FINANCIAL REPORT 2021

Leading Beyond Chemistry

Key figures for the Evonik Group

T01

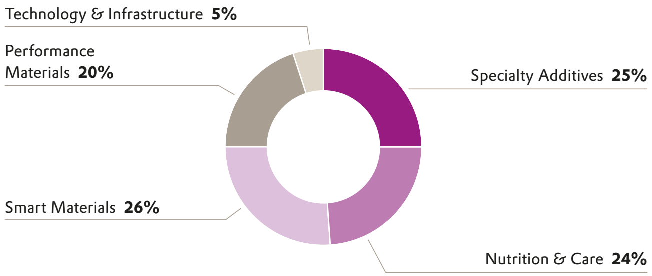
in € million	2017	2018[a]	2019[a]	2020	2021
Sales	14,383	13,267	13,108	12,199	14,955
Research & development expenses	476	437	428	433	464
Adjusted EBITDA[b]	2,357	2,150	2,153	1,906	2,383
Adjusted EBITDA margin in %	16.4	16.2	16.4	15.6	15.9
Adjusted EBIT[c]	1,486	1,361	1,201	890	1,338
Income before financial result and income taxes, continuing operations (EBIT)	1,225	1,049	1,086	819	1,173
ROCE[d] in %	11.2	10.2	8.6	6.1	9.0
Net income	713	932	2,106	465	746
Adjusted net income	1,007	1,014	902	640	986
Earnings per share in €	1.53	2.00	4.52	1.00	1.60
Adjusted earnings per share in €	2.16	2.18	1.94	1.37	2.12
Total assets as of December 31	19,940	20,282	22,023	20,897	22,284
Equity ratio as of December 31 in %	37.7	38.6	41.1	38.8	42.1
Cash flow from operating activities	1,551	1,760	1,321	1,727	1,815
Cash flow from operating activities, continuing operations	1,551	1,474	1,352	1,736	1,815
Cash outflows for investments in intangible assets, property, plant and equipment	1,040	948	880	956	865
Free cash flow[e]	511	526	472	780	950
Net financial debt as of December 31	−3,023	−2,907	−2,141	−2,886	−2,857
Accident frequency[f]	0.23	0.17	0.24	0.16	0.19
Incident frequency[g]	1.11	1.08	1.10	1.45	0.48
No. of employees as of December 31	36,523	32,623	32,423	33,106	33,004

[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] Number of work-related accidents involving Evonik employees and contractors' employees under Evonik's direct supervision per 200,000 working hours; prior-year figures restated.
[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.

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

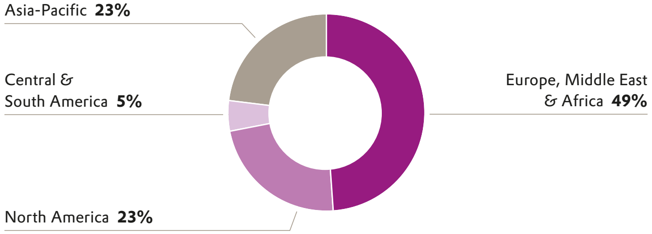
Sales by division

C01



Sales by region[a]

C02



[a] By location of customer.

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AS THE BUILDERS OF THE FUTURE, WE’RE WORKING TO IMPROVE PEOPLE’S LIVES.

As we strive to become the best specialty chemicals company in the world, we are moving beyond chemistry. We are interlinking disciplines, skills, and perspectives with one another so that, as a partner of our customers, we can create value-generating and sustainable solutions. As a result, we play a leading role in our markets and in the development of our industry. The answer to the question of why we exist lies in the passion with which we provide our customers’ products with special characteristics: in order to make people’s lives better, day after day.

LEADING BEYOND CHEMISTRY
TO IMPROVE LIFE, TODAY AND TOMORROW

WHAT WE DO

We may not manufacture tires, mattresses, medications, or animal feeds, but Evonik is part of all of those products—and many more. While we often contribute only small amounts of material, those contributions are precisely what make the difference. That's because Evonik products make tires fuel-efficient, mattresses more elastic, medications more effective, and animal feeds healthier. That's what specialty chemicals are all about. And when it comes to specialty chemicals, we're among the best in the world.

EVONIK SUCCESSFULLY ISSUES FIRST GREEN HYBRID BOND

- Sustainability even more closely integrated into Evonik's finance strategy
- Bond primarily used to finance investments in **Next Generation Solutions**
- Volume of **€500 million** with first redemption right in 2026 fits well into the current maturity profile

THE VACCINE TRANSPORTERS

The development of the first **mRNA vaccines** was a milestone in the struggle against the coronavirus pandemic. Evonik supplies a crucial technology for transporting these gene-based vaccines to the right target site in the human body: **lipid nanoparticles.** Without them, the vaccine would be ineffective.

ELECTRIC MOBILITY

Alternative drive systems are replacing the combustion engine. They are climate-friendlier and conserve petroleum reserves. Electric mobility is becoming the norm for individual mobility. And the heart of the electric bike, the electric scooter or an electric car is the battery. **A new composite material made of silicon and carbon makes batteries more powerful.** In addition, metal oxides make batteries safer and more efficient by preventing short circuits.

HEALING WALLS

Concrete is the world's most important construction material. However, it does more harm to the climate than almost any other product. Researchers all over the world are working to improve this material's CO_2 balance by optimizing its composition. **For example, they are using bacteria that can seal small cracks in concrete on their own and thus prolong the useful life of buildings.**

ALTERNATIVE TO ANIMAL TESTING: EVONIK INVESTS IN SINGAPORE START-UP

Evonik has invested in start-up Revivo BioSystems to support the development of a realistic 4D model of human skin that provides an alternative to animal testing.

- Revivo BioSystems has developed technology that uses a model of human skin for testing
- Organ-on-a-Chip technology makes testing quicker, more reliable, and cost-efficient
- Testing on 4D skin models is a more sustainable alternative to using animals

BIOSURFACTANTS

Biosurfactants for personal care products and household cleaning agents

Evonik's market edge

› Evonik is the only company that can produce bio-based surfactants on an **industrial scale.**

SUSTAINABLE FOOD PACKAGING

Packaging that absorbs oxygen keeps food fresh for longer

Evonik's market edge

› Evonik is the only producer of **additives for oxygen-absorbing films** that keep food fresh for longer.

>10% expected growth

>5% expected growth

WE ARE ALIGNING OUR PORTFOLIO TO SUSTAINABILITY

Next Generation Solutions meet the rising demand for resource-efficient products and have attractive growth rates.

Examples of Next Generation Solutions are biosurfactants, additives for sustainable food packaging, separators for more powerful lithium-ion batteries, and SEPURAN® for efficient gas separation and many applications.

>20% expected growth

>25% expected growth

IMPROVING LITHIUM-ION BATTERIES

Separators for high-performance batteries

Evonik's market edge

› High-purity silica and metal oxides increase the **safety, lifetime, and performance of batteries** in electric vehicles.

EFFICIENT GAS SEPARATION

Wide-ranging applications, including upgrading biogas and the production of nitrogen and helium

Evonik's market edge

› Evonik uses its **superior polymer technology platform to develop high-selectivity membranes for the gas markets** and drive forward sustainability in the energy and gas sectors.

OUR DIVISIONS

GROWTH

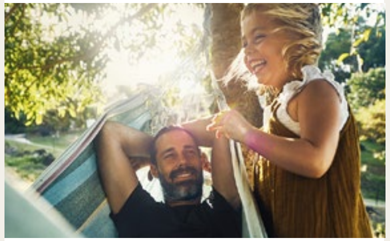
Specialty Additives

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
€3,710 million

Adjusted EBITDA
€920 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
€3,557 million

Adjusted EBITDA
€717 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
€3,918 million

Adjusted EBITDA
€650 million

EFFICIENCY

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
€2,911 million

Adjusted EBITDA
€317 million

SERVICES

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
€798 million

Adjusted EBITDA
€97 million

A SUCCESSFUL PERFORMANCE IN 2021—FURTHER GROWTH EXPECTED IN 2022

- Strong volume trend in the **growth divisions**
- 23 percent rise in **sales** driven by volumes and prices
- **Adjusted EBITDA** improved 25 percent and was higher than in 2019 despite higher raw material and energy costs and global supply chain problems
- 60 percent increase in **net income**
- Higher **free cash flow;** cash conversion rate at a good level of 40 percent
- **Outlook for 2022:** adjusted EBITDA between €2.5 billion and €2.6 billion and another good cash conversion rate expected

KEY FIGURES

Sales € **15.0** billion
(2020: €12.2 billion)

Adjusted EBITDA € **2,383** million
(2020: €1,906 million)

Net income € **746** million
(2020: €465 million)

Free cash flow € **950** million
(2020: €780 million)

Letter from the chairman of the executive board

"We wanted to grow, and we did grow—profitably and sustainably."

Christian Kullmann

Ladies and Gentlemen,

2021 was a year that required us all—society, industry, Evonik—to roll up our sleeves and tackle the renewed challenges brought by the pandemic. In addition, there were bottlenecks in the supply of raw materials, some significant rises in energy and logistics costs, and geopolitical tensions. Even so, we did not lose sight of our goal: We wanted to grow, and we did grow—profitably and sustainably.

Evonik's sales rose 23 percent to €15.0 billion, driven by significantly higher volumes. Adjusted earnings before taxes, financial result, depreciation, and amortization was €2.38 billion. That was not just 25 percent higher than in 2020; it was also 11 percent above the pre-crisis level we achieved in 2019. Free cash flow rose 22 percent to €950 million. The cash conversion rate was 40 percent; a good steady level. Once again, we have shown that we deliver on our promises. Evonik stands for quality and reliability.

At the annual shareholders' meeting, the executive board and supervisory board will propose that the dividend for fiscal 2021 should be raised from its attractive level of €1.15 per share to €1.17 per share.

We have made further progress towards our goal of becoming a best-in-class specialty chemicals company. Thanks to the systematic implementation of our strategy, Evonik is robust and resilient and many of the paths we chose have proven sensible. For example, in the first full year since its introduction, the new divisional structure aligned to our growth engines paid off. And so did the systematic focus on high-margin specialty chemicals.

The systematic implementation of our strategy also means withdrawing from businesses that are no longer a good fit for Evonik. One example is the superabsorbents business. In 2021, we took a further step here by carving out the Baby Care business line into a separate legal entity.

A combination of innovative capability and proximity to customers is a key success factor for Evonik. We aim to generate additional sales of more than €1 billion with our innovation growth fields by 2025. We are moving closer to this target and have already achieved a level of more than €500 million, not least through cooperation with customers and other partners.

We are particularly proud that our strong innovative capability enabled us to contribute to the development and production of Covid-19 vaccines. Together with BioNTech, our specialists developed urgently needed lipids and set up production plants in record time in Hanau and Dossenheim, Germany. Lipids transport the mRNA, which contains the blueprint to fight the virus, to the human cells.

We are also extending our commitment to mRNA technology through a research alliance with Stanford University. This highlights our aspiration to find further applications. Research into drug delivery technology strengthens our Nutrition & Care division as a systems solutions partner for the pharmaceuticals industry.

Further growth potential comes from the project we embarked on in 2021 to build a production facility for bio-based rhamnolipids in Slovakia. This investment drives forward our cooperation with consumer goods manufacturer Unilever and strengthens our position in the growing market for biosurfactants.

The Smart Materials division achieved a milestone: It has delivered gas separation membranes to more than 1,000 reference plants. Evonik has become an international technology leader in this field within a decade. The membranes are produced at our site in Schörfling (Austria). This site has switched completely to renewable energy, with the potential to cut CO_2 emissions by around 4,000 metric tons a year.

By developing an efficient chemical recycling process for flexible foams, the Specialty Additives division has extended Evonik's position as a leading solution provider for the polyurethanes industry. This new process for the complete recovery of important raw materials enables a functioning circular economy in the polyurethane flexible foam industry.

Our top priorities include foresightful resource management and constant endeavors to reduce emissions to make chemical production more sustainable.

We are therefore continuing to align our entire portfolio systematically to sustainability as a growth driver. In 2021, we integrated the assessment of our sustainability performance as a firm element in our strategic management process. At the same time, we successfully issued our first green hybrid bond, with a nominal value of €500 million. Both will play a part in the strong growth of our Next Generation Solutions, which make up around 37 percent of our portfolio. Our Next Generation Solutions have very attractive growth rates and offer our customers sustainability benefits that are superior to alternatives currently on the market.

Leading beyond chemistry—stands for sustainable business activities for tomorrow's world and for our corporate culture. Evonik assumes responsibility—for our business, our employees, the environment, and society. Our culture is built on entrepreneurship, trust, and openness. Striving to find innovative solutions drives us forward and opens up new opportunities to improve life, today and tomorrow.

CHRISTIAN KULLMANN
Chairman of the Executive Board

The executive board

From left to right

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

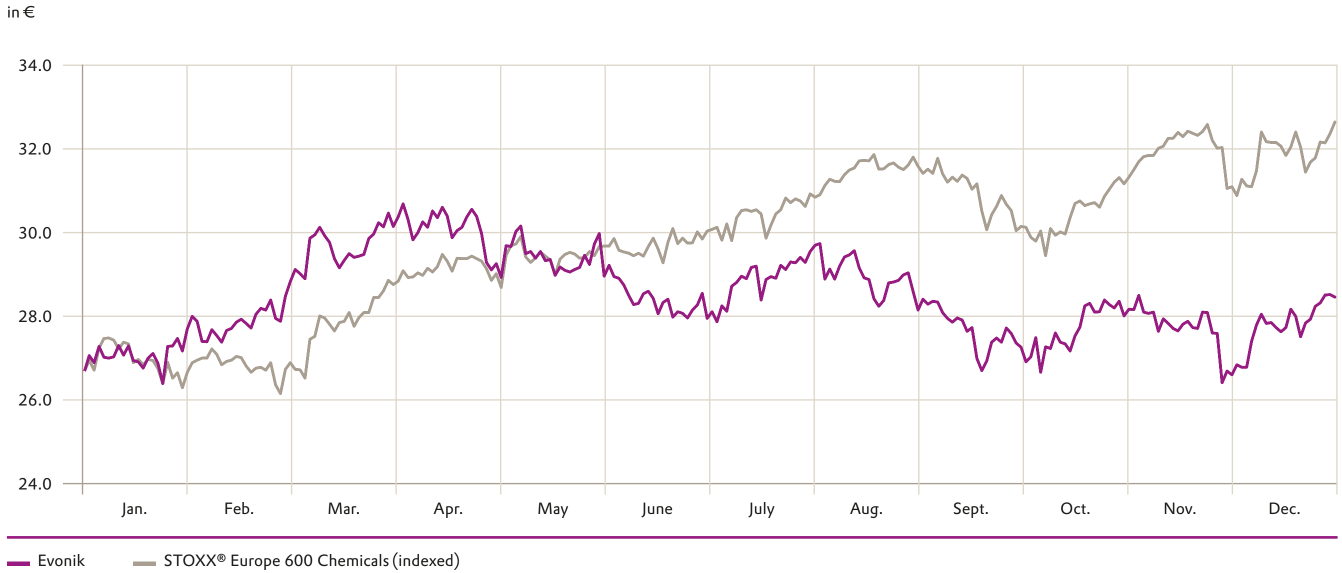
Performance of Evonik shares

In 2021, the stock markets were driven to a large extent by the impact of the coronavirus pandemic, as they were in the previous year. However, the equity markets were far less volatile than in the first year of the pandemic, and the central indices ended the year in positive territory. That also applied to shares in Evonik: While the share price had dropped slightly in 2020, it ended 2021 with a gain of about 7 percent.

Evonik shares started 2021 at just under €27 and rose in the first months of the year. The global economy and the chemical industry continued the recovery that started in the second half of 2020, and this was reflected on the equity markets. In March, shortly after the publication of Evonik's resilient figures for 2020 and its growth aspiration for 2021, the share price rose above €30, and in early April it achieved its high for the year of €30.70. That marked the highest share price since October 2018.

In the remainder of the year, however, the capital markets failed to reward the continued strong business performance resulting from the systematic implementation of the company's strategy. Instead, investors increasingly turned their attention to rising fears that the positive macroeconomic development could lose momentum as the rapid recovery since the second half of 2020 and global supply chain constraints caused a sharp increase in energy and raw material costs across industry and held back production.

Price performance of Evonik shares January 1 – December 31, 2021 C03



Following an interim low in the fall, Evonik shares rallied with the market in the final months of the year. They closed at €28.47 on December 30, 2021, a gain of around 7 percent over the year. The more broadly based STOXX® Europe 600 Chemicals index rose just over 20 percent in the same period.

Dividend distribution

Evonik has a long-term dividend policy aligned to continuity and reliability. In view of Evonik's resilient business performance, the virtual shareholders' meeting in June 2021 adopted a resolution to pay a stable dividend of €1.15 per no-par share, which was then paid out. At the annual shareholders' meeting on May 25, 2022, the executive board and supervisory board will propose a higher dividend of €1.17 per share. That would result in a total dividend payment of €545 million and a payout ratio of 55 percent based on adjusted net income. The dividend yield of around 4 percent remains among the highest in the chemical industry.

Key figures T02

	2021
Highest share price[a] in €	30.70
Lowest share price[a] in €	26.40
Closing price[a] on December 30, 2021 in €	28.47
Market capitalization on December 30, 2021 in € billion	13.27

[a] Xetra trading.

Development of the free float

Evonik's majority shareholder, RAG-Stiftung, sold about 2 percent of its shares in Evonik in the first half of 2021. This contributed to further diversification of the shareholder structure. At year-end, RAG-Stiftung was still Evonik's largest shareholder with a stake of around 57 percent. The free float was about 43 percent.

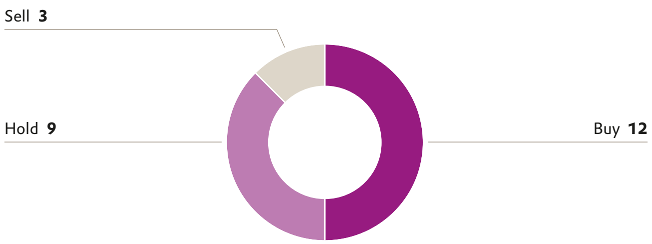
Dialogue with the capital markets

Evonik continued its intensive capital markets communication in 2021. 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. As a consequence of the coronavirus pandemic, digital formats were used for almost all these events. In addition to Evonik's strong operating performance, in the first half of the year, our dialogue with the capital markets focused on strategic issues such as the ongoing development of the Evonik Group, the positioning of the three growth divisions, and Evonik's sustainability alignment. In the second half of the year, discussions were dominated by the implications of the friction on the energy, commodity, and logistics markets.

