

# Evonik Green Bond Allocation Report 2021

August 2022

## Introduction

Evonik is one of the world leaders in specialty chemicals. According to our purpose “Leading beyond chemistry to improve life, today and tomorrow” we are interlinking disciplines, skills, and perspectives so that we can create value-generating and sustainable solutions for our customers. These solutions play a key role in our customer’s products and help them meet their sustainable goals and position themselves for the future. For that we rely, above all, on our innovative capability, which is based on our strong innovation culture.

Evonik Industries AG issued its first Green Finance Instrument in the form of a green hybrid bond on August 24, 2021, with a nominal volume of €500 million. The issuance followed the publication of Evonik’s Green Finance Framework, which integrates sustainability even more closely into Evonik’s finance strategy. Evonik’s Green Finance Instruments offer investors the opportunity to contribute to the financing of Eligible Green Projects as defined in the Green Finance Framework, primarily capital expenditure related to the manufacturing of “Next Generation Solutions” with substantial sustainability contribution in the value chain.

The Green Finance Framework has been set up in line with the ICMA Green Bond Principles as well as the LMA Green Loan Principles and received a Second Party Opinion from ISS ESG.

The Green Finance Framework and the Second Party Opinion are available on our [website](#).

The net proceeds received by the issuance of Green Finance Instruments as of December 31<sup>st</sup>, 2021 amount to €500 million:

### Green Hybrid Bond Evonik Industries AG 2021/2081

Issuer	Evonik Industries AG
Amount	€500,000,000
Use of proceeds	Eligible Green Projects according to Evonik’s Green Finance Framework
Issue Rating	S&P: BBB-; Moody’s: Ba1
Tenor/Final Maturity	60 years/September 2, 2081
First Call Date	September 2, 2026
Coupon (fixed interest rate)	1.375 %
Re-offer Price	99.375 %
ISIN/WKN	DE000A3E5WW4/A3E5WW
Listing/Law	Luxemburg/Regulated Market/German Law
Prospectus	<a href="#">Download</a>

## Use of proceeds according to Evonik’s Green Finance Framework





According to Evonik’s Green Finance Framework, an amount equivalent to the net proceeds from Evonik’s Green Finance Instruments shall be used to finance or refinance, in whole or in part, existing and/or future Eligible Green Projects that

meet the Eligibility Criteria as defined below and are financed by Evonik through operating and/or capital expenditure.

In the case of refinancing existing Eligible Green Projects, expenditures which have been made within the 3-year period preceding the year of issuance of a Green Finance Instrument shall be considered for inclusion as Eligible Green Projects.

### Eligible Green Projects

GBP/GLP Category	Eligibility Criteria	UN SDG	EU Environmental Objective
<p>(a) Eco-efficient products acting as low carbon transition enablers and sustainability enablers in various industries</p>	<p>Capital expenditure related to the manufacturing of <b>“Next Generation Solutions”</b></p> <p>Only the highest level of sustainable products (solutions referred to as “Next Generation Solutions”) is eligible. These products have a substantial sustainability contribution in the value chain and include “Leader” (A++) and “Driver” (A+) products and solutions, based on the WBCSD sector standard approach for Portfolio Sustainability Assessments.</p> <p>More details of Evonik’s Sustainability Analysis based on this approach can be found in section 2.2 of this Framework</p> <p>Expenditure related to <b>research, development and innovation (RD&amp;I)</b> specifically aimed at further developing and enhancing the sustainability impact of <b>“Next Generation Solutions”</b></p>		<ul style="list-style-type: none"> <li>o Climate Change Mitigation</li> <li>o Climate Change Adaptation</li> <li>o Sustainable Use and Protection of Water and Marine Resources</li> <li>o Transition to the Circular Economy</li> <li>o Pollution Prevention and Control</li> <li>o Protection and Restoration of Biodiversity and Ecosystems</li> </ul>

