

Impact valuation — How Evonik creates value for society

Methodology

Vision

Evonik is one of the world's leading specialty chemicals companies. We concentrate on attractive growth markets, such as health, nutrition, resource efficiency, and globalization. Our chemicals operations are grouped in four divisions: Specialty Additives, Nutrition & Care, Smart Materials, and Performance Materials

Our specialty chemicals products make an indispensable contribution to the benefits of our customers' products, which generate their success on the global market.

We are convinced that sustainable and responsible business activities are vital for the future viability of our company. In keeping with this, Evonik accepts responsibility worldwide—for its business, its employees, its products, and the impact of its business activities on society and the environment.

Approach

It is important for a company like Evonik to consider the impact of its business activities. We use an impact valuation to regularly measure and analyze the direct and indirect impact of our business activities from an economic, ecological, and social perspective. The insights we gain in this way are used to evaluate Evonik's long-term value and the contribution we make to society. Specifically, it provides an insight into

- the scale of the ecological, social, and macroeconomic impact of our corporate activities,
- Evonik's benefits for society as a whole,
- our contribution to reducing unwanted impacts and maximizing desirable impacts along the various value chains and the levers that help us to do this.

We pay special attention to the macroeconomic contributions and ecological and social impact of our business activities in our regions. In this way, we meet the requirements of a steadily rising number of stakeholder groups who want an assurance that sustainability aspects are anchored in our business processes at all stages in the value chain. At the same time, it further extends our claim that Evonik is a company operating in accordance with the principles of sustainability.

Objective

The results of the evaluation of the economic, ecological, and social impacts of our business are designed to supplement our established internal strategic business analyses. Transparent and quantifiable evaluation of the impacts is necessary to include this perspective in business decisions. That enables us to identify both the opportunities and the risks, so we can support the market development of our products and businesses. It also helps us position Evonik as a “sustainable investment.”

Procedure

In the past, corporate performance was measured principally by financial indicators. The focus was on increasing shareholder value in the short term. However, ecological and social indicators and responsible governance structures are now increasingly being included in such analyses. The findings allow evaluation of both long-term value and the contribution made by companies to society (see Fig. 1).

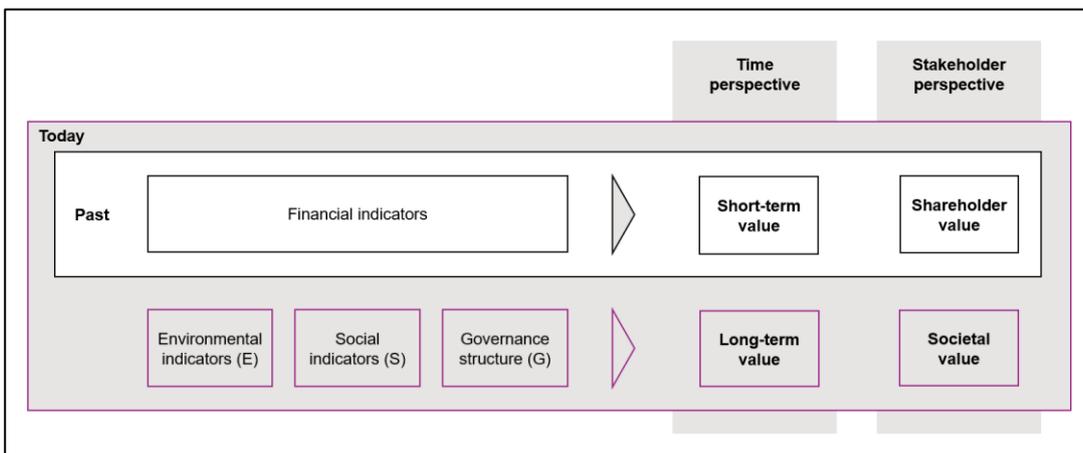


Fig. 1: Integration of ecological and social indicators, and governance structures into the valuation of companies

The analysis is based on the logic illustrated in Fig. 2. The input-output-outcome-impact (IOOI) model takes into account the use of resources and measurable outcomes of a business activity along the entire value chain. In addition, short- and long-term impacts are derived.

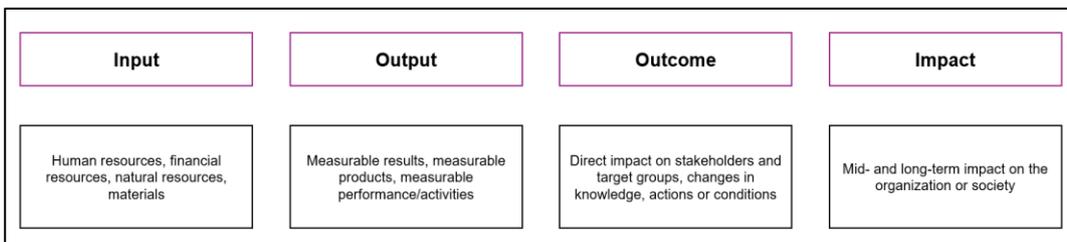


Fig. 2: IOOI logic

The impact of Evonik's business activities at all stages in the value chain is measured and evaluated. Fig. 3 shows the impacts measured by Evonik.

		Supply chain	Evonik	Application
Economic	+	<ul style="list-style-type: none"> Indirect impacts: employment, value added, fiscal effects 	<ul style="list-style-type: none"> Direct impacts: employment, value added, fiscal effects 	<ul style="list-style-type: none"> Induced effects: employment, value added, fiscal effects
Ecological	-	<ul style="list-style-type: none"> Societal impacts resulting from water consumption, abiotic consumption of resources, acidification, eutrophication, global warming, and ozone formation 	<ul style="list-style-type: none"> Societal impacts resulting from water consumption, abiotic consumption of resources, acidification, eutrophication, global warming, and ozone formation 	<ul style="list-style-type: none"> Societal impacts caused by global warming
Social	+		<ul style="list-style-type: none"> Social impacts due to vocational training and continuing professional development of employees 	
	-		<ul style="list-style-type: none"> Social impacts related to industrial health and safety 	

Fig. 3: Impact of Evonik's business activities

A monetary value is assigned to individual indicators such as continuing development of employees, employment impacts, global warming, and so on, so they can be compared. Most of the factors used for this are publicly available and were developed by economic, environmental, and social research institutes.