Analysts' valuations of Evonik shares

At the end of 2021, Evonik was covered by 24 analysts. Twelve of them rated the share as a buy, three as a sell, and nine issued neutral recommendations. The price targets at year-end ranged from €26 to €41, giving an average of just under €33, which was €5 higher than as of December 31, 2020.

Analysts' ratings C04



Credit ratings

Evonik has a solid investment grade rating. The company has a Baa2 rating from Moody's and a rating of BBB+ from Standard & Poor's, with a stable outlook in both cases.

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

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Parts of the combined management report included in the corporate governance chapter:

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Takeover-relevant information 98

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. 98 ff., also forms part of the combined management report. The declaration on corporate governance is also included in the corporate governance chapter p. 86 ff. 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. 45 ff. The 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 allocation of the aspects to these sections is shown in the index in section 5.2 Combined non-financial statement p. 48.

KPMG AG Wirtschaftsprüfungsgesellschaft has audited the consolidated financial statements of Evonik Industries AG and the combined management report for fiscal 2021 and issued an unqualified opinion p. 180 ff. The auditor did not audit the content of the non-financial statement presented in section 5. Instead, the non-financial statement 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). The auditor's report on the assurance engagement for the non-financial statement can be found on p. 187 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.
▼ ▲ Content outside the scope of the audit.

1. BASIC INFORMATION ON THE EVONIK GROUP

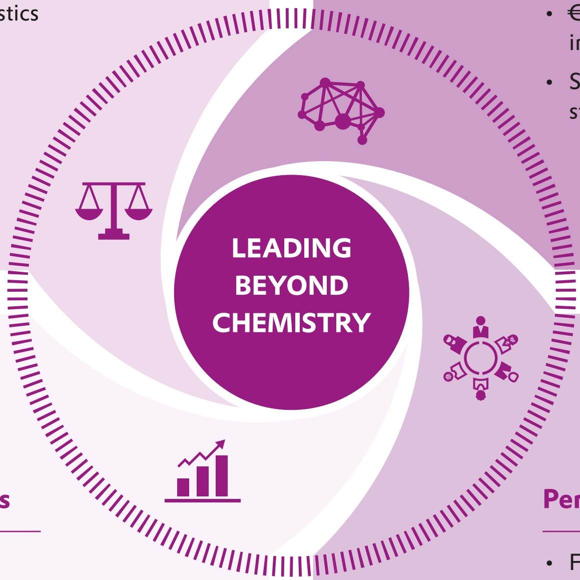
Our strategy

Active portfolio management

- Focus on business with clear specialty chemicals characteristics

Growth driven by innovation and sustainability

- €1 billion additional sales from the innovation growth fields by 2025
- Sustainability integrated into the strategic management process



Ambitious financial targets

- Adjusted EBITDA margin: 18%–20%
- Cash conversion rate: >40%
- ROCE: 11%

Performance-oriented culture

- Fostering performance
- Digital learning formats
- Diversity targets

No end-market accounts for more than

20% of sales

Around **80%**

of sales generated 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 business activities, end-markets, and regions. Around 80 percent of sales 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 our customers enables us to build up a **deep knowledge** of their business, so that we can offer products tailored to their specifications and extensive technical service. Our 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 growth. This is based on our strong **innovation culture,** which is rooted in our innovation management and management development.

Highly trained **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.

As preconditions for Evonik's future viability, we consider **sustainable business activities and responsible conduct** to be the cornerstones of our business model. Sustainability is an integral part of our strategic management process. Our goal for the future is to substantially increase the proportion of attractive growth businesses in our portfolio with a clear focus on sustainability (Next Generation Solutions). Foresighted resource management is another key element in our sustainability strategy. In addition, we systematically examine the positive and negative effects of our business activities along the value chain. Early identification of future opportunities and risks makes our business model more resilient and sharpens 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 divisions operate in attractive markets with above-average growth rates. These three growth divisions offer customers customized, innovation-driven solutions, and the aim is for them to achieve above-average, profitable growth through innovations, investments, and acquisitions.

Corporate structure C05

Evonik				
Specialty Additives	**Nutrition & Care**	**Smart Materials**	**Performance Materials**	**Technology & Infrastructure**
A broad spectrum of additives and crosslinkers 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 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 as well as superabsorbents for consumer applications.	Site services and administrative, operational, and technical services for the chemicals divisions.

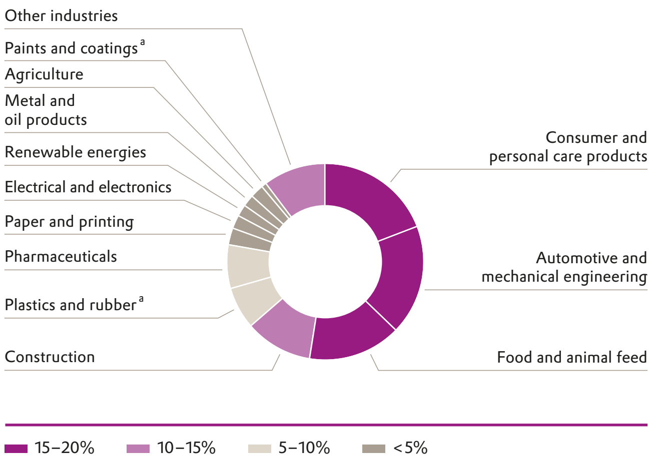
[1] We define these as ranking 1st, 2nd, or 3rd in the relevant market for the product, based on sales. Source: Internal evaluations based on 2020. See the overview "Market positions 2021" p. 190 of this financial report (outside the scope of the audit).

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. Our strategic goal for this division is to contribute earnings to finance the growth of the Evonik Group. Investments and, where appropriate, alliances concentrate on securing our good market positions.

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.

Global production

Evonik has a presence in more than 100 countries, and 83 percent of sales are generated outside Germany. We have production facilities at 102 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. Consequently, our procurement activities also have a global focus. Raw materials and supplies, technical goods and services, energy, and other operating supplies are sourced either regionally or globally.

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 high entry barriers.

Digitalization contributes to profitable growth

Evonik started to address the digitalization of production and business processes in the chemical industry at an early stage. We are actively driving forward the digitalization of our production sites: Antwerp (Belgium) is currently being established as a digital lighthouse location as a model for the digital transformation of other sites. We are also introducing a digital energy management system throughout the world. Our guiding principles for digitalization set out how we intend to embrace people-centric. We regard digitalization as a group-wide structural task and are networking decentralized initiatives and bundling competencies and methodological knowledge. The role of Evonik Digital GmbH is to identify "uncharted territory" on the Evonik Group's digitalization map and promote the use of digital technologies and data-based innovation processes. We are speeding up the digitalization of our customer interfaces by establishing digital platforms. In our view, digital innovations can pave the way for new business models to help us establish a circular economy, increase product and component life cycles, and endeavor to reduce the consumption of resources at all stages in the value chain.

1.2 Principles and objectives

Building a best-in-class specialty chemicals company

We want to make Evonik a best-in-class specialty chemicals company. This global aspiration is closely linked to our goal of profitable growth. To increase the value of our company, our strategy has three focal areas:

- A more balanced and more specialty portfolio
- Leading in innovation
- An open and performance-oriented culture.

Our goal is to step up our focus on businesses with clear specialty chemicals characteristics. To ensure an even better balance within our **portfolio** and to grow where Evonik is already strong but there are especially promising prospects, our strategy concentrates on our three growth divisions: Specialty Additives, Nutrition & Care, and Smart Materials. The focus is on high-quality products and solutions, many of which also offer specific sustainability benefits. 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.

We allocate our resources carefully to drive forward the development of new and existing products and solutions and for investments and acquisitions, predominantly in our growth divisions. The divisions focus on different markets, but they have one thing in common: They are aligned consistently to delivering innovative solutions for issues and developments of relevance to industry and end-customers in the coming decades.

Innovation is an important driver of profitable growth as it leverages the development of new products and applications. Our focus here is on working intensively with customers and partners along the value chain. Evonik has defined six innovation growth fields[1] that target highly attractive new markets where we can effectively deploy our core competencies.

The third element is a performance-oriented **culture** based on our corporate values: performance, trust, openness, and speed. For us, that means initiating change, keeping our promises, rewarding performance, a readiness to take risks, and being open to new ideas. We regard ourselves as an international company and see diversity as an opportunity.

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 expect the average volume growth in the three growth divisions to be more than 3 percent a year. 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 11 percent, which is well above the cost of capital. Moreover, Evonik aims to achieve a high cash conversion rate[2] of over 40 percent. We aim to pay a reliable and attractive dividend and uphold our investment grade rating.

Financial targets for the Evonik Group T04

	Status 2021[a]	Target
Volume growth in the growth divisions	13%	> 3%
Adjusted EBITDA margin	15.9%	Between 18% and 20%
Free cash flow: cash conversion rate	40%	> 40%
ROCE	9%	11%
Rating	A solid investment grade rating	A solid investment grade rating
Dividend	1.17€[b]	Attractive and reliable

[a] For information on the current development of these parameters, see section 2. Business review p. 18 ff.
[b] Proposal to the annual shareholders' meeting.

One reason why the growth divisions significantly exceeded the target for volume growth was the adverse impact of the coronavirus pandemic in the previous year. We report on the development of these performance indicators in sections 2.4 Business conditions and performance p. 21 ff. and 2.9 Financial condition p. 33 ff.

As a responsible specialty chemicals company, we are also continuing to pursue our ambitious **non-financial targets.** We want to remain below the exacting upper limits we have set for accident frequency[3] and incident frequency[4, 5]

Our target for absolute greenhouse gas emissions[6] is a 50 percent reduction in absolute scope 1 and 2 emissions[7]

[1] See section 4. Research and development p. 41 ff.
[2] Ratio of free cash flow to adjusted EBITDA.
[3] Number of work-related accidents (excluding traffic accidents) resulting in absences of at least one full shift per 200,000 working hours.
[4] Number of incidents in production plants involving the release of substances or energy, fire or explosion per 200,000 working hours.
[5] Altered definition. See section 5.4 Safety p. 54 f.
[6] See section 5.5 The environment p. 55 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.

by 2025. The reference base is 2008—the first full year after the establishment of Evonik. This affirms our commitment to the Paris Agreement on Climate Change. In particular, the modernization of our power plants in Marl (Germany) will contribute to the achievement of this target by significantly reducing CO_2 emissions. We set a new energy target in 2020. The aim is to reduce both absolute and specific[1] energy consumption by 5 percent by 2025. This supports the European goal of reducing energy consumption by 32.5 percent by 2030. We report on the development of our non-financial targets in section 5.4 Safety p. 54 f. and 5.5 The environment p. 55 ff.

Non-financial targets for the Evonik Group T05

	Status 2021[a]	Target
Targets for 2022		
Accident frequency	0.19	Maximum 0.26
Incident frequency	0.48	Maximum 0.40
Targets for 2025		
Absolute scope 1 and 2 CO_2 emissions	Reduction of 43%[b]	Reduction of 50%[b]
Absolute energy consumption	Increase of 6%[c]	Reduction of 5%[c]
Specific energy consumption	Reduction of 1%[c]	Reduction of 5%[c]

[a] For information on the current development of these targets, see section 5. Sustainability p. 45 ff.
[b] Reference base 2008.
[c] Reference base 2020.

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[2], 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[3] 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 **accident frequency** and **incident frequency.**

[1] Energy consumption per product unit.
[2] Ratio of adjusted EBITDA to sales.
[3] Ratio of free cash flow to adjusted EBITDA.

2. BUSINESS REVIEW

Successful performance in 2021

STRATEGIC FOCUS

- Stronger sustainability alignment of management processes
- Investments to strengthen our market position and reduce CO_2
- Acquisitions to strengthen growth and sustainability benefits
- Continued focus on enhancing efficiency in production and administration

CORPORATE OBJECTIVE: PROFITABLE GROWTH

OPERATIONAL FOCUS

- Positive operating performance
- Higher volumes and selling prices
- Significant improvement in sales and adjusted EBITDA
- Strong free cash flow
- Very good financial profile
- Adjusted EBITDA margin and ROCE still below target

Adjusted EBITDA
€2,383 million

Adjusted EBITDA margin
15.9%

Free cash flow
€950 million

2.1 Overall assessment of the economic situation

In 2021, we successfully drove forward Evonik's **strategic** development. The results of our internal sustainability analysis[1] were integrated into our strategic management process for the first time. In the coming years, we aim to substantially increase the proportion of growth businesses in our portfolio with a clear focus on sustainability (Next Generation Solutions). Despite the difficult conditions, further progress was made with the major **investments** at our site in Marl (Germany), for example, the erection of a large production complex for the specialty polymer polyamide 12 and the construction of two modern gas and steam turbine power plants. As part of the growth strategy for the Nutrition & Care division, we acquired Infinitec Activos SL, Montornes del Valles (Spain), Botanica GmbH, Sins (Switzerland), and JeNaCell GmbH, Essen (Germany). These were small acquisitions to round out the portfolio and support the focus on sustainability.[2] Following completion of our SG&A optimization program, we continue to work consistently to achieve leaner structures and improve the efficiency of production and administration.

Our **operating** performance was positive in 2021. We registered high demand worldwide and were able to increase volumes significantly compared with 2020, which was impacted by the coronavirus pandemic. Selling prices were also better than in 2020. However, the procurement market became far more volatile in the second half of the year as a result of the rapid economic recovery from the effects of the coronavirus pandemic. All primary energy prices increased, and many chemical precursors were also more expensive. The availability of raw materials, logistics services, and packaging materials remained very tight. As a result, Evonik registered higher raw material and logistics costs, especially in the second half of the year, along with bottlenecks in global supply chains. Overall, sales and EBITDA increased significantly, with all chemicals divisions contributing to this. We delivered on our forecast, which we revised upwards in the wake of our successful performance in the first half of the year.

Group sales rose 23 percent to €14,955 million. **Adjusted EBITDA** improved 25 percent to €2,383 million, driven principally by higher volumes and improved selling prices. By contrast, downside effects came from higher raw material and logistics costs and global supply chain bottlenecks, especially in the second half of the year. The **adjusted EBITDA margin** increased to 15.9 percent (2020: 15.6 percent) and therefore remained below our target mid-term range of between 18 percent and 20 percent. **ROCE** improved to 9.0 percent as a result of higher earnings and was therefore in line with the cost of capital. However, it was below our mid-term target of 11 percent.

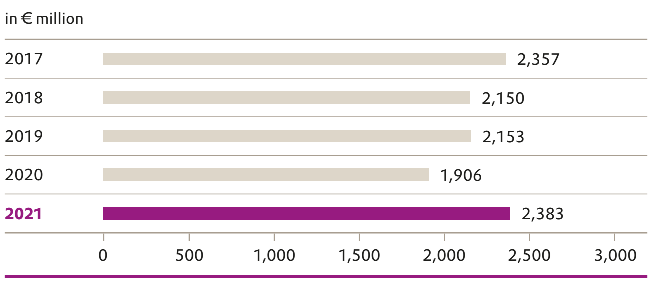
Net income rose 60 percent to €746 million. After adjustment for special items, net income, continuing operations was 54 percent higher at €986 million. At the annual shareholders' meeting, the executive board and supervisory board will propose a higher dividend of €1.17 per share (2020: €1.15 per share).

We generated a high **free cash flow** of €950 million. The cash conversion rate of 40 percent shows the proportion of adjusted EBITDA that was converted into cash.

Our **financial profile** is still very good: Evonik has a solid investment grade rating, and net financial debt is almost unchanged at a solid level. In addition to adequate liquidity, we have sufficient unutilized credit lines.

Overall, 2021 was a successful year for the Evonik Group and Evonik Industries AG.

Development of adjusted EBITDA in the Evonik Group C07



The figure for 2017 contains the methacrylates business, which was divested in July 2019.

[1] See section 5.1 Sustainability p. 46 f.
[2] See section 2.6 Performance of the divisions p. 26 ff.

2.2 Economic background

Global economic recovery despite continued turbulence caused by the pandemic

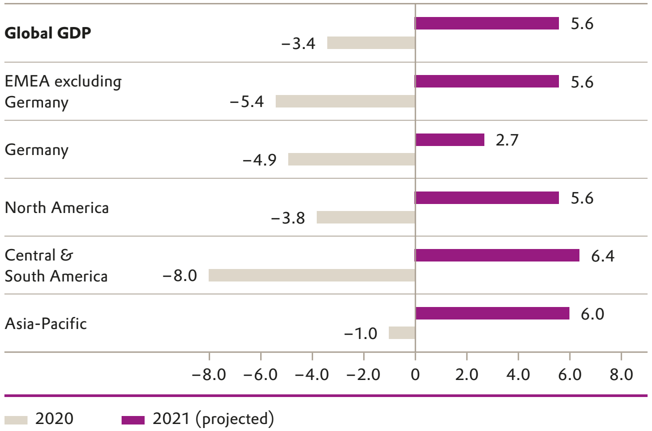
The development of **global economic conditions** was better than had been anticipated at the start of the year. IHS Markit[1] estimates that the global economy grew by 5.6 percent overall in 2021. At the beginning of the year, growth of 4.4 percent had been expected.

Rising vaccination rates in most industrialized countries and a corresponding relaxation of the coronavirus measures strengthened global growth in the first half of the year as a result of rising consumer demand. Global trade in goods picked up strongly, and global industrial output increased. However, the global economic rebound lost momentum from mid-year. In many regions, a renewed rise in Covid-19 infections held back economic activity, while disruptions to global supply chains and higher raw material, logistics, and energy costs hampered the upswing in industrial production. There was a sharp rise in inflation in 2021. Although the Fed reduced bond purchases from November, monetary policy in the main industrialized countries remained expansionary. By contrast, central banks in many emerging markets switched to a more restrictive policy.

The economy recovered from the previous year's downturn in all **regions** in 2021. In Europe, growth received a boost from rising consumer demand, industrial output, and exports. The upswing was supported by economic programs and the European Central Bank's expansionary monetary policy. Europe was affected by the pandemic at the beginning and end of the year. In many countries, including Germany, measures were introduced to check the spread of the virus, and these temporarily dampened consumer demand. Moreover, growth momentum in industrial production was held back by global supply bottlenecks and rising production costs.

