities	−948	−1,577
Cash inflows/outflows in connection with financial transactions	91	−104
Cash outflows for interest	−94	−73
Cash flow from financing activities, continuing operations	**−856**	**−672**
Change in cash and cash equivalents	**−111**	**201**
Cash and cash equivalents as of January 1	**563**	**456**
Change in cash and cash equivalents	−111	201
Changes in exchange rates and other changes in cash and cash equivalents	4	−12
Cash and cash equivalents as on the balance sheet as of December 31	**456**	**645**

Notes to the consolidated financial statements

1. Segment report

Segment report by operating segments Note 8.1

T47

	Specialty Additives		Nutrition & Care		Smart Materials		Performance Materials		Technology & Infrastructure		Enabling functions, other activities, consolidation		**Total Group (continuing operations)**	
in € million	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**
External sales	3,710	4,184	3,557	4,237	3,918	4,833	2,911	3,660	798	1,508	61	66	14,955	18,488
Internal sales	9	7	7	11	72	82	147	208	1,484	1,709	−1,719	−2,017	–	–
Total sales	3,719	4,191	3,564	4,248	3,990	4,915	3,058	3,868	2,282	3,217	−1,658	−1,951	14,955	18,488
Result from investments recognized at equity	2	2	–	–	6	7	−3	–	3	3	–	–	8	12
Adjusted EBITDA	920	946	717	677	650	684	317	409	97	86	−318	−312	2,383	2,490
Adjusted EBITDA margin in %	24.8	22.6	20.2	16.0	16.6	14.2	10.9	11.2	12.2	5.7	–	–	15.9	13.5
Adjusted EBIT	739	753	453	405	374	367	188	274	−15	−53	−401	−396	1,338	1,350
Capital employed (annual average)	4,168	4,631	3,893	4,286	4,637	5,044	1,209	1,223	827	926	65	82	14,799	16,192
ROCE in %	17.7	16.3	11.6	9.4	8.1	7.3	15.6	22.4	−1.8	−5.7	–	–	9.0	8.3
Depreciation and amortization[a]	−180	−190	−253	−266	−273	−307	−126	−134	−108	−121	−83	−82	−1,023	−1,100
Impairment losses/reversal of impairment losses pursuant to IAS 36	−1	−4	−36	−42	−7	−14	−6	−371	−3	−20	–	−2	−53	−453
Capital expenditures[b]	94	106	164	243	379	264	63	62	162	120	67	61	929	856
Financial investments	–	–	90	3	12	17	3	–	–	–	18	28	123	48
No. of employees as of December 31	3,693	3,824	5,453	5,690	7,742	7,921	1,964	2,041	8,152	8,367	6,000	6,186	33,004	34,029

[a] For intangible assets, property, plant and equipment, and right-of-use assets.
[b] For intangible assets, property, plant and equipment.

Segment report by regions Note 8.2

T48

in € million	Europe, Middle East & Africa		North America		Central & South America		Asia-Pacific		Total Group (continuing operations)	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
External sales[a]	7,363	9,360	3,495	4,392	684	952	3,413	3,784	14,955	18,488
Non-current assets in accordance with IFRS 8 as of December 31	7,472	7,520	4,265	4,374	166	141	1,919	1,761	13,822	13,796
Capital expenditures	713	569	138	203	13	9	65	75	929	856
No. of employees as of December 31	22,461	23,040	4,806	4,987	701	725	5,036	5,277	33,004	34,029

[a] External sales Europe, Middle East & Africa: thereof Germany €2,904 million (2021: €2,469 million).

2. General information

Evonik Industries AG is an international specialty chemicals company headquartered in Germany. Its registered office is at Rellinghauser Strasse 1–11, 45128 Essen (Germany), and the company is registered in the commercial register at Essen District Court under HRB no. 19474. As a subsidiary of RAG-Stiftung, Essen (Germany), Evonik Industries AG, together with its subsidiaries, is included in the annual consolidated financial statements of RAG-Stiftung, which is the highest parent company. The consolidated financial statements of RAG-Stiftung and the consolidated financial statements of Evonik Industries AG are published in the German Federal Gazette (Bundesanzeiger).

3. Basis of preparation of the financial statements

3.1 Compliance with IFRS

As permitted by section 315e paragraph 1 of the German Commercial Code (HGB), the present consolidated financial statements of Evonik Industries AG and its subsidiaries (referred to jointly as Evonik or the Group) have been prepared on the basis of the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and comply with these standards.

3.2 Presentation and accounting policies

The consolidated financial statements cover the period from January 1 to December 31, 2022 and are presented in euros. All amounts are stated in millions of euros (€ million) except where otherwise indicated. In some cases, rounding may mean that the figures in this report do not add up exactly to the totals stated, and percentages do not correlate exactly to the figures presented.

The consolidated financial statements are drawn up using uniform accounting policies. They have been prepared using the historical cost of acquisition and production principle, with the exception of certain items, which are presented at fair value.

The accounting policies applied are outlined in the respective notes.

Both the accounting policies and the items presented in the consolidated financial statements are, in principle, consistent from one period to the next. Deviations from this principle resulting from changes in accounting standards are outlined in note 3.4 p. 131 or in the relevant notes.

3.3 Estimation uncertainties and use of judgment

The preparation of the consolidated financial statements involves making judgments as well as the use of assumptions and estimates about the future. The subsequent circumstances may differ from these estimates. Adjustments to estimates are recognized prospectively in income as soon as better information is available. We regularly review our assumptions and estimates to identify any need for adjustment.

The decisions involving judgments about the application of accounting standards that have a material impact on the amounts recognized in the financial statements are as follows:

- Determination of whether control is exercised, even if less than half of the voting rights are held (see note 3.6 p. 132 f.);
- Determination of when a non-current asset or a disposal group meets the criteria for classification as held for sale (see note 4.3 p. 135 f.);
- Identification and definition of cash-generating units for impairment testing of assets, especially as there may be integrated structures comprising various, possibly cross-regional, production facilities and sites (see note 6.5 p. 151 ff.);
- Determination of whether it is reasonably certain that extension options will be exercised when determining lease terms (see note 9.2 p. 175 ff.);
- Application of classification and derecognition criteria for financial liabilities (see note 9.4 p. 179 ff.).

The assumptions and estimation uncertainties that may entail a considerable risk that a material adjustment of the carrying amounts of assets and liabilities could be necessary within the next fiscal year are as follows:

- The material assumptions used in impairment testing to determine the recoverable amount of goodwill, other intangible assets, property, plant and equipment, and right-of-use assets (see note 6.5 p. 151 ff.);
- Definition of the material actuarial assumptions for the valuation of defined benefit obligations (see note 6.10 p. 158 ff.);
- Material assumptions on the probability and extent of an outflow of resources in the recognition and measurement of provisions and contingent liabilities (see notes 6.11 p. 163 f. and 9.6 p. 199 f.);
- Determination of the fair value of unlisted equity instruments based on material non-observable inputs (see note 9.4 p. 179 ff.).

3.4 Accounting standards to be applied for the first time

Accounting standards to be applied for the first time T49

Standard/ Interpretation	Title of the standard/interpretation or amendment	Mandatory application as per IASB	Mandatory application as per EU
IFRS 3	Business Combinations (amendments to references to the conceptual framework)	Jan. 1, 2022	Jan. 1, 2022
IAS 16	Property, Plant and Equipment (clarification of the rules on proceeds before intended use)	Jan. 1, 2022	Jan. 1, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets (clarification of the cost of fulfilling onerous contracts)	Jan. 1, 2022	Jan. 1, 2022
Annual Improvements 2018–2020	Amendments to IFRS 1 (first-time adoption by subsidiaries), IFRS 9 (fees in the “10% test” for derecognition of financial liabilities), IFRS 16 (lease incentives), IAS 41 (taxation in fair value measurement)	Jan. 1, 2022	Jan. 1, 2022

3.5 Accounting standards that are not yet mandatory

The International Accounting Standards Board (IASB) has issued further accounting standards (IFRS, IAS) and interpretations (IFRIC, SIC), which did not become mandatory in fiscal 2022 or have not yet been officially adopted by the European Union. The new provisions are not expected to have a material impact on current or future reporting periods or on foreseeable future transactions but are monitored continuously.

Accounting standards that are not yet mandatory T50

Standard/ Interpretation	Title of the standard/interpretation or amendment	Mandatory application as per IASB	Mandatory application as per EU
Officially adopted by the EU			
IFRS 17	Insurance Contracts (initial application, various amendments, and IFRS 9—comparative information)	Jan. 1, 2023	Jan. 1, 2023
IAS 1 and IFRS Practice Statement 2	Presentation of Financial Statements (amendments relating to disclosure of accounting policies)	Jan. 1, 2023	Jan. 1, 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (amendments relating to accounting estimates)	Jan. 1, 2023	Jan. 1, 2023
IAS 12	Income Taxes (amendments relating to deferred taxes on leases and decommissioning obligations)	Jan. 1, 2023	Jan. 1, 2023
Not yet officially adopted by the EU			
IAS 1	Presentation of Financial Statements (clarification of the classification of liabilities as current or non-current)	Jan. 1, 2024	–
IAS 1	Presentation of Financial Statements (clarification of the classification of liabilities as current or non-current)—deferral of the effective date	Jan. 1, 2024	–
IAS 1	Presentation of Financial Statements (clarification of the classification of liabilities with covenants)	Jan. 1, 2024	–
IFRS 16	Leases (clarification of the subsequent recognition of sale-and-leaseback transactions by a seller-lessee)	Jan. 1, 2024	–

3.6 Consolidation methods and scope of consolidation

Scope of consolidation

Alongside Evonik Industries AG, all material German and foreign **subsidiaries** and two specialized funds for the investment of liquidity, which are directly or indirectly controlled by Evonik, are fully consolidated in the consolidated financial statements. Evonik controls these companies and funds if it is exposed to, or has rights to, variable returns from its involvement with them and has the ability to affect those returns through its power over them. As a rule, Evonik exercises control through a majority of the voting rights. Evonik has power over the two specialized funds, LBBW AM-EVO, Essen (Germany) and Union Treasury 1, Essen (Germany), because Evonik has contractually agreed unconditional rights of dismissal. Consequently, the fund managers are deemed to be agents whose power over the fund is attributable to Evonik.

Joint operations are included in the consolidated financial statements on a pro rata basis. A joint operation is an arrangement where the parties that have joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement. This condition is fulfilled, in particular, if the legal form of the joint operation allows such rights to the assets or obligations for the liabilities or if the products of the joint operation are sold principally to the parties exercising joint control and these parties therefore ensure the ongoing financing of the joint operation. The determination of a joint operation and the amount of the pro rata inclusion in the consolidated financial statements involves management judgments. In joint operations, each partner has rights to the assets and bears joint and several liability for the obligations of the joint operation. The partners decide jointly on all relevant activities. Consequently, these companies are classified as joint operations.

Joint ventures and **associates** are generally recognized at equity. A joint venture is a joint arrangement where the Evonik Group has joint control, together with other parties, and has rights to the net assets of the arrangement. Associates are companies where the Evonik Group has a significant influence but does not have control or joint control of financial and operating policies.

Changes in the scope of consolidation are outlined in note 4.1 p. 134 f.

Consolidation methods

The **financial statements of the consolidated German and foreign subsidiaries and joint operations** are prepared using uniform accounting policies.

At the **acquisition date,** all recognizable assets and liabilities of the acquired subsidiary are recognized at their full fair value or, in the case of joint operations, their pro rata fair value. The consideration transferred for the acquired company, the non-controlling interests in the fair value of the net assets of the acquired company, and the fair value of any shares previously held are then offset against the fair value of the assets and liabilities acquired. Any remaining excess of the acquisition costs over the fair value of the net assets is recognized as goodwill; negative differences are included in income following a renewed examination of the fair value. The ancillary acquisition costs relating to a business combination are recognized in other operating expense in the income statement.

Changes in the ownership interest in a previously consolidated company that do not result in a loss of control are recognized directly in equity as a transaction between owners. Cash inflows and outflows relating to these transactions are presented in the cash flow from financing activities.

A company must be deconsolidated as of the **date on which control is lost.** The assets and liabilities of the company and the non-controlling interests are derecognized in the deconsolidation process. The ownership interests in the former consolidated company still held by Evonik are remeasured at fair value as of the date on which control is lost. All resulting gains and losses are recognized in the income statement as other operating income or other operating expense. In addition, amounts shown in equity under other equity components are also reclassified to the income statement, except where another accounting standard requires direct transfer to retained earnings.

Intragroup income and expenses, profits, losses, receivables, and liabilities between consolidated subsidiaries are fully eliminated. In the case of joint operations, elimination is pro rata.

The above consolidation principles also apply to **companies accounted for using the equity method.** In this case, any goodwill is recognized in the carrying amount of the investment. The financial statements of the investments recognized at equity are also prepared using uniform accounting policies.

3.7 Currency translation and financial reporting in hyperinflationary economies

The financial statements of Evonik Industries AG and its subsidiaries are generally prepared in their **functional currency.**

In the **separate financial statements** prepared by these companies, business transactions in foreign currencies are translated at the exchange rate on the date of initial recognition. Any gains or losses resulting from the valuation of monetary assets and liabilities in foreign currencies are recognized in other operating income, other operating expense, or other financial income/expense as appropriate at the closing rate on the reporting date.

In the **consolidated financial statements,** the assets and liabilities of all foreign **subsidiaries** are translated from their functional currency into euros at closing rates on the reporting date. Goodwill and hidden assets and liabilities from the acquisition of a foreign subsidiary are translated at the closing rate as assets and liabilities of the foreign subsidiary. Income and expense items are translated at the exchange rate on the transaction date, approximated by using the average exchange rate for the year. Translation differences compared to the prior year and translation differences between the income statement and balance sheet are recognized in other comprehensive income from currency translation in the statement of comprehensive income. They are only reclassified to the income statement when the foreign subsidiary is divested. The equity of foreign companies **recognized using the equity method** is translated in the same way.

In principle, exchange rates are determined on the basis of the ECB reference rates. Please also refer to the disclosure in note 9.4.4.1 p. 190 ff.

The historical cost approach pursuant to IAS 29 Financial Reporting in Hyperinflationary Economies is applied to the **financial statements of foreign subsidiaries in hyperinflationary economies.** This requires the financial statements of subsidiaries whose functional currency is the currency of a hyperinflationary economy to be restated before they are included in the consolidated financial statements. As a consequence, the operations of these subsidiaries are no longer presented on the basis of historical cost of production or acquisition; instead, they are presented using the monetary unit current as of the reporting date. For this purpose, the carrying amount of non-monetary assets and liabilities are converted to the monetary unit current as of the reporting date using an index. Further specific adjustments relate to equity, the statement of comprehensive income, income taxes, deferred taxes, and the cash flow statement. Restatement of monetary assets and liabilities is not necessary because they are already expressed in the monetary unit current as of the reporting date.

Turkey has been classified as a hyperinflationary economy since June 30, 2022. The Turkish economy has reported high inflation rates for years. As of December 31, 2022, the cumulative inflation rate for the past three years was 156.17 percent (December 31, 2021: 74.4 percent). The cumulative inflation over the past three years, which is the quantitative criterion set out in IAS 29, has now exceeded 100 percent. Evonik has two subsidiaries in Turkey. Their functional currency is the Turkish lira. The inflation rate is determined on the basis of the cumulative consumer goods index of the Turkish Statistical Institute (Turkstat). Restatement was retrospective as of January 1, 2022. As of this date, the index was 686.95 points. The cumulative effect of the initial application of the index was income of €5 million, which is recognized in other comprehensive income from currency translation. The prior-year figures have not been restated. The effect of applying the index after January 1, 2022 (gain on the net monetary items) is recognized in the financial result and is €7 million. The applicable value of the index as of December 31, 2022 was 1,128.45 (December 31, 2021: 686.95). The change in the index in 2022 was 64.27 percent.

Argentina has been classified as a hyperinflationary economy since July 1, 2018. This applies to the translation of the financial statements of two Argentinian subsidiaries. The effect of applying the index (loss on the net monetary items) is recognized in the financial result. In 2022, it was €23 million (2021: €34 million). The inflation rate is derived from the consumer price index published by the National Institute of Statistics and Censuses of the Argentine Republic (INDEC), which is updated monthly. As of December 31, 2022, it was 1,134.59 (December 31, 2021: 582.46). The change in the index in 2022 was 95 percent.

4. Changes in the Evonik Group

4.1 Scope of consolidation

Changes in the scope of consolidation T51

No. of companies	Germany	Other countries	Total
Evonik Industries AG and consolidated subsidiaries			
As of December 31, 2021	**28**	**127**	**155**
Acquisitions	1	–	1
Other companies consolidated for the first time	2	–	2
Divestments	−1	−1	−2
Intragroup mergers	−1	−3	−4
Other companies deconsolidated	–	−4	−4
As of December 31, 2022	**29**	**119**	**148**
Joint operations			
As of December 31, 2021	**1**	**2**	**3**
As of December 31, 2022	**1**	**2**	**3**
Investments recognized at equity			
As of December 31, 2021	**4**	**11**	**15**
Divestments	–	−1	−1
Other companies deconsolidated	–	−2	−2
As of December 31, 2022	**4**	**8**	**12**
Total	**34**	**129**	**163**

In aggregate, the acquisitions made in the reporting period were not material.

The following list contains material subsidiaries as of December 31, 2022, selected on the basis of quantitative and qualitative criteria in accordance with IFRS 12 Disclosure of Interests in Other Entities. There was no change in the ownership interests in the material consolidated subsidiaries compared with the previous year.

Material consolidated subsidiaries T52

Name of company	Registered office	Ownership interest in %
Germany		
Evonik Operations GmbH	Essen	100.00
Evonik Real Estate GmbH & Co. KG	Marl	100.00
Evonik Superabsorber GmbH	Essen	100.00
LBBW AM-EVO[a]	Essen	0.00
Union Treasury 1[a]	Essen	0.00
Other countries		
Evonik Active Oxygens, LLC	Dover (Delaware, USA)	100.00
Evonik Antwerpen NV	Antwerp (Belgium)	100.00
Evonik Brasil Ltda.	São Paulo (Brazil)	100.00
Evonik (China) Co., Ltd.	Beijing (China)	100.00
Evonik Canada Inc.	Calgary (Canada)	100.00
Evonik Chemicals Ltd.	Greenford (UK)	100.00
Evonik Corporation	Piscataway (New Jersey, USA)	100.00
Evonik India Pvt. Ltd.	Mumbai (India)	100.00
Evonik Industries de Mexico, S.A. de C.V.	Mexico City (Mexico)	100.00
Evonik International Holding B.V.	Amsterdam (Netherlands)	100.00
Evonik Japan Co., Ltd.	Tokyo (Japan)	100.00
Evonik Korea Ltd.	Seoul (South Korea)	100.00
Evonik Methionine SEA Pte. Ltd.	Singapore (Singapore)	100.00
Evonik Mexico, S.A. de C.V.	Mexico City (Mexico)	100.00
Evonik Oil Additives USA, Inc.	Horsham (Pennsylvania, USA)	100.00
Evonik Oxeno Antwerpen NV	Antwerp (Belgium)	100.00
Evonik (SEA) Pte. Ltd.	Singapore (Singapore)	100.00
Evonik Specialty Chemicals (Nanjing) Co., Ltd.	Nanjing (China)	100.00
Evonik Specialty Chemicals (Shanghai) Co., Ltd.	Shanghai (China)	100.00
Evonik Superabsorber LLC[a]	Greensboro (North Carolina, USA)	100.00
Evonik Taiwan Ltd.	Taipei (Taiwan)	100.00
Evonik Ticaret Ltd. Sirketi	Tuzla/Istanbul (Turkey)	100.00
Evonik UK Holdings Ltd.	Greenford (UK)	100.00

[a] Fully consolidated structured company in accordance with IFRS 10.B8 in conjunction with B19 (b).

An overview of all companies included in the consolidated financial statements and full details of the shareholdings in accordance with section 313 paragraph 2 of the German Commercial Code (HGB) can be found in the list of shareholdings, which is formally part of these notes. The list of shareholdings is published with the consolidated annual financial statements in the Federal Gazette and can be viewed on Evonik's website. **www.evonik.com/list-of-shareholdings**

4.2 Divestments

In order to sharpen its strategic focus on specialty chemicals, on October 20, 2022, Evonik signed an agreement to sell the Specialty Additives division's TAA derivatives business to Sabo GmbH, Marl (Germany) and Sabo S.p.A., Levate (Italy). TAA derivatives are essential precursors for the production of light stabilizers. The transaction was closed on December 29, 2022. It comprised both an asset deal and a share deal, whereby 97 percent of the shares in Evonik Tianda (Liaoyang) Chemical Additive Co., Ltd., Liaoyang (China) were transferred. The business was classified as held for sale from September 30, 2022 until closing of the transaction, see note 4.3 p. 135 f.

Together with further, smaller disposals in 2022, the divestment of the TAA derivatives business impacted the balance sheet as follows:

Assets and liabilities disposed of through divestments T53

in € million	2022
Non-current assets	78
Current assets	44
thereof cash and cash equivalents	12
Total assets	**122**
Non-current liabilities	14
Current liabilities	6
Total liabilities	**20**
Net assets	**102**

The result from the deconsolidation of subsidiaries was €18 million (2021: –€7 million). It is recognized in other operating income (2021: other operating expense) and contained in the adjustments.

4.3 Assets held for sale and discontinued operations

A **non-current asset** or a **disposal group** is classified on the balance sheet as **held for sale** in accordance with IFRS 5 Non-current Assets Held For Sale and Discontinued Operations if the corresponding carrying amount is to be realized principally through a sale transaction rather than through continued use. The prior-year figures are not restated. A disposal group may also contain current assets and liabilities. The assets and liabilities must be measured in accordance with the previously relevant accounting standards immediately before initial classification as held for sale. The non-current assets or disposal groups are subsequently valued at the lower of the carrying amount and fair value less costs to sell. In the income statement, their income is still included in income from continuing operations. The assessment as to when a non-current asset or a disposal group meets the criteria for classification as held for sale is subject to management judgment.

Additionally, a non-current asset or disposal group classified as held for sale may meet the criteria for classification as a **discontinued operation.** This is either a major line of business or geographical area of the company that has been, or is to be, sold or shut down on the basis of a single coordinated plan, either as a whole or in parts, or a subsidiary acquired with a view to resale. The income from the operating activities, measurement, and divestment of a discontinued operation is reported separately from continuing operations in the income statement. Similarly, the cash flows are reported separately in the cash flow statement. The prior-year figures are restated in each case.

Income after taxes, discontinued operations, relates to divestments in previous years.

Divestment gains/losses from discontinued operations T54

in € million	2021	2022
Income before income taxes from the divestment of discontinued operations	**–1**	**1**
Income taxes	**–1**	**–**
Income after taxes from the divestment of discontinued operations	**–2**	**1**

The **TAA derivatives business** was classified as held for sale from September 30, 2022 until closing of the transaction on December 29, 2022, see note 4.2 p. 135.

As part of the strategic concentration on specialty chemicals, Evonik intends to sell the **Lülsdorf site** in Germany. At this site, the Performance Materials division mainly produces alkoxides, potassium derivatives, and—together with plants at the nearby site in Wesseling—cyanuric chlorides. The assets and liabilities of this disposal group were classified as held for sale as of December 31, 2022.

Held-for-sale assets of the Lülsdorf site T55

in € million	Dec. 31, 2022
Property, plant and equipment	24
Deferred taxes	2
Inventories	25
Trade accounts receivable	23
Other non-financial assets	2
Assets held for sale	**76**

Liabilities associated with held-for-sale assets of the Lülsdorf site T56

in € million	Dec. 31, 2022
Provisions for pensions and other post-employment benefits	17
Other provisions	13
Other financial liabilities	2
Trade accounts payable	25
Other non-financial liabilities	4
Liabilities associated with assets held for sale	**61**

As of the date of initial classification as held for sale, the disposal group was measured on the basis of a provisional purchase price less costs to sell. In accordance with IFRS 13 Fair Value Measurement, the fair value is allocated to level 2 of the fair value hierarchy. Impairment losses of €15 million were recognized for other intangible assets, property, plant and equipment, and right-of-use assets.

5. Notes to the income statement

5.1 Sales

Revenue is normally recognized when the distinct performance obligations set out in a contract or bundle of contracts are satisfied. The amount of revenue recognized is the transaction price allocated to these performance obligations.

If a contract with a customer has enforceable commercial substance and identifiable rights with respect to the products and services to be transferred, the payment terms are known, and collection of the consideration is probable, it falls **within the scope of IFRS 15** Revenue from Contracts with Customers. **Contracts entered into with the same customer are combined** for accounting purposes if they are concluded close together and are commercially linked. Exchange-type transactions (exchange of similar products) with competitors to overcome bottlenecks or reduce transportation costs are explicitly outside the scope of IFRS 15 and therefore do not result in revenue recognition.

A **performance obligation is distinct** if the products or services contained in the contract can be identified individually, and the customer can benefit from the goods or services at any time and separate them from other products and services in the same contract. Freight services relating to product deliveries are distinct performance obligations if the freight service takes place after the transfer of control of the products to the customer.

The **transaction price** is the consideration expected to be received from the customer for the transfer of the products or performance of the service. It contains both fixed and variable components. When determining the transaction price, volume-based rebates and bonuses are included at their expected value. This regularly results in an adjustment of the transaction price based on the estimate of the annual volumes for the rebates and bonus payments. If the price includes a significant financing component as a result of prepayments by the customer, the transaction price is increased, and the financing component results in the recognition of financing expenses.

If there are several performance obligations, the **transaction price** (including possible price discounts) is **allocated** among the individual performance obligations based on the relative stand-alone selling price. If stand-alone selling prices cannot be determined from an observable market price, appropriate estimates are used. For freight services that comprise a distinct performance obligation within the context of product deliveries, part of the transaction price specified in the agreement on the delivery of the product must be allocated to the freight service.

The criteria for **satisfaction of a performance obligation** are differentiated as follows: The Evonik Group recognizes **revenue from product deliveries** at the point in time when the customer obtains control of the product. For this purpose, the provisions of the General Business Conditions and any individual contractual arrangements must be taken into account; these include the Incoterms©. The Evonik Group recognizes **revenue for services** over time if the customer receives the benefits during the provision of the service. The level of revenue to be recognized is determined from the stage of fulfillment based on the work already performed relative to the overall service. The stage of fulfillment is determined using both input- and output-based methods. A contract liability for non-current prepayments by customers for holding or building up customer-specific production capacity is recognized as revenue on a straight-line basis over the contractually agreed performance period.

Sales totaled €18,488 million (2021: €14,955 million). In all divisions, they consist principally of revenue from the sale of products and services. Revenue from the sale of products amounted to €17,817 million (2021: €14,394 million) and revenue from the sale of services totaled €657 million (2021: €520 million).

All divisions **sell products** on the basis of multi-year master agreements with an annual adjustment in volumes and prices. There are also agreements with customers on the provision of fixed capacities. In these cases, volumes and prices are also regularly renegotiated. Further, the Evonik Group delivers to some of its customers on the basis of short-term orders. In individual cases, Evonik has agreements with customers on legally enforceable minimum take-off amounts. The underlying prices are often variable, in other words, based on commodity prices or indexed to energy prices, and are only fixed at the time of delivery or transfer of control. In addition, there are volume-based rebates and bonuses that are normally agreed annually. In some cases, customers make long-term prepayments for keeping or building up customer-specific production capacity. These are recognized as contract liabilities from contracts with customers and released to revenue on a straight-line basis over the performance period. The Evonik Group supplies energy (for example, steam, water, electricity, gas) to customers on the basis of site agreements, which are generally concluded for the long term. Energy is normally supplied free to the customer’s place of consumption, i.e., including transportation from the generating facility to the place of consumption. Order volumes are determined by the customer. Prices comprise components for the work performed and for services. Sales revenues are recognized on the basis of actual consumption. Billing is on delivery, at least monthly. Payment terms are normally short-term, i.e., between 30 and 60 days.

Services are provided principally by the Technology & Infrastructure division and, to a smaller extent, by the chemicals divisions (for example, contract manufacturing of certain chemical products). The Technology & Infrastructure division provides site management, utilities, waste management, technical, process technology, engineering, and logistics services for the four chemicals divisions and external customers at our sites. If the benefits are received during the provision of the service, revenue from such services is recognized over time. This mainly applies to the Technology & Infrastructure division.

Sales by segments and regions 2022 T57

in € million	Europe, Middle East & Africa	North America	Central & South America	Asia-Pacific	Total Group
Specialty Additives	1,694	1,200	137	1,153	4,184
Nutrition & Care	1,284	1,365	545	1,043	4,237
Smart Materials	2,185	1,274	165	1,209	4,833
Performance Materials	2,738	502	102	318	3,660
Technology & Infrastructure	1,415	49	1	43	1,508
Enabling functions, other activities	44	2	2	18	66
Total Group	**9,360**	**4,392**	**952**	**3,784**	**18,488**
thereof sales outside the scope of IFRS 15	13	–78	–	–20	–85

Sales by segments and regions 2021 T58

in € million	Europe, Middle East & Africa	North America	Central & South America	Asia-Pacific	Total Group
Specialty Additives	1,552	968	107	1,083	3,710
Nutrition & Care	1,130	1,105	386	936	3,557
Smart Materials	1,804	975	114	1,025	3,918
Performance Materials	2,116	409	76	310	2,911
Technology & Infrastructure	723	36	–	39	798
Enabling functions, other activities	38	2	1	20	61
Total Group	**7,363**	**3,495**	**684**	**3,413**	**14,955**
thereof sales outside the scope of IFRS 15	16	15	1	6	38

Sales outside the scope of IFRS 15 comprise the results of currency hedging of forecast sales in foreign currencies, which are included in hedge accounting, and revenues from operating leases.

Sales from **performance obligations satisfied in prior periods** amounted to €8 million (2021: €9 million). They mainly result from rebate and bonus agreements where the liability for rebate and bonus agreements recognized in previous years does not match the final invoice in the current fiscal year.

Firmly agreed performance obligations that had not been satisfied in full as of the reporting date are expected to result in revenue recognition, as shown below. The transaction price of the unsatisfied performance obligations is based on the volumes and services contractually agreed with the customer as of the reporting date for which the customer has a take-off obligation, and Evonik has a performance obligation. Variable transaction price elements are included in future sales on the basis of an estimate based on the present price. Evonik applies the practical expedient set out in IFRS 15.121 and does not disclose the outstanding performance obligations for contracts with an expected term of no more than one year.

