

**CORPORATE GOVERNANCE
REPORT AND
DECLARATION ON
CORPORATE GOVERNANCE**

2018

Corporate governance report and declaration on corporate governance¹

The following report on corporate governance and the principles of corporate management at Evonik is issued jointly by the executive board and supervisory board of Evonik Industries AG. It forms the corporate governance report in accordance

with section 3.10 of the German Corporate Governance Code and the declaration on corporate governance in accordance with sections 289f and 315d of the German Commercial Code (HGB).

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. Its shares have been listed on the stock exchange since April 25, 2013.

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 February 7, 2017. 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 deviate from the recommendations set out in the code if this is necessary to reflect company-specific requirements.

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 hereby submit the following declaration pursuant to section 161 of the German Stock Corporation Act:

Since submitting its last declaration of conformity in December 2017, the company has fully complied with all recommendations of the German Corporate Governance Code in the version dated February 7, 2017, as published in the Federal Gazette on April 24, 2017, and will continue to do so.

Further, nearly all suggestions contained in the aforementioned version of the German Corporate Governance Code were applied, with the following exceptions:

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 4 of the German Commercial Code (HGB), it is not included in the audit by the external auditors.

The suggestion set forth in section 2.3.3 of the German Corporate Governance Code (the company should make it possible to follow the general meeting using modern communication media) was not and will not be applied. Instead, for organizational reasons, only the speeches by the chairman of the supervisory board and the chairman of the executive board will be transmitted. This procedure correlates with widespread practice. It cannot be excluded that a more extensive transmission could infringe the personal rights of shareholders.

Further, section 2.3.2 sentence 2, second half-sentence of the German Corporate Governance Code (the representative appointed to exercise shareholders' voting rights in accordance with instructions should also be reachable during the general

meeting) was not and will not be applied. Application of this suggestion would only be appropriate in the event of transmission of the general shareholders' meeting in full via modern communication media. Furthermore, the availability of the representatives nominated by the company via electronic media during the meeting as put forward by this suggestion involves technical uncertainties. These and the associated risks for the efficacy of resolutions are to be avoided.

Essen, December 2018

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 and—with two exceptions—the suggestions set forth in the German Corporate Governance Code.¹

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. They include antitrust law, prevention of corruption, money laundering, and fraud, as well as the code of conduct, foreign trade and customs law, capital market law, data protection, taxes, and human resources. Environment, safety, health, and quality, including compliance-related aspects, are managed and monitored in a separate corporate division.

House of Compliance



^a Advisory function.

¹ See subsection 2.1 for details.

The role of the House of Compliance is to define minimum group-wide standards for the compliance management systems 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 Corporate Audit. The compliance units are responsible for the appropriateness and efficacy of the compliance management system for the compliance topics allocated to them.

Evonik: Compliance Management System (CMS)



Further information on Evonik's compliance management system and the corresponding areas of focus and action taken in the year under review can be found in the sustainability report.

Corporate Responsibility

The executive board and supervisory board examine sustainability topics, especially aspects of the environment, safety, and society, several times a year. Further, the development of accident frequency and severity is reflected in the executive board's variable pay as a performance-related component. Extensive information on corporate responsibility can be found in the sustainability section of the management report, the sustainability report¹, and the separate combined non-financial report².

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.³

Evonik's business performance is outlined principally in our financial reports and in 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.⁴

The offering also includes information on corporate strategy and on 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.⁵

¹ The sustainability report is not part of the audited combined management report; www.evonik.com/responsibility

² www.evonik.com/nonfinancial-report

³ www.evonik.com/investor-relations

⁴ www.evonik.com/investor-relations, News & Reports/Ad-hoc announcements, Share/Voting rights, and Corporate Governance/Directors' Dealings.

⁵ 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.¹

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 so that employees and third parties have an opportunity 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 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 for 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, nor may they 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 Evonik's 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 2018, 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. No such transactions took place in the reporting period.

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

¹ See subsection 2.1.

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 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 Group, and the combined management report. It also examines the combined non-financial report. 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) 1976. 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. 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 three seats on the supervisory boards of listed companies outside their group of companies or supervisory boards of companies where comparable demands are made on them.

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 2018.

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 sound knowledge and experience of 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 and experience of business administration and of 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 of 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 five members of the supervisory board should be independent within the meaning of section 5.4.2 of the German Corporate Governance Code.