Development of GDP 2020/2021 C08

in %



Based on data from IHS Markit as of January 18, 2022.

In North America, especially the USA, the economic upswing was driven by strong fiscal and monetary policy stimulus, resulting in a sharp hike in consumer spending, especially in the first half of the year. Industrial activity rose particularly strongly in the second quarter. Covid-19 outbreaks, increasing problems in the sourcing of industrial precursors, and rising energy prices held back the economic upswing in the second half of the year.

Asia-Pacific registered strong economic growth but with regional variances. High growth in China was driven by industry and exports, while consumer spending remained subdued due to recurrent pandemic-related restrictions on mobility. Moreover, the Chinese economy was held back by energy supply problems and payment problems by large real estate companies. In Japan, economic activity was restrained by measures to combat the pandemic and high dependence on exports of capital goods, which suffered from the supply bottlenecks.

The upturn in Central & South America was supported by favorable external conditions, including export demand from major trading partners and high commodity prices. In the course of the year, economic activity was dampened to some extent by the pandemic. This was compounded by a reduction in agricultural output in Brazil and Argentina as a result of a drought. Consumer spending slowed because rising prices throughout the year reduced purchasing power.

Recovery in end-customer markets

Industrial activity gained pace in 2021 thanks to rising orders on hand and high demand. Overall, global industrial output was significantly higher than in the previous year. However, growth momentum was capped at times by pandemic-related disruption to supply chains. In some cases, the disruption led to longer supply times and higher prices for raw materials, precursors, and transportation services in the industrial sector.

In 2021, Evonik's **end-customer markets** recovered from the previous year's pandemic-driven downturn. Demand for hygiene and personal care products rose significantly in 2021, especially in the Asia-Pacific region and Europe. There was a strong increase in activity in the food and animal feed sector in all regions except Central & South America. Automotive and mechanical engineering production also picked up strongly in all regions, although growth momentum was lowest in Europe. Demand was robust in the construction sector.

Raw material prices rose across the board in 2021. At the end of the year, prices were well above the previous year's low, pandemic-related level.

[1] Based on data from IHS Markit as of January 18, 2022.

The average annual exchange rate for the euro against Evonik's most important currency—the US dollar—increased to US$1.18, compared with an average exchange rate of US$1.15 in the previous year.

2.3 Major events

The **coronavirus pandemic** continued to affect people's lives and economic activity around the world in 2021. Evonik took the necessary precautions to protect employees at an early stage to prevent the virus from spreading and keep the business running. We are continuing to analyze the present situation on a daily basis so that we can take timely action. In Germany, we have been participating in the vaccination drive by company medical officers since the start of June 2021. The direct impact of the coronavirus pandemic on our business performance was negligible in 2021. However, the procurement market was far more volatile as a consequence of the rapid global recovery following the pronounced, pandemic-driven deterioration in business conditions in the previous year. The resulting rise in raw material and logistics costs and the global supply chain disruption adversely affected our performance.

2.4 Business conditions and performance

High sales growth

The Evonik Group's **sales** increased by 23 percent to €14,955 million. Organic sales growth was 23 percent, driven by higher volumes and improved selling prices.

Change in sales 2021 versus 2020 T06

in %	
Volumes	11
Prices	12
Organic sales growth	**23**
Exchange rates	–2
Portfolio/other effects	2
Total	**23**

Significant improvement in adjusted EBITDA

Adjusted EBITDA improved 25 percent to €2,383 million, principally due to higher volumes and improved selling prices, but was held back by higher raw material and logistics costs and global supply chain bottlenecks, especially in the second half of the year. The adjusted EBITDA margin improved from 15.6 percent in the previous year to 15.9 percent.

Adjusted EBITDA by division T07

in € million	2020	2021	Change in %
Specialty Additives	857	920	7
Nutrition & Care	560	717	28
Smart Materials	529	650	23
Performance Materials	88	317	260
Technology & Infrastructure	145	97	–33
Enabling functions, other activities, consolidation	–273	–318	–16
Evonik	**1,906**	**2,383**	**25**

Prior-year figures restated.

All chemicals divisions benefited from higher demand and most of them reported a significant rise in earnings. The contribution made by the Technology & Infrastructure division was lower than in the previous year as a result of higher energy costs, partly due to power plant shutdowns. The adjusted EBITDA reported by enabling functions, other activities, including consolidation, contains, among other things, expenses for strategic research and internal reinsurance. Earnings were reduced by insurance deductibles at group level for weather-related damage in Europe and the USA.

The **adjustments** totaled –€165 million, compared with –€71 million in 2020. The restructuring expenses related mainly to the shutdown of a site operated by the Nutrition & Care division and the SG&A program to reduce selling and administrative expenses. The impairment losses related to production facilities in the Nutrition & Care division in North America. Expenses for the acquisition/divestment of shareholdings mainly comprised costs for the integration of PeroxyChem, Philadelphia (Pennsylvania, USA) and the Porocel Group, Wilmington (Delaware, USA), which were acquired in the previous year. The largest single items in the line item "Other" are expenses in connection with the end of legal disputes relating to the sale of a plot of land in a previous period and the divestment of the former carbon blacks business, reorganization of the superabsorbents business, the recognition of power derivatives, and the deconsolidation of a company in India. By contrast, a positive effect came from a claim to a value-added tax refund for previous years in Brazil. In the prior-year period, the adjustments mainly comprised expenses in connection with the acquisition of PeroxyChem and restructuring expenses, especially for the shutdown of a production plant in the Nutrition & Care division.

Sales and reconciliation from adjusted EBITDA to net income T08

in € million	2020	2021	Change in %
Sales	**12,199**	**14,955**	**23**
Adjusted EBITDA	**1,906**	**2,383**	**25**
Adjusted depreciation, amortization, and impairment losses	–1,016	–1,045	
Adjusted EBIT	**890**	**1,338**	**50**
Adjustments	–71	–165	
thereof restructuring	–14	–20	
thereof impairment losses/reversal of impairment losses	4	–27	
thereof acquisition/divestment of shareholdings	–37	–13	
thereof other	–24	–105	
Income before financial result and income taxes, continuing operations (EBIT)	**819**	**1,173**	**43**
Financial result	–135	–88	
Income before income taxes, continuing operations	**684**	**1,085**	**59**
Income taxes	–181	–316	
Income after taxes, continuing operations	**503**	**769**	**53**
Income after taxes, discontinued operations	–24	–2	
Income after taxes	**479**	**767**	**60**
thereof income attributable to non-controlling interests	14	21	
Net income	**465**	**746**	**60**
Earnings per share	**1.00**	**1.60**	

The **financial result** improved substantially to –€88 million. It contained special items of €10 million for interest income in connection with the claim to the value-added tax refund in Brazil. In the prior-year period, it contained special items of €11 million for interest in connection with the end of a legal dispute relating to the sale of a plot of land in a previous period. Thanks to lower interest expense, the adjusted financial result improved to –€97 million, despite the expenses for measurement of the Argentine currency as a hyperinflationary currency. **Income before income taxes, continuing operations,** rose by 59 percent to €1,085 million. The income tax rate on the continuing operations was 29 percent, and the adjusted income tax rate was 28 percent. That was around the level of the expected group tax rate. Income after taxes, discontinued operations, amounted to –€2 million and comprised post-divestment expenses, mainly for the methacrylates business, which was sold in July 2019. **Net income** rose 60 percent to €746 million.

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 after adjustment for special items[1]. The financial result is then adjusted for income and expenses in connection with the purchase/disposal of equity investments and other income and expense items that, by nature or amount, do not form part of typical current financing activities. Further, we deduct amortization

[1] See section 1.3 Business management systems p. 17.

Reconciliation to adjusted net income T09

in € million	2020	2021	Change in %
Adjusted EBITDA	**1,906**	**2,383**	**25**
Adjusted depreciation, amortization, and impairment losses	–1,016	–1,045	
Adjusted EBIT	**890**	**1,338**	**50**
Adjusted financial result	–146	–97	
Amortization and impairment losses on intangible assets	149	162	
Adjusted income before income taxes [a]	**893**	**1,403**	**57**
Adjusted income taxes	–239	–396	
Adjusted income after taxes [a]	**654**	**1,007**	**54**
thereof adjusted income attributable to non-controlling interests	14	21	
Adjusted net income [a]	**640**	**986**	**54**
Adjusted earnings per share in € [a]	**1.37**	**2.12**	

[a] Continuing operations.

of intangible assets, which mainly results from acquisitions, and adjust income tax for taxes on special items.

Adjusted net income improved by 54 percent to €986 million in 2021, while adjusted earnings per share increased from €1.37 to €2.12.

Cost-saving programs exceeded targets in 2021

The **SG&A** program, which was launched in 2017 to achieve a lasting reduction of €200 million in sales and administrative expenses by 2021, has now been successfully completed. The overall target of €200 million was exceeded by more than €30 million. The measures implemented as part of the ongoing program of continuous improvements to enhance process efficiency, especially in production, once again exceeded the target with savings of €120 million in 2021.

Efficient and effective procurement

Procurement is organized globally at Evonik and comprises direct procurement (raw materials, logistics, and packaging) and indirect procurement (goods and services) for strategic activities. Operational sourcing is also subdivided into direct and indirect procurement. Reliable supply, gaining access to new procurement markets, and ongoing optimization of the cost of materials and services are core tasks for our procurement function.

2021 was again marked by a range of production shortfalls and logistics restrictions. Alongside the ongoing coronavirus crisis, factors hampering the availability of raw materials included blizzards in the USA in spring, hurricane Ida in the fall, and the introduction of the dual-control initiative to reduce energy consumption and improve energy efficiency in China. Prices of raw materials and packaging increased significantly as higher demand coincided with restricted market availability. In addition to the higher demand, raw material shortages in the chemical value chain were caused by technical problems on the supply side. This was compounded by a sharp reduction in the availability of freight space, which resulted in a noticeable shortage of raw materials in the supply chain and pushed up logistics costs.

In 2021, indirect procurement activities were also geared to avoiding supply bottlenecks and longer delivery times. By involving Procurement at an early stage, it was possible to offset most of these effects. The procurement of work and services and indirect goods was more expensive than in the previous year.

In 2021, Evonik spent around €10 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. About 55 percent of procurement expenditure was for raw materials: Evonik purchases fossil raw materials, especially on the petrochemical market (approx. 20 percent of total expenditure) and on the synthetic organic market (16 percent). Other important procurement markets for us are inorganic raw materials (10 percent) and renewables (7 percent).

Evonik's supplier base comprises around 35,000 suppliers. The 100 largest suppliers account for around 43 percent of procurement expenditure. About 60 of these top 100 suppliers are in Europe, 25 are in the Americas, and 15 in Asia.

Return on capital employed higher than in the previous year

Within our value-oriented management approach, our success is measured principally by **ROCE,** which was 9.0 percent in 2021 and therefore exactly in line with our cost of capital, which was again 9.0 percent before taxes.

The average **capital employed** increased by €0.2 billion to €14.8 billion. The main factors in this were capital expenditures for our operating business and higher net working capital. The increase in the Evonik Group's ROCE resulted from the rise in adjusted EBIT. All of the chemicals divisions improved their ROCE.

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

in € million	2020	2021
Intangible assets	5,990	5,957
+ Property, plant and equipment	6,534	6,707
+ Right-of-use assets	662	640
+ Investments recognized at equity	65	79
+ Inventories	1,943	2,170
+ Trade accounts receivable	1,524	1,761
+ Other interest-free assets	461	498
– Interest-free provisions	–719	–773
– Trade accounts payable	–1,239	–1,572
– Other interest-free liabilities	–621	–668
= Capital employed [a]	**14,600**	**14,799**
Adjusted EBIT	**890**	**1,338**
ROCE (adjusted EBIT/capital employed) in %	**6.1**	**9.0**
Cost of capital (capital employed x WACC)	1,314	1,331
EVA® (adjusted EBIT – cost of capital)	**–424**	**7**

Prior-year figures restated.
[a] Annual averages in each case.

ROCE by division T11

in %	2020	2021
Specialty Additives	16.0	17.7
Nutrition & Care	7.7	11.6
Smart Materials	6.4	8.1
Performance Materials	–3.5	15.6
Technology & Infrastructure	3.8	–1.8
Evonik (including enabling functions, other activities)	**6.1**	**9.0**

Prior-year figures restated.

Higher 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). EVA® was €7 million in 2021. The year-on-year improvement of €431 million was attributable to a significant rise in the operating result.

2.5 Comparison of forecast and actual performance

The forecast we issued at the start of the year was revised upward in August 2021 as our business performance in the first half of the year was better than anticipated. Group sales were above the revised forecast, and the other indicators achieved the forecast levels.

Group sales rose 23 percent to €15.0 billion in 2021. That was above the projected range of €13.0 billion to €14.5 billion. Adjusted EBITDA grew 25 percent to €2,383 million and was therefore at the upper end of the anticipated range of €2.3 billion to €2.4 billion. ROCE improved to 9.0 percent, thanks to the higher earnings. As had been expected since August, it was significantly above the prior-year level. 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 came in at the forecast level of 40 percent.

Turning to our non-financial indicators, accident frequency was well below the upper limit. We did not achieve the target for incident frequency in 2021. This was partly due to the introduction of lower reporting thresholds in 2021.

Comparison of forecast and actual performance T12

Forecast performance indicators	2020	Forecast for 2021[a]	Revised forecast as of May 2021[b]	Revised forecast as of August 2021[c]	**2021**	Forecast for 2022
Group sales	€12.2 billion	Between €12.0 billion and €14.0 billion	Between €12.0 billion and €14.0 billion	Between €13.0 billion and €14.5 billion	€15.0 billion	Between €15.5 billion and €16.5 billion
Adjusted EBITDA	€1.9 billion	Between €2.0 billion and €2.3 billion	Between €2.1 billion and €2.3 billion	Between €2.3 billion and €2.4 billion	€2.4 billion	Between €2.5 billion and €2.6 billion
ROCE	6.1%	Slightly above the prior-year level	Slightly above the prior-year level	Significantly above the prior-year level	9.0%	Slightly above the prior-year level
Cash outflows for investments in intangible assets, property, plant and equipment	€956 million	Around €900 million	Around €900 million	Around €900 million	€865 million	Around €900 million
Free cash flow: cash conversion rate	41%	Around 40%	Around 40%	Around 40%	40%	Around 40%
Accident frequency	0.16	Maximum 0.26[d]			0.19	Maximum 0.26
Incident frequency[e]	1.45	Maximum 0.40[d]			0.48	Maximum 0.40

a As in the financial report 2020.
b As in the quarterly statement on the first quarter of 2021.
c As in the half-year financial report 2021.
d Based on the new definition, see section 5.4 Safety p. 54 f.
e Value not adjusted retrospectively.

2.6 Performance of the divisions

2.6.1 Specialty Additives

Key figures T13

in € million	2020	2021	Change in %
External sales	3,225	3,710	15
Adjusted EBITDA	857	920	7
Adjusted EBITDA margin in %	26.6	24.8	–
Adjusted EBIT	681	739	9
Capital expenditures[a]	93	94	1
Depreciation and amortization	173	180	4
Capital employed (annual average)	4,244	4,168	–2
ROCE in %	16.0	17.7	–
No. of employees as of December 31	3,666	3,693	1

Prior-year figures restated. [a] Capital expenditures for intangible assets, property, plant and equipment.

Strong global demand

Despite the global supply chain problems, the Specialty Additives division reported a very good performance overall thanks to its business model, which focuses on specific customer solutions to improve product properties and sustainability profiles. Considerably higher volumes and higher prices increased sales by 15 percent to €3,710 million. The increase in sales was reduced by slightly negative currency effects.

Demand for products for the construction and coating industries and for renewable energies increased considerably in all regions, resulting in a significant rise in sales. Additives for polyurethane foams for consumer durables such as mattresses and refrigerators also registered a good volume trend, leading to a significant rise in sales.

In the second half of the year, sales growth was held back to some extent by interruptions in global supply chains and the associated lack of availability of some raw materials.

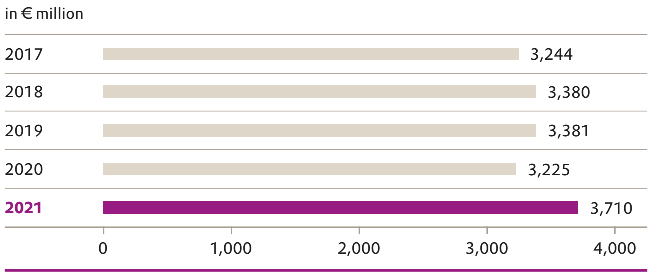
Considerable improvement in adjusted EBITDA

Adjusted EBITDA rose 7 percent to €920 million in the Specialty Additives division. The positive volume trend was offset by higher raw material prices which could not be recouped entirely through price adjustments in 2021 and therefore put pressure on the margin. The adjusted EBITDA margin therefore dropped from 26.6 percent in the previous year to 24.8 percent.

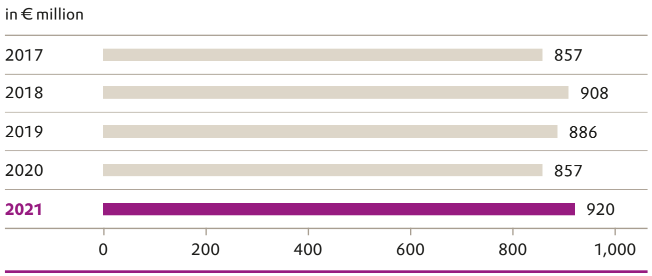
Higher return on capital

Capital expenditures in the Specialty Additives division were around the prior-year level at €94 million and were therefore substantially lower than depreciation and amortization, which amounted to €180 million. The average capital employed decreased slightly to €4,168 million. ROCE improved to 17.7 percent, mainly due to the increase in adjusted EBIT.

Sales Specialty Additives C09



Adjusted EBITDA Specialty Additives C10



Capital expenditures to increase production capacity, product availability, and process safety

In 2021, the Specialty Additives division invested amounts in large projects in the single or low double-digit million euro range at its sites in Germany, China, and the USA. While the capital expenditures in Essen (Germany) served to expand production capacity for specialty silicones and siloxanes, the investments in Marl, Herne and Essen (Germany) and Wichita (Kansas, USA) focused on product availability and process safety.