Transaction prices of unsatisfied performance obligations as of December 31, 2022 T59

	Revenue recognition in			
in € million	more than 1 and up to 3 years	more than 3 and up to 5 years	more than 5 years	Total
Transaction prices of unsatisfied performance obligations	1,383	1,243	1,644	4,270

Transaction prices of unsatisfied performance obligations as of December 31, 2021 T60

	Revenue recognition in			
in € million	more than 1 and up to 3 years	more than 3 and up to 5 years	more than 5 years	Total
Transaction prices of unsatisfied performance obligations	1,039	781	1,401	**3,221**

Further information on contract assets from contracts with customers can be found in note 6.8 p. 155, while further information on contract liabilities from contracts with customers can be found in note 6.13 p. 166.

5.2 Function costs

In the cost-of-sales method, function costs for the relevant functional areas are derived from cost accounting. Evonik distinguishes between the following functional areas: cost of sales, selling expenses, research and development expenses, and general administrative expenses. In addition to all directly attributable costs such as material expenses, personnel expenses, energy costs, and depreciation and amortization, the **cost of sales** includes overheads that can be attributed to the production process and impairment losses/reversals of impairment losses on inventories. **Selling expenses** mainly comprise marketing, logistics, and packaging expenses and materials management costs. **Research and development expenses** contain the cost of all research and development activities in the chemicals divisions and at the strategic research unit, Creavis. **Administrative expenses** contain costs for the management of business entities, management boards, the executive board, and the supervisory board. They also include expenses for the support functions.

Operating expenses that cannot be allocated to the functional areas are recognized as other operating expense.

The amounts recognized in function costs for restructuring measures, gains/losses from disposal of assets, and impairment losses/reversal of impairment losses pursuant to IAS 36 Impairment of Assets, and the amounts included in other operating income are explained in note 5.5 p. 141 f. The segmentation of impairment losses and reversals of impairment losses pursuant to IAS 36 and additional disclosures are presented in note 6.5 p. 151 ff.

5.3 Other operating income/expense

Other operating income is all income that by nature is not attributable to either sales or financial income. Government grants related to income are normally accrued in other liabilities and released to other operating income in the periods in which the expenses that the grants are intended to compensate for are incurred. **Other operating expense** is all expense that cannot be allocated meaningfully to either a function cost type or financial expense.

Other operating income/expense T61

	Other operating income		Other operating expense	
in € million	2021	**2022**	2021	**2022**
Restructuring measures[a]	1	–	1	–10
Reversal of/additions to other provisions[b]	14	21	–71	–
Recultivation and environmental protection measures	–	–	–16	–18
Disposal of assets[b]	6	57	–35	–14
Impairment losses/reversal of impairment losses pursuant to IAS 36[b]	–	–	–23	–347
Impairment losses/reversal of impairment losses pursuant to IFRS 9 (net presentation)[c]	–	3	–2	–
Currency translation of operating monetary assets and liabilities (net presentation)[c]	1	–	–	–22
Operational currency hedging (net presentation)[c]	–	–	–13	–4
Non-core businesses	54	48	–	–
Government grants	20	19	–	–
Business insurance[a]	16	67	–25	–27
REACH regulation	1	2	–10	–12
Other	98	140	–154	–156
Other operating income/expense	**211**	**358**	**–349**	**–610**

[a] Excluding amounts disclosed in the function costs.
[b] Excluding restructuring expenses and amounts disclosed in the function costs.
[c] The gross income and expense from operational currency hedging, currency translation of operating monetary assets and liabilities, and impairment losses/reversal of impairment losses pursuant to IFRS 9 are netted. The corresponding net amounts are recognized in other operating income or other operating expense as appropriate.

The amounts recognized in other operating income and expense for restructuring measures, reversal of/additions to other provisions, gains/losses from the disposal of assets, and impairment losses/reversal of impairment losses pursuant to IAS 36, and the amounts recognized in the function costs are explained in note 5.5 p. 141 f. The segmentation of impairment losses and reversals of impairment losses pursuant to IAS 36, and additional disclosures are presented in note 6.5 p. 151 ff.

In 2022, **impairments/reversal of impairments for expected credit losses pursuant to IFRS 9** Financial Instruments comprised net income (2021: net expense) relating entirely to trade accounts receivable.

The net income and expense from the **currency translation of operating monetary assets** and **operational currency hedging** mainly comprise balance sheet items recognized in foreign currencies that arose in the course of the operating business, where the currency risk is hedged using the portfolio approach; see note 9.4.4 p. 189 ff.

Non-core business comprises income from occasional, unplanned business activities not intended to be permanent operations and income from the supply of energy to customers at Evonik sites.

The **government grants** mainly relate to projects in connection with the energy transition.

As well as income from the recognition of claims on insurance companies, **business insurance** includes income from the payment of premiums by insurance companies to Evonik's internal reinsurance company Evonik Re S.A., Luxembourg, and expenses of Evonik Re for insurance obligations to insurance companies. The expenses for business insurance includes premiums paid by Evonik Re for stop-loss insurance. Claims under the stop-loss insurance are offset against Evonik Re's expense for obligations to insurers. By contrast, expenses for premiums paid by the Evonik Group to insurers are not recognized in other operating expense; they are recognized in the functional costs.

The **other income** relates to a large number of very different, decentrally managed activities that individually generate income that is not material for the Evonik Group.

The **other expense** comprise expenses totaling €12 million (2021: €28 million) in connection with the acquisition of PeroxyChem and Porocel and the reorganization of the superabsorbents business In addition, this item contains a large number of different transactions and individual projects that are reflected, among others, in the cost types outsourcing, commission payments, other taxes, and legal and consultancy fees.

5.4 Result from investments recognized at equity

Result from investments recognized at equity T62

in € million	2021	2022
Income from measurement at equity	12	13
Expenses for measurement at equity	–4	–1
Result from investments recognized at equity	**8**	**12**

5.5 Income before financial result and income taxes (EBIT)

Income before financial result and income taxes (EBIT) contains restructuring measures, reversals of/additions to other provisions, gains/losses from the disposal of assets, and impairment losses/reversal of impairment losses pursuant to IAS 36, which are divided among the following line items in the income statement:

Additional information on income before financial result and income taxes in 2022 T63

in € million	Cost of sales	Selling expenses	Administrative expenses	Other operating income	Other operating expense	Result from investments recognized at equity	**Total**
Restructuring measures	−82	1	−24	–	−10	–	−115
thereof from the reversal of/additions to other provisions	6	1	−23	–	–	–	−16
thereof from impairment losses/reversal of impairment losses pursuant to IAS 36	−73	–	–	–	–	–	−73
thereof from impairment losses/reversal of impairment losses pursuant to IFRS 5	−15	–	–	–	–	–	−15
Reversal of/additions to other provisions	–	–	–	22	–	–	22
Result from the disposal of assets	–	–	–	57	−14	–	43
Impairment losses/reversal of impairment losses pursuant to IAS 36	−33	–	–	–	−347	–	−380

Additional information on income before financial result and income taxes in 2021 T64

in € million	Cost of sales	Selling expenses	Administrative expenses	Other operating income	Other operating expense	Result from investments recognized at equity	**Total**
Restructuring measures	−11	−3	−7	1	–	–	−20
thereof from the reversal of/additions to other provisions	−9	2	3	1	–	–	−3
Reversal of/additions to other provisions	−1	–	–	14	−71	–	−58
Result from the disposal of assets	–	–	–	6	−35	–	−29
Impairment losses/reversal of impairment losses pursuant to IAS 36	−27	–	–	–	−23	−3	−53

The income and expenses relating to **restructuring measures** in the reporting period mainly come from impairment losses pursuant to IAS 36 in the Performance Materials division (see note 6.5 p. 151 ff.). Further, provisions for restructuring were established for a new group-wide project to optimize administrative functions and in connection with the planned sale of a business in the Performance Materials division. As in the previous year, a new estimate was made of the obligations relating to the program to reduce selling and administrative expenses, following a change regarding the employees affected. This led to reversals of provisions for restructuring. In addition, income in connection with the shutdown of a production plant in the Nutrition & Care division is included due to the reversal of provisions for restructuring. Impairment losses in accordance with IFRS 5 were recognized in connection with the planned sale of the Lülsdorf site (see note 4.3 p. 135 f.).

Disposal of assets T65

	Gains		Losses	
in € million	2021	2022	2021	2022
Property, plant and equipment	5	2	–6	–5
Right-of-use assets	1	1	–	–2
Investments and businesses	–	54	–22	–
Trade accounts receivable	–	–	–4	–4
Other non-financial assets	–	–	–3	–3
Total	**6**	**57**	**–35**	**–14**

The gains from the **disposal of investments and businesses** comprised €29 million from the sale of the TAA derivatives business, €23 million from the sale of a business by the Nutrition & Care division in North America, and €2 million from post-transaction disposals relating to the acquisition of PeroxyChem. In the previous year, the losses on the disposal of investments and businesses contained €15 million from the end of a legal dispute in connection with the sale of the former carbon blacks business. The purchaser asserted a claim for indemnification from environmental warranties, including those due to alleged infringement of the US Clean Air Act. Losses of a further €7 million result from deconsolidation of an Indian company.

Note 6.5 p. 151 ff. contains details of segmentation and additional information on the **impairment losses/reversal of impairment losses determined in accordance with IAS 36.**

5.6 Financial result

Financial result T66

in € million	2021	2022
Income from securities and loans	9	17
Interest and similar income from derivatives	1	–
Interest income from other provisions[a]	18	96
Other interest-type income	36	31
Interest income	**64**	**144**
Interest expense on financial liabilities	–45	–41
Interest and similar expenses for derivatives	–5	–1
Interest expense for other provisions[a]	–5	–9
Net interest expense for pensions	–43	–50
Interest expense for leases	–14	–17
Other interest-type expense	–17	–4
Interest expense	**–129**	**–122**
Result from currency translation of financing-related assets and liabilities	–43	48
Income from financing-related currency hedging	39	–67
Miscellaneous financial income and expenses	–19	–22
Other financial income/expense	**–23**	**–41**
Financial result	**–88**	**–19**

[a] These items contain income/expense from the unwinding of discounting and from changes in interest rates for other provisions.

The **interest income from loans** and the **interest expense on financial liabilities** are recognized on a pro rata temporis basis using the effective interest method.

The **other interest-type income** contains €25 million (2021: €22 million) relating to taxes in connection with income from plan assets and income tax receivables.

In 2021, negative interest of €1 million on short-term deposits was recognized in **other interest-type expense.**

Interest and similar expenses for derivatives and the corresponding income item comprise accrued and realized interest from cross-currency interest rate swaps used for currency hedging of an intra-group loan.

The **result from currency translation of financing-related assets and liabilities** included in other financial income/expense mainly results from the exchange rate risk of current intragroup financing transactions (cash pooling) denominated in foreign currencies and from cash and cash equivalents in foreign currencies as these balance sheet items are not included in hedge accounting. The effects of the associated currency hedging are recognized in **income from financing-related currency hedging,** which also includes any ineffectiveness; see note 9.4.4 p. 189 ff.

5.7 Income taxes

Income taxes shown in the income statement T67

in € million	2021	2022
Other income taxes	337	325
thereof relating to other periods	–12	–8
Deferred taxes	–21	44
thereof relating to temporary differences	–13	46
thereof relating to loss carryforwards and tax credits	–10	–3
thereof from changes in tax rates and tax legislation	2	1
Income taxes	**316**	**369**

The tax reconciliation shows the development of expected income taxes relative to the effective income taxes stated in the income statement. The expected income taxes are based on an overall tax rate of 32 percent in Germany. This comprises German corporation tax of 15 percent, a solidarity surcharge of 5.5 percent, and an average trade tax rate of around 16 percent. The effective income taxes include other income taxes and deferred taxes.

Tax reconciliation T68

in € million	2021	2022
Income before income taxes, continuing operations	**1,085**	**923**
Expected income taxes (32%)	347	295
Variances due to differences in the assessment base for trade tax	4	5
Deviation from the expected Group tax rate	–82	–74
Changes in the valuation of deferred taxes	2	7
Losses without the establishment of deferred taxes	8	126
Utilization of loss carryforwards	–12	–4
Changes in tax rates and tax legislation	2	1
Non-deductible expenses	29	17
Tax-free income	–38	–35
Result from investments recognized at equity	–2	–4
Other	58	35
Effective income taxes (current income taxes and deferred taxes)	**316**	**369**
Effective income tax rate in %	29.1	40.0

The changes in the valuation of deferred taxes comprise the revaluation of previously non-recognized deferred taxes on temporary differences. Losses without the establishment of deferred taxes relate principally to impairment losses on goodwill, which are not tax-deductible. “Other” contains other income taxes and deferred income taxes totaling –€8 million (2021: –€12 million) relating to other periods, deferred income taxes totaling –€11 million (2021: €25 million) relating to other periods, non-deductible withholding taxes, and, in particular, the revaluation of uncertain income tax positions.

In December 2021, the Organisation for Economic Co-operation and Development (OECD) published a legal framework for the introduction of a minimum global tax rate of 15 percent (Pillar II). Based on the present status of the debate about Pillar II, Evonik would fall within the scope of this legal framework. Depending on how it is actually implemented, Evonik may be subject to additional tax expense as it operates in states where the legal tax rate is below 15 percent or where the effective tax rate is below 15 percent as a result of government regulations. The legislative process is being monitored closely. A quantitative estimate is not yet possible.

5.8 Income after taxes

Income after taxes T69

in € million	2021	2022
Income after taxes, continuing operations	**769**	**554**
thereof attributable to non-controlling interests	21	15
thereof attributable to shareholders of Evonik Industries AG	748	539
Income after taxes, discontinued operations	**–2**	**1**
thereof attributable to non-controlling interests	–	–
thereof attributable to shareholders of Evonik Industries AG	–2	1

5.9 Earnings per share

Earnings per share as shown in the income statement are calculated by dividing net income by the weighted average number of shares issued, i.e., 466,000,000 shares. Net income comprises the total earnings for the year less non-controlling interests, including the earnings of discontinued operations. Earnings per share could be diluted by potential ordinary shares. Since there were no potential ordinary shares in either 2021 or 2022, diluted earnings per share are identical to basic earnings per share.

Earnings per share T70

			Earnings per share in € (basic and diluted)	
in € million	2021	2022	2021	2022
Income after taxes, continuing operations	769	554	1.65	1.19
Income after taxes, discontinued operations	–2	1	–0.00	0.00
Less income after taxes attributable to non-controlling interests	–21	–15	–0.05	–0.03
Income after taxes attributable to shareholders of Evonik Industries AG (net income)	**746**	**540**	**1.60**	**1.16**

6. Notes to the balance sheet

6.1 Intangible assets

Intangible assets are capitalized at acquisition or production cost and amortized using the straight-line method if their useful life is finite. An impairment test is conducted on assets with a finite useful life if there are indications of a possible impairment and at least once a year on goodwill. Amortization and impairment losses are recognized in the costs of the function that benefits from the use of the asset.

The estimated useful life of **franchises, trademarks, and licenses** is between five and 25 years.

Development costs are capitalized if they can be clearly assigned to a newly developed product or process that is technically feasible and designated for captive use or commercialization. They are amortized over their estimated useful life of between three and 15 years using the straight-line method.

The **other intangible assets** mainly comprise acquired customer relationships. Their useful life is estimated on the basis of contractual data and experience and is generally between five and 20 years. Amortization also takes account of the probability of continuance of the customer relationship in the form of a churn rate.

Change in intangible assets T71

		Other intangible assets				
in € million	Goodwill	Franchises, trademarks, and licenses	Capitalized development costs	Miscellaneous other intangible assets	**Total**	**Total goodwill and other intangible assets**
Cost of acquisition/production						
As of January 1, 2021	**4,642**	**1,455**	**4**	**1,040**	**2,499**	**7,141**
Currency translation	193	11	1	66	78	271
Additions from business combinations	66	5	–	15	20	86
Other additions	–	14	–	3	17	17
Reclassification pursuant to IFRS 5	–	–	–	–	–	–
Disposal	–	−22	–	–	−22	−22
Reclassification	−18	19	21	−40	–	−18
As of December 31, 2021	**4,883**	**1,482**	**26**	**1,084**	**2,592**	**7,475**
Currency translation	116	4	–	42	46	162
Additions from business combinations	–	–	–	–	–	–
Other additions	–	3	–	5	8	8
Reclassification pursuant to IFRS 5	−22	−3	–	–	−3	−25
Disposal	−7	−33	–	−2	−35	−42
Reclassification	−5	9	–	2	11	6
As of December 31, 2022	**4,965**	**1,462**	**26**	**1,131**	**2,619**	**7,584**

Change in intangible assets

T71

in € million	Goodwill	Other intangible assets: Franchises, trademarks, and licenses	Other intangible assets: Capitalized development costs	Other intangible assets: Miscellaneous other intangible assets	Other intangible assets: Total	Total goodwill and other intangible assets
Amortization and impairment losses						
As of January 1, 2021	**97**	**881**	**3**	**283**	**1,167**	**1,264**
Currency translation	1	6	1	19	26	27
Amortization	–	90	2	67	159	159
Impairment losses	–	2	–	–	2	2
Reclassification pursuant to IFRS 5	–	–	–	–	–	–
Disposal	–	−22	–	–	−22	−22
Reclassification	–	–	–	–	–	–
As of December 31, 2021	**98**	**957**	**6**	**369**	**1,332**	**1,430**
Currency translation	−2	1	–	11	12	10
Amortization	–	86	2	76	164	164
Impairment losses	301	4	–	–	4	305
Reclassification pursuant to IFRS 5	–	−2	–	–	−2	−2
Disposal	–	−34	–	–	−34	−34
Reclassification	–	2	–	−1	1	1
As of December 31, 2022	**397**	**1,014**	**8**	**455**	**1,477**	**1,874**
Carrying amounts as of December 31, 2021	**4,785**	**525**	**20**	**715**	**1,260**	**6,045**
Carrying amounts as of December 31, 2022	**4,568**	**448**	**18**	**676**	**1,142**	**5,710**

As in the previous year, there were no intangible assets on the reporting date to which title was restricted.

6.2 Property, plant and equipment

Property, plant and equipment are carried at acquisition or production cost and depreciated over their useful life. If there are indications of a possible impairment, an impairment test is conducted.

The **cost of acquisition** includes expenses directly attributable to the acquisition. The cost of production comprises all direct costs, plus the systematically allocable material costs and manufacturing overheads. Costs relating to obligations to dismantle or remove property, plant and equipment at the end of their useful life are also included in the cost of acquisition or production. Acquisition and production costs may also include transfers from gains and losses on cash flow hedges entered into to hedge foreign currency exposures in connection with the purchase of plants that were recognized in other comprehensive income in the statement of comprehensive income until they were reclassified to property, plant and equipment. Borrowing costs that can be allocated directly to the acquisition, construction, or production of a qualifying asset (necessary timescale: more than one year) are included in the cost of acquisition or production. Government grants for the purchase or construction of property, plant and equipment reduce the cost of acquisition or production of such assets. They are reflected in the income statement over the useful life of the assets through lower depreciation.

Property, plant and equipment are **depreciated** using the straight-line method over the expected useful life of the assets. This is between five and 50 years for buildings, between two and 25 years for plant and machinery, and between three and 25 years for other plant, office furniture, and equipment.

Gains and losses on disposal are recognized in profit or loss via other operating income or expense.

Change in property, plant and equipment T72

in € million	Land, land rights, and buildings	Plant and machinery	Other plant, office furniture, and equipment	Advance payments and construction in progress	**Total**
Cost of acquisition/production					
As of January 1, 2021	**3,575**	**13,265**	**1,069**	**1,136**	**19,045**
Currency translation	133	356	14	6	509
Additions from business combinations	–	3	–	–	3
Other additions	36	189	33	654	912
Reclassification pursuant to IFRS 5	–	–	–	–	–
Disposal	–20	–169	–39	7	–221
Reclassification	81	371	10	–471	–9
As of December 31, 2021	**3,805**	**14,015**	**1,087**	**1,332**	**20,239**
Currency translation	78	231	8	7	324
Additions from business combinations	–	–	–	–	–
Other additions	19	249	42	538	848
Reclassification pursuant to IFRS 5	–91	–540	–20	–12	–663
Disposal	–38	–157	–68	–5	–268
Reclassification	63	932	22	–990	27
As of December 31, 2022	**3,836**	**14,730**	**1,071**	**870**	**20,507**

Change in property, plant and equipment T72

in € million	Land, land rights, and buildings	Plant and machinery	Other plant, office furniture, and equipment	Advance payments and construction in progress	**Total**
Depreciation and impairment losses					
As of January 1, 2021	**1,724**	**9,803**	**889**	**41**	**12,457**
Currency translation	50	233	11	−1	293
Depreciation	96	565	62	–	723
Impairment losses	4	40	–	4	48
Reclassification pursuant to IFRS 5	–	–	–	–	–
Disposal	−9	−169	−39	–	−217
Reclassification	−1	−23	−4	–	−28
As of December 31, 2021	**1,864**	**10,449**	**919**	**44**	**13,276**
Currency translation	30	140	6	–	176
Depreciation	103	622	60	–	785
Impairment losses	40	108	–	–	148
Reclassification pursuant to IFRS 5	−71	−503	−18	–	−592
Disposal	−38	−147	−67	–	−252
Reclassification	–	5	−1	–	4
As of December 31, 2022	**1,928**	**10,674**	**899**	**44**	**13,545**
Carrying amounts as of December 31, 2021	**1,941**	**3,566**	**168**	**1,288**	**6,963**
Carrying amounts as of December 31, 2022	**1,908**	**4,056**	**172**	**826**	**6,962**

The carrying amount of property, plant and equipment used as **collateral for liabilities of Evonik** is €22 million (2021: €23 million).

6.3 Right-of-use assets

Right-of-use assets are normally recognized at the amount of the lease liability and depreciated. If there are indications of a possible impairment, an impairment test is conducted.

Right-of-use assets are depreciated using the straight-line method, usually over the expected lease term of the right-of-use asset. This is primarily between two and 99 years for right-of-use assets for land, land rights, and buildings, between five and 50 years for right-of-use assets for plant and machinery, and between two and 20 years for right-of-use assets for other plant, office furniture, and equipment.

The right-of-use assets for plant and machinery mainly relate to power plants and storage tanks. The right-of-use assets for other plant, office furniture, and equipment mainly relate to rail wagons and transport containers, ships, and motor vehicles.

Development of right-of-use assets T73

in € million	Land, land rights, and buildings	Plant and machinery	Other plant, office furniture, and equipment	**Total**
Cost of acquisition/production				
As of January 1, 2021	**300**	**360**	**237**	**897**
Currency translation	9	4	8	21
Additions from business combinations	3	–	–	3
Other additions	45	6	59	110
Reclassification pursuant to IFRS 5	–	–	–	–
Disposal	–26	–22	–39	–87
Reclassification	8	–8	–	–
As of December 31, 2021	**339**	**340**	**265**	**944**
Currency translation	6	2	7	15
Additions from business combinations	–	–	–	–
Other additions	70	372	76	518
Reclassification pursuant to IFRS 5	–4	–	–11	–15
Disposal	–16	–16	–33	–65
Reclassification	1	–	1	2
As of December 31, 2022	**396**	**698**	**305**	**1,399**

Development of right-of-use assets T73

in € million	Land, land rights, and buildings	Plant and machinery	Other plant, office furniture, and equipment	**Total**
Depreciation and impairment losses				
As of January 1, 2021	**60**	**75**	**94**	**229**
Currency translation	4	1	3	8
Depreciation	36	41	64	141
Reclassification pursuant to IFRS 5	–	–	–	–
Disposal	−9	−7	−26	−42
Reclassification	1	−1	–	–
As of December 31, 2021	**92**	**109**	**135**	**336**
Currency translation	1	1	3	5
Depreciation	39	46	66	151
Reclassification pursuant to IFRS 5	−1	–	−8	−9
Disposal	−10	−15	−32	−57
Reclassification	1	–	–	1
As of December 31, 2022	**122**	**141**	**164**	**427**
Carrying amounts as of December 31, 2021	**247**	**231**	**130**	**608**
Carrying amounts as of December 31, 2022	**274**	**557**	**141**	**972**

Further information on right-of-use assets and leasing can be found in note 9.2 p. 175 ff.

6.4 Investments recognized at equity

Associates and joint ventures are generally recognized using the equity method. They are initially measured at cost of acquisition, including all directly allocable ancillary costs. If there are indications of a possible impairment, an impairment test is conducted.

For **initial measurement,** the difference between the cost of acquisition and the investor's share in the investee's equity is determined. Any positive difference remaining after the identification of hidden reserves or hidden liabilities is treated as goodwill and recognized in the carrying amount of the investment. A negative difference is recognized in profit or loss and the carrying amount of the investment is recognized in acquisition costs.

In **subsequent periods,** the carrying amount of the investment is increased or reduced by the pro rata share of the investee's net income. Further adjustments to the carrying amount of the investment are necessary if the equity of the investment alters as a result of items contained in other comprehensive income. Subsequent measurement must take into account depreciation of the hidden reserves identified at the time of initial recognition, which must be deducted from the investor's share in the investee's net income. To avoid dual recognition, any dividends received must be deducted from the carrying amount.

Investments recognized at equity T74

in € million	Dec. 31, 2021	Dec. 31, 2022
Carrying amount of individually non-material associates	13	15
Carrying amount of individually non-material joint ventures	68	73
Investments recognized at equity	**81**	**88**

The condensed financial data for the investments recognized at equity that are classified individually as non-material for Evonik, based on Evonik's interest, are as follows:

Condensed financial data for individually non-material investments recognized at equity T75

	Associates		Joint ventures	
in € million	2021	2022	2021	2022
Income after taxes, continuing operations	4	5	4	7
Total comprehensive income	**4**	**5**	**4**	**7**

In addition, there was other comprehensive income of €2 million (2021: –€3 million) from the currency translation of the carrying amounts of investments recognized at equity. This mainly related to joint ventures.

For further information on contingent liabilities to associates and joint ventures, see note 9.5 p. 198 f.

6.5 Impairment test pursuant to IAS 36

If there are indications of possible impairment, an impairment test is conducted on intangible assets, property plant and equipment, right-of-use assets, investments recognized at equity, and certain other non-financial assets in accordance with IAS 36. Goodwill is tested for impairment at least once a year.

The impairment test is generally conducted for a cash-generating unit (CGU) or a group of CGUs. The identification of CGUs involves making judgments, especially as there could possibly be various cross-region integrated production facilities and sites. For the impairment test on goodwill, the group of CGUs corresponds to the segment. The recoverable amount of the CGU/group of CGUs is compared with its carrying amount. The recoverable amount is determined as the higher of the fair value less costs of disposal and the value in use of the CGU/group of CGUs. An impairment loss is recognized if the recoverable amount is below the carrying amount. The impairment loss is reversed—except in the case of goodwill—if the reason for the original impairment charge no longer applies.

When **testing goodwill for impairment,** the recoverable amount of goodwill is determined from the fair value less costs of disposal of the relevant segment. The fair value less costs of disposal is determined as the present value of future cash flows using a valuation model, and thus on the basis of non-observable inputs (level 3 of the fair value hierarchy defined in IFRS 13). This model is based on the three-year mid-term plan, supplemented by two transitional years and a terminal growth rate. The specific growth rates for the individual segments and the terminal growth rates are derived from experience and future expectations. The expected future cash flows are discounted using the segment-specific weighted average cost of capital (WACC) after taxes. The weighted average cost of capital is determined for each segment on the basis of a capital asset pricing model and is the weighted average cost of debt and equity.

For **impairment testing of other intangible assets, property, plant and equipment, and right-of-use assets,** the recoverable amount is normally the value in use of the CGU/group of CGUs. This is determined as the present value of future cash flows from the CGU/group of CGUs using a valuation model, and thus on the basis of non-observable inputs (level 3 of the fair value hierarchy defined in IFRS 13). This model is based on the average remaining useful life of the assets in the CGU/group of CGUs to be tested. A specific weighted cost of capital is used for each CGU/group of CGUs.

The **impairment test on goodwill** involves assumptions and estimates that may be subject to change and could result in impairment losses in the future. The material estimates include the determination of the expected cash flows. Other key parameters are the terminal growth rate and the weighted average cost of capital after taxes. The main assumptions underlying the planning include the development of sales and adjusted EBITDA. The development of sales is derived from expected volume and price-related trends in the relevant markets, taking into account the expectations for GDP and exchange rates. To derive the development of adjusted EBITDA, we also take account of raw material and energy prices and increases in wages and salaries. In the Evonik Group, the regular date for testing of goodwill is September 30.

Disclosures on the impairment test on segment goodwill as of September 30 T76

	WACC after taxes (in %)		Terminal growth rate (in %)	
	2021	**2022**	2021	**2022**
Specialty Additives	6.37	7.32	1.50	1.50
Nutrition & Care	5.72	7.83	1.50	1.50
Smart Materials	7.15	7.21	1.50	1.50
Performance Materials	7.31	7.40	1.50	1.50

In light of the present difficult economic situation, the **regular impairment test on goodwill as of September 30** used three scenarios with differing timings for the recovery to the pre-crisis level were used. Alongside recovery to the pre-crisis level in fiscal 2023 and fiscal 2024, an ongoing recession was considered. For the impairment test on goodwill, the most probable scenario was used; this assumes recovery to the pre-crisis level in fiscal 2024. The future cash flow estimate for the three-year mid-term planning period for the Specialty Additives, Nutrition & Care, and Smart Materials divisions was based on assumptions about the development of sales, which could be reflected in segment-specific average annual growth rates of between 1.4 percent and 4.5 percent. For adjusted EBITDA, growth below sales is assumed for the Nutrition & Care division; for the other two divisions, it was assumed that growth in adjusted EBITDA will be considerably higher than the increase in sales. The estimate of future cash flows for the Performance Materials division was based on the assumption of a considerable reduction in sales and stable development of adjusted EBITDA. The regular impairment test on goodwill as of September 30 did not result in impairment losses in any segment. In the three segments with material goodwill—the Specialty Additives, Nutrition & Care, and Smart Materials divisions—a reduction in the net cash flow or the terminal growth rate in the least favorable scenario would not result in an impairment loss.