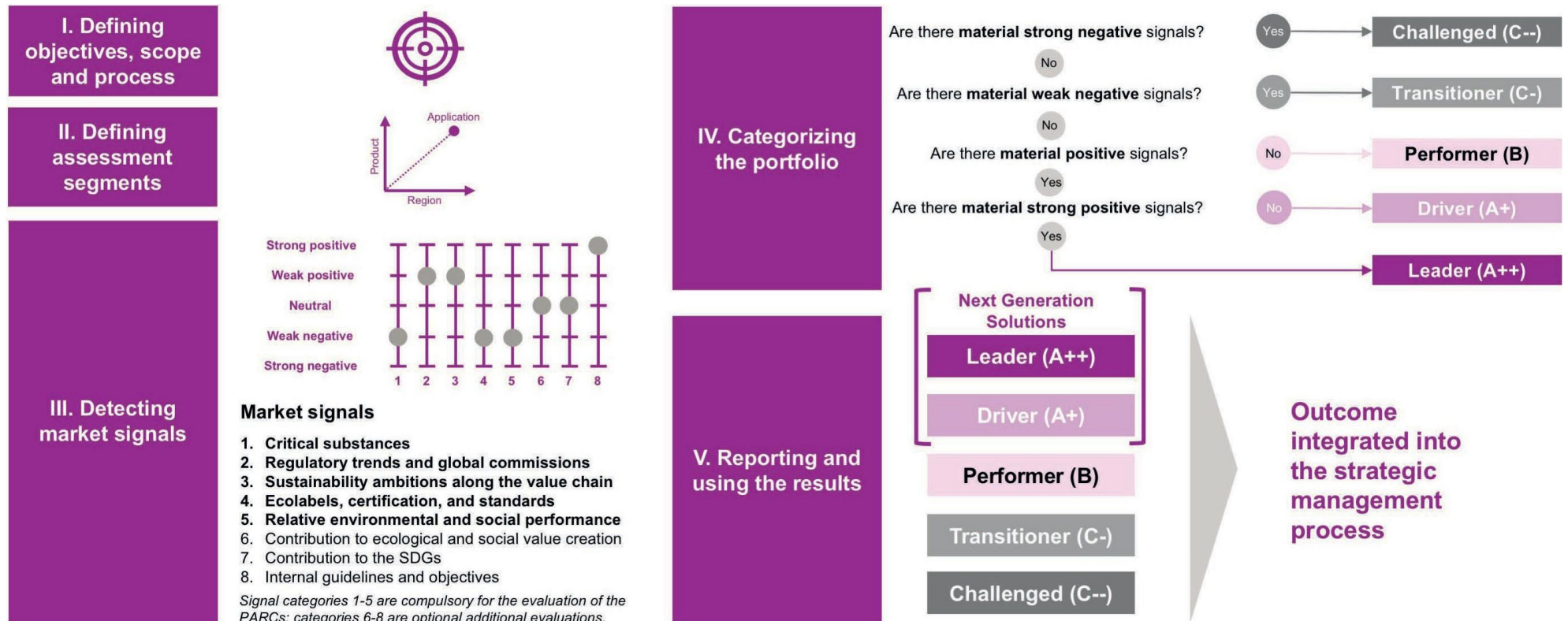
GBP/GLP Category	Eligibility Criteria	UN SDG	EU Environmental Objective
(b) Energy Efficiency	Expenditure related to measures to increase energy efficiency in Evonik's production process including energy monitoring systems, lighting upgrades, smart devices to optimize energy consumption, switching to more energy-efficient units (ventilation, compressors, engines etc.), thermal energy storage systems, building refurbishment and any other sustainability-oriented construction materials	 	o Climate Change Mitigation
(c) Renewable Energy	Expenditure and financial investments related to: <ul style="list-style-type: none"> <li>o the production and transmission of electricity and heat from renewable sources and</li> <li>o sourcing of renewable energy, e.g. through long-term Power Purchase Agreements</li> </ul>	 	o Climate Change Mitigation

## Portfolio Sustainability Assessment and Next Generation Solutions

In order to define Next Generation Solutions, Evonik uses a method called Portfolio Sustainability Assessment which has been assured by an external auditor. The methodology is based on the World Business Council for Sustainable Development (WBCSD)'s framework

for portfolio sustainability assessments (PSA)<sup>1</sup>, which Evonik was involved in developing from the outset. The objective is to proactively steer Evonik's product portfolio towards improved sustainability performance and to identify strengths and weaknesses of Evonik businesses.

The Sustainability Analysis is a key component of the Evonik sustainability strategy used to assess our businesses and selected innovations.