2.6.2 Nutrition & Care

Key figures T14

in € million	2020	2021	Change in %
External sales	2,992	3,557	19
Adjusted EBITDA	560	717	28
Adjusted EBITDA margin in %	18.7	20.2	–
Adjusted EBIT	301	453	50
Capital expenditures[a]	139	164	18
Depreciation and amortization	255	253	–1
Capital employed (annual average)	3,914	3,893	–
ROCE in %	7.7	11.6	–
No. of employees as of December 31	5,295	5,453	3

Prior-year figures restated. [a] Capital expenditures for intangible assets, property, plant and equipment.

Higher sales

The pleasing business performance in the Nutrition & Care division continued, thanks to its focus on high-growth and resilient end-markets. Sales were 19 percent higher at €3,557 million. This increase was attributable to considerably higher volumes and selling prices but was held back by negative currency effects.

Demand for essential amino acids remained strong worldwide. Together with an improvement in selling prices, this led to significantly higher sales. Within the pharmaceutical applications in the health & care business, lipids for mRNA vaccines posted particularly high sales growth. This was made possible by the additional production capacity built up in the first months of the year. There was a further rise in sales of care solutions products, especially active ingredients for cosmetic applications.

Significant rise in earnings

Adjusted EBITDA advanced 28 percent to €717 million in the Nutrition & Care division as a result of increased demand and higher selling prices. However, the rise in raw material and logistics costs during the year had a negative effect. The adjusted EBITDA margin nevertheless improved from 18.7 percent in the previous year to 20.2 percent.

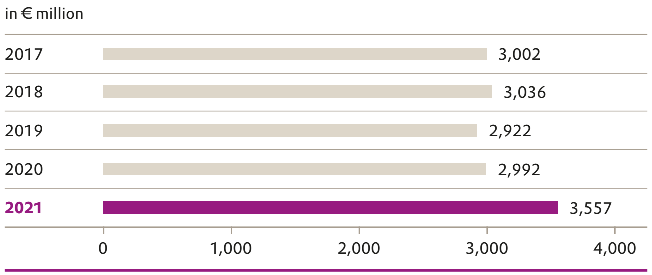
Higher capital expenditures

Capital expenditures in the Nutrition & Care division increased by 18 percent to €164 million. As a result, capital expenditures were below depreciation and amortization, which were €253 million. The average capital employed was around the prior-year level at €3,893 million. Thanks to the increase in earnings, ROCE rose to 11.6 percent.

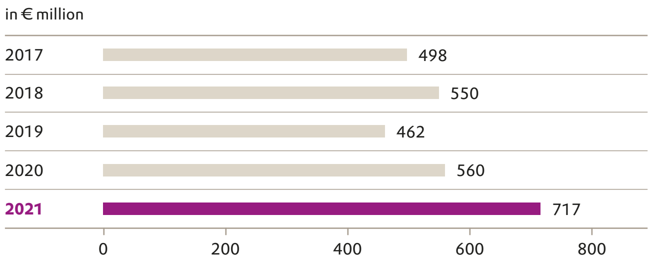
Capital expenditures to support the strategic focus on sustainability

In the first half of 2021, the health care business built up lipid production at the site in Hanau (Germany) to deliver this important basis for mRNA-based vaccines to BioNTech and Pfizer as part of a strategic partnership. Lipids offer above-average growth potential in the coming years as further applications alongside Covid-19 vaccines are expected.

Sales Nutrition & Care C11



Adjusted EBITDA Nutrition & Care C12



Furthermore, we strengthened our health care business by acquiring all shares in the German biotech company JeNaCell GmbH, Essen. This adds a biotechnologically derived cellulose to our biomaterials portfolio. Evonik originally took a stake this company through its venture capital company back in 2015, when it was a start-up company.

The Nutrition & Care division drove forward its growth strategy for the care solutions business by acquiring further companies with strong and complementary technology positions. The acquisition of the Swiss plant extract producer Botanica GmbH, Sins, and the Spanish technology company Infinitec Activos SL, Montornes del Valles also strengthens the sustainability aspect of our strategy. Botanica is a leading European supplier of sustainable plant extracts for the cosmetics industry. Infinitec Activos concentrates on the development and manufacture of novel active ingredient delivery systems for cosmetic applications.

From the start of 2022, Evonik will also be investing a sum in the triple-digit million euro range to build a new production facility for fully biodegradable, bio-based 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 two years.

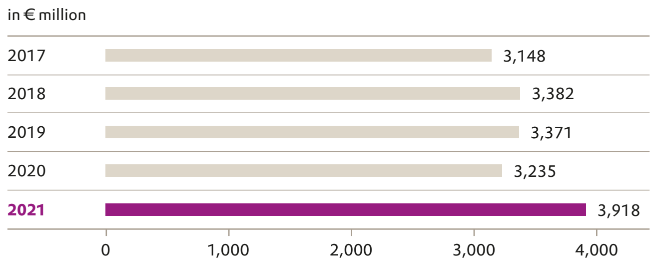
2.6.3 Smart Materials

Key figures T15

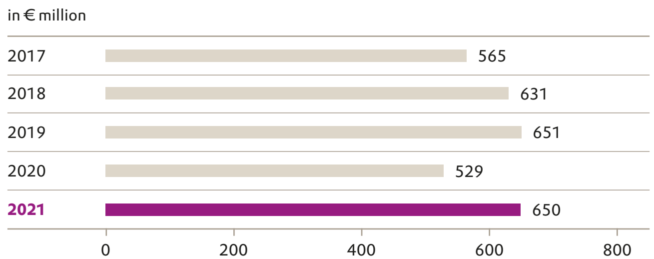
in € million	2020	2021	Change in %
External sales	3,235	3,918	21
Adjusted EBITDA	529	650	23
Adjusted EBITDA margin in %	16.4	16.6	–
Adjusted EBIT	270	374	39
Capital expenditures[a]	466	379	–19
Depreciation and amortization	259	273	5
Capital employed (annual average)	4,244	4,637	9
ROCE in %	6.4	8.1	–
No. of employees as of December 31	7,874	7,742	–2

Prior-year figures restated. [a] Capital expenditures for intangible assets, property, plant and equipment.

Sales Smart Materials C13



Adjusted EBITDA Smart Materials C14



Significant increase in sales

The business trend in the Smart Materials division was very pleasing, especially compared with the previous year, which was adversely affected by the effects of the coronavirus pandemic. Sales were 21 percent higher at €3,918 million. The rise was attributable to a significant increase in volumes, slightly higher selling prices, and the initial consolidation of Porocel (from November 2020). Growth was held back by negative currency effects.

Polymers contributed substantially higher sales, mainly because of a significant upturn in demand from the automotive industry for high-performance polymers. There was also high demand for our polyamide 12 powder for 3D printing and membranes for the efficient treatment of gas. Sales of inorganic products increased significantly. Our business with silicas for tires benefited from high demand worldwide. Active oxygen products also increased volumes in both the specialties business and the conventional hydrogen peroxide business.

Significant increase in adjusted EBITDA

The 23 percent rise in adjusted EBITDA in the Smart Materials division was mainly attributable to higher demand. From the second half of the year, the higher raw materials could only be passed on with a slight time lag; moreover, it was not possible to raise selling prices to reflect the full price rise. In addition, higher logistics costs had a negative effect. Despite this, the adjusted EBITDA margin increased to 16.6 percent (2020: 16.4 percent).

Higher return on capital

Capital expenditures in the Smart Materials division were 19 percent below the high prior-year level at €379 million. As a result of projects to expand our market positions, they were, however, substantially higher than depreciation and amortization, which amounted to €273 million. The average capital employed increased by 9 percent to €4,637 million, mainly due to the consolidation of Porocel, which was acquired in November 2020, and the capital expenditures. Thanks to the increase in earnings, ROCE rose to 8.1 percent.

Investment projects to strengthen our market position

Construction of the new production complex for the specialty polymer polyamide 12 (PA 12) in Marl (Germany) is almost complete. We are investing over €500 million in this facility, which will raise our total production capacity for PA 12 by more than 50 percent. We supply this high-performance polymer worldwide to strategic growth markets such as 3D printing. As a lightweight, durable polymer, PA 12 also makes a key contribution to saving resources in conventional applications such as automotive engineering. Thanks to its outstanding properties—high stability combined with flexibility, as well as high temperature resistance and low weight—this high-performance polymer is used as a substitute for steel in many demanding applications.

Evonik Wynca (Zhenjiang) Silicon Material Co., Ltd., a joint venture with the Chinese company Wynca, started up a new production facility for AEROSIL® fumed silica in Zhenjiang (Jiangsu Province, China). Fumed silica has a wide range of properties and is used in industrial applications such as silicones, coatings, adhesives, and sealants. Demand for fumed silicas on the Chinese market is growing steadily. This joint venture combines Evonik's silica technology with Wynca's silicone industry chain. The use of by-products and intermediates creates a resource-saving closed production loop between Wynca and this joint venture.

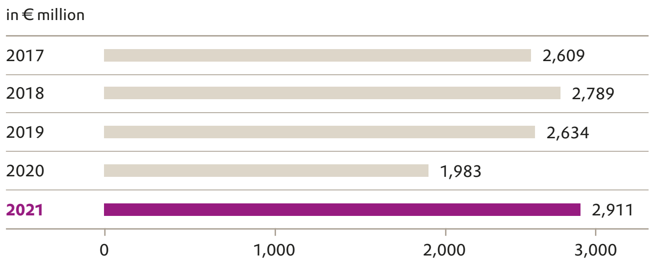
2.6.4 Performance Materials

Key figures T16

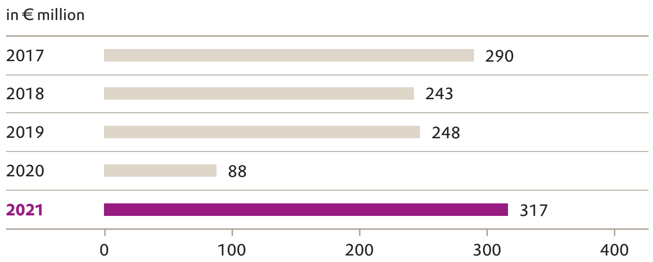
in € million	2020	2021	Change in %
External sales	1,983	2,911	47
Adjusted EBITDA	88	317	260
Adjusted EBITDA margin in %	4.4	10.9	–
Adjusted EBIT	–45	188	–
Capital expenditures[a]	49	63	29
Depreciation and amortization	126	126	–
Capital employed (annual average)	1,293	1,209	–6
ROCE in %	–3.5	15.6	–
No. of employees as of December 31	1,798	1,964	9

Prior-year figures restated. [a] Capital expenditures for intangible assets, property, plant and equipment.

Sales Performance Materials C15



Adjusted EBITDA Performance Materials C16



Substantial increase in sales

Sales in the Performance Materials division increased by 47 percent to €2,911 million. This resulted from significantly higher selling prices and higher volumes, while exchange rates had a negative effect.

Substantial sales growth was reported by C_4 products as demand picked up, and there was a strong improvement in selling prices. Demand for alkoxides was high, leading to a significant rise in sales. The performance of the superabsorbents business was still hampered by the difficult market environment.

Substantial improvement in adjusted EBITDA

In the Performance Materials division, adjusted EBITDA improved from €88 million to €317 million, principally due to the positive price trend. The adjusted EBITDA margin increased to 10.9 percent (2020: 4.4 percent).

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 29 percent higher at €63 million, which was well below depreciation and amortization. The average capital employed decreased to €1,209 million. Thanks to the increase in earnings and lower capital employed, ROCE improved to 15.6 percent.

Selective investment

Performance Materials has increased production capacity for diisobutene and trimethylhaxanal in Marl (Germany). These products are used to produce phenol resins, antioxidants, and polyol esters. They are also used as lubricants in the aviation sector and for air-conditioning systems.

In addition, this division invested in expanding capacity for alkoxides, which are mainly used as catalysts in the production of biodiesel and in synthesis applications in the pharmaceuticals and agrochemicals sectors. Expansion of sodium methylate production in Mobile (Alabama, USA) was completed at the start of 2021. This facility is now capable of producing up to 90,000 metric tons of this alkoxide per year. Evonik's investment in this capacity expansion was prompted by the growing use of biodiesel and the decarbonization path defined by the US Environmental Protection Agency (EPA). Along with the anticipated growth in biodiesel, Evonik expects to strengthen its position by supplying locally produced high-quality sodium methylate to the local specialty chemicals and life science markets. A further alkoxides plant is to be built in Southeast Asia so that the world's most important markets can be served regionally. This is planned as a world-scale facility and is our response to rising demand for alkoxides in this region.

2.6.5 Technology & Infrastructure

Key figures T17

in € million	2020	2021	Change in %
External sales	696	798	15
Adjusted EBITDA	145	97	−33
Adjusted EBITDA margin in %	20.8	12.2	–
Adjusted EBIT	31	−15	–
Capital expenditures[a]	159	162	2
Depreciation and amortization	110	108	−2
Capital employed (annual average)	822	827	1
ROCE in %	3.8	−1.8	–
No. of employees as of December 31	8,711	8,152	−6

Prior-year figures restated. [a] Capital expenditures for intangible assets, property, plant and equipment.

The Technology & Infrastructure division generates sales internally, mainly with the chemicals divisions (2021: €1,484 million) and with external customers. External sales increased by 15 percent to €798 million, driven principally by higher prices in energy trading with external customers at our sites. Adjusted EBITDA fell 33 percent to €97 million. The main reason for this was an increase in energy costs, in some cases combined with the temporary shutdown of power plants in Germany.

Investments to reduce CO_2 emissions

Capital expenditures in the Technology & Infrastructure division increased by 2 percent to €162 million and were therefore significantly higher than depreciation and amortization, which amounted to €108 million.

Technology & Infrastructure is currently erecting two gas and steam turbine power plants at Marl Chemical Park in Germany. These are scheduled to come into service in 2022. This will end Evonik's generation of electricity and steam from hard coal worldwide and cut CO_2 emissions by up to 1 million metric tons a year. Investment is in the triple-digit million euro range. The two new plants safeguard cost-effective and future-oriented energy supply at Evonik's largest production site, Marl Chemical Park. In addition to power generation, the generation of steam is particularly important for production at the chemical park. 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 key building block in the energy transition. The new power plants will reduce annual direct greenhouse gas emissions from our facilities worldwide by almost one-fifth, making a major contribution to achieving Evonik's central climate target of halving absolute greenhouse gas emissions by 2025. This highly efficient and flexible co-generation plant for electricity and steam will have an efficiency of over 90 percent.

2.7 Regional development

A global presence

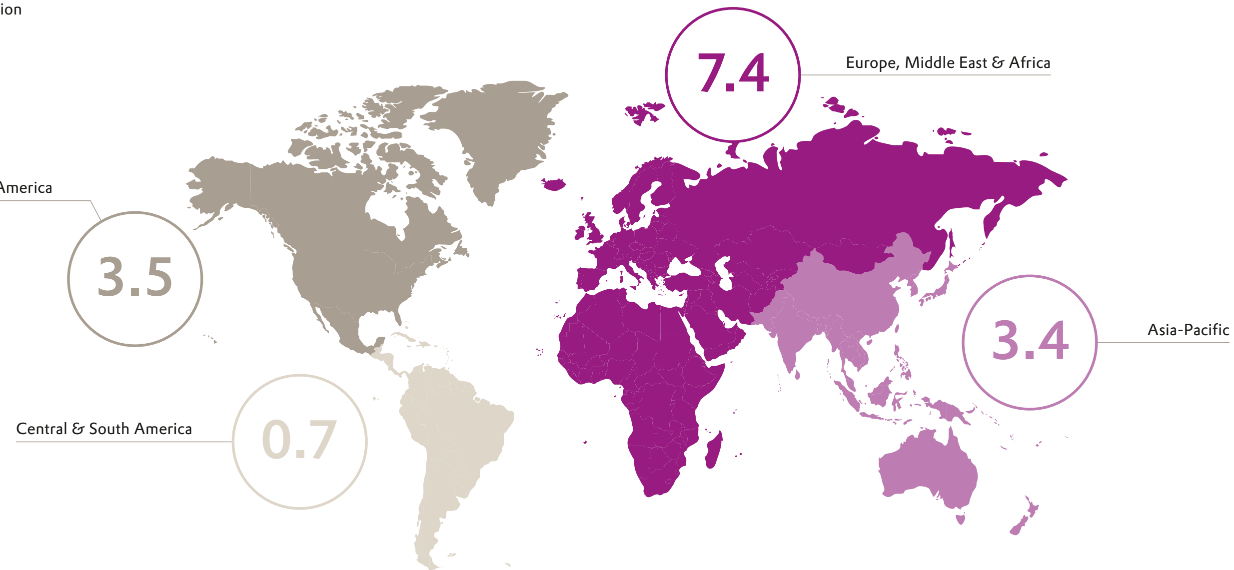
We generated 83 percent of sales outside Germany in 2021.

Sales in **Europe, Middle East & Africa** (EMEA) were 25 percent higher at €7,363 million. In Germany, sales amounted to €2,469 million, up 19 percent year-on-year. All divisions reported significant sales growth in the EMEA region. EMEA accounted for 49 percent of the Evonik Group's sales. This region was also the main focus of our capital expenditures, which remained at a high level of €713 million (2020: €738 million). The capital expenditures comprised two major projects in Marl (Germany): the construction of a production complex for the specialty polymer polyamide 12 and the construction of two gas and steam turbine power plants.

In **North America,** sales rose 18 percent to €3,495 million. Contributory factors were significant growth in the Nutrition & Care, Specialty Additives, and Smart Materials divisions. This region accounted for 23 percent of Group sales. Capital expenditures were €138 million, 13 percent lower than in the previous year, which included completion of the production facility for ROHACELL®.

Sales by region [a] C17

in € billion



[a] By location of customer.

Sales rose 27 percent to €684 million in **Central & South America,** and this region accounted for 5 percent of Group sales. In this region, strong growth came from the Nutrition & Care division, but Specialty Additives and Smart Materials also played a part.

In the **Asia-Pacific** region, sales climbed 20 percent to €3,413 million as a result of higher revenues in all chemicals divisions. This region accounted for 23 percent of Group sales. Capital expenditures were €65 million, which was below the prior-year level of €93 million. In China, a new production plant for AEROSIL® came on stream at the Evonik Wynca joint venture.