In the fourth quarter, the planning for the Performance Materials division was revised downwards as a result of the developments on the European energy market. **Based on this indication, an impairment test on the goodwill** of this division was performed **as of December 31, 2022.** For this, the estimated future cash flows were reduced considerably, especially with regard to the development of adjusted EBITDA, and an adjusted cost of capital of 7.86 percent was used. The terminal growth rate was still 1.50 percent. Taking into account the Evonik-specific cost allocations that the division has to bear and the currently foreseeable downside effects of the geopolitical crises, a recoverable amount pursuant to IAS 36 of €996 million was determined as of December 31, 2022. This resulted in the recognition of an impairment loss of €301 million for all goodwill of the Performance Materials division, which is recognized in other operating expense.

Segment goodwill T77

	Dec. 31, 2021	Dec. 31, 2022
Specialty Additives	1,986	2,046
Nutrition & Care	1,185	1,186
Smart Materials	1,319	1,336
Performance Materials	295	–

Impairment tests are performed **on other intangible assets, property, plant and equipment, right-of-use assets, investments recognized at equity, and certain other non-financial assets** if there are internal or external indications of possible impairment.

The difference between the carrying amount of equity and the market capitalization of the Evonik Group was an indication for an asset impairment test. This impairment test was performed for all CGUs and groups of CGUs in the Evonik Group and resulted in impairment losses in individual cases. The impairment losses in the Performance Materials division mainly relate to plant and machinery and to land and land rights at one site in Germany. They were written down to their fair value less disposal costs. All other impairment losses involved a write-down of the value in use. The impairment losses in the Nutrition & Care division relate to production facilities in Central & South America and Europe. In the Smart Materials division, impairment losses were recognized for production facilities in Asia and Europe. The impairment losses in the Technology & Infrastructure division related to plant and machinery and land and buildings in Germany.

The outcome of the impairment test on goodwill and on other intangible assets, property, plant and equipment, right-of-use assets, investments recognized at equity, and certain other non-financial assets is presented below:

Impairment tests pursuant to IAS 36 by segments and asset classes T78

	Goodwill		Other intangible assets		Property, plant and equipment		Investments recognized at equity		Total	
in € million	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Specialty Additives	–	–	–	–	1	4	–	–	1	4
Nutrition & Care	–	–	–	4	36	38	–	–	36	42
Smart Materials	–	–	2	–	5	14	–	–	7	14
Performance Materials	–	301	–	–	3	70	3	–	6	371
Technology & Infrastructure	–	–	–	–	3	20	–	–	3	20
Enabling functions, other activities	–	–	–	–	–	2	–	–	–	2
Total Group	**–**	**301**	**2**	**4**	**48**	**148**	**3**	**–**	**53**	**453**

6.6 Financial assets

Financial assets T79

in € million	Dec. 31, 2021 Total	Dec. 31, 2021 thereof non-current	Dec. 31, 2022 Total	Dec. 31, 2022 thereof non-current
Trade accounts receivable	**1,954**	–	**1,898**	–
Cash and cash equivalents	**456**	–	**645**	–
Other investments	515	515	347	347
Loans	51	10	57	21
Securities and similar claims	489	43	462	49
Receivables from derivatives	70	3	89	19
Miscellaneous other financial assets	27	10	67	5
Other financial assets	**1,152**	**581**	**1,022**	**441**
Financial assets	**3,562**	**581**	**3,565**	**441**

The **material other investments** are the 7.5 percent shareholding in Vivawest GmbH and the equity investment in Borussia Dortmund GmbH & Co. KGaA. Furthermore, this item contains unlisted equity investments, some of which relate to venture capital activities. In addition, it includes non-consolidated affiliated companies that—individually and in aggregate—have a negligible influence on the Evonik Group's assets, financial position, and earnings. Information on their valuation is presented in note 9.4.1 p. 180 ff.

The **loans** contain convertible bonds totaling €6 million (2021: €12 million). Information on their valuation is presented in note 9.4.1 p. 180 ff.

Securities and similar claims comprise listed bonds and money market paper purchased for short-term investment of liquid funds and shares in unlisted investment funds relating to venture capital activities in which Evonik has a long-term strategic investment.

Receivables from derivatives T80

in € million	Dec. 31, 2021	Dec. 31, 2022
Receivables from forward exchange contracts, currency options, and currency swaps	29	68
Receivables from commodity derivatives	41	21
Total	**70**	**89**

The **miscellaneous other financial assets** comprise time deposits at banks and claims relating to the termination of contracts.

6.7 Inventories

Inventories are measured at the lower of cost and net realizable value. Normally, the cost of inventories is determined uniformly using an average, the first-in first-out method, or the standard cost method. The cost of production of finished goods and work in progress comprises the cost of raw materials and supplies, directly attributable personnel expenses, other direct costs, and general overheads that can be assigned to production. Emission allowances are also recognized at cost. Emission allowances allocated free of charge by the German emissions trading authority (DEHSt) or comparable authorities in other countries are recognized in the balance sheet with a value of zero.

Inventories T81

in € million	Dec. 31, 2021	Dec. 31, 2022
Raw materials and supplies	617	779
Work in progress	98	73
Finished goods and merchandise	1,833	1,968
Inventories	**2,548**	**2,820**

Raw materials and supplies include emission allowances intended for use totaling €30 million (2021: €23 million).

Impairment losses of €65 million were recognized **on inventories** in the reporting period (2021: €61 million), while reversals of impairment losses amounted to €44 million (2021: €34 million). Reversals of impairment losses were mainly due to higher selling prices and improved market conditions.

Inventories recognized **as an expense in the period** amounted to €13,455 million (2021: €10,381 million).

6.8 Other non-financial assets

Other non-financial assets T82

in € million	Dec. 31, 2021 Total	Dec. 31, 2021 thereof non-current	Dec. 31, 2022 Total	Dec. 31, 2022 thereof non-current
Assets from overfunded pension plans[a]	–	–	1	1
Advance payments made	60	–	50	–
Deferred expenses	83	42	51	10
Contract assets from contracts with customers	12	12	7	4
Receivables from other taxes	269	37	315	30
Receivables from employees	9	–	15	2
Miscellaneous other non-financial assets	74	34	171	17
Other non-financial assets	**507**	**125**	**610**	**64**

[a] See note 6.10 p. 158 ff.

Contract assets from contracts with customers arise from license agreements based on milestones, where a customer is granted a right of use. The contract assets are reclassified to receivables as soon as the associated rights become unconditional. Information on risk provisioning is presented in note 9.4.4 p. 189 ff.

Development of contract assets from contracts with customers T83

in € million	2021	2022
As of January 1	**20**	**12**
Currency translation	–	2
Additions	–	2
Reclassification to receivables	–8	–2
Other reclassifications	–	–6
Other disposals	–	–1
As of December 31	**12**	**7**

Miscellaneous other non-financial assets mainly comprise receivables from governments, receivables from insurance policies, receivables relating to acceptance by the Federal Network Agency of the bid for the decommissioning of hard coal power plants, and a claim to a value-added tax refund for previous years in Brazil.

6.9 Equity

Issued capital and capital reserves contain the paid-up capital of Evonik Industries AG. By contrast, the capital earned by the Evonik Group that is attributable to shareholders of Evonik Industries AG is recognized in retained earnings and other equity components. The share of paid-up and earned equity of consolidated subsidiaries of the Evonik Group that is attributable to non-controlling interests is presented in the line item non-controlling interests.

As in the previous year, the company's **fully paid-up capital** was €466,000,000 on the reporting date. It is divided into 466,000,000 no-par registered shares. The arithmetic value of each share is unchanged at €1. Each no-par share entitles the holder to one vote.

Authorized and conditional capital as of December 31, 2022 T84

	Amount in €	Purpose
Authorized capital 2022 (annual shareholders' meeting of May 25, 2022)	116,500,000	Increase the capital stock by issuing new registered no-par shares (authorization runs to May 24, 2027)
Conditional capital 2022 (annual shareholders' meeting of May 25, 2022)	37,280,000	Issue of new registered no-par shares for the issuance of convertible or warrant bonds

Under the **authorized capital 2022,** the executive board is authorized, subject to the approval of the supervisory board, to increase the company's capital stock through one or more issuances in return for cash and/or contributions in kind. Subject to the approval of the supervisory board, it may to exclude shareholders' statutory subscription rights when issuing new shares in the following cases:

- capital increases against contributions in kind
- if the capital increase is against cash and the proportionate share of the capital stock attributable to the new shares does not exceed 10 percent of the capital stock, and the issue price of the new shares is not significantly below the stock market price of shares already listed on the stock exchange
- to exclude fractional amounts arising from the subscription ratio
- insofar as is necessary to grant holders and/or creditors of warrants and/or conversion rights or obligors of warrant and/or conversion obligations subscription rights to new shares to the extent that they would be entitled to them after exercise of their warrants and/or conversion rights or fulfillment of their warrant and/or conversion obligations
- to grant shares to employees (employee stock), provided that the new shares for which subscription rights are excluded do not, in aggregate, account for a proportionate share of the capital stock in excess of 1 percent
- for the execution of a scrip dividend.

The proportionate amount of the capital stock attributable to the shares for which subscription rights are excluded, together with the proportionate amount of the capital stock attributable to treasury stock or to conversion and/or warrant rights or obligations arising from debt instruments, which are sold or issued after May 25, 2022 under exclusion of subscription rights, may not exceed 20 percent of the capital stock. If the sale or issue takes place in application—analogously or mutatis mutandis—of section 186 paragraph 3 sentence 4 of the German Stock Corporation Act (AktG), this shall also be deemed to constitute an exclusion of subscription rights. The executive board is authorized, subject to the approval of the supervisory board, to define further details of capital increases out of the authorized capital 2022. The authorized capital has not yet been utilized.

The conditional capital increase **(conditional capital 2022)**, divided into up to 37,280,000 registered shares with no par value, will only be conducted insofar as holders or creditors of warrant or conversion rights or obligors of warrant or conversion obligations arising from warrant bonds and/or convertible bonds issued or guaranteed on the basis of the authorization resolved at the annual shareholders' meeting of May 25, 2022, exercise their warrants or conversion rights or, insofar as they have an obligation to exercise the warrants or conversion obligations, meet the obligation to exercise the warrant or conversion obligations, and other forms of settlement are not used. In principle, the shareholders have a statutory right to subscription rights to the convertible and/or warrant bonds; the authorization sets out specific cases where the executive board may exclude subscription rights to convertible and/or warrant bonds, subject to the approval of the supervisory board. The new shares shall be issued at the warrant or conversion price set in accordance with the above provisions of the resolution. The new shares are entitled to a dividend from the start of the fiscal year in which they are issued. The executive board is authorized, subject to the approval of the supervisory board, to define further details of capital increases out of the conditional capital. The conditional capital has not yet been utilized.

The **capital reserve** mainly contains other payments received from shareholders pursuant to section 272 paragraph 2 no. 4 of the German Commercial Code (HGB).

On March 3, 2022, Evonik Industries AG announced that it would be utilizing the authorization granted by the annual shareholders' meeting on August 31, 2020 to purchase **shares in the company** totaling up to €111,180,000 thousand by April 1, 2022 at the latest. The purpose of purchasing the shares was to grant shares under an employee share program to employees of Evonik Industries AG and certain subordinated affiliated companies in the Evonik Group and to members of the management of subordinated affiliated companies of Evonik Industries AG.

Development of treasury shares T85

	Treasury shares (in € million)		No. of ordinary shares		Average price (in €)	
	2021	2022	2021	2022	2021	2022
As of January 1	–	–	–	–	–	–
Purchase of treasury shares	15	16	503,491	659,015	29.75	24.54
Sale of treasury shares to employees	–13	–14	434,650	579,240	30.16	25.18
thereof bonus shares	–3	–4	115,729	148,523	30.16	25.18
Sale of treasury shares on the stock exchange	–2	–2	68,841	79,775	30.41	24.39
As of December 31	–	–	–	–	–	–

Through this share buyback program, by March 25, 2022 Evonik Industries AG purchased 659,015 shares in the company, corresponding to 0.1 percent of the capital stock. The purchases were made from March 7, 2022 at an average daily volume of around 44,000 shares on each Xetra trading day through a bank acting on the instructions of Evonik Industries AG. The maximum purchase price of each share repurchased (excluding ancillary costs) could not exceed or fall short of the opening price as set in the opening auction for the trading day for shares in Evonik Industries AG in Xetra trading on the Frankfurt stock exchange by more than 5 percent. In April 2022, shares in the company were transferred to participating employees on the basis of the share price on March 31, 2022 and the exchange rates prevailing on the same date. The remaining ordinary shares were sold to third parties via the stock exchange by April 14, 2022.

Retained earnings amounted to €9,345 million (2021: €7,767 million) and comprised Group earnings from 2021 and previous years, as well as other comprehensive income from the remeasurement of the net defined benefit liability. Evonik Industries AG reported a net loss of €223 million for fiscal 2022. Following the withdrawal of €602,701,103 from retained earnings and taking into account the profit of €164,780,000 carried forward from the previous year, net income was €545,220,000. A proposal will be submitted to the annual shareholders' meeting that this should be paid out in full. That corresponds to a dividend of €1.17 per no-par share for fiscal 2022.

The **other equity components** contain accumulated other comprehensive income recognized outside of profit or loss, i.e., not included in the income statement. The other equity components from equity instruments contain increases and decreases in the fair value of other investments, which are recognized outside of profit or loss. The other equity components from hedging instruments for designated risk components comprise net gains or losses from the change in the fair value of the effective portion of cash flow hedges and hedges of a net investment. The other equity components from hedging instruments for the cost of hedging reflect changes in the time value of options and the interest spread and foreign currency basis spreads on forward currency transactions and currency swaps. The cost of hedging relates to hedged items recognized both at a point in time and over time. The other equity components from currency translation comprise differences arising from the translation of foreign financial statements.

In the reporting period, –€100 million (2021: €21 million) was reclassified from other equity components for designated risk components and for the cost of hedging to the income statement:

Reclassification of hedging results from other equity components to the income statement T86

in € million	2021	2022
Sales	20	–100
Cost of sales	1	–
Total	**21**	**–100**

For further information on changes in the other equity components from hedging instruments for designated risk components and for the cost of hedging and their allocation among the various risk types, see note 9.4.3 p. 185 ff.

Non-controlling interests amounting to €82 million (2021: €83 million) comprise shares in the issued capital and reserves of consolidated subsidiaries that are not attributable to the shareholders of Evonik Industries AG. Changes in ownership interests in subsidiaries without loss of control were negligible in the reporting period, as in the previous year. The other earnings components attributable to non-controlling interests relate entirely to currency translation.

Change in other equity components attributable to non-controlling interests T87

in € million	2021	2022
As of January 1	**–8**	**–8**
Currency translation	–	–1
Other comprehensive income as in the statement of comprehensive income	**–**	**–1**
As of December 31	**–8**	**–9**

6.10 Provisions for pensions and other post-employment benefits

Provisions for pensions and other post-employment benefits are measured using the projected unit credit method for **defined benefit obligations** in accordance with IAS 19 Employee Benefits. This method takes account of future salary and pension increases, biometric assumptions, as well as pension obligations and accrued entitlements as of the reporting date. Pension obligations are determined using country-specific parameters and measurement principles.

Actuarial gains and losses relating to pension obligations and income from plan assets (apart from interest income) are derived from the difference between the expected pension obligations and the actual obligation calculated at year-end and from deviations between the expected and actual fair value of plan assets calculated at year-end. Changes that arise as a result of actuarial gains/losses relating to pension obligations, income from plan assets (excluding interest income), changes in the asset ceiling (excluding interest cost), and income from claims to refunds (excluding interest income) are offset directly in other comprehensive income.

The **defined benefit obligations** at year-end are compared with the fair value of the plan assets (funded status), and pension provisions are derived from this, taking into account the asset ceiling and the net defined benefit assets from overfunded plans recognized on the assets side.

Defined contribution plans result in an expense in the period in which the contribution is made. Defined contribution plans exist for both company pension plans and state pension plans (statutory pension insurance).

Provisions for pensions are established to cover **benefit plans for retirement, disability, and surviving dependents' pensions.** The benefit obligations vary depending on the legal, tax, and economic circumstances in the various countries in which the companies operate. The level of the benefit obligations generally depends on the length of service and remuneration.

At the German companies, **occupational pension plans** are predominantly defined benefit plans. They are primarily funded by provisions, pension fund assets, and a contractual trust arrangement (CTA). The pension plans at companies outside Germany may be either defined contribution or defined benefit plans.

The present value of the defined benefit obligations and the fair value of the plan assets as of December 31, 2022 mainly relate to Germany, the USA, and the UK:

Breakdown of the present value of the defined benefit obligations and the fair value of plan assets T88

	2021		2022	
in € million	Defined benefit obligation	Plan assets	Defined benefit obligation	Plan assets
Germany	10,990	7,386	7,514	6,355
thereof pension fund/reinsured support fund	5,712	3,940	3,543	3,585
thereof funded through CTA	4,965	3,446	3,759	2,770
USA	441	318	327	199
UK	538	539	337	338
Other	193	156	166	139
Total Group	**12,162**	**8,399**	**8,344**	**7,031**

The main pension plans for employees in **Germany** are as follows:

Pension fund (Pensionskasse): There are a number of closed pension plans. Income-related contributions are converted into defined benefits and invested with the company-owned Degussa Pension Fund. The structure of the tariffs, including investment of the assets, is subject to oversight by the supervisory authority for the insurance sector. The pension fund is a multi-employer fund. It is funded on a projected benefit basis. The level of plan assets required to cover the projected benefits is derived from a technical business plan approved by the supervisory authority and from statutory requirements. Funding must be sufficient at all times to cover benefits, which have to be upheld even if the employer's contributions are terminated. The company contribution to Tariff DuPK is calculated to ensure that, together with the employee contributions, funding of the resulting entitlements in line with the technical business plan is assured. The company contribution to the Marl and Troisdorf tariffs is proposed by the responsible actuary and is based on the funds required to cover the benefits. As the sponsoring company of this pension fund, Evonik Operations GmbH has a contractual obligation to cover benefits under the Marl and Troisdorf tariffs if sufficient funding is not available. This obligation is not limited to the company where the insurees are employed. The obligation was assumed on the basis of a requirement stipulated by the supervisory authority when these tariffs were established. At that time, only company employees were insured in the plan. At present, it is not possible to estimate whether this obligation could be of relevance as a supplement to the tools set out in the pension fund regulation, such as increasing company contributions or cutting benefits in the event of a loss.

Support fund (Unterstützungskasse): The support fund comprises two plans, one of which is open to new employees. It also allows for deferred compensation arrangements. Income-related contributions are converted into defined benefits and reinsured with the company-owned Degussa Pension Fund. The structure of the tariffs, including investment of the assets, is subject to oversight by the supervisory authority for the insurance sector. Pension increases of 1 percent p.a. are a firm commitment. The support fund meets the criteria for classification as a multi-employer plan. It is funded through reinsurance with the Degussa Pension Fund, which covers pension adjustments for the open plan. The Degussa Pension Fund maintains sufficient funding for this in compliance with the German Insurance Supervision Act and the ordinances issued by the supervisory authority. Funding must be sufficient at all times to cover benefits, which have to be upheld even if the employer's contributions are terminated. The level of benefits is based on the contributions paid into the fund. The support fund does not have any arrangements under which the Group is liable for the obligations of companies outside the Evonik Group in the event of inadequate funding.

Direct pension commitments: These comprise various defined benefit plans where the pension benefit is generally directly or indirectly linked to the final salary. Most of these plans grant higher benefits for income components above the ceiling for contributions to the state pension insurance plan or are intended exclusively to cover such income components. All final salary plans are closed and, in most cases, now only operate through the protection of the accrued benefits for insurees who are currently still working. Direct commitments of this type are now only used for senior executives and voluntary deferred compensation arrangements. In such cases, a defined benefit is calculated on the basis of an income-related contribution or an amount credited by the employee. Insurees can choose between various forms of payment, for example, as a lump sum, an annuity, or installment payments. The benefits include a fixed pension increase of 1 percent p.a. Plan assets for large companies in the Evonik Group, which account for the vast majority of obligations under direct commitments, are managed by Evonik Pensionstreuhand e.V. This fund is not subject to regulatory oversight or minimum funding requirements. It uses an asset-liability matching strategy, whereby changes in obligations are offset through changes in the plan assets. In this strategy, the interest rate and credit sensitivities of the liabilities are partially replicated in the plan assets.

Description of the potential risks arising from pension plans: Most German pension plans grant lifelong pension benefits. A specific risk here is that rising life expectancy could increase the benefit obligation. In most cases, increases in the benefits paid by these funds are linked to the consumer price index. This entails an additional inflation risk. In the case of plans where employees can choose between a lump-sum payment or an annuity, there is a risk that the option could be selected on the basis of individual assessments of health and life expectancy. For final salary plans, the benefit-risk relates to future salary trends for employees covered by collective agreements and exempt employees and, in some cases, changes in the ceiling for contributions to statutory pension insurance. Where assets are invested externally by the pension fund, support fund, and Evonik Pensionstreuhand e.V., plans are exposed to a capital market risk. Depending on the composition of the investment portfolio, this comprises a risk of changes in value and income risks, which could mean that the assumed performance or return is not generated over the term of the investment. Under German legislation on occupational pensions, the employer is liable to cover firm benefit commitments and guaranteed returns.

The main pension plans for employees in the **USA:**

In the USA there are unfunded, fully funded, and partially funded pension plans and post-employment benefits under healthcare plans. The majority of the obligations relate to funded plans. The defined benefit pension plans in the USA are not open to new employees. Benefits are based on a range of parameters such as final salary, average salary during career, individual pension accounts, and fixed benefits. Most plans include a lump-sum option with a corresponding risk to the company that this will be utilized. An asset-liability matching strategy supports compliance with minimum funding levels to avoid volatility. This is implemented primarily through US government bonds and corporate bonds denominated in US dollars. The assets are managed by a pension trust.

The main pension plans for employees in the **UK:**

All obligations in the UK relate to vested benefits for former employees and retirees. The majority of the pension obligations are asset-funded. In 2020, these plans were combined in a single plan, which is administered by an external trust. All plans have been closed to new entrants since 2020. Almost all plans are final salary plans. The plan assets are subject to the asset ceiling. Similarly, surplus assets cannot be returned to the companies without the approval of the trustees. In 2021, the surplus from the buy-in was invested in a defined contribution plan. The transfer resulted in past service cost of €5 million.

The table shows the weighted average **assumptions** used for the actuarial valuation of the obligations:

Assumptions used in the actuarial valuation of pension obligations T89

	Evonik Group		Germany	
in %	2021	**2022**	2021	**2022**
Discount rate as of December 31	1.38	4.17	1.30	4.10
Future salary increases	2.53	2.53	2.50	2.50
Future pension increases	1.69	2.16	1.60	2.10
Healthcare cost trend	5.94	7.35	–	–

The **discount rate** for **Germany** and the **euro zone countries** is extrapolated from a yield structure curve derived from AA-rated corporate bonds denominated in euros and, where there are no market data available, a yield curve for zero-coupon German government bonds, taking into account a risk premium for euro-denominated AA-rated corporate bonds. The data on AA-rated euro-denominated corporate bonds are based on bonds with an AA rating from at least one of the major rating agencies. The yield structure curve derived from AA-rated euro-denominated corporate bonds is used to determine the present value of the cash flows from company pension obligations. The discount rate comprises the rounded constant interest rate that results in the same present value when applied to the cash flow.

Analogous methods are used to determine the discount rates for the pension plans in the **USA** and the **UK.** As of December 31, 2022, the discount rate was 5.50 percent for the USA (2021: 2.79 percent) and 4.81 percent for the UK (2021: 1.81 percent).

In Germany, valuation is based on the **biometric data** in the 2018 G mortality tables published by Klaus Heubeck. For the companies in the UK, the S2PXA tables are used, and for the USA the MP-2021 mortality projection scales are used.

Change in the present value of the defined benefit obligation T90

in € million	2021	2022
Present value of the defined benefit obligation as of January 1	**12,962**	**12,162**
Current service cost	224	192
Interest cost	125	165
Employee contributions	40	41
Actuarial gains (–) and losses (+) (remeasurement component)	–798	–3,602
of which based on financial assumptions	–774	–3,874
of which based on demographic assumptions	–	–3
of which changes in the past fiscal year	–24	275
Benefits paid	–476	–497
Past service cost	5	1
Changes at the companies	4	–7
Reclassification pursuant to IFRS 5	–	–118
Gain/loss from settlement	–2	–
Payments for settlement of plans	–	–
Currency translation	78	7
Present value of the defined benefit obligation as of December 31	**12,162**	**8,344**

The weighted term of the obligations is 13.4 years (2021: 17.4 years).

Breakdown of the present value of the defined benefit obligation T91

in € million	2021	2022
Unfunded plans	347	238
Partially or fully funded plans	11,731	8,034
Healthcare benefit obligations	84	72
Present value of the defined benefit obligation as of December 31	**12,162**	**8,344**

The valuation of pension provisions is subject, among other things, to assumptions about discount rates, expected future salary and pension increases, the cost trend for healthcare, and mortality tables. The actual data may differ from these assumptions as a result of changes in economic or market conditions.

Sensitivity analyses: effects of changes in parameters on the defined benefit obligation T92

	Reduction of 1 percentage point		Increase of 1 percentage point	
in € million	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022
Group-wide discount rate	2,409	1,214	–1,820	–965
Future salary increases	–85	–41	92	41
Future pension increases	–936	–535	1,124	632
Healthcare cost trend	–7	–5	9	6

Assuming all other parameters remain unchanged, a reduction of 20 percent in mortality in the retirement phase would increase the defined benefit obligation by €559 million (2021: €968 million).

Change in the fair value of plan assets T93

in € million	2021	2022
Fair value of plan assets as of January 1	**8,351**	**8,399**
Interest income from plan assets	82	115
Employer contributions	149	157
Employee contributions	8	8
Income from assets excluding interest income from plan assets (remeasurement component)	193	–1,132
Other administrative expense	–4	–5
Benefits paid	–445	–404
Payments for settlement of plans	–	–
Changes at the companies	–	–5
Reclassification pursuant to IFRS 5	–	–100
Currency translation	65	–2
Fair value of plan assets as of December 31	**8,399**	**7,031**

Breakdown of the fair value of plan assets T94

	Dec. 31, 2021		Dec. 31, 2022	
	in € million	in %	in € million	in %
Cash/balances with banks	227	2.7	309	4.4
Shares—active market	1,218	14.5	1,005	14.3
Government bonds—active market	563	6.7	204	2.9
Corporate bonds—active market	1,974	23.5	1,478	21.0
Corporate bonds—no active market	470	5.6	337	4.8
Other bonds—active market	630	7.5	668	9.5
Real estate (direct and indirect investments)—active market	17	0.2	28	0.4
Real estate (direct and indirect investments)—no active market	1,176	14.0	942	13.4
Alternative investments (infrastructure/hedge funds/commodities)—active market[a]	386	4.6	281	4.0
Alternative investments (infrastructure/hedge funds/commodities)—no active market[a]	1,058	12.6	1,322	18.8
Other—active market	50	0.6	42	0.6
Other—no active market	630	7.5	415	5.9
Total	**8,399**	**100.0**	**7,031**	**100.0**

[a] Prior-year figures restated.

As a consequence of the infrastructure investments by the pension fund, the portfolio of alternative investments has increasingly shifted in the area where there is no active market. In 2022, as in 2021, none of the other assets included in the plan assets were used by the company.

Change in the asset ceiling T95

in € million	2021	2022
Asset ceiling as of January 1	**7**	**3**
Interest expense on the unrecognized portion of plan assets	–	–
Changes in asset ceiling, excluding interest expense (remeasurement component)	–4	44
Changes at the companies	–	–
Reclassification pursuant to IFRS 5	–	–2
Currency translation	–	–
Asset ceiling as of December 31	**3**	**45**

The change in the asset ceiling for plan assets is due to overfunding at the pension fund in Germany.

Change in the net defined benefit liability T96

in € million	Dec. 31, 2021	Dec. 31, 2022
Net defined benefit liability as of January 1	**4,618**	**3,766**
Current service cost	224	192
Past service cost	5	1
Gain/loss from settlement	–2	–
Net interest cost	43	50
Employee contributions	32	33
Other administrative expense	4	5
Changes recognized in OCI (remeasurement)	–995	–2,426
Benefits paid	–31	–93
Employer contributions	–149	–157
Changes at the companies	4	–2
Reclassification pursuant to IFRS 5	–	–20
Currency translation	13	9
Net defined benefit liability as of December 31	**3,766**	**1,358**
Assets from overfunded plans as of December 31	**–**	**1**
Pension provisions as of December 31	**3,766**	**1,359**

The assets from overfunded plans come from various pension plans outside Germany. They are recognized on the balance sheet under non-financial assets, see note 6.8 p. 155.

The pension provisions recognized on the balance sheet included healthcare benefit entitlements, mainly of retirees of US subsidiaries.

Expected change in net benefit payments T97

in € million	Prior year	Reporting period
2022	242	–
2023	253	262
2024	256	271
2025	259	273
2026	261	274
2027	–	278

The presentation of future net benefit payments does not include any pension reimbursements by Evonik Pensionstreuhand e.V. in the reporting period because it is up to the companies to decide whether to claim such reimbursements for the respective fiscal year. Employer contributions of €152 million are expected to be incurred for the following year (2021: €148 million).

The **net interest** cost is included in the financial result; see note 5.6 p. 142 f. The other pension amounts are allocated to the functional areas as personnel expense (pension expenses).

A breakdown of overall **personnel expense** is given in note 10.2 p. 201. Foreign subsidiaries paid a total of €34 million (2021: €28 million) into defined contribution plans, which are also included in personnel expense (pension expenses). Further, €138 million (2021: €139 million) were paid into defined contribution state plans (statutory pension insurance) in Germany and abroad. This is also reported in personnel expense (expenses for social security contributions).

For details of the **deferred tax assets** relating to pension provisions, see note 6.14 p. 166 ff., deferred taxes, other income taxes.

6.11 Other provisions

Other provisions are liabilities of uncertain timing or amount. They are established to cover a present legal or constructive obligation to third parties, based on past events, that will probably lead to a cash outflow. In addition, it must be possible to reliably estimate the level of the obligation. Provisions are based on the probable settlement obligations and take account of future cost increases. Non-current provisions are discounted. Reversals of provisions are recognized as income in the functional areas where the original expense for the provision was recognized.

