



PUBLICATION OF THE RESOLUTION AND OF THE REMUNERATION SYSTEM FOR MEMBERS OF THE EXECUTIVE BOARD IN ACCORDANCE WITH SECTION 120A PARAGRAPH 2 GERMAN STOCK CORPORATION ACT (AKTG)

At the Annual Shareholders' Meeting of Evonik Industries AG on Wednesday, May 25, 2022, the system for the remuneration of the members of the Executive Board was put for approval under item 6 "Resolution approving the remuneration system for members of the Executive Board".

The system for the remuneration of the members of the Executive Board was approved as follows:

400,137,691	Valid Shares (= 85.87% of the Capital Stock)	
306,912,838	Yes	76.70%
93,224,853	No	23.30%

REMUNERATION SYSTEM FOR THE EXECUTIVE BOARD

In March 2022, the Supervisory Board of Evonik Industries AG resolved to further develop the compensation system for the members of the Executive Board, which was approved by the Annual Shareholder' Meeting on August 31, 2020, with effect from January 1, 2023. The target total remuneration remains essentially unchanged. Changes mainly concern the addition of a sustainability component to the long-term variable remuneration, the optional introduction of pension contributions in cash, the incorporation of the shareholding provisions already regulated by individual contracts into the remuneration system and the additional intervention options of the Supervisory Board with regard to the variable remuneration components in special situations.

Principles and objectives

The remuneration system for the Executive Board is designed to ensure that members receive appropriate remuneration for their tasks and responsibilities, and to take direct account of the performance of each member of the Executive Board and of the company. The structure of the remuneration system for the members of the Executive Board of Evonik Industries AG is geared to sustained value creation and performance-oriented management of the company.

The remuneration system of the Executive Board consists of non-performance-related and performance-related components, which in total result in the total remuneration of a member of the Executive Board. The non-performance-related remuneration consists of a fixed, monthly basic remuneration, which takes into account the duties and achievements of the members of the Executive Board, remuneration in kind and other fringe benefits as well as the company pension scheme. The performance-related remuneration consists of short-term variable remuneration in the form of an annual bonus and a long-term, variable remuneration that is directly related to the performance of the company and is thus intended to create an incentive for sustainable commitment to the company, depending on the achievement of the company's annual performance targets. The targets for the short- and long-term variable remuneration components are derived from the corporate strategy of Evonik Industries AG. In addition, the customary fringe benefits are granted. Overall, the remuneration supports the long-term development of the company.

The next chart shows the breakdown of the remuneration components:

Components of the remuneration system for the executive board

Total remuneration			
Performance-unrelated components		Performance-related components	
Fixed annual base salary	Fringe benefits Company pension plan	Short-term variable remuneration (annual bonus)	Long-term variable remuneration (LTI)
Average share with 100% target fulfilment (variable components):			
approx. 46%		approx. 22%	approx. 32%

Performance-unrelated components

Fixed annual base salary

The fixed annual base salary is a cash payment for the fiscal year. It takes account of the scope of responsibility of each Executive Board member and is paid out in twelve equal installments.

Benefits in kind and other fringe benefits

As benefits in kind and other fringe benefits, members of the Executive Board receive a company car with a driver, the installation of telecommunications equipment, and an entitlement to an annual medical check-up. Executive Board members may receive a rent subsidy if performance of their duties requires them to rent a second apartment.

Further, members of the Executive Board may receive additional remuneration for offices they hold in the interests of the company. Apart from fees for the attendance of meetings, insofar as such fees are paid to Executive Board members, they are deducted from their annual bonus or paid over to the company.

Performance-related components

Short-term variable remuneration

The performance-related annual bonus is dependent on the attainment of business targets measured by performance indicators (bonus factor) and the attainment of non-financial objectives (performance factor). The bonus factor and performance factor are multiplied. The level of the bonus factor depends on the achievement of the agreed business targets and may be between 0 and 200 percent.

The adjusted EBITDA margin, adjusted EBITDA, and free cash flow are defined as business targets. All parameters are measured against the long-term strategic objectives for the company, based on the actual results in the calendar year. The development of plant safety and accident frequency, and the severity of accidents in the fiscal year are also taken into account.

The performance factor rewards the attainment of the non-financial targets and can vary between 80 percent and 120 percent. The reference indicators are aligned to the performance objectives for the Executive Board and normally have a multiyear context within the target-setting framework, taking into consideration targets in areas such as strategy/portfolio, the efficiency of cost structures, and corporate culture, but can be expanded or changed by the Supervisory Board on a topic-specific basis if necessary.

If the non-financial and business objectives are achieved in full, the contractually agreed target bonus is paid. If the company’s income falls short of the planned level, the bonus factor may—in the extreme case—be zero, regardless of personal attainment. In other words, it is conceivable that a bonus might not be paid for a specific year. The bonus is capped at 200 percent of the target bonus.