2.8 Earnings position

Significantly higher income before income taxes, continuing operations

Considerably higher volumes and prices increased sales by 23 percent to €15.0 billion. The increase was held back by slightly negative currency effects. The cost of sales also increased by 23 percent, driven by the increase in production volumes and higher raw material prices. The gross profit improved by 21 percent to €4,030 million. Selling expenses were pushed up by a volume- and price-related rise in freight costs and full-year consolidation of the previous year's acquisitions. Higher personnel expenses increased research and development expenses. General administrative expenses were only slightly higher than in the previous year thanks to the success of our SG&A cost-saving program. All items were affected by higher performance-oriented remuneration components, which resulted from the more favorable business trend, and higher factor costs. The other operating income declined by 27 percent to €211 million, mainly because of lower income from the reversal of provisions. Other operating expenses were slightly lower than in the previous year at €349 million. Lower expenses for restructuring and additions to provisions were countered, among other things, by expenses in connection with legal disputes. Income before financial result and income taxes increased by 43 percent to €1,173 million.

Income statement for the Evonik Group T18

in € million	2020	2021	Change in %
Sales	12,199	14,955	23
Cost of sales	−8,865	−10,925	23
Gross profit on sales	**3,334**	**4,030**	**21**
Selling expenses	−1,501	−1,717	14
Research and development expenses	−433	−464	7
General administrative expenses	−531	−546	3
Other operating income	288	211	−27
Other operating expense	−353	−349	−1
Result from investments recognized at equity	15	8	−47
Income before financial result and income taxes, continuing operations	**819**	**1,173**	**43**
Financial result	−135	−88	35
Income before income taxes, continuing operations	**684**	**1,085**	**59**
Income taxes	−181	−316	75
Income after taxes, continuing operations	**503**	**769**	**53**
Income after taxes, discontinued operations	−24	−2	−92
Income after taxes	**479**	**767**	**60**
thereof income attributable to non-controlling interests	14	21	50
Shareholders of Evonik Industries AG (net income)	**465**	**746**	**60**

Prior-year figures restated.

Substantial rise in net income

There was a clear improvement in the financial result, principally due to lower interest expense. Income before income taxes, continuing operations, grew 59 percent to €1,085 million. Analogously to the more positive business performance, income tax expense increased to €316 million. Income after taxes, discontinued operations, comprised post-divestment expenses for the methacrylates business. 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 improved substantially to €746 million.

2.9 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 day-to-day business, 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.

Strong free cash flow

The **cash flow from operating activities, continuing operations,** increased by €79 million to €1,815 million. The positive effect of the improvement in the operating result was offset, above all, by a significant rise in net working capital as a result of the increase in raw material costs.

The **free cash flow** improved by €170 million to €950 million. This was attributable to the higher cash flow from operating activities, continuing operations, and lower cash outflows for investments in intangible assets, property, plant and equipment. The cash conversion rate[1] was 40 percent (2020: 41 percent).

The cash flow from other investing activities resulted in a cash outflow of €205 million, which mainly comprised cash outflows in connection with acquisitions and former divestments. The cash outflow of €856 million for financing activities was principally due to the payment of the dividend of €536 million for 2020 and repayment of financial debt.

Cash flow statement (excerpt) T19

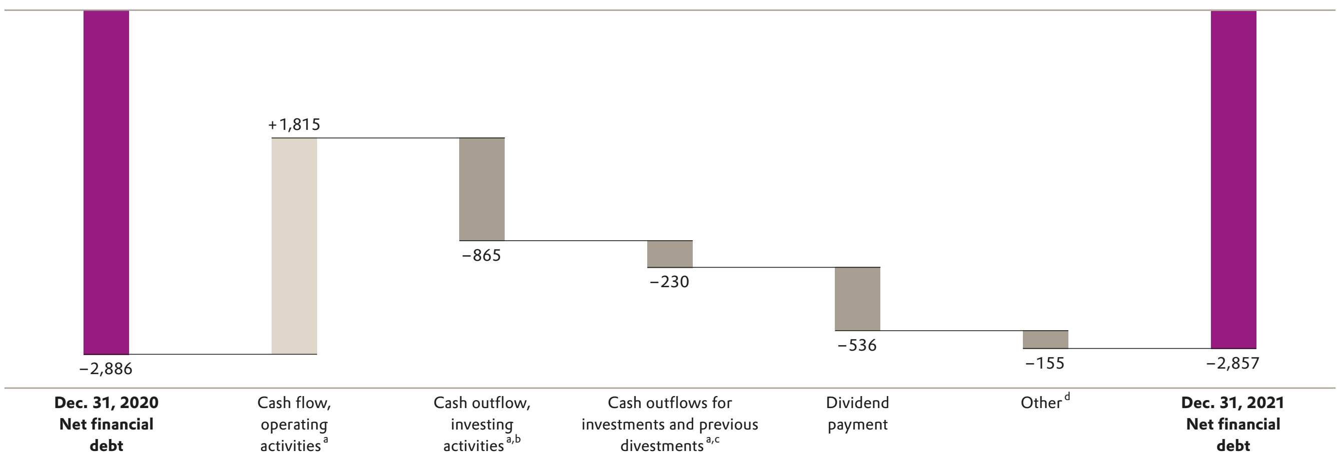
in € million	2020	2021
Cash flow from operating activities, continuing operations	1,736	1,815
Cash outflows for investments in intangible assets, property, plant and equipment	–956	–865
Free cash flow	**780**	**950**
Cash flow from other investing activities, continuing operations	386	–205
Cash flow from financing activities, continuing operations	–1,734	–856
Cash flow from discontinued operations	–9	–
Change in cash and cash equivalents	**–577**	**–111**

[1] Ratio of free cash flow to adjusted EBITDA.

Change in net financial status

C18

in € million



[a] Continuing operations. [b] Cash outflows for investments in intangible assets, property, plant and equipment. [c] Business operations and other investments.
[d] Including cash flow, discontinued operations.

Net financial debt

T20

in € million	Dec. 31, 2020	Dec. 31, 2021
Non-current financial liabilities[a]	−3,564	−3,527
Current financial liabilities[a]	−368	−232
Financial debt	**−3,932**	**−3,759**
Cash and cash equivalents	563	456
Current securities	466	446
Other financial investments	17	–
Financial assets	**1,046**	**902**
Net financial debt as stated on the balance sheet	**−2,886**	**−2,857**

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

Slight reduction in net financial debt

Net financial debt was €2,857 million, a decrease of €29 million compared with December 31, 2020. The strong free cash flow of €950 million was offset by cash outflows of €536 million for the dividend for fiscal 2020 and cash outflows relating to acquisitions and to divestments in prior periods.

Successful placement of first green bond

At year-end 2021, the financial debt of €3,759 million comprised five bonds with a total carrying amount of €2,992 million, lease liabilities totaling €590 million, bank loans totaling €46 million, and other financial liabilities of €131 million.

In August 2021, Evonik Industries AG placed its first green hybrid bond with a nominal value of €500 million, integrating sustainability even more closely into its financial strategy. The proceeds from the issue will be used primarily to fund investment in our Next Generation Solutions[1]. The hybrid bond issue was placed at 99.375 percent and is subordinate to other financial liabilities. The coupon is 1.375 percent p.a., and the formal tenor is 60 years. Evonik has an initial redemption right in 2026.

In August, Evonik Industries AG also made an offer to creditors to repurchase the €500 million hybrid bond issued in 2017 at 102.091 percent. Just over 80 percent of creditors accepted the offer, so Evonik redeemed a nominal amount of €402.8 million in September. The outstanding nominal amount of €97.2 million was redeemed at a price of 100 percent on October 12, 2021 by exercising a special termination right set out in the bond terms if an 80 percent redemption threshold was achieved.

The bonds issued by the financing company Evonik Finance B.V., Amsterdam (Netherlands) in 2016 were transferred to Evonik Industries AG in May 2021. As of the reporting date, bonds with a nominal value of €2.5 billion had been issued under the debt issuance program.

[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.

Bonds T21

	Nominal value in € million	Rating (S&P/Moody's)	Maturity	Coupon in %	Issue price in %
Evonik Industries AG					
Fixed-interest bond 2015/2023[a]	750	BBB+/Baa2	Jan. 23, 2023	1.000	99.337
Fixed-interest bond 2016/2024[a]	750	BBB+/Baa2	Sep. 7, 2024	0.375	99.490
Fixed-interest bond 2020/2025[a]	500	BBB+/Baa2	Sep. 18, 2025	0.625	99.599
Fixed-interest 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

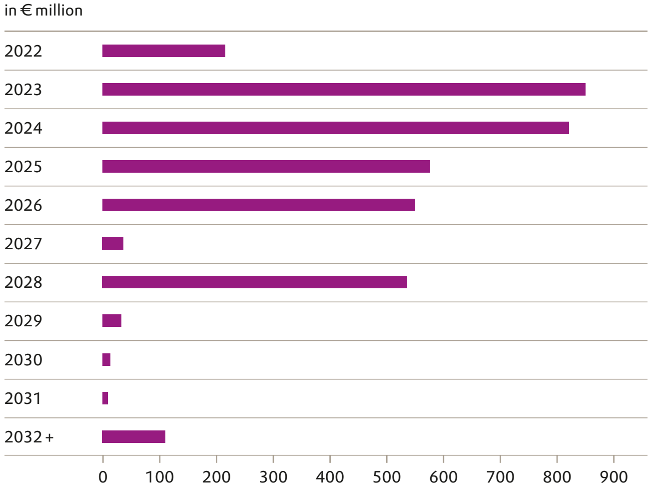
[a] Issued through the debt issuance program.
[b] The formal tenor of the bond is 60 years, and Evonik has an initial redemption right in 2026.

As in the previous year, around 92 percent of the Evonik Group's non-derivative financial liabilities are denominated in euros. Including currency derivatives concluded for financing purposes, around 70 percent of financial liabilities are denominated in euros, 16 percent in US dollars, 9 percent in Singapore dollars (SGD), and 5 percent in other currencies.

Liquidity position remains strong

As of December 31, 2021, Evonik had cash and cash equivalents amounting to €456 million and current securities totaling €446 million. In addition, Evonik has a €1.75 billion revolving credit facility as a central source of liquidity. This credit line was agreed in June 2017 and runs until June 2024. It was not utilized in 2021 and does not contain any covenants requiring Evonik to meet specific financial ratios. There are also diverse other credit lines. As of December 31, 2021, €545 million of the total amount of these had not been drawn.

Maturity profile of financial liabilities C19



As of December 31, 2021.
The hybrid bond is included in 2026 (when Evonik has its first right of redemption).

Solid funding of pension obligations

Pension provisions account for over half 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 2020, pension provisions declined by €852 million to €3,766 million. This was mainly due to the increase in the discount rate. The robust performance of plan assets also had an impact. The funding of pension obligations[1] was 69 percent as of the reporting date and thus still at a solid level in line with the industry norm.

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. We take a flexible and disciplined approach to extending our leading market positions. All projects are regularly reviewed for changes in the market situation.

Capital expenditures[2] were €929 million, which was slightly below the prior-year level of €995 million. 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 (2020: €956 million). The Smart Materials division accounted for the highest share of capital expenditures (41 percent). The Nutrition & Care division accounted for 18 percent, the Infrastructure & Technology division

[1] Ratio of plan assets to pension obligations.
[2] Capital expenditures for intangible assets, property, plant and equipment. For information on purchase commitments, see note 9.6 to the consolidated financial statements p.174.

for 17 percent, the Specialty Additives division for 10 percent, and the Performance Materials division for 7 percent. Regionally, capital expenditures were focused on the Europe, Middle East & Africa region (77 percent), followed by North America (15 percent), and Asia-Pacific (7 percent).

Major projects completed or virtually completed in 2021 T22

Project	Location
Smart Materials	
Construction of a production facility for fumed silica	Jiangsu Province (China)
Expansion of production capacity for polyamide 12	Marl (Germany)
Performance Materials	
Expansion of production capacity for diisobutene and trimethylhexanal	Marl (Germany)

For further information on current capital expenditure projects, see section 2.6 Performance of the divisions p. 26 ff.

Financial investments amounted to €123 million. They mainly comprised the acquisition of Infinitec Activos, Botanica, and JeNaCell.[1]

2.10 Asset structure

Increase in total assets

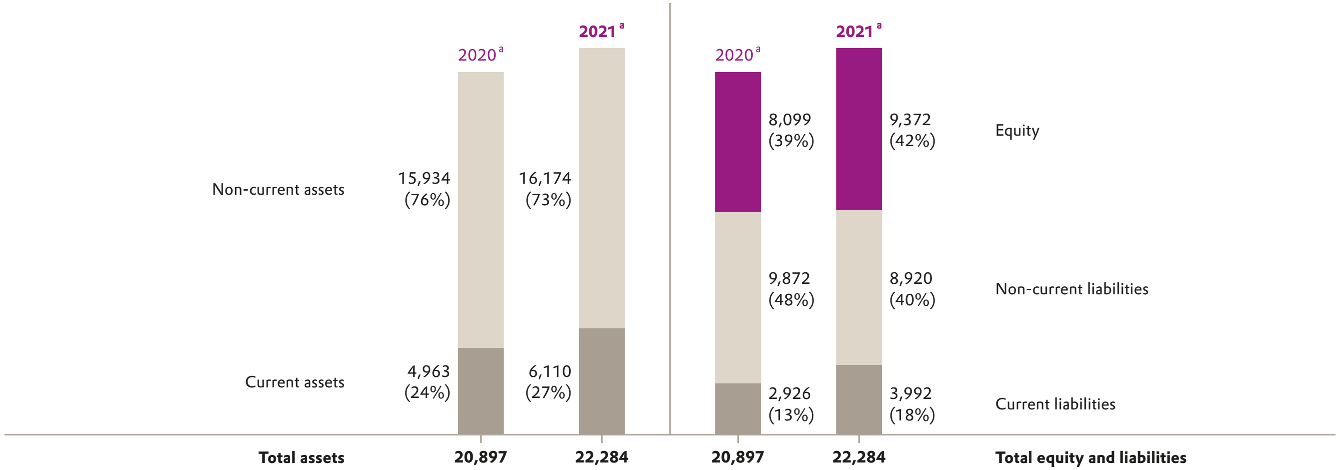
As of December 31, 2021, total assets were €1.4 billion higher at €22.3 billion. Non-current assets increased by €0.3 billion to €16.2 billion. The increase in goodwill, which was mainly attributable to exchange rates, and the rise in property, plant and equipment exceeded the decline in deferred taxes resulting from the remeasurement of pension obligations. In all, non-current assets made up 73 percent of total assets (2020: 76 percent).

Current assets increased by €1.1 billion to €6.1 billion. This was due to higher inventories and to trade accounts receivable, which also rose in line with the increase in business and higher raw material prices. Current assets therefore increased slightly to 27 percent of total assets (2020: 24 percent).

Equity increased by €1.3 billion to €9.4 billion. The reasons for this included positive effects from the remeasurement of defined benefit pension plans as a result of the increase in the discount rate for pension provisions and currency translation effects. The equity ratio increased from 39 percent to 42 percent. Non-current liabilities decreased by €1.0 billion to €8.9 billion, mainly due to the reduction in provisions for pensions and other post-employment benefits. Non-current liabilities decreased from 48 percent to 40 percent of total equity and liabilities. Current liabilities increased by €1.1 billion to €4.0 billion. This was mainly attributable to higher trade accounts payable as a result of the increase in raw material costs and the upturn in business.

Balance sheet structure of the Evonik Group C20

in € million

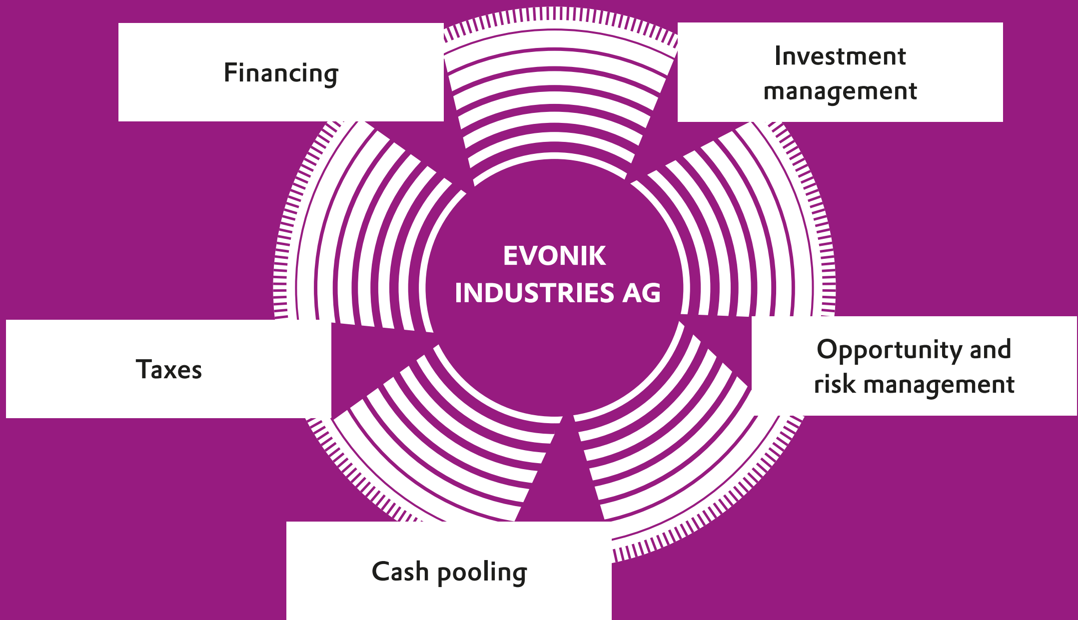


[a] As of December 31.

[1] See section 2.6 Performance of the divisions p. 26 ff.

3. PERFORMANCE OF EVONIK INDUSTRIES AG

Evonik Industries AG provides the principal holding functions for the companies in the Evonik Group



Dividend per share

€1.17

Dividend yield

4.1%

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 an earnings indicator that contains all these effects: net income.