The determination of other provisions, especially provisions for legal risks, recultivation, environmental protection, and restructuring, is naturally exposed to significant estimation uncertainties regarding the level and timing of the obligation. In some cases, the company has to make assumptions about the probability of occurrence or future trends, such as the costs to be recognized for the obligation, on the basis of experience. In particular, the level of non-current provisions depends to a large extent on the selection and development of the market-oriented discount rates. The Evonik Group uses different interest rates for different currencies and terms to maturity.

Other provisions T98

	Dec. 31, 2021		Dec. 31, 2022	
in € million	**Total**	thereof non-current	**Total**	thereof non-current
Personnel-related	795	230	586	203
Recultivation and environmental protection	310	264	264	216
Restructuring	57	32	51	35
Sales and procurement	62	4	30	1
Other taxes and interest on taxes	62	26	43	27
Other obligations	263	101	300	60
Other provisions	**1,549**	**657**	**1,274**	**542**

Overall, the other provisions were €275 million lower than in 2021. This was mainly attributable to the development of personnel-related provisions. It is expected that more than half of the total provisions will be utilized in 2023.

Change in other provisions T99

in € million	Personnel-related	Recultivation, environmental protection	Restructuring	Sales, procurement	Other taxes, interest on taxes	Other obligations	Total
As of January 1, 2022	**795**	**310**	**57**	**62**	**62**	**263**	**1,549**
Additions	348	39	29	20	1	134	571
Utilization	–495	–27	–20	–21	–3	–60	–626
Reversal	–21	–4	–12	–26	–17	–41	–121
Unwinding of discounting/interest rate changes	–24	–56	–3	–	–	–4	–87
Reclassification pursuant to IFRS 5	–15	–	–1	–	–	–	–16
Other	–2	2	1	–5	–	8	4
As of December 31, 2022	**586**	**264**	**51**	**30**	**43**	**300**	**1,274**

Personnel-related provisions are established for many different reasons and include bonus payments and variable remuneration, including long-term incentive plans. These are performance-related remuneration plans for Evonik's executives and members of the executive board. The resulting obligations are settled in cash and expensed in accordance with IFRS 2 Share-based Payment (see note 9.3 p. 177 f.). Further personnel-related provisions are established for statutory and in-house early retirement arrangements, lifetime working arrangements, and anniversary bonuses. About half of non-current personnel-related provisions will result in payments after the end of 2027.

Provisions for recultivation and environmental protection are established on the basis of laws, contracts, and regulatory requirements. They cover soil reclamation obligations, water protection, the recultivation of landfills, and site decontamination obligations. Around two-thirds of the non-current provisions will result in payments after the end of 2027.

Restructuring provisions are only established if constructive obligations exist on the basis of a formal, detailed plan, and those affected have been given justifiable expectations that the restructuring will be carried out. Such measures comprise programs that are planned and controlled by the company and will materially alter one of the company's areas of business activity or the way in which a business activity is carried out. Restructuring provisions may only be established for costs that are directly attributable to the restructuring program. They include severance packages, redundancy and early retirement arrangements, expenses for the termination of contracts, dismantling and soil reclamation expenses, rents for unused facilities, and all other shutdown and wind-up expenses. As of the reporting date, this item included provisions for programs to optimize the sales and administrative functions. The non-current portion of all restructuring provisions will be utilized by the end of 2027.

The **provisions for sales and procurement** mainly relate to guarantee obligations and contracts where the unavoidable costs of performing the contractual obligation exceed the expected economic benefits. The non-current portion will be utilized by the end of 2027.

Provisions for other taxes and interest on taxes mainly comprise property tax, value-added tax, and interest obligations relating to all types of taxes. The non-current portion will be almost completely utilized by the end of 2027.

Provisions for other obligations comprise provisions for a variety of obligations that cannot be allocated to the above categories. These include provisions for legal disputes, administrative proceedings or fines, liability risks, guarantee claims relating to divestments, and dismantling obligations. Further, this item includes provisions for legal and consultancy expenses, audit fees, and changes in public law regulations, for example, in connection with European emissions trading. The provisions for other obligations contain €45 million (2021: €8 million) for the obligation to surrender emission allowances. Around three-quarters of the non-current provisions for other obligations will result in payments up to the end of 2027. Expected reimbursements of €21 million (2021: €6 million), where receipt is virtually certain when the obligation is settled, are disclosed in miscellaneous other non-financial assets.

As in the previous year, there were no **provisions relating to relevant legal risks,** which would be allocated to the various categories of provisions based on type.

6.12 Financial liabilities

Financial liabilities T100

in € million	Dec. 31, 2021 Total	Dec. 31, 2021 thereof non-current	Dec. 31, 2022 Total	Dec. 31, 2022 thereof non-current
Trade accounts payable	**2,022**	**–**	**1,735**	**–**
Bonds	2,992	2,992	2,947	2,947
Liabilities to banks	46	7	71	33
Schuldschein loans	–	–	252	250
Loans from non-banks	16	5	12	4
Lease liabilities	590	474	947	811
Liabilities from derivatives	181	4	172	43
Liabilities from rebate and bonus agreements	68	–	57	–
Miscellaneous other financial liabilities	115	49	88	29
Other financial liabilities	**4,008**	**3,531**	**4,546**	**4,117**
Financial liabilities	**6,030**	**3,531**	**6,281**	**4,117**

The bond due in January 2023, which had a nominal value of €750 million, was fully redeemed in October 2022 by exercising a repayment right contained in the bond terms. To refinance this bond, in May 2022, Evonik Industries AG issued a green bond with a nominal value of €750 million and a tenor of 5 years and 4 months. The issue price was 99.386 percent, and the annual coupon is 2.25 percent.

Bonds issued by Evonik Industries AG T101

in € million	Interest coupon in %	Nominal value	Carrying amount Dec. 31, 2021	Carrying amount Dec. 31, 2022	Stock market value Dec. 31, 2021	Stock market value Dec. 31, 2022
Bond 2015/2023[a]	1,000	750	749	–	758	–
Bond 2016/2024	0,375	750	750	750	757	715
Bond 2016/2028	0,750	500	500	500	510	426
Bond 2020/2025	0,625	500	498	457	508	461
Hybrid bond 2021/2081[b]	1,375	500	495	496	498	408
Bond 2022/2027	2,250	750	–	744	–	699
Total		**3,750**	**2,992**	**2,947**	**3,031**	**2,709**

[a] The bond was fully redeemed prematurely in October 2022.
[b] The formal tenor of the bond is 60 years, and Evonik has an initial redemption right in 2026.

In August 2022, **Schuldschein loans** with a nominal value of €250 million and a tenor of three, four, and seven years were issued in several fixed and variable interest tranches.

The accrual of €12 million (2021: €16 million) for payment of the coupon on the bonds is recognized in current **loans from non-banks.**

The **lease liabilities** contain the present value of future lease payments. Further information on lease liabilities can be found in notes 9.2 p. 175 ff. and 9.4 p. 179 ff.

Liabilities from derivatives T102

in € million	Dec. 31, 2021	Dec. 31, 2022
Liabilities from interest rate swaps	–	42
Liabilities from forward exchange contracts, currency options, and currency swaps	121	85
Liabilities from commodity derivatives	60	45
Total	**181**	**172**

The **miscellaneous other financial liabilities** contain liabilities to partners in joint operations totaling €48 million (2021: €50 million).

6.13 Other non-financial liabilities

Other non-financial liabilities T103

	Dec. 31, 2021		**Dec. 31, 2022**	
in € million	**Total**	thereof non-current	**Total**	thereof non-current
Contract liabilities from contracts with customers	210	100	213	111
Deferred income	78	39	47	35
Liabilities relating to other taxes	165	–	269	36
Liabilities to employees	2	–	26	–
Miscellaneous other non-financial liabilities	78	4	128	–
Other non-financial liabilities	**533**	**143**	**683**	**182**

Contract liabilities from contracts with customers mainly result from prepayments received from customers that are declared as distinct performance obligations. Revenues are only recognized when the corresponding performance obligation is satisfied.

Revenue recognition relating to contract liabilities arising from contracts with customers totaling –€194 million (2021: –€114 million) includes contract liabilities of €70 million (2021: €11 million) established in prior years and contract liabilities of €124 million (2021: €103 million) recognized in 2022.

Development of contract liabilities from contracts with customers T104

in € million	2021	**2022**
As of January 1	**177**	**210**
Currency translation	5	2
Additions	183	203
Reclassification	3	–1
Refunds	–44	–7
Revenue recognition	–114	–194
As of December 31	**210**	**213**

The **miscellaneous other non-financial liabilities** mainly comprise liabilities to the public sector and liabilities from insurance contracts.

6.14 Deferred taxes, other income taxes

Deferred tax assets and liabilities are established for temporary valuation and recognition differences between the assets and liabilities recognized in the balance sheets prepared for tax purposes and those prepared in accordance with IFRS. Tax-deductible loss carryforwards that will probably be utilized in the future are capitalized at the amount of the deferred tax asset, taking into account whether they can be carried forward for a limited or unlimited period.

The **recognition of deferred tax assets** at companies with tax-deductible loss carryforwards is based on current planning calculations, which are normally for a five-year period, and the availability of sufficient temporary tax differences. Deferred tax assets are recognized where it is probable that future taxable income will be generated, which can cover these temporary differences. If these expectations are not met, an impairment loss must be recognized in income for the deferred tax assets.

Deferred taxes are calculated on the basis of the tax rates applicable on the date when temporary differences are likely to be reversed. Deferred tax assets and liabilities are netted if the company is permitted to net other income tax assets and liabilities and if the deferred tax assets and liabilities relate to income taxes in the same tax jurisdiction.

Other income taxes for the reporting period and previous periods are recognized on the basis of the expected payment or refund. They are calculated using the company-specific tax rates applicable on the reporting date.

Group companies are liable to pay income tax in many countries around the world. When evaluating global income tax assets and liabilities, there may be some uncertainty relating, in particular, to the interpretation of tax regulations. It cannot be ruled out that the fiscal authorities will take a different view on the correct interpretation of tax regulations. Changes in assumptions regarding the correct interpretation of tax regulations, for example, as a result of changes in legal decisions, are reflected in the recognition of uncertain income tax assets and liabilities for the corresponding fiscal year. Uncertain tax assets and liabilities are recognized as soon as their probability of occurrence is more than 50 percent. Uncertain income tax positions are recognized on the basis of their most likely amount or expected amount, depending on which of these amounts better reflects the situation if the uncertainty materializes.

Deferred taxes and other income taxes reported on the balance sheet T105

in € million	Dec. 31, 2021 Total	Dec. 31, 2021 thereof non-current	Dec. 31, 2022 Total	Dec. 31, 2022 thereof non-current
Deferred tax assets	1,755	1,755	890	890
Other income tax assets	215	16	117	19
Deferred tax liabilities	628	628	661	661
Other income tax liabilities	406	195	435	246

In accordance with IAS 1 Presentation of Financial Statements, the current elements of deferred taxes are reported on the balance sheet under non-current assets and liabilities.

Deferred taxes by balance sheet item T106

in € million	Dec. 31, 2021 Deferred tax assets	Dec. 31, 2021 Deferred tax liabilities	Dec. 31, 2021 thereof recognized in profit or loss	Dec. 31, 2022 Deferred tax assets	Dec. 31, 2022 Deferred tax liabilities	Dec. 31, 2022 thereof recognized in profit or loss
Intangible assets	184	262	–77	178	286	–108
Property, plant and equipment	25	345	–321	35	327	–291
Right-of-use assets	–	148	–148	–	254	–254
Financial assets	901	46	764	921	71	759
Inventories	82	3	79	100	2	99
Other assets	46	24	23	62	38	23
Provisions	1,415	845	–647	606	971	–744
Other liabilities	230	69	160	338	60	275
Special tax allowance reserves (based on local law)	–	38	–38	–	33	–33
Loss carryforwards	39	–	39	41	–	41
Tax credits	1	–	1	1	–	1
Other	2	18	–16	2	13	–11
Deferred taxes (gross)	**2,925**	**1,798**	**–181**	**2,284**	**2,055**	**–243**
Netting	–1,170	–1,170	–	–1,394	–1,394	–
Deferred taxes (net)	**1,755**	**628**	**–181**	**890**	**661**	**–243**

€459 million of the deferred tax assets (2021: €1,286 million) relate to the pension provisions recognized on the balance sheet. Other liabilities of €247 million (2021: €143 million) are deferred tax assets relating to lease liabilities. The deferred tax liabilities recognized in "Other" are mainly deferred taxes relating to subsidiaries.

No deferred tax assets were recognized on **temporary differences** of €80 million (2021: €47 million) because it is not probable that there will be sufficient future taxable income to enable them to be realized. The taxable temporary differences relating to shares in subsidiaries for which no deferred taxes were recognized amounted to €322 million (2021: €268 million). Evonik is in a position to manage the timing of the reversal of temporary differences and reversal is not expected in the foreseeable future.

In addition to **tax loss carryforwards** for which deferred taxes were recognized, there were tax loss carryforwards that were not utilizable and for which no deferred taxes were recognized.

Tax loss carryforwards by expiration date T107

	Corporation taxes (German and foreign)		Local taxes (German and foreign)		Tax credits (foreign)	
in € million	2021	**2022**	2021	**2022**	2021	**2022**
Up to 1 year	19	–	–	–	–	–
More than 1 and up to 5 years	3	9	–	–	–	–
More than 5 and up to 10 years	5	–	–	–	–	–
Unlimited	290	271	107	128	7	7
Total	**317**	**280**	**107**	**128**	**7**	**7**

7. Notes to the cash flow statement

The cash flow statement shows the changes in cash and cash equivalents of the Evonik Group in the reporting period. The cash flows are classified by operating, investing, and financing activities. The net cash flow from discontinued operations that is attributable to third parties is shown separately. The impact of changes in the scope of consolidation has been eliminated.

The **cash flow from operating activities** is calculated using the indirect method. Income before financial result and income taxes, continuing operations, is adjusted for the effects of non-cash income and expenses and items that are allocated to investing or financing activities. Certain other changes in amounts shown on the balance sheet are calculated and added to the result. Cash inflows from dividends are also allocated to the cash flow from operating activities.

The **cash flow from investing activities** is derived from the cash inflows and outflows relating to investment in/divestment of intangible assets, property, plant and equipment, obtaining or losing control over businesses, and investment in/divestment of other shareholdings. Cash inflows and outflows relating to securities, deposits, and loans and cash inflows from interest are also used to calculate the cash flow from investing activities.

The **cash flow from financing activities** is derived from cash inflows and outflows relating to financial liabilities, the purchase and sale of treasury shares, and other cash inflows and outflows in connection with financial transactions. Cash outflows for interest and dividend payments are also included in the cash flow from financing activities.

Cash and cash equivalents include both the cash and cash equivalents shown on the balance sheet and, where applicable, cash and cash equivalents included in assets held for sale. Cash and cash equivalents comprise balances with banks, checks, and cash. This item also includes highly liquid financial instruments with a maturity, calculated as of the date of purchase, of no more than three months, provided that they can be converted into cash and cash equivalents at any time and are only subject to negligible fluctuations in value. They are measured at fair value.

The **cash outflows to obtain control of businesses** recognized in 2022 relate to acquisitions in prior periods. In the previous year, the cash outflows to obtain control of businesses included, among other things, the gross purchase prices for ownership interests in subsidiaries consolidated for the first time. The acquisitions made in 2021 included cash and cash equivalents of €5 million.

The **cash inflows relating to the loss of control over businesses** comprise gross selling prices of €109 million (2021: none) less the transfer of cash and cash equivalents of €12 million (2021: none). They relate to the divestment of the TAA derivatives business and further, smaller sales in fiscal 2022.

Cash inflows/outflows relating to securities, deposits, and loans mainly comprise items with a high rate of turnover, large denominations, and short maturities. They are therefore presented on a net basis.

The following table presents a reconciliation of the **change in liabilities from financing activities** to the cash flows from financing activities presented in the cash flow statement. In addition to financial debt (financial liabilities excluding derivatives and excluding rebate and bonus agreements), the table includes those derivatives that relate to financing.

The column headed "Other cash flows from financing activities" contains cash outflows for interest and other amounts that are contained in the line item "Cash inflows/outflows in connection with financial transactions" in the cash flow statement. The line item "Cash outflows for interest" in the cash flow statement also contains interest payments that are not related to financial debt or derivatives relating to financing.

The column headed "Other" contains both changes in cash flows outside the cash flow from financing activities and other changes in financial debt that have no impact on cash flows, mainly the unwinding of discounting and the capitalization of assets.

Reconciliation to financial debt 2022 T108

		Cash inflows/outflows from financing activities			Changes with no impact on cash flows						
in € million	**As of Jan. 1**	Addition of financial liabilities	Repayment of financial liabilities	Other cash flows from financing activities	Changes in the scope of consolidation	Currency translation	Reclassification pursuant to IFRS 5	Lease liabilities (additions/contract modifications)	Recognized at fair value	Other	**As of Dec. 31**
Bonds	2,992	744	–743	–42	–	–	–	–	–42	38	2,947
Commercial paper	–	555	–555	–	–	–	–	–	–	–	–
Liabilities to banks	46	84	–83	–8	–	–	–	–	–	32	71
Schuldschein loans	–	250	–	–	–	–	–	–	–	2	252
Loans from non-banks	16	–	–1	–	–	–	–	–	–	–3	12
Lease liabilities	590	–	–167	–18	–1	8	–2	516	–	21	947
Miscellaneous other financial liabilities	115	16	–28	–3	–	2	–	–	–	–14	88
Financial debt	**3,759**	**1,649**	**–1,577**	**–71**	**–1**	**10**	**–2**	**516**	**–42**	**76**	**4,317**
Receivables/liabilities from financing-related derivatives	41	–	–	–100	–	–	–	–	105	1	47
Total	**3,800**	**1,649**	**–1,577**	**–171**	**–1**	**10**	**–2**	**516**	**63**	**77**	**4,364**

Reconciliation to financial debt 2021 T109

		Cash inflows/outflows from financing activities			Changes with no impact on cash flows						
in € million	**As of Jan. 1**	Addition of financial liabilities	Repayment of financial liabilities	Other cash flows from financing activities	Changes in the scope of consolidation	Currency translation	Reclassification pursuant to IFRS 5	Lease liabilities (additions/contract modifications)	Recognized at fair value	Other	**As of Dec. 31**
Bonds	2,986	495	−493	−47	–	–	–	–	–	51	2,992
Commercial paper	45	–	−45	–	–	–	–	–	–	–	–
Liabilities to banks	142	129	−238	−6	1	−2	–	–	–	20	46
Schuldschein loans	–	–	–	–	–	–	–	–	–	–	–
Loans from non-banks	12	5	−6	−1	1	–	–	–	–	5	16
Lease liabilities	653	–	−141	−14	3	11	–	63	–	15	590
Miscellaneous other financial liabilities	94	26	−25	−2	–	5	–	–	–	17	115
Financial debt	**3,932**	**655**	**−948**	**−70**	**5**	**14**	**–**	**63**	**–**	**108**	**3,759**
Receivables/liabilities from financing-related derivatives	−87	–	–	84	–	–	–	–	41	3	41
Total	**3,845**	**655**	**−948**	**14**	**5**	**14**	**–**	**63**	**41**	**111**	**3,800**

8. Notes to the segment report

8.1 Reporting based on operating segments

The reporting based on operating segments reflects the internal reporting and management structure of the Evonik Group (management approach). The external financial reporting standards are applied, see note 3 p. 130 ff., together with the accounting policies described in the other notes, with the exception of intragroup leasing transactions, which are still recognized by the segments as income or expense.

The executive board of Evonik Industries AG decides on the allocation of resources and evaluates the earnings power of the Evonik Group's operations on the basis of the following **reporting segments,** which reflect the core operating business (subsequently referred to as divisions or segments):

- Specialty Additives
- Nutrition & Care
- Smart Materials
- Performance Materials
- Technology & Infrastructure.

The **Specialty Additives** division combines high-performance additives based on versatile silicones and the crosslinkers business. An important part of this business comprises specialty additives and system solutions for high-quality consumer goods and specialized industrial applications. Among other things, they help make coatings tougher and more sustainable and improve automotive and industrial lubricants. Key success factors are high innovative capability, integrated technology platforms, and strategic partnerships. Specialty Additives has an excellent knowledge of interfacial chemistry for industrial applications and, above all, formulation expertise for customer-specific applications that improve the performance of products for the coatings, mobility, infrastructure, and consumer goods markets. This division's specialties therefore improve the quality, durability, and energy-saving performance of end-products.

The objective of the **Nutrition & Care** division is to improve health and quality of life. Its end-markets are personal care, cosmetics, medical products, systems for the release of pharmaceutical active ingredients, and sustainable animal nutrition and livestock farming concepts. The strength of the Nutrition & Care division is the shared use of technology platforms such as biotechnology, particle design, and highly complex chemical syntheses. On this basis, Nutrition & Care develops excellent active ingredients for custom-tailored system solutions in collaboration with its customers. The precondition for this is an in-depth understanding of complex systems such as human skin, the gut, and the human body. System solutions from Nutrition & Care are created by combining high-performance active ingredients with formulating and applications expertise. Close and intensive customer relationships and a knowledge of the entire value chain guarantee the innovative capability of the Nutrition & Care division.

The **Smart Materials** division includes business with innovative materials that enable resource-saving solutions and replace conventional materials. It continuously refines its products and finds custom-tailored solutions to meet its customers' needs, with a focus on improving resource efficiency and sustainability. Smart Materials relies on strong technology platforms: inorganic materials with innovative properties such as silica, silanes, peroxides, and specialty catalysts, high-tech polymers such as polyamide 12, polyimide, specialty polybutadiene, polyester, and their compounds, composites, formulations for 3D printing inks, and membranes. In this way, Smart Materials helps people lead a better and more sustainable life. Thanks to its unique combination of innovative capability, responsibility, and proximity to customers, this division is exploring new routes to a smart and sustainable future, together with its customers and partners.

The high-volume businesses in our **Performance Materials** division have many things in common: long-term customer relationships characterized by strong loyalty based on quality, efficiency, and reliability, and lean organizational structures geared to continuous process optimization. This division mainly produces intermediates for automotive applications, flooring, biodiesel, and hygiene applications. It works to safeguard the future of its businesses by stepping up its focus on attractive end-markets, developing its integrated structures and technologies, and increasing the proportion of specialties. Other focal areas are selected sustainability activities such as reducing CO_2 and the use of biogenic raw materials. The division's main products include butene-1, DINP, isononanol, cyanuric chloride, alkoxides, and superabsorbents, which rank among the market leaders in many areas.

The **Technology & Infrastructure** division bundles expertise in chemical production and is a driver of production-related innovation and digitalization. This division offers all services required throughout the entire life cycle of chemical production facilities, from process development through construction, operation, and maintenance to dismantling. It supplies energy and other media to chemical production plants and manages integrated structures along the supply chain as well as the logistics network and the sites.

Various activities of the Evonik Group are reported in **enabling functions, other activities, consolidation.** Business activities that cannot be allocated to any of the reporting segments are recognized as other activities. Enabling functions and consolidation comprise the functions that support the executive board and the operating divisions and intersegment consolidation effects. The enabling functions provide services such as strategy, innovation, sustainability, finance, IT, central procurement, legal, human resources, communication, and internal reinsurance for the Evonik Group.

Composition of enabling functions, other activities, consolidation T110

	Other activities		Enabling functions, consolidation		Enabling functions, other activities, consolidation	
in € million	2021	2022	2021	2022	2021	2022
External sales	22	21	39	45	61	66
Internal sales	4	4	−1,723	−2,021	−1,719	−2,017
Total sales	26	25	−1,684	−1,976	−1,658	−1,951
Adjusted EBITDA	−27	−43	−291	−269	−318	−312
Adjusted EBIT	−42	−57	−359	−339	−401	−396
Capital employed (annual average)	−67	−76	132	158	65	82
Depreciation and amortization	−15	−13	−68	−69	−83	−82
Impairment losses/reversal of impairment losses pursuant to IAS 36	–	–	–	−2	–	−2
Capital expenditures	1	1	66	60	67	61
Financial investments	–	1	18	27	18	28
No. of employees as of December 31	–	–	6,000	6,186	6,000	6,186

8.2 Reporting based on regions

For this purpose, countries and country groups are aggregated into regions. The reporting based on regions is outlined in more detail in note 8.3 p. 172 ff.

8.3 Notes to the segment data

External sales reflect the segments’ sales with parties outside the Evonik Group. Sales generated between the segments are internal sales and are cross-charged at market prices or using the cost-plus method.

Reconciliation of the sales of all reporting segments to Group sales T111

in € million	2021	2022
Sales, reporting segments	16,613	20,439
Total sales, other activities	26	25
Enabling functions, consolidation, less discontinued operations	−1,684	−1,976
External sales of the Evonik Group	**14,955**	**18,488**

External sales by country (location of customer) T112

in € million	2021	2022
USA	3,049	3,800
Germany	2,469	2,904
China	1,301	1,397
Switzerland	743	798
Netherlands	623	772
Brazil	422	594
Luxembourg	73	565
UK	410	531
Japan	508	524
France	422	500
Other countries	4,935	6,103
External sales of the Evonik Group	**14,955**	**18,488**

The **result from investments recognized at equity** corresponds to the result for these investments as reported in the income statement; see note 5.4 p. 140.

The executive board of Evonik Industries AG uses **adjusted EBITDA** as the main parameter to measure operating performance. Adjusted EBITDA is the main earnings parameter that can be influenced by the segment management. It comprises earnings before financial result, income taxes, adjusted for depreciation, amortization, and impairment losses/reversal of impairment losses not already included in the adjustments.

Reconciliation from adjusted EBITDA of the reporting segments to income before income taxes, continuing operations T113

in € million	2021	2022
Adjusted EBITDA, reporting segments	2,701	2,802
Adjusted EBITDA, other activities	–27	–43
Adjusted EBITDA enabling functions, consolidation, less discontinued operations	–291	–269
Adjusted EBITDA	**2,383**	**2,490**
Depreciation and amortization	–1,023	–1,100
Impairment losses/reversal of impairment losses	–57	–465
Depreciation, amortization, impairment losses/reversal of impairment losses included in adjustments	35	425
Adjusted depreciation, amortization, and impairment losses	–1,045	–1,140
Adjusted EBIT	**1,338**	**1,350**
Adjustments	–165	–408
Financial result	–88	–19
Income before income taxes, continuing operations	**1,085**	**923**

The **adjusted EBITDA margin** is the ratio of adjusted EBITDA to external sales.

Adjusted EBIT comprises earnings before financial result and income taxes, after adjustments. It is used to calculate the internal management parameter return on capital employed (ROCE).

The **adjustments** include income and expense items that, due to their nature or amount, are not attributable to the typical operating business.

Adjustments 2022 T114

in € million	Cost of sales	Selling expenses	Administrative expenses	Other operating income	Other operating expense	Result from investments recognized at equity	Total
Restructuring	–82	1	–24	–	–10	–	–115
Impairment losses/reversal of impairment losses	–33	–	–	–	–301	–	–334
Acquisition/divestment of shareholdings	–2	–	–	54	–12	–	40
Other	22	–	–	5	–26	–	1
Adjustments	**–95**	**1**	**–24**	**59**	**–349**	**–**	**–408**

Adjustments 2021 T115

in € million	Cost of sales	Selling expenses	Administrative expenses	Other operating income	Other operating expense	Result from investments recognized at equity	Total
Restructuring	–11	–3	–7	1	–	–	–20
Impairment losses/reversal of impairment losses	–27	–	–	–	–	–	–27
Acquisition/divestment of shareholdings	–6	–	1	–	–8	–	–13
Other	–35	–	–	21	–88	–3	–105
Adjustments	**–79**	**–3**	**–6**	**22**	**–96**	**–3**	**–165**

Capital employed comprises the net assets required by the reporting segments for their operations and is allocated among the reporting segments using uniform group-wide rules. It is calculated by determining the total of intangible assets, property, plant and equipment, investments, inventories, trade accounts receivable, and other non-interest-bearing assets. The sum of interest-free provisions, trade accounts payable, and other interest-free liabilities is then deducted from this.

Reconciliation to capital employed

T116

in € million	Amounts recognized on the balance sheet	Capital employed		Amounts recognized on the balance sheet	Capital employed	
	Dec. 31, 2021	Dec. 31, 2021	Average 2021	**Dec. 31, 2022**	**Dec. 31, 2022**	**Average 2022**
Goodwill	4,785	4,785	4,659	4,568	4,568	4,847
Other intangible assets	1,260	1,260	1,298	1,142	1,142	1,223
Property, plant and equipment	6,963	6,963	6,707	6,962	6,962	7,042
Right-of-use assets	608	608	640	972	972	768
Investments recognized at equity	81	81	79	88	88	83
Other financial assets	1,152	74	52	1,022	108	88
Deferred taxes	1,755	–	–	890	–	–
Other income tax assets	215	–	–	117	–	–
Other non-financial assets	507	506	446	610	608	603
Inventories	2,548	2,548	2,170	2,820	2,820	2,992
Trade accounts receivable	1,954	1,954	1,761	1,898	1,898	2,201
Cash and cash equivalents	456	–	–	645	–	–
Assets held for sale	–	–	–	76	74	32
Total assets	**22,284**	**18,779**	**17,812**	**21,810**	**19,240**	**19,879**
Provisions for pensions and other post-employment benefits	−3,766	–	–	−1,359	–	–
Other provisions	−1,549	−892	−773	−1,274	−732	−801
Other financial liabilities	−4,008	−185	−95	−4,546	−137	−195
Deferred taxes	−628	–	–	−661	–	–
Other income tax liabilities	−406	–	–	−435	–	–
Other non-financial liabilities	−533	−532	−573	−683	−683	−665
Trade accounts payable	−2,022	−2,022	−1,572	−1,735	−1,735	−2,017
Liabilities associated with assets held for sale	–	–	–	−61	−37	−9
Total liabilities	**−12,912**	**−3,631**	**−3,013**	**−10,754**	**−3,324**	**−3,687**
Capital employed		**15,148**	**14,799**		**15,916**	**16,192**

The **return on capital employed (ROCE)** is another internal management parameter used by the Evonik Group. ROCE is calculated from the ratio of adjusted EBIT to capital employed. To smooth the closing date effect, the calculation uses average capital employed in the reporting period.