These targets were last revised in December 2017.

The supervisory board currently comprises seven women and 13 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.

To ensure independence within the meaning of section 5.4.2 of the German Corporate Governance Code, a supervisory board member should not have any personal or business relations with the company, its executive bodies, a controlling shareholder, or an enterprise associated with the latter which may cause a substantial and not merely temporary conflict of interest. The supervisory board considers all current members to be independent specifically because, in its view, election as an employee representative does not conflict with such 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 as independent members are: Bernd Tönjes, Prof. Barbara Albert, Prof. Aldo Belloni, Prof. Barbara Grunewald, Dr. Siegfried Luther, Michael Rüdiger, Peter Spuhler, Angela Titzrath, Dr. Volker Trautz, and Ulrich Weber.

The present supervisory board satisfies the objectives for its composition.

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.

The supervisory board considers that the following skills are appropriate for the proper performance of its duties and are reflected by its members:

- **International experience**
This requires professional experience gained by spending an extended period working in a foreign country or another international context. At present, six members of the supervisory board meet this requirement.
- **Knowledge of business administration**
The basis for such knowledge may be vocational training, a course of study, or professional activity in a relevant field. Nine members of the supervisory board have such expertise in business administration.
- **Experience of human resources and social issues**
This requires professional experience of organizing, selecting, and hiring personnel. Based on this description, 15 members of the supervisory board have experience of human resources and social issues.
- **Scientific knowledge (especially a knowledge of the chemical sector)**
Such knowledge many have been acquired through vocational training, a course of study, or professional activity in a scientific context. Nine members of the supervisory board meet this requirement.
- **Experience of corporate management**
Experience of corporate management requires many years of professional experience in a company in managerial positions with personnel and management responsibility. Eight members of the supervisory board meet this requirement.

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

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).

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.

The **audit committee** has six members and is familiar as a whole with the chemical sector. The members of the audit committee 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, and 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 also authorizes the chairman of the supervisory board to issue the contract to the auditor. 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 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 Group, the combined management report, and the executive board's proposal for the distribution of the profit. The audit committee also examines the auditor's report. The audit committee also prepares the decision of the supervisory board on the (Group's) combined non-financial report. For this purpose, it is required to undertake a preliminary examination of the 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.

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.

The **innovation and research committee** has six 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.

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.

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.

It 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. The report of the supervisory board also outlines the composition of the various committees and the meetings attended by members of 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.

The supervisory board regularly examines the efficiency of its work. Further details can be found in the report of the supervisory board.

Directors' dealings

In accordance with the EU market abuse regulation (article 19 paragraph 1 MAR), which came into force on July 3, 2016, 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 €5,000 has been reached. The transactions notified are disclosed on the website of Evonik Industries AG.

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 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 13 men, it has seven female members, three of whom represent the shareholders and four of whom represent the workforce.

For the proportion of women on the executive board, the supervisory board has set a target of at least 25 percent, with a deadline for achieving this of June 30, 2022. The executive board comprises one woman and three men, so it meets this target.

Further, for the period from January 1, 2017 through December 31, 2019, the executive board has set a target of 20 percent female managers for both the first and the second management level below the executive board. The proportion of female managers is currently 27.3 percent at the first management level and 20 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 revised version 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. 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 which 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. This was the case in the elections to the supervisory board in 2018. The composition of the new supervisory board fully meets the requirements set by the diversity concept.

Alongside the target of 25 percent female members outlined above, the diversity concept for the executive board includes a maximum age limit of 65 for members of the executive board. 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.

As proposed by the supervisory board, the annual shareholders' meeting on May 23, 2018 elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Frankfurt am Main, 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 2018. 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 Mr. Eckhard Sprinkmeier (since fiscal 2017) and Ms. Antje Schlotter (annual financial statements of Evonik Industries AG since fiscal 2013, consolidated financial statements since fiscal 2014). In addition to the accounting, the audit covered the system to identify emerging risks and the accounting-related internal control system. Further, on the basis of the resolution adopted on May 23, 2018, PwC conducted a review of the interim financial statements for the first half of 2018.

5. Risk management and internal control system (ICS)

Risk management in the Evonik Group, including the ICS relating to the accounting process, is described in the opportunity and risk report in the management report.

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.