Income statement for Evonik Industries AG T23

in € million	2020	2021
Sales	457	509
Other own work capitalized	6	7
Other operating income	472	500
Cost of materials	–43	–56
Personnel expense	–348	–367
Depreciation and amortization of intangible assets, property, plant and equipment	–24	–24
Other operating expense	–748	–760
Operating result	**–228**	**–191**
Income from investments	349	996
Write-downs of financial assets and current securities	–	–2
Write-ups of financial assets and current securities	17	4
Net interest income/expense	–101	15
Income before income taxes	**37**	**822**
Income taxes	–77	–90
Income after taxes	**–40**	**732**
Net loss (–)/net income (+)	**–40**	**732**
Profit carried forward from the previous year	414	–
Withdrawals from (+)/allocations to (–) retained earnings	162	–22
Distributable profit	**536**	**710**

Sales increased by €52 million to €509 million, driven mainly by higher volumes and prices in the trade with raw materials and increased invoicing of IT services. The €13 million rise in the cost of materials to €56 million was principally due to higher volumes and prices in the procurement of raw materials. Higher bonus entitlements contributed to the rise in personnel expense to €367 million, which was 5 percent more than in the previous year. Other operating income rose to €500 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 €454 million (2020: €403 million) are shown in other operating income, while the corresponding currency translation losses of €428 million (2020: €411 million) are shown separately in other operating expense. The net effect was a gain of €26 million (2020: loss of €8 million).

Income from investments rose by €647 million to €996 million. The increase resulted from higher income from profit-and-loss transfer agreements with subsidiaries. Write-downs of €2 million were made on current securities in the reporting period. Write-ups of €4 million on financial assets were recognized for shares in affiliated companies.

The net interest position improved significantly year-on-year from –€101 million to €15 million. This was principally attributable to income from repayment penalties resulting from early termination of intragroup loan agreements and higher income in connection with the measurement of pension assets. 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 increased to €822 million, principally as a result of higher income from profit-and-loss transfer agreements and higher interest income. Income tax expense was €90 million, compared with €77 million in 2020. The increase in income tax expense was low compared with the high rise in net income because in the previous year the tax expense related entirely to prior periods, and no current taxes were payable. In 2021, the income tax expense was mainly for current taxes. Moreover, in the calculation of current taxes for 2021, it was possible to use loss carryforwards of around €100 million for corporation tax purposes and €84 million for trade tax purposes.

The **net income** of Evonik Industries AG, calculated on the basis of the German Commercial Code, was €732 million, an increase of €772 million year-on-year.

After allocating €21,587,981 to other retained earnings, the distributable profit is €710,000,000. A proposal will be put to the annual shareholders' meeting that €545,220.00 of the distributable profit should be used to pay a **dividend** of €1.17 per share. The remaining €164,780,000 will be carried forward to fiscal 2022.

Asset structure

Balance sheet for Evonik Industries AG T24

in € million	Dec. 31, 2020	Dec. 31, 2021
Intangible assets, property, plant and equipment	63	59
Financial assets	8,418	8,131
Non-current assets	**8,481**	**8,190**
Receivables and other assets	2,707	4,771
Securities	467	445
Cash and cash equivalents	212	154
Current assets	**3,386**	**5,370**
Deferred income	14	30
Total assets	**11,881**	**13,590**
Issued capital	466	466
Capital reserve	722	722
Retained earnings	4,116	4,138
Distributable profit	536	710
Equity	**5,840**	**6,036**
Provisions	882	804
Payables	5,157	6,747
Deferred income	2	3
Total equity and liabilities	**11,881**	**13,590**

The total assets of Evonik Industries AG increased from €11.9 billion in the previous year to €13.6 billion. Financial assets mainly comprise shares in subsidiaries. Financial assets declined from €8.4 billion to €8.1 billion, partly due to the repayment of capital from subsidiaries. The receivables mainly comprise financial receivables of €4.5 billion (2020: €2.4 billion), principally in connection with cash pooling activities and intragroup loans. Securities comprise units totaling €445 million in two specialized funds, which were purchased in 2019.

Equity increased by €0.2 billion to €6.0 billion, mainly as a result of the net income. Payment of the dividend in 2021 had a counter-effect. The equity ratio decreased from 49.2 percent in 2020 to 44.5 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 €6.6 billion (2020: €5.0 billion). €3.6 billion (2020: €3.2 billion) of this amount comprises liabilities to affiliated companies, principally in connection with cash pooling activities. A further €3.0 billion (2020: €1.8 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.

In the reporting period, two bonds with a nominal value of €1.3 billion were transferred from Evonik Finance B.V., Amsterdam (Netherlands), to Evonik Industries AG, so Evonik Industries AG is now the sole issuer of all outstanding bonds. Furthermore, two intragroup loans amounting to €1.0 billion were transferred from Evonik Finance B.V. to Evonik Industries AG. When the loans were transferred, Evonik Finance B.V. made an additional compensation payment of €0.3 billion to Evonik based on the market interest rate. These loans were then repaid to Evonik Industries AG before the due date.

In August 2021, Evonik Industries AG issued its first green hybrid bond with a nominal value of €500 million. Extensive information on this and on central financial management can be found in section 2.9 Financial condition p. 33 ff.

As of December 31, 2021, Evonik Industries AG had cash and cash equivalents amounting to €154 million and current securities totaling €445 million. In addition, Evonik Industries AG has a €1.75 billion revolving credit facility as a central source of liquidity.[1]

At Evonik Industries AG, additions to intangible assets amounted to €10 million in the reporting period (2020: €16 million), and additions of property, plant and equipment totaled €10 million (2020: €18 million). The additions to intangible assets resulted principally from investment in software.

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. 64 ff.

Outlook[2] for 2022

We expect the earnings of Evonik Industries AG to decline slightly compared with the high level reported for 2021. The main factor in this decline will be income from investments, which was influenced by high distributions by subsidiaries in 2021. Further, we assume that income from the measurement of pension assets will be below the level reported in 2021.

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 2.9 Financial condition p. 33 ff.
[2] For details of the assumptions, see section 7. Expected developments p. 75 ff.

4. RESEARCH AND DEVELOPMENT

Our vision: leading in innovation

INNOVATION GROWTH FIELDS

Advanced Food Ingredients	Additive Manufacturing	Sustainable Nutrition
Cosmetic Solutions	Membranes	Healthcare Solutions

We aim to generate additional sales[1] of €1 billion with these innovation growth fields by 2025.

[1] With products introduced in or after 2015.

R&D expenses

€ 464 million

R&D ratio

3.1%

Approx. 24,000 patents and pending patents

Our goal: leading in innovation

Linking innovative capability and proximity to customers is a key success factor for Evonik and a driver of profitable growth. Innovations are the response to needs—of society, people, customers. Our research and development (R&D) activities comprise the R&D teams in the divisions, innovation steering, our strategic research unit Creavis, and Evonik Venture Capital. The strategic framework for our R&D is defined by the research, development & innovation council, which is also responsible for allocating human and financial R&D resources. The council is led by the executive board member responsible for chemicals and innovation. Other members are the chief innovation officer, the head of Corporate Strategy, and the heads of the divisions.

Our R&D activities are aligned to six innovation growth fields:

- **Sustainable Nutrition:** establishing new 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

We aim to generate additional sales[1] of over €1 billion with these innovation growth fields by 2025 (reference base: 2015).

In the **Sustainable Nutrition** innovation growth field, for example, AQUAVI® Pro-Pond to improve the quality of water was added to the system solutions for aquaculture in 2021. This product is a probiotic solution that meets the demand for high water quality in shrimp farming. It was first launched in China.

In the **Healthcare Solutions** innovation growth field, we provided innovative solutions that played a part in the breakthrough of mRNA vaccines in 2021. By supplying basic components for the COMIRNATY® vaccine from Pfizer and BioNTech, Evonik helped make Covid-19 vaccines available faster in 2021. As part of a strategic partnership with BioNTech, we produce two different lipids for the vaccine. Together with other lipids, they encapsulate to form a lipid nanoparticle (LNP), which serves as a protective shell around the mRNA to transport it safely into the cell. The LNP-based formulations developed by Healthcare Solutions are a promising technology for selective release of active ingredients in the human body. mRNA technology has considerable potential for the delivery of other gene-based vaccines.

Medox® and AvailOm®, which are assigned to the **Advanced Food Ingredients** innovation growth field, expanded their market presence. Both products contribute to healthy and sustainable nutrition. The high-load omega-3 fatty acid AvailOm® posted robust double-digit growth. Demand for the latest version of AvailOm®, which is derived from micro-algae, comes from customers looking for sustainable solutions. The dietary supplement Medox®, the first Evonik product to be marketed directly to end-consumers, continued to extend its global reach thanks to an increased online presence in China. Medox® contains plant pigments sourced from black berries such as bilberries and blackcurrants. It binds free radicals and thus contributes to healthier blood vessels.

The **Membranes** innovation growth field expanded its production portfolio in 2021, strengthening Evonik's global market position as a technology leader on the global market for gas separation membranes. To meet rising demand, we are currently building a new hollow fiber spinning plant to produce SEPURAN® gas separation membranes at our site in Schörfling (Austria). The main growth drivers in the membranes business are the trend to green gases, including biogas and hydrogen, and demand for efficient separation solutions, for example, for aviation and the oil and gas industry.

The **Cosmetic Solutions** innovation growth field continued its successful course in 2021. Our corporate venture capital group invested in the Singapore-based start-up Revivo BioSystems Pte. Ltd. This company offers a quick and cost-efficient technology platform to produce realistic 4D models of human skin for the testing of chemical, cosmetic, and pharmaceutical active ingredients as an alternative to animal testing.

Evonik is building a new production plant in Marl (Germany) to strengthen its market position as the leading global producer of polyamide 12 for powder-based 3D printing. This product was developed in the **Additive Manufacturing** innovation growth

[1] With products introduced in or after 2015.

field. In addition, Evonik entered the market for photopolymerization technology with the launch of the first four ready-to-use INFINAM® formulations within the new Photopolymers product line. Alliances with major market participants were expanded to drive forward 3D printing on an industrial scale as a production technology for the entire value chain.

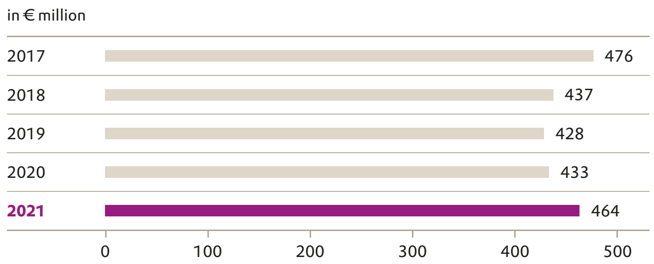
Successful innovation management

Evonik protects new products and processes through its **patent strategy**. The value and quality of our patent portfolio have increased steadily in recent years. We submitted 280 new patent applications in 2021, and R&D expenses increased by 7 percent to €464 million. Our R&D projects are managed using the multi-step Idea-to-Profit process developed by Evonik to support the systematic development of projects right up to profitable commercialization.

Our **innovation pipeline** comprises completely new business options as well as activities to secure and enhance the prospects of existing business operations. Alongside our product and process innovations, the focus includes business models and system innovations. Our project portfolio is aligned to the differing strategies of the various business lines, and we focus on growth areas with high sustainability benefits. Through research networks, we worked with partners from industry, universities, and research institutes on more than 50 open innovation projects. We received funding of more than €5 million for our activities, for example, from the European Commission and the Federal Republic of Germany.

MACBETH (Membranes And Catalysts Beyond Economic and Technology Hurdles), the largest EU-funded project coordinated by Evonik, reached a milestone in July 2021: The EU Commission evaluated the project for the first time, and the outcome was positive. MACBETH aims to develop technologies that make industrial-scale reactions far more energy-efficient. The EU is providing funding of €17 million for this project. 24 partners from ten countries will be working on this in four subprojects up to 2024. One subproject is taking place at Evonik in the Marl Chemical Park and focuses on hydroformylation. The aim is to develop catalytic membrane reactors for industrial use.

R&D expenses C21

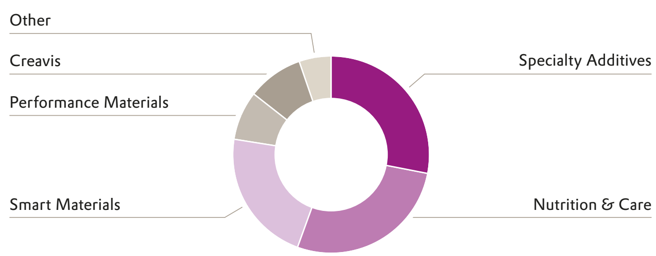


The figure for 2017 contains the methacrylates business, which was divested in July 2019.

Targeted research and development

Our four manufacturing **chemical divisions** account for around 86 percent of our R&D expenses. Their activities include, first and foremost, research geared specifically to their core technologies and markets and the development of new business. An above-average proportion of our R&D funding is allocated to our growth divisions, Specialty Additives, Nutrition & Care, and Smart Materials. The Performance Materials division focuses on optimizing products and processes.

Breakdown of R&D expenses C22



The strategic innovation unit **Creavis** works on transformative innovations that go beyond the product and market focus of the operational business entities. Its three incubation clusters—defossilation, life sciences, and solutions beyond chemistry—should make a key contribution to achieving Evonik's business and sustainability targets. For example, the defossilation cluster is developing high-growth solutions that enable industries to become less dependent on fossil raw materials or smooth the way to climate-neutral water management. The life sciences cluster focuses on novel concepts for sustainable and resource-efficient production of food and preventing and curing illnesses. Solutions beyond chemistry is using domain knowledge and data-based solutions to develop safe, circular, and traceable value chains.

Green hydrogen is one of the great hopes for the energy transition. Firstly, it is a carbon-free source of energy for industry and mobility, and secondly, it is an important raw material for chemical production. Green hydrogen is produced from water by electrolysis using electricity from renewable resources. At present it is considerably more expensive than conventional hydrogen, which is generally produced from methane gas, with carbon dioxide as a by-product. The key factors for economical production of green hydrogen, in addition to affordable eco-power, are the investment costs of the electrolyzer. The central component of the electrolyzer is an ion exchange membrane, which has a decisive influence on efficiency and reliability. Evonik has developed a new type of anion-exchange membrane (AEM), which should help bring a breakthrough in the cost-effective production of hydrogen using electrolysis.

In addition, Evonik gains access to potential new sources of business through its **corporate venture capital** activities. We invest specifically in specialized technology funds and start-ups of strategic relevance to Evonik. In this way, we gain insights into innovative developments at a very early stage. We work with our partners on projects to develop new products and technologies and increase the pace of innovation at Evonik. Around 40 investments have been made since 2012. One success story is JeNaCell, a biotech start-up in which Evonik invested in 2015. The nature-identical material developed by JeNaCell is used in medical technology and dermatology for the treatment of wounds and burns as well as in hydroactive skin care. We acquired all shares in JeNaCell in August 2021.

R&D at Evonik T25

	2021
R&D expenses	€464 million
R&D ratio[a]	3.1%
No. of new patent applications filed	280
Patents held and pending	approx. 24,000
Registered/pending trademarks	approx. 7,350
R&D employees	approx. 2,600
R&D locations	more than 30

[a] Ratio of R&D expenses to sales.

5. SUSTAINABILITY

We are systematically implementing our sustainability strategy

CORE ELEMENTS

Sustainability is the backbone of Evonik's **purpose**

Evonik **integrates sustainability** into its strategic management process

Evonik intends to increase the portfolio share of **attractive growth businesses** with sustainability benefits

Evonik is committed to foresighted **resource management**

Evonik sets high standards for continuous **improvement of its reporting**

Accident frequency 0.19

Incident frequency 0.48

Employees from 106 **nations**

5.1 Sustainability strategy

Evonik aims to be a best-in-class specialty chemicals company. Our sustainability strategy defines ambitious goals and management tools to support this aspiration and help us translate it into profitable growth. More and more customers expect us to help them achieve their sustainability goals. In the future, the ongoing strategic development of sustainability management at Evonik will be reflected in the remuneration of the executive board and corporate executives through additional sustainability targets.

Extensive voluntary commitments and undertakings

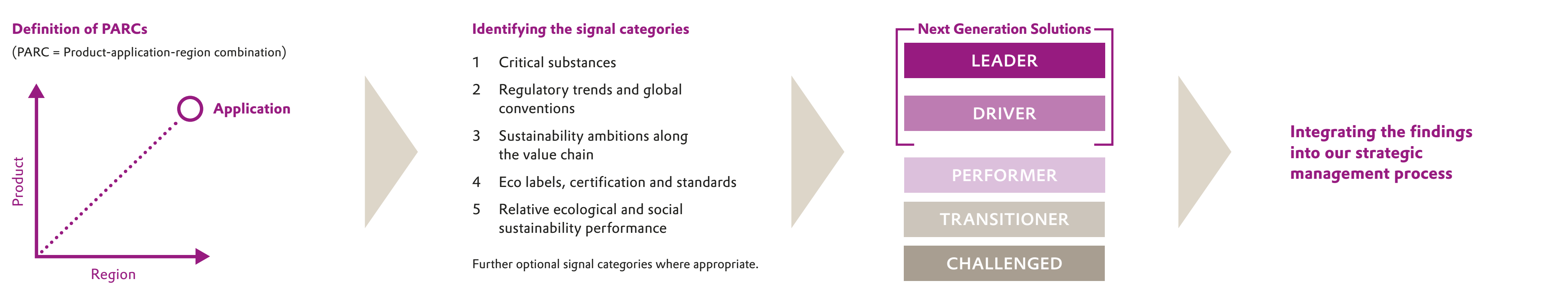
Evonik is committed to observing internationally recognized standards and its own more far-reaching guidelines and principles of conduct. These include, for example, the ten principles of the UN Global Compact. We are also involved in many networks such as Chemie³, the sustainability initiative of the German chemical industry, and the Word Business Council for Sustainable Development (WBCSD). Together with our code of conduct, our global social policy, our environment, safety, health, and quality (ESHQ) values and the executive board's policy statement on human rights provide a framework for responsible corporate management.

Sustainability analysis of our business supports portfolio management

Evonik has integrated sustainability into its strategic management process. This provides a framework for sustainability management with a focus on ecological, economic, and social objectives. In the reporting period, we bundled our contributions to a sustainable transformation in four Sustainability Focus Areas (SFAs). Each SFA addresses specific core demands in the sustainability arena: fight climate change, drive circularity, safeguard ecosystems, and ensure health & wellbeing. For each SFA, we show how Evonik reduces its own ecological footprint as well as the handprint resulting from the use of our products and solutions in the relevant markets. The divisions have different action plans aligned with the requirements of their specific markets. These take into account the four Sustainability Focus Areas.