Depreciation and amortization relate to the depletion in the value of intangible assets, property, plant and equipment, and right-of-use assets over their estimated useful life.

Impairment losses/reversal of impairment losses pursuant to IAS 36 reflect unplanned changes in the carrying amounts of intangible assets, property, plant and equipment, and right-of-use assets.

Capital expenditures comprise additions to intangible assets (excluding goodwill from capital consolidation), property, plant and equipment in the reporting period. Additions resulting from changes in the scope of consolidation are not taken into account. Capital expenditures by region are based on the location of the subsidiaries.

Additions to investments recognized at equity, other investments, non-current loans, and non-current securities and similar claims made in the reporting period are recognized as **financial investments.** The acquisition of subsidiaries is shown as an addition to financial investments in the year of acquisition (including goodwill from capital consolidation).

The **headcount** is taken on the reporting date. It shows the number of employees. Part-time employees are included as absolute figures. The headcount by region is based on the location of the subsidiaries.

Goodwill, other intangible assets, property, plant and equipment, right-of-use assets, investments recognized at equity, and non-current other non-financial assets are segmented by the location of the subsidiaries. Together, these assets comprise the **non-current assets in accordance with IFRS 8** Operating Segments.

Breakdown of non-current assets by country T117

in € million	Dec. 31, 2021	Dec. 31, 2022
Germany	5,562	5,749
USA	4,096	4,214
Singapore	995	969
Belgium	697	667
China	560	476
Other countries	1,912	1,721
Non-current assets	**13,822**	**13,796**

9. Other disclosures

9.1 Capitalized borrowing costs

Borrowing costs of €10 million (2021: €9 million) that could be allocated directly to the acquisition, construction, or production of a qualifying asset were capitalized. The average underlying cost of financing was 1.2 percent, as in 2021.

9.2 Additional information on leases

A lease comprises an agreement that transfers the right to use an asset for a certain period in return for one or more payments. As a lessee, the Evonik Group mainly leases assets required for business operations (see also note 6.3 p. 149 f.).

IFRS 16 Leases specifies that, in principle, **lessees** must recognize all leases on the balance sheet at present value in the form of a right-of-use asset and a lease liability. The right-of-use asset is normally depreciated over the term of the lease using the straight-line method and the carrying amount of the lease liability is increased at amortized costs using the effective interest method. The right-of-use asset is subject to an impairment test pursuant to IAS 36.

The incremental borrowing rate is normally used to determine the present value of lease liabilities and the subsequent addition of accrued interest. The incremental borrowing rate is based on discount rates, taking into account the contract currency, lease term, the creditworthiness of the lessee, and, depending on the classification of the right-of-use, the economic circumstances of the lease. The lease liabilities are recognized in other financial liabilities.

As lessee, Evonik applies the practical expedients for short-term leases and leases for low-value assets. These are not recognized on the balance sheet in accordance with IFRS 16; instead, lease expense is still recognized in the income statement (IFRS 16.5). Furthermore, Evonik does not apply the standard to leases for intangible assets (IFRS 16.4).

In addition, for the following classes of assets, lease and non-lease components are combined (IFRS 16.15): power plants, ships, and storage tanks.

Lessors are still required to classify leases as finance or operating leases, based on the ratio of the opportunities and risks transferred.

In the case of finance leases, the underlying asset is derecognized from the balance sheet and a finance lease receivable is recognized.

In the case of operating leases, the underlying asset is still recognized on the balance sheet, and the lease payments received are recognized in the income statement as revenue from operating leases.

Amounts recognized for lessee transactions T118

in € million	2021	2022
Right-of-use assets as of December 31[a]	608	972
Lease liabilities as of December 31[b]	590	947
Depreciation and impairment losses[a]	141	151
Interest expense	14	17
Expenses for short-term leases	12	17
Expenses for leases for assets of low value	3	3
Expenses for variable lease payments based on use	7	3
Revenue from subleasing	9	9
Total cash outflows for leases	176	204

[a] See note 6.3 p. 149 f.
[b] See notes 6.12 p. 165 and 9.4 p. 179 ff.

As **lessee,** Evonik rents and leases assets required for its operations. Most of these are peripheral to production or, as in the case of administrative buildings, for example, have only a slight connection with production. The material right-of-use assets relate to land and land rights (14 percent), buildings (14 percent), power plants (35 percent), and storage tanks (20 percent). For information on lease terms, see note 6.3 p. 149 f.

As lessee, Evonik recognizes lease payments that are reasonably certain on the balance sheet as lease liabilities. In addition, there may be further cash outflows for leases where recognition on the balance sheet is not permitted, for example, variable lease payments based on use, payments for pending lease contracts, and extension options, where it is not reasonably certain that they will be exercised.

In the Evonik Group, variable lease payments based on use are not material.

As of December 31, 2022, Evonik did not have any material pending lease contracts that had already been signed but will only be recognized for the first time after the reporting date. The material pending lease contracts in the previous year related to the leasing of new gas and steam turbine power plants and a warehouse facility. Around €348 million was capitalized for these leases in 2021.

Some leases contain extension and/or termination options. These give Evonik the flexibility to adjust its lease portfolio to changing business requirements. There is considerable discretion involved in assessing the probability of exercise of such options. Considering all facts and circumstances, Evonik only regards the options as exercisable if there is a high probability that they will be exercised. Exercise of the options is reassessed if the facts and circumstances change. Until then, Evonik regards the liability recognized on the balance sheet as the best indicator of future cash outflows. For a detailed presentation of cash outflows for leases, see note 9.4.4 p. 189 ff.

Evonik does not have any material off-balance-sheet residual value guarantees that could result in possible cash outflows in the future.

Furthermore, there are no clauses in lease agreements that impose restrictions on Evonik or require it to achieve certain financial covenants.

There are no material sale-and-leaseback transactions.

As **lessor,** Evonik is not exposed to any residual risks relating to the assets underlying finance leases.

Amounts recognized for lessor transactions T119

in € million	2021	2022
Assets under operating leases	18	16
Receivables from finance leases[a]	–	–
Revenue (operating leases)	18	16
thereof revenue from variable lease payments that are based on usage of the leased asset	1	1

[a] See notes 6.6 p. 154 and 9.4 p. 179 ff.

Maturity structure of future lease payments (lessor; operating leases) T120

in € million	2021	2022
Due within 1 year	13	12
Due in more than 1 and up to 2 years	7	7
Due in more than 2 and up to 3 years	6	6
Due in more than 3 and up to 4 years	5	5
Due in more than 4 and up to 5 years	4	4
Due in more than 5 years	136	119
Total	**171**	**153**

9.3 Performance-related remuneration

Evonik's remuneration system comprises a basic salary, annual short-term incentive payments and, as a long-term component, the long-term incentive (LTI) plans for members of the executive board and other executives.

It comprises share-based payments with cash settlement. The plans are valued on the reporting date using a Monte Carlo simulation, which models exercise patterns. The LTI plans result in personnel expense, which is distributed over the term of each tranche.

Performance is measured by the absolute performance of Evonik's share price and its performance relative to the MSCI World Chemicals Index^{SM}. Based on the contractually agreed target amount, which is defined in euros, a number of virtual shares is calculated using the share price at the start of the performance period. This is based on the price on the last 60 trading days before the start of the performance period. The performance period starts on January 1 of the grant year and runs for four years. At the end of the performance period, the starting price of Evonik shares is viewed against the average share price at the end of the performance period. This is compared with the performance of the benchmark index (total shareholder return). If the relative performance is below 70 percentage points, the relative performance factor is deemed to be zero. If the relative performance is above 130 percentage points, the performance factor is set at 130. The payment is calculated by multiplying the relative performance by the number of virtual shares allocated and the average price of Evonik shares at the end of the performance period.

For LTI tranches up to and including 2018, there is a one-time option to extend the tranche for a further year at the end of the performance period. Partial exercise at the end of the original performance period is not permitted. The upper limit for these payments is set at 300 percent of the individual target amount.

Since 2019, the intrinsic value of the LTI has no longer been measured at the end of the performance period; instead, it is measured at the end of each year in the four-year performance period. In line with previous practice, the starting price of Evonik shares is viewed against the average share price at the end of each year of the performance period, plus any dividends per share actually paid in this period. This is then compared with the performance of the benchmark index (total shareholder return). At the end of the performance period, the overall performance is calculated as the average of the performance in each year. There is no longer an option to extend the performance period.

For exercise periods from 2023, the supervisory board of Evonik Industries AG has decided to set the relative performance threshold for the executive board of Evonik Industries AG and Evonik Group executives at 0 percent instead of 70 percent, as permitted by the remuneration system. Without this adjustment, the value of the 2018 tranche would be reduced to zero; there would also be a significant loss of value of the tranches 2019 through 2022. Consequently, the remuneration of the executive board members and other executives could not be commensurate with their tasks and performance.

LTI plan for executive board members—Tranches 2017 through 2022 T121

		2017 tranche	2018 tranche	2019 tranche	2020 tranche	2021 tranche	2022 tranche
Grant date		Jun. 7, 2017	May 15, 2018	Jul. 2, 2019	May 27, 2020	May 10, 2021	May 16, 2022
No. of virtual shares granted		108,283	119,846	181,784	184,232	192,627	167,266
No. of virtual shares forfeited		108,283	–	–	–	–	–
No. of virtual shares exercised		–	–	–	–	–	–
No. of virtual shares as of December 31, 2022		–	119,846	181,784	184,232	192,627	167,266
Performance period	From—to	Jan. 1, 2017—Dec. 31, 2021[a]	Jan. 1, 2018—Dec. 31, 2022[a]	Jan. 1, 2019—Dec. 31, 2022	Jan. 1, 2020—Dec. 31, 2023	Jan. 1, 2020—Dec. 31, 2024	Jan. 1, 2022—Dec. 31, 2025
Expense (+)/income (–) for the period	in €'000	–	1,080	1,388	456	383	553
Carrying amount of provision	in €'000	–	1,080	3,092	2,229	1,550	553

[a] Extension option utilized in some cases.

LTI plan for executives—Tranches 2017 to 2022 T122

		2017 tranche	2018 tranche	2019 tranche	2020 tranche	2021 tranche	2022 tranche
Grant date		Jun. 6, 2017	May 11, 2018	Jul. 2, 2019	May 25, 2020	May 6, 2021	May 11, 2022
No. of virtual shares granted		523,169	460,694	532,476	476,182	489,032	420,342
No. of virtual shares forfeited		523,169	73,612	50,041	4,952	4,142	–
No. of virtual shares exercised		–	–	–	–	–	–
No. of virtual shares as of December 31, 2022		–	387,082	482,435	471,230	484,890	420,342
Performance period	From—to	Jan. 1, 2017—Dec. 31, 2021[a]	Jan. 1, 2018—Dec. 31, 2022[a]	Jan. 1, 2019—Dec. 31, 2022	Jan. 1, 2020—Dec. 31, 2023	Jan. 1, 2021—Dec. 31, 2024	Jan. 1, 2022—Dec. 31, 2025
Expense (+)/income (–) for the period	in €'000	–	3,488	3,665	1,139	939	1,390
Carrying amount of provision	in €'000	–	3,488	8,206	5,701	3,901	1,390

[a] Extension option utilized in some cases.

As of December 31, 2022, total provisions for share-based payment amounted to €31.2 million (2021: €16.7 million). In 2022, the total expense for share-based payment was €14.5 million (2021: €0.9 million).

9.4 Additional information on financial instruments

Derivative and non-derivative financial instruments comprise contractually agreed rights and obligations resulting in an inflow or outflow of financial assets or the issue of equity instruments. Derivative financial instruments are used to hedge the risk of changes in exchange rates, the price of commodities, and interest rates. Derivatives are recognized on the balance sheet either on a stand-alone basis or as part of a hedging relationship with the corresponding hedged items (hedge accounting). While all financial derivatives are part of an economic hedging relationship, hedge accounting is only applied to a portion of these hedging relationships (see note 9.4.4 p. 189 ff.).

Non-derivative financial assets are **initially recognized** at the settlement date, while derivatives are recognized on the trading date.

Financial assets are **derecognized** when the contractual rights to receive payments lapse or are transferred, and Evonik has transferred substantially all opportunities and risks associated with ownership. Financial liabilities are derecognized when the obligation has been settled or canceled or has expired.

Financial instruments are **initially measured** at fair value plus any directly attributable transaction costs. As an exception to this, trade accounts receivable without significant financing components are measured at the transaction price in accordance with the provisions of IFRS 15. Transaction costs for financial instruments assigned to the category at fair value through profit or loss are recognized directly in the income statement.

The **fair value** is the amount that would be received or paid for the sale of a financial asset or the transfer of a financial liability in an orderly transaction between market participants at the measurement date. It is therefore an exit price based on a hypothetical transaction on the measurement date. The fair value is determined on the basis of the three-level hierarchy set out in IFRS 13. Where available, it is determined from the quoted prices for identical financial assets or liabilities in an active market without adjustment (level 1). If such data are not available, measurement based on directly or indirectly observable inputs is used (level 2). In all other cases, valuation methods that are not based on observable market data are used (level 3). Where input factors from different levels are used, the level applicable for the lowest material input factor is determined, and the overall fair value is assigned to this level. If there are indications on initial recognition of a financial instrument that the fair value does not correspond to the transaction price and, for subsequent measurement, not all input factors are observable, the day one gain or loss between fair value and the transaction price for the financial instrument is accrued because it does not form part of the fair value. The accrued amount is released to profit or loss over the contract term. The day one gain or loss is recognized on the balance sheet together with the associated financial instrument.

Subsequent measurement of financial instruments is based on their **valuation category. Financial assets** are allocated to the categories on the basis of the business model used by the company to manage the respective financial assets and the characteristics of the contractual cash flows from the financial instrument. The category **at amortized cost** comprises financial assets whose contractual terms solely comprise cash flows that are payments of principal and interest on the principal amount outstanding and that are held within a "hold" business model. These financial assets are measured using the effective interest rate method and are subject to the impairment rules for expected credit losses. The category **at fair value through OCI** contains debt instruments that are allocated to the business model "held for sale" and have been irrevocably designated in this category on a voluntary basis. While the amounts recognized in other comprehensive income for debt instruments in this category are reclassified to profit or loss when the financial instruments are disposed of, the equity instruments in this category are not reclassified. The category **at fair value through profit or loss** contains those financial instruments whose contractual terms do not solely comprise cash flows from payments of principal and interest on the principal amount outstanding and debt instruments that are allocated to the business model "hold" or "held for sale". This category also includes assets resulting from stand-alone derivatives.

If the business model for financial assets is altered, they are **reclassified** prospectively to the appropriate valuation category. The effect of reclassification on the balance sheet and statement of comprehensive income depends on the valuation categories affected.

Non-derivative **financial liabilities** are allocated to the category **at amortized cost** and are measured using the effective interest method.

By contrast, financial liabilities from stand-alone derivatives are allocated to the category **at fair value through profit or loss.**

Voluntary designation at fair value through profit or loss **(fair value option)** is not currently used for either financial assets or financial liabilities.

Exemptions from the allocation of financial instruments to the IFRS 9 categories apply in the following cases: Derivatives included in hedge accounting are **not allocated to any of the valuation categories.** They are carried at fair value. However, the treatment of changes in their fair value is based on the special rules for hedge accounting in IFRS 9. Receivables from finance leases, which are recognized in miscellaneous other financial assets, and lease liabilities, which are recognized in other financial liabilities, are not allocated to any category because **measurement is outside the scope of IFRS 9.** They are measured in accordance with IFRS 16. Also outside the scope of IFRS 9 are liabilities from rebate and bonus agreements, which have to be measured in accordance with IFRS 15 and recognized in other financial liabilities, and ownership interests in non-consolidated subsidiaries that are—individually and in aggregate—immaterial and are measured at cost.

The **notional value** of interest rate swaps is the principal on which the swap agreement is based, while the notional value of the cross-currency interest rate swaps, forward exchange contracts, currency options, and currency swaps is the hedged foreign exchange amount translated into euros. The notional value of the commodity derivatives is the hedged procurement cost translated into euros.

9.4.1 Disclosures on the carrying amounts and fair values of financial instruments

Carrying amounts and fair values of financial assets as of December 31, 2022 T123

	Carrying amounts by IFRS 9 valuation category						
in € million	At fair value through OCI	At amortized cost	At fair value through profit or loss	Not allocated to any category	Not measured in accordance with IFRS 9	**Carrying amount**	Fair value IFRS 9 categories
Trade accounts receivable	**–**	**1,898**	**–**	**–**	**–**	**1,898**	**1,898**
Cash and cash equivalents	**–**	**645**	**–**	**–**	**–**	**645**	**645**
Other investments	326	–	–	–	21	347	326
Loans	–	51	6	–	–	57	57
Securities and similar claims	–	–	462	–	–	462	462
Receivables from derivatives	–	–	126	22	−59	89	148
Miscellaneous other financial assets	–	67	–	–	–	67	67
Other financial assets	**326**	**118**	**594**	**22**	**−38**	**1,022**	**1,060**
Financial assets	**326**	**2,661**	**594**	**22**	**−38**	**3,565**	**3,603**

Carrying amounts and fair values of financial assets as of December 31, 2021 T124

in € million	Carrying amounts by IFRS 9 valuation category: At fair value through OCI	At amortized cost	At fair value through profit or loss	Not allocated to any category	Not measured in accordance with IFRS 9	**Carrying amount**	Fair value IFRS 9 categories
Trade accounts receivable	**29**	**1,925**	**–**	**–**	**–**	**1,954**	**1,954**
Cash and cash equivalents	**–**	**456**	**–**	**–**	**–**	**456**	**456**
Other investments	502	–	–	–	13	515	502
Loans	–	39	12	–	–	51	51
Securities and similar claims	–	–	489	–	–	489	489
Receivables from derivatives	–	–	66	4	–	70	70
Miscellaneous other financial assets	–	27	–	–	–	27	27
Other financial assets	**502**	**66**	**567**	**4**	**13**	**1,152**	**1,139**
Financial assets	**531**	**2,447**	**567**	**4**	**13**	**3,562**	**3,549**

The column “at fair value through OCI” contains both debt instruments, where the amounts recognized in OCI are subsequently reclassified, and equity instruments, where amounts are not reclassified.

In the previous year, the debt instruments were bank acceptance drafts that were used as a means of payment in China and which Evonik either held to maturity or sold to a bank at a discount before they matured. In view of the operational nature of these financial instruments, we recognized them in trade accounts receivable. In February 2022, it was decided that bank acceptance drafts would always be held to maturity. Therefore, recognition in the valuation category “at amortized cost” is appropriate from this date. The carrying amount at the date of reclassification was €35 million.

For receivables from derivatives, the category “not measured in accordance with IFRS 9” is used for the day one gain or loss relating to a power purchase agreement (PPA). As of the date of conclusion, the fair value of the PPA determined using a valuation model (level 3) was €59 million above the transaction value. This day one gain is recognized on the balance sheet in financial assets, together with the fair value, and released to other operating income on a straight-line basis over the term of the agreement. Subsequent measurement of the fair value using the valuation model is recognized in either other operating income or other operating expense, depending on the change in value.

Carrying amounts and fair values of financial liabilities as of December 31, 2022 T125

in € million	Carrying amounts by IFRS 9 valuation category: At fair value through profit or loss	At amortized cost	Not allocated to any category	Not measured in accordance with IFRS 9	Carrying amount	Fair value IFRS 9 categories
Trade accounts payable	**–**	**1,735**	**–**	**–**	**1,735**	**1,735**
Bonds	–	2,947	–	–	2,947	2,709
Liabilities to banks	–	71	–	–	71	67
Schuldschein loans	–	252	–	–	252	247
Loans from non-banks	–	12	–	–	12	12
Lease liabilities	–	–	–	947	947	–
Liabilities from derivatives	64	–	108	–	172	172
Liabilities from rebate and bonus agreements	–	–	–	57	57	–
Miscellaneous other financial liabilities	–	88	–	–	88	88
Other financial liabilities	**64**	**3,370**	**108**	**1,004**	**4,546**	**3,295**
Financial liabilities	**64**	**5,105**	**108**	**1,004**	**6,281**	**5,030**

Carrying amounts and fair values of financial liabilities as of December 31, 2021 T126

in € million	Carrying amounts by IFRS 9 valuation category: At fair value through profit or loss	At amortized cost	Not allocated to any category	Not measured in accordance with IFRS 9	Carrying amount	Fair value IFRS 9 categories
Trade accounts payable	**–**	**2,022**	**–**	**–**	**2,022**	**2,022**
Bonds	–	2,992	–	–	2,992	3,031
Liabilities to banks	–	46	–	–	46	47
Schuldschein loans	–	–	–	–	–	–
Loans from non-banks	–	16	–	–	16	16
Lease liabilities	–	–	–	590	590	–
Liabilities from derivatives	124	–	57	–	181	181
Liabilities from rebate and bonus agreements	–	–	–	68	68	–
Miscellaneous other financial liabilities	–	115	–	–	115	113
Other financial liabilities	**124**	**3,169**	**57**	**658**	**4,008**	**3,388**
Financial liabilities	**124**	**5,191**	**57**	**658**	**6,030**	**5,410**

Financial instruments recognized at fair value are allocated to the levels in the fair value hierarchy.

Financial instruments recognized at fair value T127

in € million	Level	Description	Valuation method	Material non-observable inputs	2021	2022
Trade accounts receivable	Level 3	Bank acceptance drafts	Discount on the nominal value of the respective transaction	Discount rate	29	–
Other investments	Level 1	Borussia Dortmund GmbH & Co. KGaA	Present stock market price	–	39	34
	Level 1	Other listed equity instruments	Present stock market price	–	–	2
	Level 3	Vivawest GmbH	Discounted cash flow method (see below)	Cost of capital and growth	408	219
	Level 3	Unlisted equity instruments	Observable prices from equity refinancing, and discounted cash flow and multiples methods	Cost of capital and growth-adjusted market multipliers	55	71
Loans	Level 3	Convertible bonds	Nominal value of the bonds; where material, a conversion right is taken into account	Quoted market price	12	6
Securities and similar claims	Level 1	Short-term money market instruments	Present stock market price	–	446	413
	Level 3	Unlisted investment funds	Net asset values provided by investment fund companies, which are determined using internationally recognized valuation guidelines	Cost of capital and growth Market multipliers Cash flow forecasts	43	49
Receivables from derivatives	Level 2	Currency and commodity derivatives	Discounted cash flow method based on exchange rates at the European Central Bank, observable yield structure curves, exchange rate volatilities, commodity prices, and credit default premiums	–	70	74
	Level 3	Commodity derivatives	Discounted cash flow method based on future commodity price trends	Development of energy prices Volume assessments Quality factors	–	74
Liabilities from derivatives	Level 2	Currency and commodity derivatives	Discounted cash flow method based on exchange rates at the European Central Bank, observable yield structure curves, exchange rate volatilities, commodity prices, and credit default premiums	–	−181	−172

Prior-year figures restated.

For the shares in **Borussia Dortmund GmbH & Co. KGaA,** a rise or fall of 10 percent in the share price would result in an increase or decrease in the other equity components of €3 million (2021: €4 million).

For the 7.5 percent shareholding in **Vivawest GmbH,** an increase in the cost of capital accompanied by a drop in sales growth of 10 percent in each case would reduce the fair value by €168 million (2021: €176 million). A reduction in the cost of capital accompanied by an increase in sales growth of 10 percent in each case would increase the fair value by €250 million (2021: €349 million).

The other **unlisted equity instruments** comprise a mid-double-digit number of investments whose individual fair values are immaterial in a range of €0 million to €8 million. €65 million of this amount (2021: €45 million) comprises equity investments resulting from venture capital activities.

A 10 percent relative change in the key valuation parameters (segment-specific cost of capital, sustained dividend expectations, EBITDA multiple) does not result in a material change in the fair values. There is no intention of selling these investments.

Similarly, a 10 percent relative change in the input factors for the **convertible bonds,** the **unlisted investment funds,** and the **trade accounts receivable** does not result in a material change in the fair values.

The stock market listing of an investment resulted in transfer of the fair value from level 3 to level 1.

Fair value of level 3: Reconciliation from the opening to the closing balances T128

in € million	Other investments	Loans	Securities and similar claims	Trade accounts receivable	Receivables from derivatives	Total
As of January 1, 2021	**507**	**12**	**28**	**–**	**–**	**547**
Additions/disposals	8	–	2	29	–	39
Recognized in other comprehensive income for the period	–52	–	–	–	–	–52
Recognized in other financial income/expense for the period	–	–	13	–	–	13
As of December 31, 2021	**463**	**12**	**43**	**29**	**–**	**547**
Additions/disposals	20	–6	6	–29	59	50
Recognized in other comprehensive income for the period	–191	–	–	–	–	–191
Recognized in other financial income/expense for the period	–	–	–	–	–	–
Recognized in cost of production for the period	–	–	–	–	15	15
Transfer from level 3 to level 1	–2	–	–	–	–	–2
As of December 31, 2022	**290**	**6**	**49**	**–**	**74**	**419**

Prior-year figures restated.

The **fair value of financial instruments recognized at amortized cost** is calculated as follows: The fair value of bonds is their directly observable stock market price on the reporting date. For loans, miscellaneous other financial assets, liabilities to banks, and loans from non-banks, the fair value is determined as the present value of the expected future cash inflows or outflows and is therefore allocated to level 2. Discounting is based on the interest rate for the respective maturity on the reporting date, taking the creditworthiness of the counterparties into account. Since the majority of miscellaneous other financial receivables and liabilities and trade accounts receivable and payable are current, their fair values—like the fair value of cash and cash equivalents—correspond to their carrying amounts.

9.4.2 Results of financial instruments

Net result by valuation category 2022 T129

in € million	Financial assets at amortized cost	Financial liabilities at amortized cost	Financial assets at fair value through OCI	Financial assets and liabilities at fair value through profit or loss	Total
Proceeds from disposals	–4	–	–	–	–4
Result from measurement at fair value	–	–	–	19	19
Result from currency hedging	–	–	–	–71	–71
Result from currency translation of monetary assets and liabilities	26	–	–	–	26
Impairment losses/ reversal of impairment losses	3	–	–	–	3
Interest income	13	–	–	4	17
Interest expense	–	–41	–	–1	–42
Result from securities and other investments[a]	–	–	12	–6	6
Total	**38**	**–41**	**12**	**–55**	**–46**

[a] In 2022, dividends of €12 million were received from other investments. They do not contain any dividends received from other investments divested during the fiscal year.

Net result by valuation category 2021 T130

in € million	Financial assets at amortized cost	Financial liabilities at amortized cost	Financial assets at fair value through OCI	Financial assets and liabilities at fair value through profit or loss	**Total**
Proceeds from disposals	–4	–	–	–	–4
Result from measurement at fair value	–	–	–	–10	–10
Result from currency hedging	–	–	–	26	26
Result from currency translation of monetary assets and liabilities	–42	–	–	–	–42
Impairment losses/ reversal of impairment losses	–2	–	–	–	–2
Interest income	6	–	–	4	10
Interest expense	–	–45	–	–5	–50
Result from securities and other investments[a]	–	–	10	–2	8
Total	**–42**	**–45**	**10**	**13**	**–64**

[a] In 2021, dividends of €10 million were received from other investments. They do not contain any dividends received from other investments divested during the fiscal year.

Income from currency hedging and income from the currency translation of operating monetary assets and liabilities do not contain the results from financial derivatives for which hedge accounting is applied. As in 2021, net interest expense did not include any interest income on the impaired portion of financial assets or trade accounts receivable.

9.4.3 Hedge accounting

Derivatives used as hedging instruments and the corresponding hedged items form a hedging relationship. Hedge accounting requires, in particular, extensive documentation of the hedging relationship and its effectiveness. The effectiveness of the hedging relationship is determined prospectively. It takes account of the economic relationship between the hedged item and the hedging instrument, and the credit risk. A derivative no longer qualifies for hedge accounting if these conditions are not fulfilled. While hedging instruments with a positive fair value are contained in the balance sheet item other financial assets, those with a negative fair value are recognized in other financial liabilities. The cost of hedging is shown in the other equity components from hedging instruments.

The purpose of **cash flow hedges** (CFH) is to minimize the risk of volatility of future cash flows. This risk may result from a recognized asset or liability or a forecast transaction that is considered highly probable. The effective portion of changes in the fair value of a hedging instrument is recognized in other comprehensive income, and the ineffective portion of the change in value is recognized in the income statement. The ineffective portion of hedges is recognized in other operating income or expense if the hedges relate to forecast sales in foreign currencies or to forecast purchases of raw materials, in other financial income/expense if they relate to intragroup loans in foreign currencies and planned acquisitions, and in interest expense if they relate to the interest rate risk. Possible ineffectiveness may result from significant changes in the default risk of Evonik or the counterparty to the derivatives transaction, irrespective of the risk category. Amounts recognized in other comprehensive income in the statement of comprehensive income are reclassified to the income statement as soon as the hedged item has an impact on the income statement. In the case of interest rate hedges, such amounts are included in net interest income or expense, while in the case of currency hedges for forecast sales in foreign currencies, they are included in sales revenues, and hedges on the procurement of goods are included directly in the cost of sales. If the hedged future transaction comprises a non-financial asset or a non-financial liability, the gain or loss previously recognized in other comprehensive income is included in the cost of acquisition of the asset or liability when it is initially recognized. Hedge accounting must also be halted if the forecast transaction is no longer expected. The amount recognized in other comprehensive income is reclassified to the income statement.

The purpose of a **hedge of a net investment** (NIH) is to reduce the foreign currency risk involved in an investment in a company whose functional currency is not the euro. Such hedges are accounted for in the same way as cash flow hedges. Gains and losses recognized in other comprehensive income are reclassified to the income statement when the foreign subsidiary is divested or the investment in it is reduced.

The purpose of **fair value hedges** (FVH) is to hedge the fair value of assets or liabilities reflected on the balance sheet. Both changes in the fair value of the hedging instrument and changes in the value of the hedged item are recognized in the income statement. In view of this method, changes in the value of the hedged item and the hedge cancel each other out in the income statement.

The effectiveness of the hedging relationships is determined using the dollar offset method, critical term match, the hypothetical derivatives method, and regression analysis.