<sup>1</sup> World Business Council for Sustainable Development: Portfolio Sustainability Assessment (<https://www.wbcsd.org/Projects/Chemicals/Resources/Framework-for-portfolio-sustainability-assessments>)

## Amount of net proceeds allocated to Eligible Green Projects

As of December 31<sup>st</sup>, 2021 Evonik has allocated €500 million to Eligible Green Projects, of which €285 million (57%) were allocated to refinance existing projects with expenditures in 2018-2020 and €215 million (43%) were allocated to finance new projects with expenditures in 2021. Thereby Evonik has fully allocated an amount equivalent to the net proceeds of the € 500 million green hybrid bond issued in 2021.

€50 million out of the € 215 million were expenditures related to projects in research, development and innovation to specifically enhance and further develop the sustainability impact of Evonik's "Next Generation Solutions".

Allocation Amount (in €m)				
GBP/GLP Category	Eligibility Criteria	Existing Projects (Refinancing): Expenditures 2018-2020	New Projects (Financing): Expenditures 2021	Total
Eco-efficient products acting as low carbon transition enablers and sustainability enablers in various industries	Next Generation Solution Capex	285	165	450
	Next Generation Solution RD&I (Opex)	-	50	50
Energy Efficiency		-	-	-
Renewable Energy		-	-	-
<b>Total Eligible Green Projects</b>		<b>285</b>	<b>215</b>	<b>500</b>

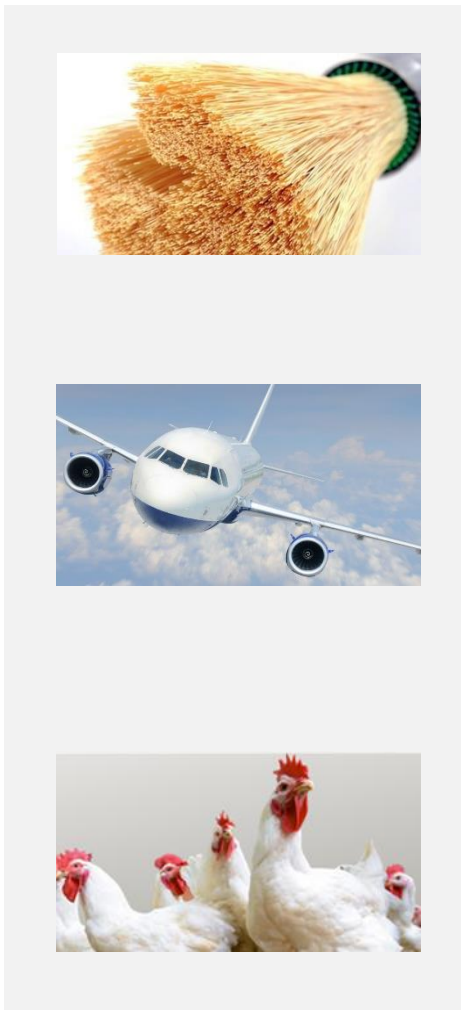
## Amount of net proceeds allocated to Eligible Green Projects

In 2021, 37% of Evonik sales were generated by “Next Generation Solutions” and the clear ambition is to increase this share to above 50% by 2030. Evonik is already well equipped today to reach this objective as the portfolio is concentrated around four Sustainability Focus Areas that are based on the United Nation’s Sustainable Development Goals:

- o Fight Climate Change,
- o Drive Circularity,
- o Safeguard Ecosystems and
- o Ensure Health and Well-being.

Therefore, the net proceeds from the green hybrid bond were primarily allocated to capital expenditures for Next Generation Solutions in these Sustainability Focus areas.

The allocation includes, for example, capital expenditures for the manufacturing of the following Next Generation Solutions:



Evonik’s hollow fibre membranes technology for efficient gas separation comes along with a highly reduced energy-consumption as well as no waste. This technology significantly contributes to the transition to a sustainable gas economy. For example, with our SEPURAN® Green raw biogas from organic waste is converted into sustainable biomethane and “green” CO<sub>2</sub>.

The high-performance structural foam ROHACELL® contributes to resource efficiency and avoidance of emissions. It is lightweight and strong at the same time. Therefore, it is a substitute for metal construction in the aviation industry but also used in automobiles as especially for electric cars lowering vehicle weight is of particular importance.