The business and non-financial targets set for Executive Board members for the bonus and performance factors are agreed in writing at the start of each fiscal year between the Supervisory Board and each member of the Executive Board and the level of attainment is determined by the Supervisory Board after the end of the year.

Overview of short-term variable remuneration and how it is calculated



Long-term variable remuneration (LTI plans)

The members of the Executive Board receive long-term variable remuneration in the form of long-term incentive (LTI) plans. The general reference base for long-term remuneration is a sustained rise in the value of the company.

Performance is measured by the absolute performance of Evonik's share price and its performance relative to the MSCI World Chemicals IndexSM (or equivalent index).

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 in the last 60 trading days before the start of 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, plus any dividends per share actually paid in this period. This is compared with the performance of the benchmark index (total shareholder return). Eligible participants are informed of the outcome after the end of the performance period. They can then opt to accept the payment calculated or to extend the performance period on a one-off basis for a further year. In this case, a renewed calculation is performed at the end of the extended performance period.

From 2019, the intrinsic value of the LTI is measured at the end of each year in the four-year performance period by comparing the starting price of Evonik shares with the average price of the shares plus the dividends per share actually paid during the performance period. This is then compared with the performance of the benchmark index (total shareholder return). There is no longer an option to extend the performance period.

The relative performance may be between 70 and 130 percentage points. 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 relative performance is set at 130 percent.

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. From 2019, the overall performance, and thus the amount to be paid at the end of the performance period, is calculated as an average of the performance in each year.

The upper limit for these payments is set at 300 percent of the individual target amount.

From 2023, the LTI system will be adapted. In the future, 80% of the impairment will be determined by the performance of the Evonik share and 20% by the achievement of one or more sustainability goals.

For the share-based part, the recoverability of the LTI is measured at the end of each year of the four-year performance period by setting the starting price of the Evonik share in relation to the average price of the Evonik share at the end of the performance period plus dividends actually paid per share during the performance period. This is contrasted with the respective development of the benchmark index on a total shareholder return basis.

The relative performance can range from 0 to 200 percentage points. If the result of the relative performance is less than 0 percentage points, the relative performance is set to zero. If the result of the relative performance results in a value greater than 200 percentage points, the relative performance is set to 200 %.

The calculation of the payout amount results from multiplying the relative performance by the number of fictitious shares allocated and the average price of the Evonik share at the end of the performance period. The overall performance of the share-based part is determined at the end of the term as an average of the individual annual results.

The sustainability share is determined separately on the basis of one to three measurable ESG goals ("Environmental, Social, Governance") of Evonik. Before allocating a tranche, the Supervisory Board annually determines the exact targets, their weighting among each other and their target value for a measurement of 100% target achievement. Target achievement can range from 0 to 200%.

The specific sustainability goals are disclosed in the remuneration report, which reports on the granting of the respective LTI tranche. An explanation of how the target achievement for the individual sustainability goals was determined is subsequently published as part of the annual reporting on remuneration.

The degree of payment of the long-term remuneration from 2023 is also limited upwards and can result in a maximum of 200% of the individual commitment amount.

For all assigned LTI's, the Supervisory Board is given the opportunity to determine a payout that deviates from the measured target achievement.

Company pension plan

A defined contribution system has been introduced as the standard pension plan. This is a capital-based system funded by provisions. The company credits a fixed annual amount to the pension account of each Executive Board member. This is 15 percent of their target remuneration, i.e., the fixed annual base salary and target bonus (variable short-term remuneration assuming 100 percent target attainment). The guaranteed annual return is 5 percent. The pension benefit comprises the amount that has accrued on the account, i.e., contributions credited to the account plus accumulated interest. In the event of death or disability, the amount that would be available on the account on the member's 55th birthday, including projected contributions and interest, is calculated. Payment normally comprises a lifelong pension. Alternatively, Executive Board members may opt for disbursement of part of the capital (maximum 50 percent) in six to ten installments. At the request of a (former) member of the Executive Board and taking into account the economic interests of the company, the Supervisory Board may also decide, by way of derogation, to pay out the pension assets in full in one sum. The application must be made before the pension balance is used. Where Executive Board members accrued pension entitlements prior to their appointment to the Executive Board, these are either integrated into the system as an initial contribution or continue to be managed separately. If a member's contract as a member of the Executive Board ends before benefits are payable, no further contributions are credited to the account. However, it continues to earn interest at the common market interest rate based on the average return earned by major German life insurers (at least 2.25 percent p.a.) until benefits are claimed.

Members of the Executive Board are entitled to pension benefits after they leave the company if they leave on or after reaching the individually agreed retirement age or if they leave as a result of permanent incapacity to work. In addition, Mr. Kullmann and Mr. Wessel can claim pension benefits from the date of premature termination or non-extension of their Executive Board contracts, providing they do not give due cause for such termination. This claim also relates to pension entitlements they accrued prior to their appointment to the Executive Board.

An arrangement that differs from the pension system has been agreed with Dr. Harald Schwager. He has been given a commitment that he will receive a lifelong pension of €40 thousand p.a. for each full year of service, and a pro rata amount for each partial year of service.