The principal hedging transactions for which hedge accounting was applied in the reporting period are outlined below:

Forward exchange contracts, currency options, and currency swaps are used as cash flow hedges to hedge **forecast foreign currency sales** against exchange rate movements. Only part of the forecast foreign currency sales is hedged. The currency component is designated using the spot-to-spot method, while the forward components and the foreign currency basis spreads are managed as hedging costs. The effective portions of these components are recognized in other equity components. A direct hedging relationship is used, and the economic relationship is reviewed by comparing the notional values of the hedging instruments and the hedged items. Ineffectiveness may occur if the notional value of the hedging instruments and hedged items do not correspond or their maturities differ. A maturity mismatch may be caused by the fact that the hedging instruments expire as of the date of revenue recognition, while the hypothetical derivative that reflects the characteristics of the hedged item and is used to measure effectiveness expires as of the expected date of payment. As in the previous year, the resulting ineffectiveness was not material. The following weighted average hedging rates for the major currency pairs are derived from hedging of the currency risk:

Hedging of currency risk T131

	Average hedging rate		Average exchange rate	Closing rates
	Maturing in 2023	Maturing in 2024	2022	Dec. 31, 2022
EUR/USD	1.08	1.03	1.06	1.07
EUR/CNH[a]	7.34	7.19	7.08	7.36

[a] CNH is the technical market designation for renminbi that are tradable and deliverable outside the territory of China.

Forward exchange contracts and currency swaps are used as **net investment hedges** to hedge subsidiaries in the UK against **foreign currency risks** on a rolling basis. In addition, there is a hedge of a net investment that has ended but will only be reclassified when the hedged company is divested.

To hedge the **risk of changes in interest rates,** Evonik generally uses cash flow hedges and fair value hedges. An interest rate swap, which matures in 2025, was concluded in the reporting period to swap a fixed interest rate for a variable rate.

The **price risk relating to forecast purchases of raw materials** is hedged using gas and coal commodity swaps recognized as cash flow hedges.

Derivative financial instruments as of December 31, 2022 T132

in € million	Notional value, total		Carrying amount	
	Total	thereof non-current	Receivables from derivatives	Liabilities from derivatives
Currency risks				
Forward exchange contracts, currency options, and currency swaps	5,818	302	68	85
thereof cash flow hedges	1,629	292	20	29
thereof hedges of a net investment	74	–	1	–
Total	**5,818**	**302**	**68**	**85**
Interest rate risks				
Interest rate swaps	500	500	–	42
thereof fair value hedges	500	500	–	42
Total	**500**	**500**	**–**	**42**
Commodity price risks				
Power derivatives[a,b]	685	676	79	8
Gas derivatives[c]	8	2	1	1
thereof cash flow hedges	8	2	1	1
Coal derivatives[d]	93	–	–	36
thereof cash flow hedges	93	–	–	36
Total	**786**	**678**	**80**	**45**

[a] The receivables from power derivatives do not include the day one gain on a power purchase agreement.
[b] Hedged volume of power derivatives 6,679 thousand MWh (of which non-current: 6,582 thousand MWh) not included in hedge accounting.
[c] Hedged volume of gas derivatives 55 million m³ (of which non-current: 26 million m³).
[d] Hedged volume of coal derivatives 318 thousand metric tons (of which non-current: none).

Derivative financial instruments as of December 31, 2021 T133

in € million	Notional value, total		Carrying amount	
	Total	thereof non-current	Receivables from derivatives	Liabilities from derivatives
Currency risks				
Forward exchange contracts, currency options, and currency swaps	4,749	319	29	121
thereof cash flow hedges	1,212	268	3	56
thereof hedges of a net investment	76	–	–	1
Total	**4,749**	**319**	**29**	**121**
Interest rate risks				
Interest rate swaps	–	–	–	–
thereof fair value hedges	–	–	–	–
Total	**–**	**–**	**–**	**–**
Commodity price risks				
Power derivatives[a]	61	6	40	59
Gas derivatives[b]	3	1	1	–
thereof cash flow hedges	3	1	1	–
Coal derivatives[c]	7	–	–	1
thereof cash flow hedges	7	–	–	1
Total	**71**	**7**	**41**	**60**

[a] Hedged volume of power derivatives 837 thousand MWh (of which non-current: 70 thousand MWh) not included in hedge accounting.
[b] Hedged volume of gas derivatives 29 million m³ (of which non-current: 9 million m³).
[c] Hedged volume of coal derivatives 52 thousand metric tons (of which non-current: none).

The costs of hedging result from changes in the forward components that are not designated and from foreign currency basis spreads. There were no material effects from changes in the time value of currency options transactions in the reporting period. There were no hedging costs for the hedged items realized over time. In 2021 and 2022, there were no reclassifications due to the early termination of a hedging relationship. Excluding deferred taxes, the other equity components from hedging instruments for designated risk components and other equity components for the cost of hedging pursuant to IFRS 9 changed as follows:

Development of other equity components (before taxes) from cash flow hedges T134

in € million	Designated risk components: Currency hedges	Designated risk components: Commodity price hedges	Designated risk components: Total	Cost of hedging: Hedged item realized at a point in time	Cost of hedging: Total
As of January 1, 2021	**67**	**2**	**69**	**−10**	**−10**
Gains/losses from effective hedging relationships recognized in OCI	−75	1	−74	−11	−11
Reclassification to the income statement due to realization of the hedged item	−34	−2	−36	15	15
Offset against cost of acquisition	–	–	–	–	–
As of December 31, 2021	**−42**	**1**	**−41**	**−6**	**−6**
Gains/losses from effective hedging relationships recognized in OCI	−35	−58	−93	−15	−15
Reclassification to the income statement due to realization of the hedged item	87	–	87	13	13
Offset against cost of acquisition	−6	21	15	–	–
As of December 31, 2022	**4**	**−36**	**−32**	**−8**	**−8**

As in the previous year, the other equity components from cash flow hedges do not include any hedging relationships that have ended.

Development of other equity components (before taxes) from net investment hedges T135

in € million	Designated risk components
As of January 1, 2021	**−1**
Gains/losses from effective hedging relationships recognized in OCI	−5
As of December 31, 2021	**−6**
Gains/losses from effective hedging relationships recognized in OCI	4
As of December 31, 2022	**−2**

€3 million (2021: €3 million) of the other equity components from net investment hedges relate to the early termination of hedging relationships.

An interest rate swap with a notional value of €500 million is used to hedge the interest rate risk of a fair value hedge. The carrying amount of the hedged item is a financial liability.

Fair value hedges recognized on the balance sheet T136

in € million	Interest rate hedges: 2021	Interest rate hedges: 2022
Carrying amount of the hedged items on the balance sheet	–	42
Cumulative fair value adjustment of active hedging relationships	–	−42

To present the effectiveness of designated hedging relationships, the following table compares the changes in the fair value of the designated hedged items with the designated hedging instruments. No ineffective portions were recognized in profit or loss for any of the hedging relationships.

Effectiveness of the hedging relationships 2022 T137

in € million	Currency hedges	Interest rate hedges	Commodity price hedges
Change in the value of the hedged item	−52	–	58
Change in the designated value of the hedging instrument	52	–	−58
Cash flow hedges	**–**	**–**	**–**
Change in the value of the hedged item	−4	–	–
Change in the designated value of the hedging instrument	4	–	–
Hedge of a net investment	**–**	**–**	**–**
Change in the value of the hedged item	–	42	–
Change in the designated value of the hedging instrument	–	−42	–
Fair value hedges	**–**	**–**	**–**

Effectiveness of the hedging relationships 2021 T138

in € million	Currency hedges	Interest rate hedges	Commodity price hedges
Change in the value of the hedged item	113	–	1
Change in the designated value of the hedging instrument	–113	–	–1
Cash flow hedges	**–**	**–**	**–**
Change in the value of the hedged item	5	–	–
Change in the designated value of the hedging instrument	–5	–	–
Hedge of a net investment	**–**	**–**	**–**
Change in the value of the hedged item	–	–	–
Change in the designated value of the hedging instrument	–	–	–
Fair value hedges	**–**	**–**	**–**

9.4.4 Notes on financial risk management

As an international company, Evonik is exposed to financial risks in the normal course of business. A major objective of corporate policy is to minimize the impact of market, liquidity, and default risks on both the value of the company and profitability in order to check adverse fluctuations in cash flows and earnings without forgoing the opportunity to benefit from positive market trends. For this purpose, a systematic financial and risk management system has been established. Interest rate and exchange rate risks are managed centrally by the Finance function of Evonik Industries AG, while commodity risks are managed by the divisions in accordance with established corporate policies.

The financial derivatives contracts used by Evonik are entered into exclusively in connection with a corresponding underlying transaction (hedged item) relating to normal operating business, which provides a risk profile directly opposite to that of the hedge. The instruments used are customary products found on the market. For the management of interest rates and exchange rates, they comprise currency swaps, forward exchange contracts, currency options, cross-currency interest rate swaps, and interest rate swaps. Commodity swaps are used to hedge the risk of fluctuations in the price of coal, natural gas, and electricity. The procurement of emission allowances to meet obligations pursuant to section 6 of the German Greenhouse Gas Emissions Trading Act (TEHG) can be optimized using emission allowance and emission reduction transactions based on swaps and futures.

Overview of financial risks T139

Risk	Exposure arising from	Measurement	Management
Market risk—foreign exchange	Off-balance-sheet transactions (firmly agreed or forecast) Recognized financial assets and liabilities denominated in currencies other than the company's functional currency	Cash flow forecasting; Sensitivity analyses	Forward exchange contracts; Currency options; Currency swaps; Cross-currency interest rate swaps
Market risk—risk of changes in variable interest rates	Non-current loans/bonds with variable interest rates	Sensitivity analyses	Interest rate swaps
Market risk—risk of changes in fixed interest rates	Non-current loans/bonds with fixed interest rates	Sensitivity analyses	Interest rate swaps
Market risk—impairment risk	Investments in equity instruments	Sensitivity analyses	Observation and portfolio decisions
Market risk—commodity risk	Purchase and sale of raw materials	Sensitivity analyses	Price escalation clauses; Swaps
Liquidity risk	Unplanned liquidity requirements	Rolling cash flow forecasts	Cash and cash equivalents, availability of committed credit lines
Default risk	Cash and cash equivalents, trade accounts receivable, derivative financial instruments, debt instruments, and contract assets	Analysis of residual maturity; Credit scoring/ratings	Diversification of bank deposits; Credit lines and letters of credit; Credit insurance; Investment guidelines for debt instruments

9.4.4.1 Market risk

Exchange rate risks relate to both the sourcing of raw materials and the sale of end-products in currencies other than the functional currency of the company concerned. One aim of currency risk management is to protect the company's operating business from fluctuations in earnings and cash flows resulting from changes in exchange rates. The opposite effects arising from procurement and sales activities are taken into account. Another objective of currency risk management is to eliminate the currency risk relating to financing transactions that are not denominated in the functional currency of the respective Group companies.

In the **management of currency risks,** Evonik distinguishes between risk positions recognized on the balance sheet and off-balance-sheet (i.e., firmly agreed or forecast) exposures. For currency hedging of current risk positions on the balance sheet, Evonik uses a portfolio approach where the hedged items and hedging instruments are accounted for separately. By contrast, micro-hedging is applied for non-current loans and exposures arising from firmly agreed or forecast transactions. The hedging instrument and related hedged item are then designated in a formal hedge relationship (cash flow hedge accounting or net investment hedge accounting). This synchronizes the earnings impact of the hedging instruments with hedged items that can only be recognized on the balance sheet at a later date. In the case of hedges on loans, it allows the distribution of the cost of hedging on a straight-line basis over the term of hedging relationship. In individual cases, there may be a shift in the timing of the hedged item in forecast transactions. In this case, the hedging strategy is maintained unchanged, the amount exposed to the risk is updated, and the hedging transactions are adjusted.

In the **portfolio approach,** the net risk position in each foreign currency is determined for each company in the Evonik Group and then hedged via intragroup investment or borrowing via the cash pool. The net risk positions on cash pool balances at Group level are hedged on the market on a currency-by-currency basis using external derivatives. Gross income and expenses from currency translation of operating monetary assets and liabilities are netted; so are gross income and expenses from the corresponding operational currency hedging. The net result from the translation of operating monetary assets and liabilities and the net result of operational currency hedging calculated in this way are recognized in other operating income or other operating expense as appropriate. Gross income and expenses from the currency translation of financing-related risk positions and financing-related currency hedging are netted analogously. The resulting net results for currency translation and currency hedging are recognized in other financial income/expense. The net presentation of the results reflects both the management of risk positions in the Evonik Group and the economic substance.

Due to the application of hedge accounting for **micro-hedging** of foreign currency balance sheet exposure (for example, financing-related currency hedging of non-current loans through cross-currency interest rate swaps) and the hedging of forecast or firmly agreed foreign currency cash flows (for example, hedging of forecast sales revenues), their hedge results are only reflected in profit or loss in any ineffective portions that are excluded from the hedge accounting relationship. By contrast, the effective results of micro-hedges reflected in cash flow hedge accounting and the cost of hedging (forward components, time value of options, and foreign currency basis spreads) are recognized in other equity components until the hedged transaction is realized. Subsequently, they are transferred to sales if they were used as a sales hedge, to inventories or the cost of sales if they were used to hedge cost risks relating to procurement, or to the initial carrying balance of property, plant and equipment if the purpose was to hedge the foreign currency risk relating to the procurement of assets of this type. In the case of currency hedges for loans for which cash flow hedge accounting is applied, the effective portion of the hedge is transferred from other equity components to offset the net result of currency translation of monetary assets and liabilities triggered by the hedged item (see also note 6.9 p.155ff. (Other equity components)). In addition, the currency risks relating to net investments in foreign operations are hedged and included in hedge accounting as hedges of a net investment.

The aim of **interest rate management** is to protect net income from the negative effects of fluctuations in market interest rates and the resulting changes in fair values or cash flows. Interest rate risk is generally managed using derivative and non-derivative financial instruments. The aim is to achieve an appropriate ratio of fixed rates (with interest rates fixed for more than one year) and variable rates (terms of less than one year), taking costs and risks into account. In the reporting period, 100 percent (2021: 99 percent) of the instruments recognized as financial assets were variable-interest instruments. At year-end 2022, 88 percent (2021: 99 percent) of financial instruments recognized in other financial liabilities were fixed-interest instruments. The bonds and money market paper recognized in securities and similar claims entail interest rate risks. These are minimized by a short investment horizon. The average interest rate duration is one year.

Several scenario analyses were carried out to **measure exchange rate and interest rate risk** as of December 31, 2022. The most important currencies for Evonik are the US dollar (USD) and the Chinese renminbi yuan (CNY/CNH). CNH is the technical market designation for renminbi that are tradable and deliverable outside the territory of China. A sensitivity analysis was performed for these currencies as of December 31, 2022 by modeling a change of 5 percent and 10 percent in the exchange rate relative to all other currencies to simulate the possible loss of value of derivative and non-derivative financial instruments in the event of the appreciation or depreciation of these currencies. The percentage standard deviation of changes in exchange rates versus the euro in 2022 was 10.2 percent for the USD (2021: 5.2 percent) and 8.4 percent for the CNY/CNH (2021: 4.6 percent). The exposure is the net nominal amount of derivative and non-derivative financial instruments subject to exchange rate risks. Counteritems within a currency are netted.

Exchange rate sensitivity analysis T140

	Dec. 31, 2021					Dec. 31, 2022				
		Impact on income before income taxes		Impact on other comprehensive income before taxes			Impact on income before income taxes		Impact on other comprehensive income before taxes	
in € million	Exposure	+5%	+10%	+5%	+10%	Exposure	+5%	+10%	+5%	+10%
USD	419	5	10	–41	–81	458	–4	–8	–36	–72
CNY	178	–	–	–16	–33	141	–2	–4	–13	–26

Several scenario analyses were carried out to measure interest rate risk as of December 31, 2022. These analyzed shifts of 50 and 100 basis points in the EUR yield curve due to changes in EUR interest rates to simulate the possible impact on earnings and equity of a loss of value of derivative and non-derivative financial instruments.

Interest rate sensitivity analysis T141

	Dec. 31, 2021					Dec. 31, 2022				
		Impact on income before income taxes		Impact on other comprehensive income before taxes			Impact on income before income taxes		Impact on other comprehensive income before taxes	
in € million	Exposure	+50 BP	+100 BP	+50 BP	+100 BP	Exposure	+50 BP	+100 BP	+50 BP	+100 BP
EUR	466	–3	–6	–	–	412	–2	–4	–	–

BP = basis points (1 basis point corresponds to 0.01 percent).

Impairment risks relating to exchange-listed equity instruments result from company-specific data of individual funds and listed companies and from the general risk of possible negative developments on the equity market. For unlisted equity instruments, the risk results from company-specific aspects and the general economic situation. The risk is measured using sensitivity analysis, and risk management comprises constant observation and the related portfolio decisions.

Commodity risks result from changes in the market prices for the purchase and sale of raw materials. Raw materials were purchased principally to meet in-house demand. Other factors of importance for Evonik's risk position are the availability and price of relevant raw materials, starting products, and intermediates. In particular, raw material prices of significance to the Evonik Group are dependent on exchange rates and the price of crude oil. Commodity management, which is the responsibility of the divisions, involves identifying procurement risks and defining effective measures to minimize them. For example, price escalation clauses and swaps are used to reduce price volatility. Pricing and procurement risks are reduced through worldwide procurement and optimized processes to ensure immediate sourcing of additional raw material requirements. Further, the use of alternative raw materials is examined for various production processes, and Evonik is working on the development of alternative production technologies. Evonik has firmly agreed transactions relating to its own electricity generation and power requirements. Recognition of these transactions is mandatory. The amounts to be recognized in the corresponding balance sheet items were determined principally by the development of electricity prices in 2022. If the price had been 10 percent higher or lower, this would have resulted in a corresponding reduction or increase in income before income taxes of €48 million (2021: €16 million). This would not have had any impact on other equity components. Financial derivatives were also used to hedge the procurement price risks relating to natural gas and coal. As of the reporting date, the average hedging rate for natural gas was €0.15 per cubic meter, and for coal it was €292.03 per metric ton. If the price of natural gas and coal had been 10 percent higher or lower, this would have resulted in a corresponding increase or reduction of €5 million (2021: €1 million) in the value of the commodity derivatives on other equity components in 2022. As in 2021, the impact on income before income taxes would have been immaterial.

9.4.4.2 Liquidity risk

Liquidity risk is managed through business planning to ensure that the funds required to finance the current operating business and current and future investments at all companies in the Evonik Group are available at the right time and in the right currency at optimum cost. Liquidity requirements for business operations, investments, and other financial activities are derived from a financing status and liquidity planning, which form part of liquidity risk management. Liquidity is pooled in a central cash management pool where this makes economic sense and is legally permissible. Central liquidity risk management facilitates low-cost borrowing and advantageous offsetting of financial requirements. Evonik is aware that a small number of its suppliers participate in factoring programs, where they sell their receivables from Evonik to financial partners. The programs do not result in a material change in the amount or terms of the obligations, nor do they result in any change in the classification and presentation of the liabilities to the suppliers or the cash flows. In view of the low level of participation by suppliers in such factoring programs relative to total liabilities to suppliers, Evonik's highly diversified supplier base, high level of cash and cash equivalents, current securities, firmly committed credit lines, and its solid investment rating, the resulting liquidity risk for Evonik is deemed to be very low.

As of December 31, 2022, Evonik had cash and cash equivalents amounting to €645 million and current securities totaling €413 million. In addition, Evonik has a €1.75 billion syndicated revolving credit facility as a central source of liquidity. The credit facility, which originally ran until June 2024, was refinanced with a syndicate of 16 core banks in November. The amount of this credit facility is unchanged, and it runs for five years with two options to extend it by one year in each case, so it ends at the latest in November 2029. The syndicated credit facility represents a long-term liquidity reserve for the Evonik Group and was not drawn at any time in fiscal 2022. It does not contain any covenants requiring Evonik to meet certain financial ratios. In addition, the bilateral revolving credit facilities were increased to €800 million. These had not been drawn as of December 31, 2022. They are available alongside the syndicated credit facility as an additional liquidity reserve for Evonik Industries AG.

The table shows the remaining maturity of the non-derivative financial instruments based on the agreed dates for interest and redemption payments.

Payments for non-derivative financial instruments by residual maturity as of December 31, 2022 T142

in € million	Up to 1 year	More than 1 and up to 3 years	More than 3 and up to 5 years	More than 5 years	Total
Trade accounts payable	**1,735**	**–**	**–**	**–**	**1,735**
Bonds	25	1,314	1,298	504	3,141
Liabilities to banks	38	19	–	19	76
Schuldschein loans	5	85	100	84	274
Loans from non-banks	8	4	–	–	12
Lease liabilities	177	267	176	543	1,163
Miscellaneous other financial liabilities	60	29	–	–	89
Other financial liabilities	**313**	**1,718**	**1,574**	**1,150**	**4,755**

Payments for non-derivative financial instruments by residual maturity as of December 31, 2021 T143

in € million	Up to 1 year	More than 1 and up to 3 years	More than 3 and up to 5 years	More than 5 years	Total
Trade accounts payable	**2,022**	**–**	**–**	**–**	**2,022**
Bonds	12	1,541	1,024	508	3,085
Liabilities to banks	39	17	10	–	66
Schuldschein loans	–	–	–	–	–
Loans from non-banks	12	–	–	4	16
Lease liabilities	133	193	122	275	723
Miscellaneous other financial liabilities	67	49	–	–	116
Other financial liabilities	**263**	**1,800**	**1,156**	**787**	**4,006**

A disclosure on the maturity of existing financial guarantees can be found in the section on risk of default p. 194 ff. below. The Evonik Group met all payment terms agreed for its financial liabilities.

The breakdown of the sum of interest and redemption payments by maturity in the following table relates to derivative financial instruments with positive and negative fair values. The table shows the net value of cash inflows and outflows. Since netting was not agreed for forward exchange contracts, currency swaps, interest rate swaps, or cross-currency interest rate swaps, they are presented as gross amounts:

Payments relating to derivative financial instruments by remaining maturity as of December 31, 2022 T144

in € million	Up to 1 year	More than 1 and up to 3 years	More than 3 years	Total
Forward exchange contracts, currency options, and currency swaps	58	2	–	60
thereof cash inflows	2,359	83	–	2,442
thereof cash outflows	−2,301	−81	–	−2,382
Commodity derivatives	6	–	74	80
Receivables from derivatives	**64**	**2**	**74**	**140**
Interest rate swaps	−15	−28	–	−43
Forward exchange contracts, currency options, and currency swaps	−81	–	–	−81
thereof cash inflows	2,633	57	–	2,690
thereof cash outflows	−2,714	−57	–	−2,771
Commodity derivatives	−45	–	–	−45
Liabilities from derivatives	**−141**	**−28**	**–**	**−169**

Payments relating to derivative financial instruments by remaining maturity as of December 31, 2021 T145

in € million	Up to 1 year	More than 1 and up to 3 years	More than 3 years	Total
Forward exchange contracts, currency options, and currency swaps	31	−1	–	30
thereof cash inflows	1,611	113	–	1,724
thereof cash outflows	−1,580	−114	–	−1,694
Commodity derivatives	39	2	–	41
Receivables from derivatives	**70**	**1**	**–**	**71**
Interest rate swaps	–	–	–	–
Forward exchange contracts, currency options, and currency swaps	−132	−7	–	−139
thereof cash inflows	2,834	206	–	3,040
thereof cash outflows	−2,966	−213	–	−3,179
Commodity derivatives	−59	−1	–	−60
Liabilities from derivatives	**−191**	**−8**	**–**	**−199**

9.4.4.3 Default risk

The default risk (credit risk) is managed at Group level. Three categories are defined for credit risk management, each of which is treated separately on the basis of its specific features. The categories are financial counterparties (generally banks but also other financial institutions and industrial counterparties, insofar as derivatives transactions are concluded with them), other counterparties (mainly debtors and creditors), and countries. Credit risks are defined generally as a potential threat to earnings power and/or corporate value resulting from a deterioration of the respective contractual counterparty. More precisely, it means defaulting on payments as a result of financial difficulties/insolvency by the counterparty. On principle, Evonik does not hold any purchased or originated credit-impaired financial assets. To monitor any risk concentrations, the individual risk limits are set for business partners on the basis of internal and external ratings. The expected future development of the potential default risk of each category is taken into account in the definition and monitoring of the risk categories.

The credit risk of **financial counterparties** also includes additional earnings and value effects, which may be either direct (for example, a security held by a counterparty loses value as a result of a rating downgrade) or indirect due to a deterioration in the credit rating (for example, reduction in the probability that a counterparty will be able to fulfill a future obligation to Evonik—for example, from a guarantee bond or a loan commitment—in the manner originally agreed). In addition, a specific limit is set for financial counterparties for each type of risk (money market, capital market, and derivatives). Maximum limits for each contracting party are set on the basis of the creditworthiness analyses. These are predominantly based on ratings and our own internal credit analysis. In addition, the development of the price of a CDS (credit default swap) and equity prices (where available) is analyzed. Country limits are set for the money and capital markets to ensure diversification of country risks.

In the case of **debtors, creditors, and other counterparties,** credit risk management also covers possible damage from orders that have been placed but not yet fulfilled and further potential damage to Evonik resulting from non-performance of a counterparty's supply, service, or other obligation. An internal limit system is used for risk assessment and monitoring. Political risk (country risk) is also taken into account for export orders so that the overall risk assessment takes account of both political and economic risk factors. Based on this analysis, a maximum default risk is set for the contracting party. The credit standing of contracting parties is updated constantly via ratings or scoring processes. The internal credit scoring model used for this comprises six risk categories (1 = high creditworthiness; 6 = low creditworthiness).

Scoring model for credit default risk T146

Risk category	Attributes
1 = high creditworthiness	• Very good payment profile in the past year • Long-term business relationships • Countries with good to very good economic and political risk assessments
2 = good creditworthiness	• Good payment profile in the past year • Business relationships over several months • Countries with good economic and political risk assessments
3 = medium creditworthiness	• Payments are made regularly • Relatively new business relationships • Countries with weaker economic and political prospects
4–6 = low creditworthiness	• Payments are sometimes unpunctual • Countries with economic and political risks

Evonik applies the **IFRS 9 impairment model for expected credit losses** as follows: For financial assets that are subject to the impairment rules of IFRS 9, loss allowances are recognized for expected credit losses. At Evonik, these include loans carried at amortized cost, miscellaneous other financial assets, which are subject to the general impairment approach, and trade accounts receivable, receivables from finance leases, and contract assets (with and without financing components), for which the simplified approach using an impairment matrix is applied.

As a matter of principle, Evonik only places investments with financial counterparties with an investment grade rating. A low default risk **(level 1 of the general approach)** is assumed for financial counterparties that have an investment grade rating (at least Baa3 from Moody's or BBB– from Standard & Poor's or Fitch). Other instruments are considered to have a low risk of default if the risk of non-performance is low, and the issuer is able to meet its contractual payment obligations at all times. The 12-month expected credit loss is calculated on the basis of the probability of default for each CDS as of the reporting date, and a group-wide LGD (loss given default) of 40 percent is assumed. Forward-looking information is implicitly included in the CDS. The exposure at default (EAD) is the nominal value. A review of whether there has been a significant increase in the default risk since the last assessment **(level 2 of the general approach)** must be made at least quarterly. Transfer to level 2 takes place if payment is 30 days overdue. Unless there were indicators of an impairment of creditworthiness at an earlier period **(level 3 of the general approach)**, impairment is generally assumed when payments are more than 90 days overdue. Financial assets that are significantly overdue, possibly by more than 90 days as a result of the customer structure, or where insolvency or similar proceedings have been initiated against the debtor, are tested individually for impairment.

The **impairment matrix used in the simplified approach** is based on the lifetime expected credit losses. It takes account of all components of receivables that are exposed to a risk, except where they are subject to an individual loss allowance. The matrix has a two-step structure. Components of receivables that are not exposed to credit losses (especially any value-added tax or sales tax and receivables covered by credit insurance) are disregarded when calculating the loss allowance. In the first step (ECL1), for all receivables deemed to be at risk, the expected credit loss is determined for all customers on the basis of the customer risk category. In a second step, for all customers in risk categories 4–6, an additional loss allowance is calculated on the basis of a past-due analysis (ECL2). The expected loss ratios depend on actual days overdue based on the payment profiles for sales in the past five years and the corresponding defaults in the same period. The historical loss ratios are adjusted to reflect current and future-oriented information on macroeconomic factors that affect the ability of customers to settle receivables. The determination of loss allowances for receivables from finance leases and contract assets is analogous to the procedure for trade accounts receivable, based on common risk characteristics and number of days overdue, because they essentially have the same risk characteristics and expected loss ratios as trade accounts receivable. Therefore, the expected loss ratios for trade accounts receivable represent an appropriate approximation for contract assets and receivables from finance leases.

In principle, cash and cash equivalents are also subject to the impairment provisions of IFRS 9. However, since they are due daily, impairment losses are normally immaterial.

As of December 31, 2022, the **general approach** was applied for loans amounting to €51 million (2021: €39 million) and miscellaneous other financial assets of €61 million (2021: €29 million), which are measured at amortized cost. Of these, loans amounting to €34 million and miscellaneous other financial assets totaling €8 million have an investment grade rating. Miscellaneous other financial assets totaling €53 million do not have an external rating. Analogously to the previous year, all loans and other financial assets have a low absolute default risk, so they were allocated to level 1, for which only the 12-month expected credit loss is calculated. No significant increase in the credit risk was identified in fiscal 2022. As of December 31, 2022, the allocation to level 1 was therefore unchanged for both loans and miscellaneous other financial assets. Calculation of the 12-month expected credit loss did not result in a material impairment in the reporting period. There were no overdue items.

As of December 31, 2022, the **simplified approach** was used for trade accounts receivable totaling €1,898 million (2021: €1,954 million) and contract assets totaling €7 million (2021: €12 million). The loss allowances for receivables from finance leases and contract assets calculated on this basis and the change in these loss allowances are not material.