Methionine is an essential amino acid in human beings and used in livestock farming to feed animals healthily, efficiently, and sustainably. In Evonik's Animal Nutrition business products, services and system solutions are developed that help supply a growing world population – especially in emerging and developing countries – with healthy, high-quality and affordable animal protein while reducing nitrogen excretion and increasing the conversion efficiency of feed material, thus reducing the pressure on ecosystems to source these feed materials.

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The auditing firm KPMG has conducted an external verification of the allocation report according to ISAE 3000 (“limited assurance”) and confirmed the allocation of an amount equivalent to the net proceeds to Eligible Green projects (see Appendix).

This report constitutes the first and final allocation report for Evonik’s 2021 green hybrid bond.

Evonik will provide impact reporting at the level of each Eligible Project Category by the end of this year.

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## Limited Assurance Report of the Independent Auditor regarding the Use of Proceeds in the “Green Bond Allocation Report 2021” of Evonik Industries AG

To Evonik Industries AG, Essen

We have been engaged to perform an independent limited assurance engagement on qualitative and quantitative disclosures related to the use of bond proceeds for eligible green projects in the “Evonik Green Bond Allocation Report” of Evonik Industries AG, Essen, (further “the Company”), as of 31 December 2021 (further “the Report”).

### Management’s Responsibility

The legal representatives of the Company are responsible for the preparation of the Report in accordance with the Reporting Criteria. Evonik Industries AG applied the principles and standard disclosures of Evonik’s Green Finance Framework as Reporting Criteria, which is based on the 2021 ICMA Green Bond and LMA 2021 Green Loan Principles, for the preparation of the Report.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates for qualitative and quantitative disclosures which are reasonable under the given circumstances. Furthermore, this responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Report in a way that is free of – intended or unintended – material misstatements.

### Practitioner’s Responsibility

It is our responsibility to express a conclusion on the Report based on our work performed within a limited assurance engagement.

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 the International Auditing and Assurance Standards Board (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 above mentioned sustainability information in the Report has not been prepared, in all material respects, in accordance with the Reporting Criteria.

We do not, however, issue a separate conclusion for each disclosure. As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The choice of assurance procedures is subject to the auditor’s own judgment.

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

- Inquiries of personnel on group level responsible for the development of Green Finance Framework as well as for related procedure and process documentation
- Evaluation of eligibility of Evonik Green Finance Framework regarding the chosen, official frameworks (2021 ICMA Green Bond and LMA 2021 Green Loan Principles) and with consideration of a Second Party Opinion issued by ISS ESG on 24 August 2021
- Evaluation of eligibility of processes, guidelines, and principles for allocating financial means pursuant to the self-defined requirements and criteria (i.e. Evonik Green Finance Framework)

- Evaluation of processes for determining the Evonik Next Generation Solutions, defined as relevant within the Evonik Portfolio Sustainability Analysis (PSA) with consideration of KPMG knowledge gained through other assurance engagements
- Evaluation of selected internal and external documents
- Assessment of data collection, validation and reporting processes and reliability of reported data via a sampling survey and test of design and implementation of controls related to these data
- Assessment of the overall presentation of the disclosures

Our assurance does not extend to any other information in the Report. We will neither review and do not provide any assurance over any individual project information reported, nor is the reporting on the project evaluation and selection and the management of proceeds part of our assurance procedures.

The verification of the issue conditions of the Green Bonds (including issue volume) and the process for internal tracking of disposition of funds was not part of our limited assurance engagement.

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 qualitative and quantitative disclosures in the "Evonik Green Bond Allocation Report" as of 31 December 2021 included in the scope of this engagement and published in the Report are in all material respects not prepared in accordance with the Reporting Criteria.

### Restriction of Use/Clause on General Engagement Terms

This assurance report is issued for purposes of the Management of Evonik Industries AG, Essen, only. We assume no responsibility with regard to any third parties.

Our assignment for the Management of Evonik Industries AG, Essen, and professional liability as described above was 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](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 as stipulated in No. 9, and accepts the validity of the General Engagement Terms with respect to us.

Düsseldorf, August 31, 2022

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Brandt  
Wirtschaftsprüferin  
[German Public Auditor]

ppa. Dietrich

For the signed audit certificate of KPMG please see [Link](#)

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