Results

The next chart shows the results of our impact valuation in 2019. The initial findings show that our business activities have unwanted impacts, especially on environmental aspects. Within the value chain, these mainly relate to the supply chain/raw materials.

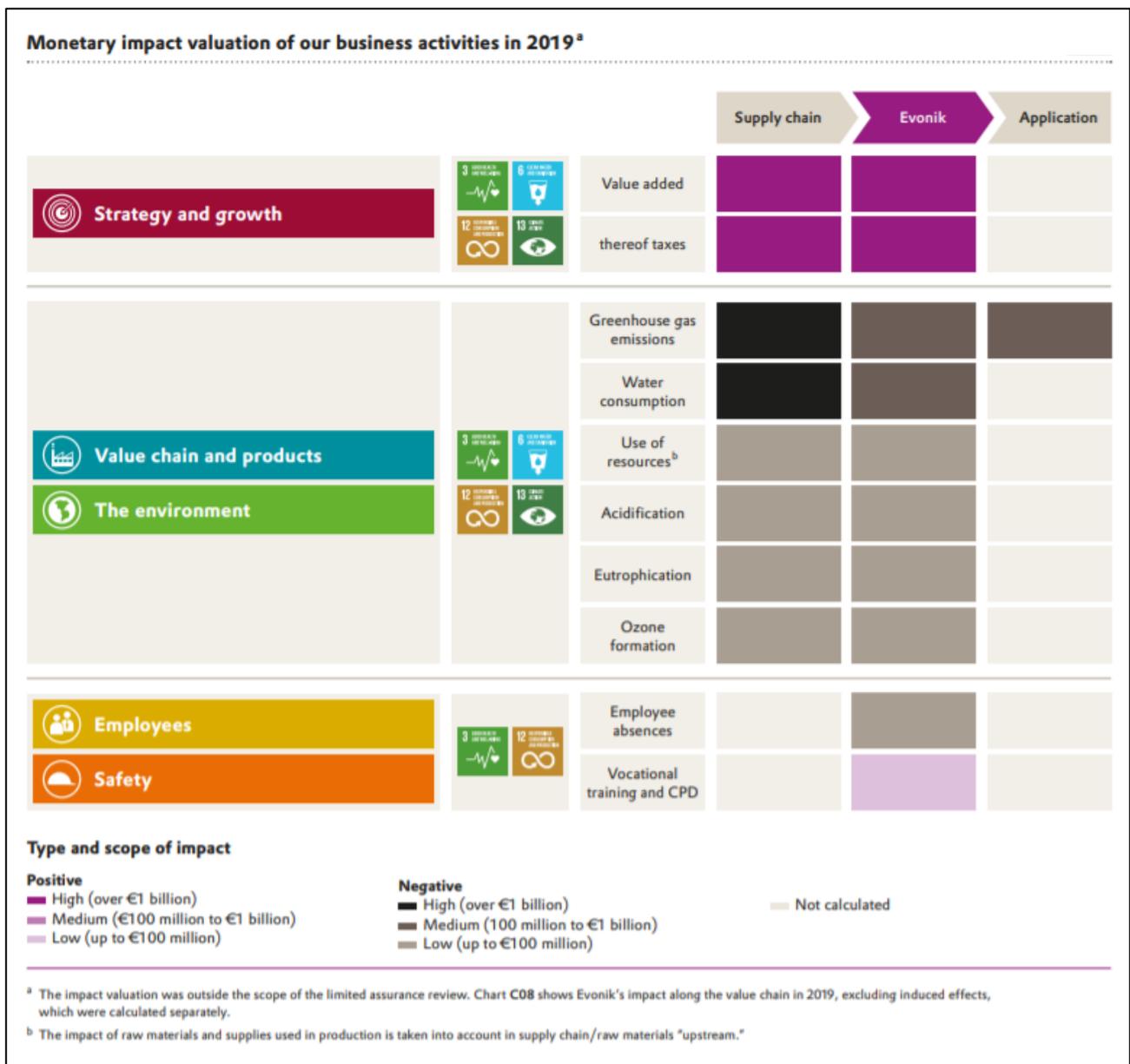


Fig. 4: Monetary impact valuation of our business activities in 2019

At the same time, there are strongly positive macroeconomic impacts, both within the supply chain and from our own production activities. They are illustrated in the following chart:



Fig. 5: Monetary valuation of the impact of our business along the value chain in 2019

At Evonik, we use the findings of this analysis to evaluate our business activities and provide specific impetus for ongoing development.

Aggregated results for the Evonik Group are used in external communication, for example, in our sustainability report, and in dialog with sustainability-oriented analysts and investors.

Status

An impact valuation of our business activities was first performed in Germany in 2017 and was extended to other regions in 2018. Since 2019, we have been able to determine the impact of our global business activities.

Together with pioneers in various sectors of industry and science, we are working to standardize the different methods currently used for impact calculations. The aims are to harmonize the measurement and presentation of long-term corporate performance and to integrate the results into business processes.

In the light of this, we are involved in the *Impact Valuation Roundtable*, a cross-sector network of companies. In addition, we are a member of the Impact Assessment focus group organized by *econsense*, the forum for sustainable development of German business.

Essen, July 2020

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