Loss allowances for financial assets—simplified approach (loss allowance matrix) T147

in € million	Trade accounts receivable
As of January 1, 2021	**6**
Change	1
As of December 31, 2021	**7**
Change	–3
As of December 31, 2022	**4**

Credit loss matrix for trade accounts receivable as of December 31, 2022 T148

	Low default risk			High default risk	
in € million	Risk category 1	Risk category 2	Risk category 3	Risk category 4–6	**Total**
Credit default rate in %	–	–	–	1.0	–
Gross carrying amount	91	382	432	412	1,317
Expected credit losses (risk provisioning)	–	–	–	4	4
thereof based on credit risk attributes	–	–	–	2	2
thereof 1–180 days past-due	–	–	–	1	1
thereof 181–365 days past-due	–	–	–	–	–
thereof > 365 days past-due	–	–	–	1	1

For receivables in categories 1–3, the lifetime expected credit losses based on credit risk criteria were less than €0.3 million. Therefore, they are not shown separately in the table.

Credit loss matrix for trade accounts receivable as of December 31, 2021 T149

	Low default risk			High default risk	
in € million	Risk category 1	Risk category 2	Risk category 3	Risk category 4–6	**Total**
Credit default rate in %	–	–	–	1.0	–
Gross carrying amount	101	304	498	465	1,368
Expected credit losses (risk provisioning)	–	–	–	6	7
thereof based on credit risk attributes	–	–	–	3	4
thereof 1–180 days past-due	–	–	–	1	1
thereof 181–365 days past-due	–	–	–	–	–
thereof > 365 days past-due	–	–	–	2	2

Loss allowances for financial assets that have to be tested individually for impairment T150

in € million	Trade accounts receivable
As of January 1, 2021	**6**
Additions	5
Utilization	–2
Reversal	–1
As of December 31, 2021	**8**
Additions	2
Utilization	–3
Reversal	–2
As of December 31, 2022	**5**

In the reporting period, no write-downs were made on financial assets where the amount was still outstanding under contract law, and the receivables were still subject to enforcement proceedings. Receivables are only derecognized when, based on an appropriate assessment, realization is no longer expected. This is the case, in particular, when insolvency proceedings in respect of the debt have been completed.

At year-end 2022, trade accounts receivable totaling €400 million (2021: €372 million) were covered by credit insurance (after factoring out the deductible). The maximum default risk was €1,498 million (2021: €1,582 million). As of the reporting date, no collateral had been received for any further financial assets subject to the scope of the impairment model. Their maximum default risk is therefore their carrying amount. As in the previous year, no terms were renegotiated for non-current loans or trade accounts receivable not yet due.

All further financial assets that are not subject to the IFRS 9 impairment model are carried at fair value through profit or loss. The default risk of these instruments is therefore their carrying amount. There is no default risk relating to the other investments because they are equity instruments.

Owing to the diversity of business and the large number of customers and financial counterparties, there were no significant cluster risks.

The **default risk on financial derivatives** is equivalent to their positive fair value. This risk is minimized by setting high standards for the creditworthiness of counterparties. Only common instruments found on the market with sufficient liquidity are used. Consequently, no material risk of default is expected in this field. Evonik concludes master netting arrangements and similar agreements for financial derivatives on a limited scale. These mainly come into effect in the event of the insolvency of a counterparty. The resulting net positions of receivables and liabilities from derivatives are presented in the following tables:

Offsetting rights for financial assets and liabilities as of December 31, 2022 T151

	Amounts set off			Amounts not set off		
in € million	Gross amount	Netting	**Net amount recognized**	Affected by enforceable master netting arrangements	Amounts related to financial collateral	**Potential net amount**
Receivables from derivatives	68	–	68	50	–	18
Liabilities from derivatives	127	–	127	50	–	77

Offsetting rights for financial assets and liabilities as of December 31, 2021 T152

	Amounts set off			Amounts not set off		
in € million	Gross amount	Netting	**Net amount recognized**	Affected by enforceable master netting arrangements	Amounts related to financial collateral	**Potential net amount**
Receivables from derivatives	27	–	27	26	–	1
Liabilities from derivatives	120	–	120	26	–	94

Further, there is a default risk relating to the granting of financial guarantees, see note 9.5 p. 198 f.
At present, there is no indication that these financial guarantees will result in a loss.

9.5 Related parties

In addition to the subsidiaries included in the consolidated financial statements, the Evonik Group maintains relationships with related parties.

Related parties comprise RAG-Stiftung, Essen (Germany), as a shareholder of Evonik Industries AG, due to its controlling influence, fellow subsidiaries of Evonik owned by RAG-Stiftung, and associates and joint ventures of Evonik. Subsidiaries that are not consolidated on materiality grounds are also deemed to be related parties. Post-employment benefit plans for employees are also regarded as related parties. Transactions with these post-employment benefit plans relate to occupational pension plans. For further information, see note 6.10 p. 158 ff. In addition, the Evonik Group provides services for these plans. These transactions are presented in the table below.

The dividend for fiscal 2021 was paid following the resolution adopted by the annual shareholders' meeting on May 25, 2022. RAG-Stiftung, Essen (Germany) received €307 million (2021: €305 million). In 2022, Evonik received dividends of €6 million (2021: €10 million) from associates and joint ventures.

The current contingent liabilities shown in the joint ventures column as of December 31, 2022 comprises €30 million resulting from a guarantee granted to secure a loan for the joint venture Saudi Acrylic Polymers Company, Ltd., Jubail (Saudi Arabia). This represents the maximum default risk.

Business relations with related parties T153

	RAG-Stiftung		Fellow subsidiaries		Subsidiaries		Joint ventures		Associates		Post-employment benefit plans	
in € million	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**
Goods and services supplied	1	2	2	2	17	20	29	28	4	4	7	7
Goods and services received	–	–	–1	–1	–	–	–	–8	–1	–1	–	–
Other income	–	–	–	–	–	–	7	3	3	3	–	–
Receivables as of December 31	–	–	–	–	9	9	6	4	1	1	–	–
Liabilities as of December 31	–	–	–	–	–1	–	–23	–36	–1	–	–	–
Contingent liabilities as of December 31	–	–	–	–	–	–2	–29	–30	–	–	–	–

The Federal Republic of Germany and the federal states of North Rhine-Westphalia and Saarland are also classified as **related parties** as they are able to exercise a significant influence on RAG-Stiftung through their membership of the board of trustees of RAG-Stiftung.

Transactions effected between Evonik and these federal and state governments and their subsidiaries or joint ventures in the reporting period comprised generally available government grants. Further, customary business relationships were maintained with the Deutsche Bahn Group and the Deutsche Telekom Group, as well as immaterial business relationships with the Duisport Group. As a consequence of the nationalization of Uniper SE, Düsseldorf (Germany) and SEFE Securing Energy for Europe GmbH (formerly Gazprom Germania GmbH), Berlin (Germany), these companies are also classified as related parties. Evonik concludes forward electricity and natural gas transactions with these companies.

Individuals defined as related parties include members of the management who are directly or indirectly responsible for corporate planning, management, and oversight, and members of their families. At Evonik, these parties comprise members of the executive board and supervisory board of Evonik Industries AG, members of the executive board and board of trustees of RAG-Stiftung, and other management members who hold key positions in the Evonik Group and at RAG-Stiftung.

Short-term remuneration comprises both amounts not related to performance and short-term performance-related payments. As of December 31, 2022, there were provisions of €3,043 thousand (2021: €5,625 thousand) for short-term performance-related remuneration of members of the executive board, and €1,804 thousand (2021: €2,820 thousand) for other management members.

As of December 31, 2022, provisions for share-based payments amounted to €8,504 thousand (2021: €4,643 thousand) for members of the executive board and €1,424 thousand (2021: €1,137 thousand) for other management members. The share-based payments are expenses incurred in 2022 for LTI tranches from 2018 to 2022.

The present value of pension obligations (defined benefit obligations) was €20,705 thousand (2021: €30,403 thousand) for the executive board and €12,013 thousand (2021: €13,546 thousand) for other members of the management. Further, the employee representatives elected to the supervisory board of Evonik Industries AG continued to receive the regular salary agreed in their employment contract.

Remuneration paid to related parties T154

	Executive Board of Evonik Industries AG		Supervisory Board of Evonik Industries AG		Other management members		**Total**	
in €'000	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**
Short-term remuneration	10,341	7,239	3,466	3,466	4,956	4,246	18,763	14,931
Share-based payment	574	3,861	–	–	317	701	891	4,562
Current service cost for pensions and other post-employment benefits	3,038	2,735	–	–	460	439	3,498	3,174
Termination benefits	–	–	–	–	–	–	–	–

Apart from the relationships stated above, Evonik did not have any other significant business relationships with related parties.

9.6 Contingent liabilities, contingent receivables, and other financial commitments

Contingent liabilities, except for those recognized in connection with a business combination, are possible or present obligations arising from past events where an outflow of resources is not improbable but which are not recognized on the balance sheet.

Contingent liabilities T155

in € million	2021	**2022**
Guarantee and warranty obligations	48	58
Obligations to make contributions to the fund assets of corporate venture capital investments	26	20
Total	**74**	**78**

The **guarantee and warranty obligations** include guarantees of €30 million in favor of joint ventures, see note 9.5 p. 198 f., and indemnity obligations of €7 million in connection with divestments.

Through its corporate venture capital activities, the Evonik Group also invests indirectly in specialized technology funds. Evonik holds between 0.66 percent and 24.98 percent of the respective (sub-) fund assets and recognizes them in financial assets as securities and similar claims with a total carrying amount of €49 million (2021: €43 million). As a result of contractual agreements, the **corporate venture capital activities have obligations to make payments into the fund assets** at the request of the fund management companies. The maximum default risk arising from these investments is the sum of the carrying amounts on the balance sheet and the outstanding payment obligations. As in 2021, it is €69 million. There is no intention of providing further financial or other support.

There were no **contingent receivables** as of December 31, 2022.

Other financial commitments result from non-onerous executory contracts, continuous obligations, statutory requirements, and other commercial obligations that are not already included in the liabilities shown on the balance sheet or in contingent liabilities.

Other financial obligations T156

in € million	2021	2022
Obligations to acquire property, plant and equipment	309	242
Miscellaneous other financial obligations	1,000	2,206
Total	**1,309**	**2,448**

Prior-year figures restated.

The **miscellaneous other financial obligations** mainly result from long-term agreements for the sourcing of energy and raw materials. The increase is principally due to the long-term power purchase agreement (PPA) signed with EnBW in 2022. EnBW will supply green energy to Evonik from the He Dreiht offshore wind farm for 15 years.

9.7 Events after the reporting date

No material events have occurred since the reporting date.

10. Disclosures in compliance with German legislation

10.1 Information on shareholdings pursuant to section 313 paragraph 2 of the German Commercial Code (HGB)

The overview of all companies included in the consolidated financial statements and full details of the shareholdings in accordance with section 313 paragraph 2 of the German Commercial Code (HGB), along with details of the subsidiaries that are exempt from the obligation to prepare and publish financial statements, forms part of the audited consolidated financial statements submitted to the electronic Federal Gazette (Bundesanzeiger). The complete list of shareholdings is also available on the internet. **www.evonik.com/list-of-shareholdings**

Evonik holds more than 5 percent of the voting rights in the following stock corporations:

Disclosure pursuant to section 313 paragraph 2 nos. 4 and 5 of the German Commercial Code (HGB) T157

	Shareholding in %		Income after taxes		Equity	
in € million	2021	2022	2021	2022	2021	2022
Borussia Dortmund GmbH & Co. KGaA, Dortmund (Germany)	9.83	8.19	–77	–35	258	309
Vivawest GmbH, Essen (Germany)[a]	15.00	15.00	80	102	1,721	1,813

[a] Based on their nature as plan assets, shares amounting to 7.5 percent of this shareholding (2021: 7.5 percent) are measured at fair value in accordance with IAS 19. The disclosures on income after taxes and equity relate to the consolidated financial statements of Vivawest GmbH.

10.2 Personnel expense and number of employees pursuant to section 314 paragraph 1 no. 4 of the German Commercial Code (HGB)

Personnel expense T158

in € million	2021	2022
Wages and salaries	2,668	2,745
Social security contributions	409	451
Pension expenses	255	227
Other personnel expense	76	64
Total	**3,408**	**3,487**

Wages and salaries also include expenses related to restructuring. The net interest expense for pension provisions is shown in the financial result; see note 5.6 p. 142 f.

Headcount (annual average) T159

No. of employees	2021	2022
Specialty Additives	3,685	3,764
Nutrition & Care	5,345	5,609
Smart Materials	7,767	7,865
Performance Materials	1,854	2,007
Technology & Infrastructure	8,323	8,130
Enabling functions, other activities	5,826	6,080
Total	**32,800**	**33,455**

The companies included in the consolidated financial statements on a pro rata basis do not have any employees.

10.3 Remuneration of the executive board and supervisory board pursuant to section 314 paragraph 1 no. 6 of the German Commercial Code (HGB)

Remuneration paid to the members of the **executive board of Evonik Industries AG** for their work in 2022 amounted to €10,896 thousand (2021: €15,746 thousand). In 2022, provisions of €158 thousand for bonus payments to the executive board for the previous year were reversed. Further details, including an individual breakdown of remuneration, can be found in the remuneration report. **www.evonik.com/remuneration-report**

Total remuneration of **former members of the executive board and their surviving dependents** was €3,141 thousand in 2022 (2021: €2,898 thousand). As of the reporting date, the present value of pension obligations (defined benefit obligations) for former members of the executive board and their surviving dependents amounted to €59,999 thousand (2021: €83,390 thousand).

The remuneration of the **supervisory board** for 2022 totaled €3,446 thousand (2021: €3,466 thousand).

10.4 Declaration of conformity with the German Corporate Governance Code

In December 2022, the executive board and supervisory board of Evonik Industries AG submitted the declaration of conformity required by section 161 of the German Stock Corporation Act (AktG) and made it permanently available to the public on the company's website. **https://corporate.evonik.de/en/investor-relations/corporate-governance/german-corporate-governance-code**

10.5 Auditor's fees pursuant to section 314 paragraph 1 no. 9 of the German Commercial Code (HGB)

The following table presents the total fees charged to the Evonik Group for the services of the auditor KPMG AG Wirtschaftsprüfungsgesellschaft and companies in the global KPMG group for fiscal 2022 and 2021:

Auditor's fees T160

	Germany		Other countries		Total fees	
in € million	2021	**2022**	2021	**2022**	2021	**2022**
Auditing of financial statements	2.6	3.6	2.9	2.9	5.5	6.5
Other audit-related services	0.9	1.6	0.2	0.3	1.1	1.9
Tax consultation services	0.1	–	0.3	–	0.4	–
Other services	0.1	0.1	0.1	–	0.2	0.1
Total	**3.7**	**5.3**	**3.5**	**3.2**	**7.2**	**8.5**

The fees charged for auditing financial statements mainly comprised expenses for the statutory audit of the separate and consolidated financial statements of Evonik Industries AG and its German and foreign subsidiaries, the closely related audit of information systems and processes, and audit-related support in connection with changes in the structure of the Evonik Group. The other audit services mainly comprise services in connection with reviews of interim financial statements, the review of sustainability-related disclosures and non-financial reporting, ISO certification, emissions reporting, and other regulatory and statutory requirements. The tax consultation services in 2021 related, in particular, to support in the preparation of tax declarations and communication with fiscal authorities. The other services principally comprise advisory services in connection with the implementation of regulatory requirements and other project-related consulting services.

10.6 Date of preparation of the financial statements

The executive board of Evonik Industries AG prepared the consolidated financial statements at its meeting on February 17, 2023 and approved them for publication. The consolidated financial statements will be submitted to the audit committee at its meeting on February 24, 2023 for a preliminary examination and to the supervisory board for approval at its meeting on March 1, 2023.

Essen, February 17, 2023

Evonik Industries AG
The Executive Board

Kullmann Dr. Schwager

Wessel Wolf

SUPPLEMENTARY INFORMATION

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Evonik Group, and the management report for the Group, which is combined with the management report of Evonik Industries AG, includes a fair review of the development and performance of the business and the position of the Evonik Group, together with a description of the material opportunities and risks associated with the expected development of the Evonik Group.

Essen, February 17, 2023

Evonik Industries AG
The Executive Board

Kullmann	Dr. Schwager
Wessel	Wolf

Independent Auditor's Report

Note: This is a translation of the German original. Solely the original text in German language is authoritative.

To Evonik Industries AG, Essen

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

We have audited the consolidated financial statements of Evonik Industries AG, Essen, and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2022, and the statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of Evonik Industries AG for the financial year from 1 January to 31 December 2022.

In accordance with German legal requirements, we have not audited the content of those components of the group management report specified in the "Other Information" section of our auditor's report.

The combined management report contains cross-references marked as unaudited, which are not required by law. In accordance with German legal requirements, we have not audited the content of these cross-references or the information to which they refer.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the "Other Information" section of the auditor's report. The combined management report contains cross-references marked as unaudited that are not required by law. Our audit opinion does not extend to these cross-references or to the information to which they refer.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs).] Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairment testing of goodwill

Please refer to note 6.5 to the consolidated financial statements for more information on the accounting policies applied and the assumptions used. Information on the amount of goodwill is provided in note 6.1.

THE FINANCIAL STATEMENT RISK

Goodwill amounted to EUR 4,568 million as of December 31, 2022, and at 21% of total assets accounts for a substantial share of assets.

Goodwill is tested for impairment annually at the level of the operating segments, irrespective of events. If impairment triggers arise during the financial year, an event-driven goodwill impairment test is also carried out during the year. For goodwill impairment testing, the carrying amount is compared with the recoverable amount of the respective operating segment. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of fair value less costs to sell and value in use of the operating segment. Goodwill was tested for impairment as of September 30, 2022. The decline in market capitalization led to indications of an impairment as of this reporting date. The impairment test as of September 30, 2022, did not result in any impairment of goodwill.

In the fourth quarter of 2022, the expected future cash flows of the Performance Materials business segment were adjusted downward due to developments on the European energy market. As a result, the goodwill of this business segment was tested for impairment as of December 31, 2022. As a result of the impairment tests performed, the goodwill of the Performance Materials business segment was fully impaired by EUR 301 million.

Impairment testing of goodwill is complex and based on a number of assumptions requiring judgment. These include the expected business and earnings performance of the operating segments for the next five years, the assumed long-term growth rates and the discount rate used.

There is the risk for the consolidated financial statements that impairment existing as of the reporting date was not identified. There is also the risk that the disclosures in the notes related to goodwill impairment testing are not appropriate.

OUR AUDIT APPROACH

With the involvement of our valuation experts, we also assessed the appropriateness of the key assumptions and calculation method of the Company. To this end, we discussed the expected development of business and earnings as well as the assumed long-term growth rates with those responsible for planning. We also performed reconciliations with the 2023 budget prepared by management and submitted to the Supervisory Board for approval, as well as the medium-term planning up to and including 2025. In addition, we assessed the consistency of assumptions with external market assessments.

We also examined the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual earnings and by analyzing deviations. We compared the assumptions and data underlying the discount rate, in particular the risk-free rate, the market risk premium and the beta coefficient, with our own assumptions and publicly available data.

To ensure the computational accuracy of the valuation method used, we verified the Company's calculations on the basis of selected risk-based elements.

In order to take account of the existing forecast uncertainty and the earlier deadline selected for event-independent impairment testing, we examined the effects of possible changes in the discount rate, earnings performance and the long-term growth rate on the recoverable amount by calculating alternative scenarios and comparing them with the values stated by the Company (sensitivity analysis).

Finally, we assessed whether the disclosures in the notes regarding impairment of goodwill are appropriate.

OUR OBSERVATIONS

The calculation method used for impairment testing of goodwill is appropriate and in line with the applicable accounting policies. The Company's assumptions and data used for measurement are appropriate overall. The disclosures in the notes related to goodwill impairment testing are appropriate.

Impairment of property, plant and equipment

Please refer to note 6.5 in the notes to the financial statements for information on the accounting policies applied and the assumptions used. Disclosures on the value of property, plant and equipment can be found under note 6.2.

THE FINANCIAL STATEMENT RISK

Property, plant and equipment amounted to EUR 6,962 as of December 31, 2022, and at 32% of total assets accounts for a considerable share of the assets.

If there is objective evidence of impairment of property, plant and equipment, the Company determines the recoverable amount and compares this amount with the respective carrying amount. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized. The recoverable amount is determined using the discounted cash flow method. The calculation of the recoverable amount is carried out regularly on the level of cash-generating units.

Impairment testing of property, plant and equipment is complex and based on a range of assumptions that require judgment. This is particularly the case for estimated future cash flows, the discount rates used as well as the assessment of whether there are indications of impairment.

As a result of the decline in market capitalization below the net assets of Evonik Industries AG, the value of property, plant and equipment was tested for impairment on an ad hoc basis as at September 30, 2022. As a result of the impairment test, an impairment loss of EUR 110 million was recognized. The impairment test of the business segment Performance Materials as of December 31, 2022, did not result in any impairment of property, plant and equipment. In total, impairment losses of EUR 148 million were recognized on property, plant and equipment in the financial year.

There is the risk for the consolidated financial statements that the existing impairment loss is not recognized in the amount required. There is also the risk that the related disclosures in the notes are not appropriate.

OUR AUDIT APPROACH

We obtained an understanding of the Company's process for the identification of indications of impairment as well as for the determination of recoverable amounts based on explanations provided by accounting staff as well as an assessment of the in-house policies. We analyzed the indications of impairment identified by the Company and, on the basis of information obtained within the scope of our audit, assessed whether there are any indications of further impairment not identified by the Company.

With the involvement of our valuation experts, we assessed the computational accuracy and IFRS compliance of the Company's valuation methods and the appropriateness of significant assumptions made therein. In addition, we also discussed the expected cash inflows with those responsible for planning. By reconciling the projected earnings contributions prepared at the level of the cash-generating units to the 2023 budget prepared by management and submitted to the Supervisory Board for approval and the medium-term planning up to and including 2025, we assessed their internal consistency.

We also examined the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual earnings and by analyzing deviations. We compared the assumptions and data underlying the discount rate, in particular the risk-free rate, the market risk premium and the beta coefficient, with our own assumptions and publicly available data.

To ensure the computational accuracy of the valuation method used, we verified the Company's calculations on the basis of selected risk-based elements.

In order to take account of forecast uncertainty, we also assessed the impact of reasonably possible changes in [the discount rate] and [the expected cash flows] on the recoverable amount (sensitivity analysis) by calculating alternative scenarios and comparing these with the Company's measurements.

Finally, we assessed whether the disclosures in the notes on the impairment of property, plant and equipment are appropriate.

OUR OPINIONS

The approach, including the measurement method, used for impairment testing of property, plant and equipment is consistent with the accounting policies. The assumptions and data used by the Company are appropriate. The related disclosures in the notes are appropriate.

Measurement of pension obligations and plan assets

Information on the accounting policies applied, the assumptions used and the amount of pension obligations and plan assets is presented in note 6.10 to the consolidated financial statements.

THE FINANCIAL STATEMENT RISK

As of December 31, 2022, the provisions for employee benefits and similar obligations amounted to EUR 1,359 million. This is the net balance of the present value of the pension obligations of EUR 8,344 million and the fair value of plan assets of EUR 7,031 million and after taking into account the effect of the asset ceiling of EUR 46 million. The majority relates to pension commitments in Germany, the USA and United Kingdom.

Pension obligations (defined benefit obligations) are measured using the projected unit credit method in accordance with IAS 19, which requires assumptions in particular on long-term salary and pension growth and average life expectancy. The discount rate as of the reporting date is derived from the yield on high-grade, currency-matched corporate bonds with maturities that match the expected maturities of the obligations. Changes to these measurement assumptions are recognized directly in equity as actuarial gains or losses. The actuarial determination of pension obligations therefore requires a range of judgments. Plan assets are measured at fair value. This includes assets for which the fair value can be determined based on prices quoted on an active market, is directly or indirectly observable or can be determined using a valuation technique. Measurement of the fair value of assets for which there is no active market is subject to estimation uncertainties or judgments.

There is the risk for the consolidated financial statements that the pension obligations or plan assets have been measured inaccurately. There is also the risk that the disclosures in the notes relating to measurement are not appropriate.

OUR AUDIT APPROACH

Based on our understanding of the process, we have evaluated the establishment and design of identified internal controls for the transmission of information relevant to measurement to the actuaries engaged by Evonik.

With the involvement of our actuaries, we assessed the actuarial reports obtained by Evonik as well as the professional qualifications of the external experts. Our audit procedures also included evaluating the appropriateness of the valuation method applied and assumptions made. In addition, we verified the computational accuracy of the resulting obligations based on a deliberate selection of pension commitments.

We obtained a basic overview of the process of measuring the fair values of plan assets including the controls set up for this purpose.

For auditing the fair values of interest-bearing investments, we made our own calculations with the involvement of our valuation experts for a risk-based deliberate selection and compared these values with the values determined by the Company. For non-interest-bearing investments, we verified whether the unit prices determined by the investment management companies are appropriate.

For auditing the fair value of the corporate share in Vivawest GmbH, Essen, included in the plan assets, we assessed the appropriateness of the calculation method and plausibility of main planning assumptions based on industry-specific market expectations. With regard to the discount rate determined, we have performed both a substantive assessment of the individual assumptions and data on the basis of available market data and a critical overall assessment in comparison with other companies in the real estate sector.

We also assessed whether the related disclosures in the notes are appropriate.

OUR OBSERVATIONS

The calculation method used for the pension obligations is appropriate and consistent with the accounting policies to be applied. The assumptions and data used for measurement of the pension obligations and plan assets are appropriate overall. The related disclosures in the notes are appropriate.

Other Information

Management and the Supervisory Board are/is responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

- the integrated combined non-financial statement, included in section 5 “Sustainability” of the combined management report,
- the corporate governance statement included in the corresponding section of the combined management report.

The other information also includes:

- the parts of the financial report other than the report of the Supervisory Board obtained before the date of the auditor’s report,
- the report of the supervisory board expected to be available to us after the date of the auditor’s report.

The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In accordance with our engagement, we have performed a separate audit of the non-financial statements. With regard to the nature, scope and results of this audit, we refer to our audit opinion dated 21 February 2023.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group’s position it provides.
- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file "evonik-2022-12-31-de.zip" (SHA256-Hashwert: 568b2629dc26c8a22226b6ebf193eb56233ff0a0b3a269d-71ab9aca5861750a0) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and the Combined Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the company's management is responsible for such internal control that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the annual general meeting on 25 May 2022. We were engaged by the supervisory board on 18 October 2022. We have been the group auditor of Evonik Industries AG since financial year 2021.

We declare that the opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other matter – Use of the Auditor’s Report

Our auditor’s report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the examined ESEF documents. The consolidated financial statements and combined management report converted to the ESEF format – including the versions to be entered in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Dr. Thorsten Hain.

Essen, 21 February 2023
KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Dr. Hain	Dr. Ackermann
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Assurance Report of the Independent Auditor Regarding the Combined Non-financial Statement

Note: Our engagement applied to the German version of the combined non-financial statement 2022. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

To the Executive Board of Evonik Industries AG, Essen:

We have performed an independent limited assurance engagement on the combined non-financial statement (hereinafter, "NFS") of Evonik Industries AG, Essen (hereinafter, "Evonik"), and the Evonik Group, including chapters 5.1, 5.2, 5.5 and 5.6 of the combined Management Report, which are qualified by reference as a component, for the period from January 1, 2022 to December 31, 2022.

In addition, we have performed reasonable assurance procedures on the following non-financial disclosures, which also qualify as components of the NFS:
- Disclosures in Chapter 5.3 – Employees
- Disclosures in Chapter 5.4 – Safety

Management Responsibilities
The legal representatives of Evonik are responsible for the preparation of the NFS in accordance with §§ 315b, 315c in conjunction with 289b to 289e HGB and with Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereinafter "EU Taxonomy Regulation") and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by Evonik as disclosed in Chapter 5.5.3 of the combined non-financial statement.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the NFS and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, the legal representatives are responsible for the internal controls they deem necessary for the preparation of the NFS that is free from material misstatement, whether due to fraud (manipulation of the non-financial statement) or error.

The EU Taxonomy Regulation and the supplementing Delegated Acts contain wordings and terms that are still subject to substantial uncertainties regarding their interpretation and for which not all clarifications have been published yet. Therefore, the legal representatives have included a description of their interpretation in Chapter 5.5.3 of the combined Management Report. They are responsible for the validity of this interpretation. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations is subject to uncertainty.

Practitioner Responsibilities
It is our responsibility to express, based on our work performed, a conclusion with limited assurance on the NFS, including the Chapters 5.1, 5.2, 5.5 and 5.6 of the Management Report qualified as components of the NFS, respectively with reasonable assurance on the disclosures made in Chapters 5.3 and 5.4 of the Management Report, also qualified as components of the NFS.

Engagement to Obtain Limited Assurance
We conducted our work in the form of a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information", published by IAASB. Accordingly, we have to plan and perform the assurance engagement in such a way that we obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the NFS including the qualified Chapters 5.1, 5.2, 5.5 and 5.6 in the combined Management Report of Evonik for the period from January 1, 2022 to December 31, 2022 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the legal representatives as disclosed in Chapters 5.5.3 of the combined non-financial statement. We do not, however, issue a separate conclusion for each disclosure. As the assurance procedures performed during a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The determination of assurance procedures is subject to the auditor's own judgement.

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

- Inquiries of group-level personnel who are responsible for the materiality analysis in order to understand the processes for determining material topics and respective reporting boundaries for Evonik
- Inquiries of personnel who are responsible on group-level to obtain an understanding of the procedures used to identify relevant economic activities according to the EU Taxonomy
- A risk analysis, including media research, to identify relevant information on Evonik's sustainability performance within the reporting period
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures, including data consolidation, on environmental, employee and social matters, respect for human rights, and combating corruption and bribery
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures on turnover, capital expenditure and operating expenditure for the taxonomy-eligible and taxonomy-aligned economic activities
- Inquiries of group-level personnel who are responsible for determining disclosures on concepts, due diligence processes, results and risks, performing internal control functions and consolidating disclosures
- Inspection of selected internal and external documents
- Analytical procedures for the evaluation of data and of the trends in quantitative disclosures as reported at group level by all sites
- Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data based on a sample of the sites in five locations selected from a risk perspective
- Performing evidence-based assurance procedures, in particular testing of internal and external evidence
- Evaluation of the process for the identification of taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the report
- Assessment of the overall presentation of the disclosures

The legal representatives have to interpret vague legal concepts in order to be able to compile the relevant disclosures in accordance with Article 8 of the EU Taxonomy Regulation. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations and, correspondingly, our assurance thereof are subject to uncertainty.