For newly appointed Executive Board members from 2023 onwards, the Supervisory Board has the option of agreeing with the newly appointed Executive Board instead of a pension commitment on a pension fee as gross cash compensation instead of a pension commitment. In this case, the pension remuneration amounts to 15% of the annual target remuneration (basic remuneration plus target bonus) gross per year and is paid to the Executive Board without earmarking.

Determination of maximum remuneration

The maximum remuneration for the members of the Executive Board will be maintained in the amount of the amounts last determined in 2020:

Chairman of the Executive Board:	€9,700 thousand
Deputy chairman:	€7,200 thousand
Chief human resources officer:	€5,200 thousand
Chief financial officer:	€5,200 thousand

Explanation of the how remuneration is determined

The remuneration is reviewed regularly by the Supervisory Board, where appropriate on the basis of remuneration reports from independent consultants. These reviews examine the structure and level of remuneration of the Executive Board, particularly in comparison with the external market, and also in relation to remuneration elsewhere in the company. The external comparison uses peer groups comprising, on the one hand, comparable companies in the chemicals sector, and on the one hand, and companies listed on the MDAX/DAX indices. The assessment of the appropriateness of the remuneration compared with remuneration elsewhere in the company starts by determining the average remuneration at the first management level below the Executive Board and the remuneration of the workforce as a whole. This is then compared with the peer group described above and includes the development of remuneration over time. The Supervisory Board defines the senior management level and relevant workforce and how the remuneration is assessed in relation to these groups. If this reveals a need to adjust the remuneration system, or the level or structure of remuneration, the executive committee of the Supervisory Board submits a corresponding proposal to the full Supervisory Board for a decision. If the Supervisory Board involves an external remuneration expert, it makes sure the expert is independent. The last external review of the appropriateness of the remuneration system was in 2017.

The remuneration system for the Executive Board is presented for approval to the Annual Shareholders' Meeting in the event of a material change and in any case every four years. In the past, there have been no conflicts of interest on the part of individual Supervisory Board members in connection with decisions on the remuneration system for the Executive Board. If such a conflict of interest should arise in the determination, implementation and review of the remuneration system, the Supervisory Board will treat it in the same way as any other conflict of interest in the person of a Supervisory Board member, so that the Supervisory Board member concerned will not participate in the resolution or, in the event of a more serious conflict of interest, in the discussion. Should a permanent and insoluble conflict of interest arise, the Supervisory Board member concerned will resign from office. Early disclosure of any conflicts of interest ensures that the decisions of the Supervisory Board and the Executive Committee are not influenced by improper considerations.

Term of employment contracts and periods of notice

The respective service contracts are concluded for a limited period of time and expire at the end of this period without a separate period of notice. The employment contracts are also linked to the appointment of a member of the Executive Board and end, without the need for a special declaration to this effect by one of the contracting parties, if the appointment of a member of the Executive Board also ends.

The current employment contracts and the appointment to the Executive Board are as follows:

Kullmann, Christian	until May 23, 2027
Schwager, Harald	until August 31, 2025
Wessel, Thomas	until August 31, 2026
Wolf, Ute	until September 30, 2023

Cap on termination benefits in the event of premature termination of term of office

In conformance with the German Corporate Governance Code, the employment contracts with all members of the Executive Board provide for a cap on termination benefits. If a member's term of office is prematurely terminated, payments may not exceed two years' remuneration, including variable remuneration components. In no case is remuneration payable for periods beyond the remaining term of the contract. The contracts specify that no termination benefits are payable if an Executive Board member's contract is terminated for reasons for which he or she is responsible. The cap on termination benefits is based on total remuneration including fringe benefits in the previous fiscal year and, where appropriate, the anticipated total remuneration for the current fiscal year.

Share Ownership Guidelines

The members of the Executive Board are contractually obliged to acquire Evonik shares in the equivalent of at least 100% of the fixed annual remuneration for their own account within three years from 2019 or from the initial appointment and to hold them for the duration of their activities on the Executive Board.

Post-contractual non-compete agreements

Post-contractual non-compete agreements are not included in the remuneration system.

Claw-back clause

In case a member of the Executive Board commits a serious breach of his or her statutory duties or internal rules of conduct, contracts with members of the Executive Board will introduce a contractual clause providing for the reimbursement or offsetting, in full or in part, of any variable remuneration components paid to the member of the Executive Board for the performance period in question (claw-back clause).

Temporary deviations from the remuneration system

In exceptional cases, individual components of the described remuneration system may be temporarily deviated from if this is necessary in the interest of the long-term well-being of the company. Should the remuneration system be deviated from, this can only be done by resolution of the Supervisory Board. The components of the remuneration system from which derogations may be made in exceptional cases are the short-term and long-term variable remuneration and the fixed average ratio of the remuneration elements to each other.

Glossary**Financial- and economic terms**

- *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.
- *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.
- *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.

Essen, May 25, 2022

The Executive Board