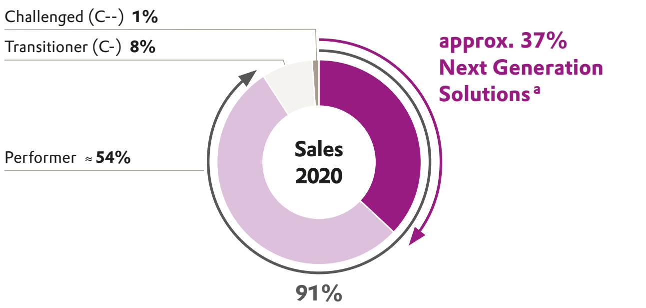
Quantifiable effects are included in our strategic management process via the sustainability analysis of our business, which centers on the market signals identified by Evonik as material. These include, for example, anticipated regulatory trends, environmental and social performance compared to alternative 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––).

Sustainability analysis and portfolio management C23



In the reporting period, our sustainability analysis was applied to our entire portfolio for the second time. We examined 463 PARCs, covering the total sales generated by Evonik with chemicals in fiscal 2020. The main findings are: Evonik generates 91 percent[1] of sales with products and solutions whose sustainability performance is at least in line with the market reference (leader, driver, or performer category). 37 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). We refer to these as Next Generation Solutions. We aim to substantially increase their share of sales by 2030.

Portfolio overview C24



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

Foresighted resource management

Evonik has set ambitious goals for water management and reducing CO_2 emissions (scope 1, 2, and 3 emissions)[2]. Carbon pricing provides an additional planning parameter for major investments. As part of the 2021 strategy and planning process, we evaluated options to reduce our greenhouse gas emissions in the short, mid, and long term.

Continuous improvement of our sustainability reporting

We continued to drive forward our sustainability reporting in 2021. We are carefully monitoring the developments relating to a possible EU reporting standard and a new international framework for sustainability reporting. 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 improve the quality and efficiency of the related data collection processes and systems. To this end, sustainability data will be bundled on a single platform ("single point of truth").

Sustainable finance

As part of the Green Deal, the EU taxonomy is designed to direct financing towards sustainable investments. In this context, in 2021, the EU Commission adopted delegated acts for the environmental objectives climate change mitigation and climate change adaptation. Evonik's portfolio of specialty chemicals is only affected to a small extent by the EU taxonomy at present.[2]

The ongoing development of our portfolio and the sustainability alignment of our products and processes are becoming increasingly important for the long-term financing of our business activities. Products and solutions from Evonik play a part in the sustainable transformation of many end-markets. Examples are the focus on circularity and climate neutrality. The capital markets recognize our strategic and operational progress towards greater sustainability. For some years now, Evonik has been established among the leaders in renowned sustainability ratings and rankings. This excellent position was further strengthened in the reporting period: The EcoVadis rating agency awarded us a platinum rating for the first time. We also received an AA rating from MSCI for the first time, positioning us in the leader category. In August 2021, Evonik successfully placed a green hybrid bond with a nominal value of €500 million. This was our first green financing instrument. The development of our Green Finance Framework ahead of this bond issue played a significant part in integrating sustainability more closely into our finance strategy.

[1] Source: Internal evaluations based on 2020.
[2] See section 5.5 The environment p. 55 ff.

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 (HGB) is integrated into the combined management report. The components of the non-financial statement are employee, environmental, and social matters, respect for human rights, preventing bribery and corruption, and the supply chain. For these aspects, we report on concepts, processes, measures, and metrics. We used the GRI standards of the Global Reporting Initiative (GRI) as a guide. In addition, the disclosures relating to the EU taxonomy are included in the section on the environment p. 55 ff.

The topics of relevance for the non-financial statement are derived from our materiality analysis[1] and the relevance of the topics for Evonik. In 2021, 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. 64 ff.[2]

The content of the non-financial statement was reviewed by KPMG through a limited assurance engagement. Sections 5.3 p. 49 f. Employees and 5.4 Safety p. 54 f. were the subject of a reasonable assurance engagement. The assurance review of the sustainability reporting was based on audit standard ISAE 3000.

Overview T26

Content of the non-financial statement	Topics	Chapter in combined management report
Business model		1.1 Business model[a] p. 14 f.
		5.1 Sustainability strategy p. 46 f.
Employee matters	Occupational safety, plant safety	5.4 Safety p. 54 f.
	Appeal as an employer	5.3 Employees p. 49 ff.
	Diversity and equal opportunity	5.3 Employees p. 49 ff.
	Health protection and promotion	5.3 Employees p. 49 ff.
	Training and continuing professional development	5.3 Employees p. 49 ff.
Environmental matters	Climate change	5.5 The environment p. 55 ff.
	EU taxonomy	5.5 The environment p. 55 ff.
	Water management	5.5 The environment p. 55 ff.
	Product stewardship	5.6 Value chain p. 60 ff.
Respecting human rights	Business ethics and human rights	5.6 Value chain p. 60 ff.
Preventing bribery and corruption	Business ethics and human rights	5.6 Value chain p. 60 ff. Declaration on corporate governance[b] p. 86 ff.
Supply chain	Responsibility within the supply chain	5.6 Value chain p. 60 ff.
Social matters	Social commitment	5.6 Value chain p. 60 ff.

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

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 equally 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

	2020	2021
Employees (as of December 31)	2,526	2,447
Women as a proportion of the total workforce in %	45.7	46.6
Female managers in %	31.2	32.8
Employee turnover in %	4.4	7.1
Average length of service in years	17.3	17.2

[1] See sustainability report. www.evonik.com/sustainability-report.
[2] 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 https://www.evonik.com/CDP-ClimateChange.

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. Becoming a best-in-class specialty chemicals company means paying special attention to all aspects of human resources management. That includes continuous development as an employer because we can only achieve our goal with first-class skilled, motivated, and healthy employees.

Global management

With the aid of the HR strategy process, we ensure continuous development of our human resources activities in line with our materiality analysis and corporate strategy. We have revised the topics addressed by our human resources strategy to reflect the planned development of our business entities and foreseeable trends. In the future, we will focus on the following four aspects:

- Enabling leaders in reshaping the business
- Engaging people in their career path
- Ensuring availability of mission-critical talent
- Offering performance-oriented reward opportunities

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

Our HR organization comprises the HR Talent Management and HR Business Management functions. 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 the HR 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 the units 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 development of corporate executives is a separate function, which reports directly to the chairman of the executive board.

Slight reduction in headcount

The Evonik Group had 33,004 employees at year-end 2021. That was a reduction of 102 compared with year-end 2020.

Employees by division T28

	Dec. 31, 2020	Dec. 31, 2021
Specialty Additives	3,666	3,693
Nutrition & Care	5,295	5,453
Smart Materials	7,874	7,742
Performance Materials	1,798	1,964
Technology & Infrastructure	8,711	8,152
Enabling functions, other activities, consolidation	5,762	6,000
Evonik	**33,106**	**33,004**

Prior-year figures restated.

Personnel expense, including social security contributions and pension expense, increased by 8 percent to €3,408 million (2020: €3,168 million). Personnel expense declined to 22.8 percent of sales (2020: 26.0 percent).

5.3.1 Appeal as an employer

We want to offer attractive working conditions in order to gain and develop the most talented staff for Evonik. As well as cultural and network initiatives and opportunities for learning and professional development, we offer our employees performance-oriented remuneration and additional benefits. We also place special emphasis on flexible working conditions, work-life balance, and health-related measures.

Successful employer branding

As our most important advocates, our employees are the heart of our global employer branding campaign #HumanChemistry. They give Evonik a distinctive identity through articles and personal insights into their working lives on our careers website and social media channels. We track the development of our employer brand through external rankings and internal surveys. Early employee turnover is a key indicator for us[1].

Systematic talent management

Attractive career paths, systematic job rotation, high-quality development programs and, in some cases, hybrid development programs are essential to develop tomorrow's top executives. We regularly assess and evaluate potential, succession scenarios, and development requirements at HR meetings attended by the executive board.

Creative onboarding

Due to the coronavirus pandemic, we had to come up with innovative virtual solutions to integrate new employees quickly and reliably into our culture and specialist areas while meeting health and safety requirements. Virtual welcome events and video blogs have proven a good way to help people get to know each other and strengthen networking. Evonik's global concept for onboarding activities is regarded as best practice in the sector and has garnered external awards as a result.

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

Employee survey

Roughly every three years, we ask our approximately 33,000 employees worldwide to give an anonymous assessment of their working environment. The sixth group-wide employee survey was held in November 2021, and the participation rate was once again high at 84 percent. The employee survey gives us 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 was 73 percent (for comparison 2018: 68 percent). This index was derived 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. In the reporting period, we conducted around 50 ad-hoc surveys and checks on sentiment on a variety of topics. These included questions about future forms of work.

ONE Culture

Our success is built on diversity and a common understanding of the binding elements of the Evonik Group: our purpose, our values, and the working principles derived from them. The ONE Culture initiative strengthens these elements in our daily work. Key success factors are employee engagement, group-wide sharing of ideas, and cross-functional collaboration. In the reporting period, these requirements were integrated into many formats, such as the Evonik competency model, onboarding workshops, and learning journeys.

An extensive performance management system

Our performance management process 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. Compared with the previous year, greater emphasis was given to three aspects—diversity, sustainability, and leadership behavior. These are incorporated into Evonik's competency model, which describes the abilities our executives bring with them and are expected to develop in their teams. We are convinced that sustainable business activities and the diversity of our teams are the basis for performance excellence.

Long-term jobs

Our aim is to offer our employees an attractive contractual status to provide security for their long-term planning. Therefore, about 96 percent of our 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. 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, 2021.

Employees by contractual status T29

	2020	2021
Employees	33,106	33,004
of which employees on permanent contracts	30,528	30,463
of which employees on limited-term contracts	1,375	1,433
of which apprentices/trainees [a]	1,203	1,108

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

Awards in 2021

For the fourth time in succession, our company received the "Leading Employer" award in Germany and was ranked as the best employer in the chemical sector. In the cross-sector ranking, Evonik ranked tenth, positioning it among the top 10 of the most attractive companies in Germany. Evonik was once again listed among the most popular employers in China (Top Employer Institute).

Employee turnover is still low

Low turnover of newly hired employees compared with other companies indicates a good level of identification and high employee satisfaction.

Key data on employee retention T30

	2020	2021
Employee turnover in %	4.4	7.0
Early turnover rate in %	1.3	2.2
Average length of service in years	14.7	14.5

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 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.

Collective agreements on remuneration cover almost 100 percent of our employees in Germany and around 71 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. 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.

In addition, in 2021, 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.

Work-life balance

Evonik places value on an HR policy that is family-friendly and geared to different phases in people’s lives. 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 2021, the women’s magazine BRIGITTE once again singled out Evonik as one of the best companies for women.

#SmartWork project

SmartWork refers to a hybrid approach that aims for a balanced mixture of presence in the workplace and mobile working. It is using findings from the coronavirus pandemic and completed pilot projects to improve and institutionalize virtual, flexible collaboration at Evonik. In 2021, we started to drive forward the lasting implementation of new ways of working. The goal is intelligent linking of remote and mobile working. This will also bring cost savings by reducing the need for office space and business trips, which should help improve Evonik’s ecological footprint in the future.

5.3.2 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 the success of our business.

Diversity enriches

Evonik does business in many markets worldwide. Diversity is therefore normal in our business activities. Employees with different backgrounds and personalities enrich our teams and our company. Diversity enhances Evonik’s creativity, innovative capability, and proximity to customers. Therefore, we raise employees’ awareness of the importance of diversity in our daily work through our corporate media and regular campaigns.

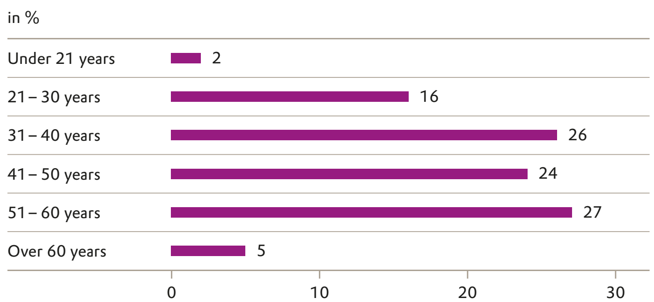
Our diversity strategy is derived from our corporate strategy. Diversity is a firm element in our corporate values, working principles, and, since 2020, the Evonik competency model. The parameters we use to manage diversity often exceed the legal requirements. We inform all employees about the present situation in an annual diversity report, and the executive board receives quarterly information on the development of important diversity indicators. Our diversity council ensures that diversity is a success factor that is deeply embedded in our organization and drives 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. All measures to ensure diversity take a holistic approach: We address the issue from strategic, cultural, and process perspectives. By strategic, we mean our executives systematically set an example in diversity and manage it through indicators in the dimensions experience, age, training, nationality, and gender. We also take into account 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.

Our code of conduct and global social policy forbid discrimination on the basis of origin, race, religion, age, gender, sexual orientation, and disability. Employees who feel they have been discriminated against have a right to lodge a complaint anonymously via our whistleblower system, which can be accessed both internally and externally.

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) for lifelong learning. Moreover, reverse monitoring offers different generations an opportunity to learn from one another and actively advance diversity at Evonik.

Age structure in the Evonik Group C25



In 2021, the average age of Evonik employees was around 43 years. 46 percent of new hires were under 30, 47 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 28 percent in 2021.

Key data on diversity T31

	2020	2021
Women as a proportion of the total workforce in %	26	26
Female managers in %	26	28
Female managers as a proportion of other management levels in %	27	29
Female managers as a proportion of middle management in %	14	18
Female managers as a proportion of top management in %	16	18
Nationalities	106	106

An extensive range of measures supports the attainment of our target quotas for female employees. They include offers 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.

As a global company, it is particularly important to us to ensure that our workforce includes a broad spectrum of different nationalities. Evonik currently employs people of 106 different nationalities at 208 sites in more than 53 countries. The proportion of managerial employees who do not hold German citizenship is around 45 percent. Group-wide, the proportion in middle management is around 25 percent.

#TogetherAsOneEvonik stands for Evonik's commitment to fairness and diversity and the rejection of hatred and discrimination. Our business council in North America has set up a task force to develop short- and long-term measures. These range from support groups for members of social minorities in the workforce, through diversification of procurement, to organizing a diversity BarCamp.

5.3.3 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 and 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, providing 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.

Training ratio remains high

The alignment of our vocational training strategy to ensure the recruitment and development of young people in line with our needs, which started in 2016, has now been completed. With around 1,100 apprentices, we consider that we are well-prepared for the challenges of demographic change and the associated reduction in the availability of qualified employees for production and related areas. To retain young people in the company, since 2019 all apprentices who are able and willing to take up employment have been offered jobs. The number of additional apprentices being trained in cooperation with other companies remained constant at around 430.

In 2021, Evonik trained more than 1,600 young people, including more than 430 for other companies. Our offering covered more than 24 recognized vocational training courses and combined vocational training and study programs at 16 sites. Apprentices accounted for 5.8 percent of our workforce in Germany, which is still well above the national average of around 5 percent in the both the chemical sector and industry. In all, we invested around €62 million in vocational training of employees. Our high commitment to vocational training is also reflected in the high pass rate in examinations.

The Start in den Beruf pre-apprenticeship program has proven very effective preparation for youngsters who are not yet ready for a vocational training course. In the 2020/2021 project year, we offered an additional 16 places on this program, bringing the total to 66. A further increase to 80 places is planned for the

2021/2022 project year. This complementary offering enables the young people to gain an insight into the dual training system and the occupations available to help them make a career choice. This has been particularly important during the pandemic as it is not possible to organize internships for school students.

Despite the ongoing pandemic-related restrictions, Evonik feels that all apprentices received a good training in 2021 and were prepared for their examinations. The provision of tablet computers, the progressive digitalization of learning scenarios in a special multimedia learning environment, and time spent working from home proved a good combination. From the start of the new training year, regular introductory events at our vocational training centers and external centers were held, taking the pandemic-related precautions into account.

In 2021, Evonik invested around €338 per employee in training and continuing professional development. That was a total of around €11 million. Due to the pandemic, it was still not possible to run most face-to-face training sessions in 2021. Compared to the previous year, the CPD market increased online training, live virtual training sessions, and digital self-learning. We adapted our CPD offering accordingly and noticed a slight rise in learning time.

5.3.4 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.

Occupational health protection was again confronted with special challenges in 2021 as a result of the coronavirus pandemic. Pandemic plans were in place at all sites worldwide. The steering bodies were active at group, regional, and site level. 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 many times, 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. Differentiated reporting and regular conferences calls ensured good communication between the various steering levels. A hotline was set up for employees. In addition, extensive information on the pandemic was provided in the intranet, along with support offers. We used our #TogetherAgainstCorona and #MaskUpAndCarryOn campaigns to appeal to our employees to continue to act responsibly to protect themselves and others.

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. We therefore comply with all statutory occupational medicine and health protection requirements. In addition, we offer a range of voluntary measures to foster the health of our employees. These are bundled in the group-wide well@work initiative. In this way, we help our employees adopt a healthy lifestyle.

The main goals and aspects of our occupational health strategy are outlined in the Evonik Global Health Program. On this basis, we systematically refine our strategy and adapt it to the latest developments. Based on occupational health and safety requirements in Germany, we have set out policies for our global workforce. The occupational safety committees at our sites in Germany meet at least four times a year, as required by law. There are also comparable bodies at other sites. Fulfillment of the relevant requirements is monitored through internal and external environment, safety, and health audits, and an extensive occupational health and safety reporting system. Action is taken if there are indications that there is scope for improvement or deviations from the applicable guidelines. Where necessary, improvements are suggested or required.

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. In 2016, we defined a long-term target of ≥ 5.0[1]. According to the reports submitted by our organizational units, we achieved this.

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 focuses on three aspects: exercise, a healthy diet, and work-life balance. Mental fitness was added as a new aspect in 2021. Corporate health promotion has a firm place in these activities. Evonik uses basic programs with a long-term focus to encourage employees to adopt a healthy lifestyle. At all of our German sites, there are interdisciplinary health task forces to implement well@work.