Engagement to Obtain Reasonable Assurance

For the non-financial disclosures in Chapters 5.3 and 5.4 regarding the topics Employees and Safety we have conducted our work in the form of a reasonable assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", published by IAASB. This standard requires that we comply with professional requirements and plan and perform the assurance engagement in such a way that we obtain our conclusion with reasonable assurance. The determination of the assurance procedures is subject to the auditor's own judgement.

In addition to the assurance procedures mentioned above, we performed the following assurance procedures:

- Performance of control-based assurance procedures to assess the design and effectiveness of the control measures for the determination, processing and control of the disclosures on the subject topics of Employees and Safety, including the control-relevant key figures on accident and incident frequency
- Performance of single-case assurance procedures (on a sample basis) in connection with the determination, processing and control of the disclosures on the subject areas of Employees and Safety.

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

Independence and Quality Assurance on the Part of the Auditing Firm

In performing this engagement, we applied the legal provisions and professional pronouncements regarding independence and quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the combined non-financial statement of Evonik, including Chapters 5.1, 5.2, 5.5 and 5.6 of the combined Management Report, which are qualified by reference as components, for the period from January 1, 2022 to December 31, 2022 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation disclosed in Chapter 5.5.3 of the combined non-financial statement.

According to our evaluation, Chapters 5.3 and 5.4 of Evonik's combined Management Report, which also qualify as components of the combined non-financial statement for the period from January 1, 2022 to December 31, 2022, have been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

Restriction of Use/General Engagement Terms

This assurance report is issued for purposes of the Executive Board of Evonik Industries AG, Essen, only. We assume no responsibility with regard to any third parties.

Our assignment for the Executive Board of Evonik Industries AG, Essen, and professional liability as described above were governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms notice of the provisions contained therein including the limitation of our liability for negligence to € 4 million as stipulated in No. 9 and accepts the validity of the General Engagement Terms with respect to us.

Düsseldorf, February 21, 2022
KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Brandt
Wirtschaftsprüferin
[German Public Auditor]

ppa. Dietrich

Annex to the combined management report: EU taxonomy tables

Proportion of turnover from products or services associated with taxonomy-aligned economic activities—disclosure covering 2022 T161

				Substantial contribution criteria						DNSH criteria ("Do No Significant Harm")										
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
Economic activities	Code(s)	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover 2022	Taxonomy-aligned proportion of turnover 2021	Category (enabling activity)	Category (transitional activity)
		in € million	in %	in %	in %	in %	in %	in %	in %	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	in %	in %	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Taxonomy-aligned activities																				
Manufacture of plastics in primary form	3.17	3	–	100							Y	Y	n/a	Y	Y	Y	–			T
Manufacture of energy efficiency equipment for buildings	3.5	76	–	100							Y	Y	Y	Y	Y	Y	–		E	
Turnover of taxonomy-aligned activities (A.1)		**79**	**–**	**100**													–			
A.2. Taxonomy-eligible, but not taxonomy-aligned activities																				
Manufacture of organic basic chemicals	3.14	151	1																	
Manufacture of plastics in primary form	3.17	2,476	13																	
Manufacture of energy efficiency equipment for buildings[a]	3.5	44	–																	
High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	4.30	53	–																	
Turnover of taxonomy-eligible, but not taxonomy-aligned activities (A.2)		**2,725**	**15**														**15**			
Total (A.1 + A.2)		**2,804**	**15**														**15**			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of taxonomy-non-eligible activities (B)		**15,684**	**85**																	
Total (A + B)		**18,488**	**100**																	

[a] For this activity, several smaller units of evaluation with aggregate turnover of less than €5 million were not examined for taxonomy alignment on materiality grounds and due to the disproportionate amount of work involved.

Proportion of CapEx from products or services associated with taxonomy-aligned economic activities—disclosure covering 2022

T162

(1) Economic activities	(2) Code(s)	(3) Absolute CapEx in € million	(4) Proportion of CapEx in %	Substantial contribution criteria: (5) Climate change mitigation in %	(6) Climate change adaptation in %	(7) Water and marine resources in %	(8) Circular economy in %	(9) Pollution in %	(10) Biodiversity and ecosystems in %	DNSH criteria ("Do No Significant Harm"): (11) Climate change mitigation Y/N	(12) Climate change adaptation Y/N	(13) Water and marine resources Y/N	(14) Circular economy Y/N	(15) Pollution Y/N	(16) Biodiversity and ecosystems Y/N	(17) Minimum safeguards Y/N	(18) Taxonomy-aligned proportion of CapEx, 2022 in %	(19) Taxonomy-aligned proportion of CapEx, 2021 in %	(20) Category (enabling activity) E	(21) Category (transitional activity) T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Taxonomy-aligned activities																				
Manufacture of plastics in primary form	3.17	1	–	100						–	Y	Y	n/a	Y	Y	Y	–			T
Manufacture of energy efficiency equipment for buildings	3.5	2	–	100						–	Y	Y	Y	Y	Y	Y	–		E	
CapEx of taxonomy-aligned activities (A.1)		**2**	**–**	**100**													–			
A.2. Taxonomy-eligible, but not taxonomy-aligned activities																				
Manufacture of organic basic chemicals	3.14	8	1																	
Manufacture of plastics in primary form	3.17	129	9																	
Manufacture of energy efficiency equipment for buildings[a]	3.5	1	–																	
High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	4.30	92	7																	
CapEx of taxonomy-eligible, but not taxonomy-aligned activities (A.2)		**230**	**17**														**17**			
Total (A.1 + A.2)		**232**	**17**														**17**			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of taxonomy-non-eligible activities (B)		**1,142**	**83**																	
Total (A + B)		**1,374**	**100**																	

[a] For this activity, several smaller units of evaluation were not examined for taxonomy alignment on materiality grounds and due to the disproportionate amount of work involved.

Proportion of OpEx from products or services associated with taxonomy-aligned economic activities—disclosure covering 2022

T163

(1) Economic activities	(2) Code(s)	(3) Absolute OpEx	(4) Proportion of OpEx	Substantial contribution criteria (5) Climate change mitigation	(6) Climate change adaptation	(7) Water and marine resources	(8) Circular economy	(9) Pollution	(10) Biodiversity and ecosystems	DNSH criteria ("Do No Significant Harm") (11) Climate change mitigation	(12) Climate change adaptation	(13) Water and marine resources	(14) Circular economy	(15) Pollution	(16) Biodiversity and ecosystems	(17) Minimum safeguards	(18) Taxonomy-aligned proportion of OpEx, 2022	(19) Taxonomy-aligned proportion of OpEx, 2021	(20) Category (enabling activity)	(21) Category (transitional activity)
		in € million	in %	in %	in %	in %	in %	in %	in %	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	in %	in %	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Taxonomy-aligned activities																				
Manufacture of plastics in primary form	3.17	–	–	100							Y	Y	n/a	Y	Y	Y	–			T
Manufacture of energy efficiency equipment for buildings	3.5	2	–	100							Y	Y	Y	Y	Y	Y	–		E	
OpEx of taxonomy-aligned activities (A.1)		**2**	**–**	**100**													–			
A.2. Taxonomy-eligible, but not taxonomy-aligned activities																				
Manufacture of organic basic chemicals	3.14	2	–																	
Manufacture of plastics in primary form	3.17	106	13																	
Manufacture of energy efficiency equipment for buildings[a]	3.5	1	–																	
High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	4.30	–	–																	
OpEx of taxonomy-eligible, but not taxonomy-aligned activities (A.2)		**109**	**13**														**13**			
Total (A.1 + A.2)		**111**	**13**														**13**			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of taxonomy-non-eligible activities (B)		**732**	**87**																	
Total (A + B)		**843**	**100**																	

[a] For this activity, several smaller units of evaluation were not examined for taxonomy alignment on materiality grounds and due to the disproportionate amount of work involved.

Annex to the combined management report: Templates for EU taxonomy

Templates for nuclear energy related and fossil gas related activities

Template 1 for CapEx[a]

T164

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

[a] In our view, the contribution made by this activity to turnover and OpEx is not material.

Template 4: CapEx—taxonomy-eligible but not taxonomy-aligned economic activities

T165

		Proportion					
		(CCM + CCA)		Climate change mitigation		Climate change adaptation	
Row	Economic activities	Amount in € million	in %	Amount in € million	in %	Amount in € million	in %
1.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a
2.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a
3.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a
4.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a
5.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	92	7	92	7	–	–
6.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a
7.	**Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**138**	**10**	**138**	**10**	–	–
8.	**Total amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI**	**230**	**17**	**230**	**17**	–	–

Template 5: CapEx—taxonomy-non-eligible economic activities T166

Row	Economic activities	Amount in € million	in %
1.	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a
2.	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a
3.	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a
4.	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a
5.	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	225	16
6.	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a
7.	**Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**917**	**67**
8.	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI**	**1,142**	**83**

Market positions 2022[a]

T167

Product	Application	Global ranking[a]	Capacity in metric tons
Specialty Additives			
Polyurethane additives	Stabilizers and catalysts for the production of polyurethane foam	1	[b]
Organically modified silicones	Radiation-cured separation coatings, super-spreading agents, additives for paints and printing inks	1–2	[b]
Isophorone chemistry	Environment-friendly coating systems, high-performance composites (crosslinkers)	1	[b]
Epoxy curing agents	Epoxy coatings, adhesives, and composites	1	[b]
Oil additives	Viscosity modifiers	1	[b]
Fumed silicas, matting agents	Additives for the coatings and printing inks industry	1	[b]
Acetylenic diol-based surfactants	Additives for coatings and printing inks	1	[b]
Nutrition & Care			
Amphoteric surfactants	Shampoos, shower gels	1–2	[b]
Ceramides, phytosphingosines	Cosmetics	1	[b]
Oleochemical, quaternary derivatives	Fabric softeners	1	[b]
Amino acids and amino acid derivatives	Pharmaceutical intermediates, cell cultures, and infusion solutions	2	[b]
Exclusive synthesis	Intermediates and active substances for pharmaceuticals and specialty applications	3	[b]
Drug delivery	Drug delivery systems, oral and parenteral applications	2	[b]
DL-methionine	Animal nutrition	1	≈ 700,000
Smart Materials			
Hydrogen peroxide	Bleaching of pulp and textiles, oxidation agent for the chemical industry, starting product for polyurethane	1–2	> 1,000,000
Peracetic acid	Wastewater treatment, food and beverage industry, pharmaceuticals and health care	1–2	[b]
Activated nickel catalysts	Life sciences and fine chemicals, industrial chemicals	1	[b]
Precious metal powder catalysts	Life sciences and fine chemicals, industrial chemicals	1	[b]
Oil and fat hydrogenation catalysts	Life sciences and fine chemicals, industrial chemicals	2	[b]
Regeneration of desulfurization catalysts	Low-sulfur fuels	2	[b]
Amorphous polyalphaolefins	Thermoplastic hot melt adhesives	1	[b]
Polybutadienes	Automotive manufacturing (adhesives and sealants)	2	[b]
Polyester resins	Can and coil coating, reactive hot melt adhesives	1	[b]
Thermoplastic and reactive methacrylate resins	Binders for paints and coatings	1	[b]
PEEK	Special applications in the oil and gas, automotive, and aviation industries, electronics/semiconductors, medical technology (e.g., implants)	3	[b]
Polyamide 12	High-performance specialty polymer applications (e.g., automotive, powder for 3D printing, medical, sports, gas and offshore pipelines)	1	[b]
Polymethacrylimide foams	Composite components for lightweight structures (e.g., aerospace, automotive, wind energy)	1	[b]
Organosilanes, chlorosilanes	Rubber, silicone rubber, paints and coatings, adhesives and sealants, building protection materials, glass fiber composites, electronics, pharmaceuticals, cosmetics	1[d]	[b]
Fumed silicas, fumed metal oxides, precipitated silicas	Rubber, high-temperature insulation, electronics, consumer products, silicone rubber, adhesives, sealants, plastics, pharmaceuticals	1	> 950,000
Performance Materials			
Butene-1	Co-monomer for polyolefins	1[c]	235,000
DINP	High-molecular plasticizers for use in flexible PVC	3	220,000
Isononanol	Intermediate for high-molecular plasticizers	2	400,000
Cyanuric chloride	Industrial applications and specialties (e.g., UV stabilizers, crosslinkers, and optical brighteners), and crop protection	3	[b]
Alkoxides	Catalysts for biodiesel, pharmaceuticals, agrochemicals, and other applications	1	[b]

[a] Evonik's assessment based on various individual market reports/information and in-house market research.
[b] No data available.
[c] Freely traded volumes.
[d] Chlorosilanes: freely traded volumes. Overall assessment—market position differs depending on application.

Glossary

Technical terms

3D printing
3D printing is an additive manufacturing process. On the basis of a three-dimensional digital blueprint, material is applied in layers on a base surface. Very soon a three-dimensional structure is produced that corresponds exactly to the digital specification—with no need for special molds or extensive post-processing. Evonik is a global leader in the production of polyamide 12 (PA 12) powders, which have been used in additive manufacturing for more than 20 years. In addition to polyamide 12 and polyamide 613, the product portfolio includes other flexible TPA and co-polyester powders belonging to the portfolio of ready-to-use materials marketed under the INFINAM® brand name.

Alkoxides
Evonik produces alkoxides, which are used as catalysts for efficient high-yield production of biodiesel. Using these catalysts, biodiesel can be manufactured from renewable raw materials in a water-free process. Fewer unwanted by-products are generated, and this simplifies the production of biodiesel.

Amino acids
Amino acids are building blocks for proteins that are used in animal nutrition. They are used to ensure that the amino acid content of animal feed is optimally aligned with requirements. As a result, livestock needs less feed, which also reduces the excretion of nitrogen and undigested nutrients, improves the carbon footprint of livestock farming, and reduces the overfertilization of the soil. Evonik also produces amino acids and their derivatives in pharmaceutical quality for use in infusion solutions for parenteral nutrition, as starting products for animal cell cultures, and in the manufacture of active ingredients.

Butadiene
Butadiene is mainly used in synthetic rubber, for example, for the manufacture of tires. It also has a wide range of applications in elastomers and plastics. For example, it increases the hydrocarbon resistance of nitrile rubber gloves. Butadiene is also an important precursor for the production of latex mattresses.

C_4 chemistry
C_4 crack is a by-product of crude oil refining. It is mainly produced in a steam cracker when naphtha is split into ethylene and propylene. After isolation, Evonik processes the C_4 hydrocarbons and places them on the market. The C_4-based materials are used in rubber, plastics, and specialty chemicals. In daily life they are mainly found in high-quality plastics and coatings, for example, for cars, the home, and leisure activities. However, applications are not confined to plastics. The wide-ranging applications for C_4 materials include lubricants, fuel additives, cosmetics, and solvents in the chemical and pharmaceutical industries.

Catalysts
Evonik has been producing catalysts for chemical processes for over 80 years. More than 80 percent of chemical reactions in the industry would not be possible or economically viable without a catalyst. A catalyst is a substance that accelerates chemical processes but is not consumed during the reaction. It steers chemical reactions towards the desired products and avoids by-products/waste. Catalysts thus enable efficient chemical processes by using less feedstock and reducing energy consumption.

CDP
CDP (formerly the Carbon Disclosure Project) is a non-profit organization that helps companies and cities disclose their environmental impact by publishing data such as greenhouse gas emissions and water consumption. Once a year, CDP collects information on companies' CO_2 emissions, climate risks, reduction targets, and strategies on behalf of investors on a voluntary basis using standardized questionnaires. Evonik's ratings in the CPD categories in 2022 were as follows: Climate Change: A-, Water Security: B; Forests: B.

CO_2 emissions
Since 2008, we have reported an extensive overview of greenhouse gas emissions—from the extraction of raw materials through production to the disposal of the products. The key parameter is the carbon footprint (CO_2 equivalent footprint). The data cover Evonik's direct energy and process emissions (scope 1), emissions from purchased electricity and heat (scope 2), and relevant up- and downstream emissions (scope 3). These include emissions from the production of purchased raw materials, services, and capital goods, energy-related emissions not included in scope 1 and scope 2, emissions from inbound and outbound shipments, from the disposal of waste, emissions caused by business trips and employee commuting, energy requirements for administrative buildings, and emissions from the use, disposal and recycling of sold products.

Crosslinkers
Polymers comprise long chains of linked molecules. Crosslinking these chains to form three-dimensional networks creates materials with high mechanical and thermal stability. Evonik produces the key components for the crosslinking process for many important classes of polymers such as epoxy resin and polyurethanes.

Footprint
The footprint is a complex sustainability indicator that describes how much resource a person or a product consumes. It thus represents negative ecological impacts. The best-known definition is the carbon footprint, which measures the CO_2 emissions associated with the manufacture of a product.

Global Reporting Initiative
The Global Reporting Initiative (GRI) is an independent international standards organization that provides the most commonly used standards for sustainability reporting, the GRI Universal Standards 2021. Evonik uses these standards to prepare its sustainability reports.

Greenhouse Gas Protocol (GHG Protocol)
The Greenhouse Gas Protocol is 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 and the World Resources Institute and is the basis for the classification of our CO_2eq[1] emissions in scopes 1 to 3.

Handprint
We define handprint as the positive impacts of our products along the value chain compared with other established products and applications on the market, especially in customers' applications.

High-performance polymers
Evonik is a specialist for high-performance polymers. These have particularly high strength, making them a welcome alternative to metals in many fields, for example, in lightweight structures, medical, and industrial applications. Depending on where they are used, such materials have to withstand high temperatures, aggressive chemicals, and significant mechanical strain.

Hydrogen peroxide
Hydrogen peroxide (H_2O_2) is an environmentally friendly chemical: Its decomposition yields only oxygen and water. Due to its beneficial properties, it is used in a variety of areas, for example, as a bleaching agent in the pulp and textile industries, as an etching agent in the electronics industry, and in active pharmaceutical ingredients and cosmetic applications. H_2O_2 is also used as a sterilization and disinfection agent in food processing, an oxidizing agent in chemical and pharmaceutical synthesis, and in the production of peracetic acid, which is an important derivative. Together with thyssenkrupp Industrial Solutions, Evonik has developed the hydrogen-peroxide-to-propylene-oxide (HPPO) technology. This process enables cost-efficient and eco-friendly industrial-scale synthesis of propylene oxide. Recently, Evonik developed the HYPROSYN™ technology and entered into an exclusive technology partnership with Dow Chemical Company to bring this unique method for directly synthesizing propylene glycol (PG) from propylene and H_2O_2 to market maturity.

Integrated technology platforms
Integrated technology platforms allow efficient use of product streams and thus high added value by utilizing by-products from one production process as starting products for others. That saves resources, reduces CO_2 emissions, and leverages cost-efficiency. Examples of integrated technology platforms in the Evonik Group are isophorone, silicon, silicones, and oleochemicals.

Isophorone/isophorone diamine/isophorone diisocyanate
Isophorone is used as a solvent, for example, in the paints and coatings industry. It is also used to produce the derivatives isophorone diamine and isophorone diisocyanate. Isophorone diamine is an important curing agent for epoxy resin systems, for example, to strengthen rotor blades. Isophorone diisocyanate is used to produce light- and weather-resistant polyurethane coatings, for example, for instrument panels and other plastic components. In 2022, Evonik launched the world's first sustainable isophorone-based products made from renewable acetone.

[1] CO_2 equivalents.

Lost Time Injury Rate (LTI-R)
All work-related accidents (excluding traffic accidents) resulting in absences of at least one full shift per 200,000 working hours.

Membranes
Membranes are used in separation processes. Evonik develops and manufactures hollow-fiber membrane modules for efficient gas separation and spiral-wound modules for separating organic solvents and volatile organic compounds (vapors). Both types of membrane are based on high-performance polymers that can withstand extreme pressure and temperatures. Evonik is also developing an anion exchange membrane for alkaline membrane water electrolysis. This membrane is characterized by its chemical stability, mechanical integrity, and ionic conductivity.

Next Generation Solutions
Next Generation Solutions are products and solutions in our portfolio with a pronounced sustainability profile that meets the expectations of markets with high and very high sustainability requirements.

Oil additives
As a leading global supplier of oil additives, Evonik develops technologies that improve the operative efficiency of engines, gears, and hydraulic systems. Specific and customized improvements in the flow properties of lubricants over a wide temperature range play an important role.

Polyamide 12 (PA 12)
Polyamide 12 (PA 12) is a thermoplastic with a linear structure built up entirely from the monomer laurinlactam. It is the lightest of all polyamide plastics. The density of the compact material is only slightly above 1.

Polymers
Long-chain, short-chain, or crosslinked molecules (macromolecules) produced from smaller molecules (monomers).

Polyurethane additives
These products contribute to the outstanding performance of polyurethane foams and create advantages in the final foam performance. In the manufacture of flexible polyurethane foams, additives from Evonik enhance the comfort of mattresses, upholstered furniture, and automobile interiors. The use of these additives in rigid polyurethane foam applications contributes to an outstanding insulating performance in refrigerators and construction materials.

Portfolio Sustainability Assessments (PSA)
PSA is a sustainability analysis framework published by the World Business Council for Sustainable Development (WBCSD). It is designed to support recent global agreements such as the Paris Agreement on Climate Change and the United Nations Sustainable Development Goals. Companies are increasingly using PSA to proactively align their entire product portfolio with improved sustainability performance. Evonik aligns the sustainability analysis of its business with this framework. One special feature of this approach is the differentiated assessment of the relevant products in specific product-application-region combinations (PARCs). For each PARC, we identify the benefits of using the product. The sustainability analysis of our business is integrated into the strategic management process.

Process Safety Incident Rate (PSI-R)
Number of incidents in production plants involving the release of substances/energy, fire, or explosion per 200,000 working hours, as defined by the ICCA/European Chemical Industry Council (Guideline 2016).

Product-application-region combinations (PARC)
PARC is a term from the Portfolio Sustainability Assessment. It designates a product/product line (P) in a specific application (A) and regional context (R), for example, silanes (P) for car tires (A) in the USA (R). PARCs enable a differentiated assessment of the sustainability profile of products, as they are not considered in isolation. They are defined by the company dividing its portfolio into PARCs.

REACH
REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) is the European chemicals regulation (EC 1907/ 2006).

Responsible Care®
Responsible Care® is the chemical industry's worldwide voluntary commitment to drive continuous improvement in sound chemicals management. This goes beyond legislative and regulatory compliance and includes various initiatives involving stakeholders to foster the safe use of products and resources along the value chain.

Silanes
Silanes are a group of chemical compounds consisting of a silicon-based structure and up to four functional groups. Evonik produces three types of silanes:
- Organofunctional silanes have at least one functional hydrocarbon group and optionally another functional group. They are used to produce high-performance additives that improve the properties of inorganic particles, resins, and polymers. For example, they enhance the bonding properties of adhesives, make plastics heat-resistant, and add flame-retardant properties to cables.
- Sulfur-functional silanes have revolutionized the production of tires, where they are used in combination with precipitated silicas to improve key properties such as rolling resistance and wet grip.
- Chlorosilanes are key resources for the semiconductor and optical fiber industry.

Silica
Evonik manufactures both precipitated silica using a wet route and fumed silica, which is produced by a flame process. Silica is also known as silicon dioxide. These ultra-fine particles are used in a wide range of applications, including the life sciences (pharmaceuticals and cosmetics), construction, adhesives and sealants, paints and coatings, furniture manufacture, electronics applications such as polishing computer chips, and the production of toners for digital printing. They also play a key role in energy-saving tires with low rolling resistance ("green" tires).

Silica/silane system
Silica is used in combination with silanes to reinforce the tread of modern tires. The silica/silane system greatly reduces rolling resistance, resulting in fuel savings of up to 8 percent compared with conventional car tires. It also improves grip on wet and wintry roads.

Superabsorbents
Crosslinked polymers that are insoluble in water and can absorb and store large quantities of aqueous liquid through a mechanism that causes them to swell and form hydrogels. The liquid is not released even under pressure. Consequently, these polymers are mainly used in diapers. Special forms of superabsorbents are used in agriculture to regulate the moisture in soil. As well as absorbing large quantities of water, they can release it to the plants during dry periods.

Sustainable Development Goals
In 2015, the global community adopted the 2030 Agenda for Sustainable Development under the auspices of the United Nations, including 17 sustainable development goals (SDGs). Their vision is a better future that enables people to live a decent life and protects the natural basis of life. The SDGs cover economic, ecological, and social aspects. Evonik supports these goals and has been working intensively with them for a number of years.

UN Global Compact
The United Nations Global Compact is a strategic initiative for companies that undertake to align their business operations and strategies with ten principles relating to human rights, labor, environmental protection, and fighting corruption. Companies that join the Global Compact give an undertaking that they will report annually on their progress. Evonik has been a member of the UN Global Compact since 2009.

Financial and economic terms

Adjusted EBIT
Earnings before financial result and taxes, after adjustments. Earnings indicator showing Evonik's operating earnings performance irrespective of the structure of its assets.

Adjusted EBITDA
Earnings before financial result, taxes, depreciation, and amortization, after adjustments. Earnings indicator showing Evonik's operating earnings performance irrespective of the structure of its assets and its investment profile. This is a cash flow-related indicator, which is used in particular in the adjusted EBITDA margin to show the relationship to sales as a basis for comparison with competitors.

Adjusted earnings per share
Adjusted earnings per share are calculated by dividing adjusted net income by the weighted average number of shares issued. This indicator is used for comparison with other companies, for example, as the basis for calculating the price/earnings ratio.

Adjusted net income
We use adjusted net income to assess the earnings power of the continuing operations, especially on a long-term view, and to forecast future development. Adjusted net income comprises the total earnings for the year less non-controlling interests, after factoring out special items.

Adjustments
Evonik refers to the special items that are factored out when calculating the operational performance indicators adjusted EBITDA and adjusted EBIT as adjustments. They include restructuring, impairment losses/reversals of impairment losses, income and expenses in connection with the purchase/disposal of investments in companies, and other income and expense items that, due to their nature or amount, do not reflect the typical operating business.

Capital employed
Capital employed comprises the net assets required for operations. It is calculated by determining the total of intangible assets, property, plant and equipment, investments, inventories, trade accounts receivable, and other non-interest-bearing assets. The sum of interest-free provisions, trade accounts payable, and other interest-free liabilities is then deducted from this. It is used to determine the return on capital employed (see ROCE).

Capital expenditures
Capital expenditures comprise investment in intangible assets, property, plant and equipment.

Cash conversion rate
The cash conversion rate is the ratio of free cash flow to adjusted EBITDA. It shows the company's ability to convert its operating result into available liquid funds.

Compliance
Compliance means lawful business conduct. The principal compliance rules are set out in the Evonik Code of Conduct, which explicitly prohibits, for example, all forms of corruption, including "facilitation payments," and violation of antitrust regulations.

ESEF
The European Single Electronic Format (ESEF) is an EU requirement for all companies that have issued securities within the EU. Since January 1, 2020, these companies have been required to make their annual financial reports available in XHTML format. That involves standardized tagging of figures and information. The tags are based on a clearly defined IFRS taxonomy allowing automated extraction of annual financial statements and consolidated financial statements. The aim is to enhance the comparability of IFRS-based consolidated financial statements irrespective of their structure, language, and format, to improve access to information and avoid manual work and software disconnects.

EU taxonomy

The EU taxonomy is part of the EU's sustainable finance action plan, which aims to channel capital flows into ecologically sustainable activities. The EU taxonomy sets out six environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. The EU taxonomy requires large companies whose securities are traded on the capital market to provide details in their non-financial statements of the share of turnover, CapEx, and OpEx generated by taxonomy-aligned activities. The first step is to identify the eligible activities with the aid of a new, highly complex sustainability classification system. Taxonomy-eligible activities that meet the stringent technical screening criteria and further requirements are taxonomy-aligned. So far, reporting is only required for the climate change mitigation and climate change adaptation objectives. Reporting on all six environmental objectives is expected to be introduced from 2023.

EVA®

Abbreviation for economic value added. This indicator is used for the value-oriented management of the Evonik Group. EVA® is calculated from the difference between adjusted EBIT and the cost of capital employed. If EVA® is positive, value is created.

Free cash flow

The free cash flow is a measure of the company's internal financing capacity. The free cash flow is calculated from the cash flow from operating activities, continuing operations, less outflows for capital expenditures on intangible assets, property, plant and equipment.

Rating

In the financial community, a rating is an assessment of the creditworthiness of a debtor. Ratings are generally awarded by specialized rating agencies. The probability of default is calculated on the basis of specific criteria, and debtors are assigned to rating classes that are indicated by rating codes. Ratings are also awarded for corporate and government bonds. A rating indirectly affects the debtor's business activity. Normally, a better rating enables a debtor to obtain favorable terms for borrowing.

ROCE

The return on capital employed is a measure of the profitability of capital employed. It is calculated by dividing adjusted EBIT by the average capital employed in the reporting period.

Taxonomy alignment

Taxonomy-aligned activities are taxonomy-eligible activities that meet the stringent technical screening criteria set out in the delegated acts on the EU taxonomy and also meet minimum social safeguards.

Taxonomy eligibility

Taxonomy-eligible economic activities are activities within the scope of the EU taxonomy that are listed in the delegated regulation for the relevant environmental objectives.

Venture capital

Venture capital is risk capital that is made available to fund innovative concepts and ideas, generally at early-stage, high-growth companies. Through its venture capital activities, Evonik has been investing in promising start-ups and leading specialized venture capital funds since 2012. In 2022, Evonik set up the Sustainability Tech Fund with a volume of €150 million; this third fund supports the Evonik Group's sustainability strategy. In the mid-term, a total of up to €400 million is to be invested. The regional focus is Europe, the USA, and Asia.

Alternative performance measures

For internal management purposes, we use alternative performance measures that are not defined by IFRS. The calculation of these measures and their development are outlined in the management report in addition to the IFRS performance measures. The most important alternative performance measures are also presented in the segment reporting.

Alternative performance measures used T168

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Financial calendar

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Event	Date
Report on Q4 2022 and FY 2022	March 2, 2023
Interim report Q1 2023	May 9, 2023
Annual shareholders' meeting 2023	May 31, 2023
Interim report Q2 2023	August 4, 2023
Interim report Q3 2023	November 7, 2023

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