[1] Maximum that can be achieved: 6.0.

5.4 Safety

Safety as a management task

Protecting the health and employability of our employees and preventing accidents and incidents at work, in the operation of our production facilities, during transportation, and on the way to and from work are of central importance to Evonik. To meet its management responsibility in occupational and plant safety, Evonik has globally valid policies, processes, and systems, which are firmly anchored in our integrated management system. Implementation of the applicable regulations is monitored using centrally planned audits, which are performed in close consultation with our divisions and external certification bodies. Steering bodies at group level ensure that mission-critical processes are standardized across the divisions. Requirements and the need for action are defined in binding targets based on performance indicators. The frequency and severity of accidents are also reflected in the variable remuneration of members of the executive board.

Our Safety at Evonik safety culture initiative has been developed 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 and personnel from staffing agencies reliable guidance on safety-compliant conduct in their daily work.

To ensure that our safety management measures are directly comparable with common international practice, in the reporting period, we altered the indicator for reporting workplace accidents from 1 million working hours to 200,000 working hours. Since 2021, plant safety has been evaluated using lower thresholds[1]. Incidents at our production facilities are now also reported on the basis of 200,000 working hours, compared with 1 million working hours in the past. That is in line with the present Cefic[2] definition. The more detailed recording and evaluation of incidents permits a deeper understanding of the scope for improvement.

Our crisis and incident management focus on preventing and limiting damage if accidents nevertheless happen. We analyze incidents systematically so we can learn from them and further improve our safety performance. We share the findings within the company via suitable media. To build and share experience, we also participate in various national and international networks.

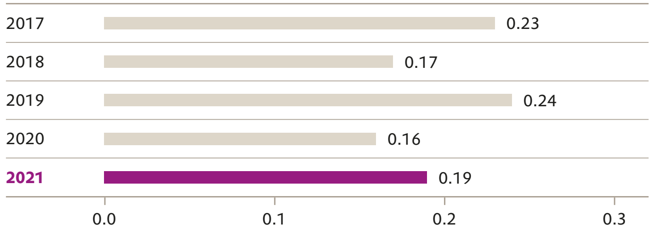
Accident frequency well below the upper limit

We pay special attention to occupational safety. The safety of our employees covers safety on the way to and from work as well as safety at work. Contractors' employees working at our sites are also included. **Accident frequency**[3] is the performance indicator for occupational safety at Evonik.

In 2021, the accident frequency rate for Evonik employees[4] was within our defined maximum limit of 0.26. This indicator remained at a low level of 0.19[5], helped by the fact that many employees were working from home due to the coronavirus pandemic.

Accident frequency indicator C26

Number of accidents per 200,000 working hours



Prior-year figures restated.
The figures up to 2018 contain the methacrylates business, which was divested in July 2019.

The accident frequency rate for contractors' employees[6] was 0.67, which was slightly above the previous year's rate (0.55). There were no fatal accidents at our sites or on the way to or from work involving our employees or contractors' employees in 2021. Moreover, there were no serious accidents involving our employees or contractors' employees.

Incident frequency above the upper limit

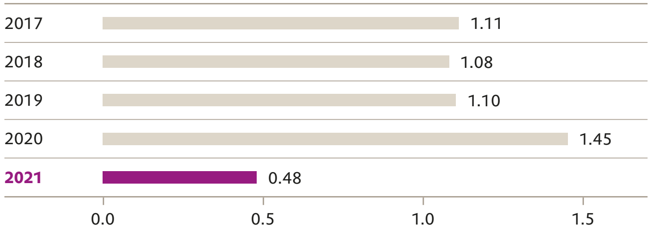
Safety is part of our DNA: It is the basic precondition for the operation and performance of our facilities. Plant safety is the basis for reliable, effective, and future-oriented production. We set demanding safety standards for the entire life cycle of our plants worldwide. We regard safety as an all-round task, which is established worldwide through our safety management systems and regularly reviewed. **Incident frequency**[7] is used to measure

1 The new volume thresholds are 1/10/100 kg depending on the hazard class, compared with the conventional reporting thresholds of 5/100/2,000 kg.
2 European Chemical Industry Council.
3 Number of work-related accidents (excluding traffic accidents) resulting in absences of at least one full shift per 200,000 working hours.
4 Evonik employees, including employees from staffing agencies.
5 In total, Evonik employees worked approximately 65 million hours in the reporting period.
6 Calculation based on assumptions and estimates. The method of calculating working hours was changed in 2019.
7 Number of incidents involving the release of substances, fire, or explosion (process safety performance indicator defined by the European Chemical Industry Council, Cefic) per 200,000 working hours.

the safety performance of our plants. We monitor the number of incidents involving the release of substances, fire, or explosion (process safety performance incidator, PSI) in line with the indicator defined by the European Chemical Industry Council (Cefic).

Incident frequency indicator C27

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



2017 to 2020 based on the “Cefic 2011” definition, 2021 based on “Cefic 2016.”

Our incident frequency rate was 0.48 in the reporting period, so we failed to meet our target of remaining below the upper limit of 0.40. This was due to the lower threshold for recording incidents, which is reflected in an increased number of incidents.

We work steadily to optimize our safety management system. In 2021, we realigned our expert circle on plant safety to consolidate the responsibilities of the various bodies and reduce internal interfaces. The global structure of the expert circle, which includes representatives of our divisions and regions, ensures a holistic perspective on plant safety issues. The expert circle completed its first projects in the reporting period, including leading indicators for plant safety performance. We also analyzed experience from process safety studies in recent years. This was used to improve the relevant group-wide standards.

Targets for 2022
Our overriding aim is to avoid all accidents and incidents. We set annual limits for occupational safety and plant safety indicators.

The maximum limits for 2022 using the new definition are:
- Accident frequency should not exceed 0.26.
- The incident frequency rate should not exceed 0.40.

5.5 The environment

Protecting our environment and the climate are major global challenges of our time. 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. As a specialty chemicals company, we are aware that our production impacts the environment. We take many steps to minimize this.

Worldwide management
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 the 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. The proportion of output covered by validation varies because of the addition of new units. However, it is always between 95 and 100 percent.

Implementation of our strategy and management system is monitored via a central audit 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. Our global ESHQ (environment, safety, health, and quality) strategy is defined by the HR Executive Committee.

5.5.1 Climate change

According to our materiality analysis, climate change is one of the most important sustainability issues. As well as producing products that are sustainable and enhance efficiency for our customers, we are reducing our CO_2 emissions by modernizing and renewing our energy infrastructure and taking steps to increase energy efficiency. Carbon pricing is used as an additional criterion for major investments.

Responsibility at the highest level
Climate change is a matter of the utmost importance for the entire executive board. Direct responsibility for our group-wide sustainability and climate strategy, monitoring, and reporting is assigned to the member of the executive board responsible for human resources, sustainability, and ESHQ. The head of the ESHQ function reports regularly to the executive board on climate-related issues. These include environmental indicators, including climate-related performance indicators, as well as targets and target attainment. In addition, the responsible member of the executive board and the heads of the ESHQ and Sustainability functions are members of the HR Executive Committee,

which also takes decisions on climate-related issues. The other members of this committee are representatives of the divisions and regions and technical experts. The executive board discusses relevant issues relating to sustainability, the environment, safety, health, and quality, as well as the status and progress of the various programs with the heads of the divisions and corporate functions on a quarterly basis.

New environmental targets for climate protection

Our target is **to cut scope 1 and 2 greenhouse gas emissions**[1] by 50 percent in absolute terms by 2025. The reference base is 2008—the first full year after the establishment of Evonik. This affirms our commitment to the Paris Agreement on Climate Change. At present, we assume an average reduction in climate-relevant emissions of 3 percent a year. Furthermore, by 2025 we want to reduce **scope 3 emissions** from our upstream value chain—basically our “raw material backpack”—by 15 percent compared with 2020. We also aim to cut **absolute** and **specific energy consumption** by 5 percent. Contributions will come, among other things, from innovative technologies, optimization of production, efficient utilization of non-renewable energy sources, and the use of renewable energy. Another keystone is extending integrated structures between chemical production and energy facilities, including increased integration of third-party production facilities and local authority customers.

Evonik constantly examines the use of renewable energy. For example, our site in Rheinfelden (Germany) sources almost half of its power supply from environmentally friendly hydroelectric facilities. In addition, we use hydroelectric power generation in Weißenstein (Austria) and solar power in Hanau (Germany), Mexico City, and Querétaro (both Mexico). We are also increasing the use of renewable energy sources indirectly by stepping up the purchase of green electricity certificates.

A new gas and steam turbine co-generation plant at Evonik’s site in Marl (Germany) will end more than 80 years of electricity and steam generation from hard coal at this location and reduce carbon emissions by up to 1 million metric tons a year. Group-wide, that will reduce direct annual scope 1 greenhouse gas emissions by almost one-fifth. The highly efficient co-generation plant for electricity and steam is scheduled to come into service 2022. The power plant will be highly flexible, so it can play a part in compensating for fluctuations in the amount of energy from renewable resources fed into the power network, which is a key building block in Germany’s energy transition.

In addition, we are currently building a further gas and steam turbine power plant in Marl to replace the present gas-fired reserve plant. In 2022, this second power plant will complete the renewal of the energy infrastructure at this site, which is Evonik’s largest site worldwide. The new plants will have total efficiency of over 90 percent and rated power of 270 Megawatts of electricity. That is equivalent to the electricity required by about 750,000 homes. The plants will be able to generate up to 660 metric tons of steam an hour. All power plants at Marl Chemical Park will be operated from a new control center.

Many of our energy management systems meet the high standards of ISO 50001. In the future, we aim to optimize energy consumption in the Evonik Group by using a digital energy management system. The higher transparency and improved control increase efficiency and therefore reduce greenhouse gas emissions. We plan to include further sites worldwide by 2026 to cover over 90 percent of our energy consumption and energy costs. The main aim is to use this new system to cut energy costs while meeting our energy target.

Volume-driven increase in net energy input

Absolute net energy inputs increased by around 6 percent to 67.64 petajoules in 2021, mainly due to higher production volumes. Specific net energy input nevertheless decreased slightly, by 1 percent. This was due to numerous individual measures to improve energy efficiency. At present, natural gas and coal are Evonik’s main fuels. When the new gas and steam turbine power plants are taken into service in Marl (Germany), Evonik will no longer have any coal-fired electricity generation anywhere in the world. 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 T32

in petajoules	2020	2021
Total fuels	58.50	59.57
Purchased electricity and steam	16.63	19.06
Electricity and steam sold to third parties	−11.16	−10.99
Net energy input	**63.97**	**67.64**
Production in million metric tons	8.93	9.54
Specific net energy input[a]	**7.16**	**7.09**

[a] Energy consumption per product unit.

Greenhouse gas emissions on track

The standard used to report our greenhouse gas 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. External power inputs are reported using

[1] 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.

the location-based and market-based methods. In accordance with the Greenhouse Gas Protocol, in the location-based method, carbon dioxide emissions from purchased power are calculated using country-specific average emission factors, while in the market-based method, the individual emission factors of the power supplier are used.

Greenhouse gas emissions T33

in million metric tons CO_2 equivalents	2020	2021
Scope 1	4.86	4.83
Scope 2, gross (market based)[a]	1.64	1.63
Greenhouse gas emissions, gross (market-based)[b]	**6.50**	**6.46**
GHG emissions, net (market-based)[c]	**5.43**	**5.47**
In % compared with the reference year (2008)	**−43**	**−43**

Prior-year figures restated.
[a] Excluding electricity trading; reported in scope 3, category 3.
[b] Gross GHG emissions = scope 1 + power and steam sourced from third parties.
[c] Net GHG emissions = gross GHG emissions - power and steam sold to third parties.

Absolute net GHG emissions increased slightly in the reporting period, by 1 percent to 5.5 million metric tons CO_2eq[1]. Combined with a 7 percent rise in production volume—mainly due to the strong recovery of the global economy in the reporting period and the acquisition of the Porocel Group—this led to a considerable drop of 6 percent in specific net GHG emissions[2]. Within scope 1, that was mainly due to increased gas-fired energy generation in Marl (Germany) and specific energy-saving measures. Another reason—within scope 2—is the increased external sourcing of power from renewables. Consequently, although power purchased from third parties increased by 14 percent in 2021, the related GHG emissions decreased by 15 percent.

In the reporting period, Evonik had 23 facilities (2020: 24) that fall within the scope of the EU Emissions Trading System (EU ETS). The facility in Taavetti (Finland) no longer falls within the scope of the EU ETS due to the restructuring there. In total, Evonik emitted 3.3 million metric tons CO_2 in the reporting period (2020: 3.2 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 the 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 63 percent of Evonik's gross scope 1 and 2 emissions are subject to carbon pricing systems.

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 up to 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) and the ongoing development of established reporting standards closely. In keeping with its participation in CDP Climate Change, in 2021 Evonik again published detailed strategies, data, and development paths on climate change **https://www.evonik.com/CDP-ClimateChange**. A cross-unit working group regularly examines the TCFD requirements. We present key climate-related information in a TCFD index[3] using the TCFD structure, divided into the categories governance, strategy, risk management, and metrics and targets.

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 and thermal processing of residual gases with a high calorific value (as substitutes for natural gas). 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. Our environmental management systems set the framework for us to achieve the statutory thresholds.

[1] CO_2 equivalents.
[2] Net GHG emissions per product unit.
[3] See TCFD index p. 191 f. (outside the scope of the audit).

5.5.2 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: 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. In 2021, the EU Commission adopted delegated acts 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. The chemical products mainly affected by the delegated acts for these two environmental objectives 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 at present. In other words, only a few of our activities are taxonomy-eligible [1]. In 2021, taxonomy-eligible activities only accounted for 16 percent of turnover, 21 percent of CapEx [2], and 13 percent of OpEx [2].

For fiscal 2022, Evonik will be reporting for the first time on its taxonomy alignment [3] for the climate change mitigation and climate change adaptation objectives. We anticipate that only a very small proportion of the eligible activities will be taxonomy-aligned. This is because, in the case of chemical products, the first two environmental objectives in the EU taxonomy mainly address the carbon footprint of production but ignore the positive effects (handprint [4]) arising from the use of many products. By contrast, the sustainability analysis [5] of our business covers the footprint, handprint, and further signals and market requirements. Many Evonik products are differentiated from competitive 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 focused very closely on the provisions of 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 relevant for the first two objectives. These are hydrogen, basic chemicals such as butadiene, and products assigned to the category plastics in primary form. In addition, we have identified some precursors [6] for energy efficiency equipment for buildings as taxonomy-eligible. Some of the Technology & Infrastructure [7] division's activities with external customers can be assigned to the categories operation of electricity distribution and transmission systems and freight rail transport and operation of rail networks. All products and activities affected are at levels well below our reporting segments, which are our divisions. Therefore, both the identification process and collection of the data had to be performed manually at product level.

Determination of the key performance indicators

For 2021, the EU taxonomy only requires disclosure of the share of turnover, CapEx, and OpEx attributable to taxonomy-eligible activities. The shares attributable to taxonomy-aligned activities of relevance for the first two environmental objectives have to be disclosed from the 2022 reporting period. The main prerequisites for taxonomy alignment are that the taxonomy-eligible activities meet demanding technical screening criteria and minimum social safeguards as well as the requirement that they do no significant harm to the other environmental objectives.

[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. The second set of FAQs published by the EU Commission on February 2, 2022 are not addressed in this year's reporting because it was not possible to implement them in accordance with Evonik Industries AG's data quality standards in the short time available before the deadline for preparation of the report. In particular, when assessing the taxonomy eligibility of economic activities, we did not draw a distinction between those that are "eligible," "eligible-to-be-enabling," and "eligible-to-be-transitional," and we did not apply the technical screening criteria. Furthermore, for the environmental objective "climate change adaptation," we did not perform a vulnerability and risk assessment or establish a specific plan to implement further adaptation solutions.
[2] As defined by the EU taxonomy, see p. 59 T35 and T36.
[3] 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 meet 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. 46 f.
[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 core components. Evonik products that are precursors for such equipment and influence their energy efficiency. They have therefore been included here as taxonomy-eligible core components. This economic activity is defined more rigidly for the climate change mitigation objective than for the climate change adaptation objective. However, since Evonik reports the taxonomy eligibility for both environmental objectives together, the higher taxonomy-eligible criteria for the climate change mitigation objective are used as a conservative approach.
[7] The Technology & Infrastructure division focuses on the provision of internal services. By contrast, the share of taxonomy-eligible activities is based on external sales. Reportable taxonomy-eligible turnover in this division only comprises the operation of railroads, freight rail transport, and infrastructure operation. Other taxonomy-eligible activities generate almost exclusively internal sales; their aggregate external sales are less than €25 million, corresponding to 0.2 percent of the Evonik Group's sales. We have therefore disregarded these activities on materiality grounds.

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

EU taxonomy: overview of KPIs for 2021 T34

in € million	Turnover	CapEx	OpEx
Taxonomy-eligible activities	2,444	222	103
Evonik Group	14,955	1,065	792
Share of taxonomy-eligible activities (in %)	**16**	**21**	**13**

Turnover as defined in the EU taxonomy corresponds to IFRS sales.[1] **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 Evonik's 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
Capital expenditures for property, plant and equipment[a]	912
Capital expenditures for intangible assets[b]	17
Capital expenditures	**929**
Additions to property, plant and equipment from business combinations[a]	3
Additions to intangible assets from business combinations[b]	20
Additions from business combinations	**23**
Additions from leasing transactions[c]	110
Additions from leasing transactions due to business combinations[c]	3
Additions from leasing	**113**
Total CapEx as defined by the EU taxonomy	**1,065**

[a] See note 6.2 to the consolidated financial statements **p. 122 ff.**
[b] See note 6.1 to the consolidated financial statements **p. 120 ff.** 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. 124 ff.**

[1] See note 5.1 to the consolidated financial statements **p. 113 ff.**

Calculation of OpEx for the EU taxonomy T36

in € million	2021
Research and development expenses[a]	464
Maintenance and repair expenses[b]	316
Expenses for short-term leases[c]	12
Total OpEx as defined by the EU taxonomy	**792**

[a] See income statement **p. 102.**
[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. 150 f.** On materiality grounds, we have not undertaken a further analysis of whether these items contain taxonomy-eligible economic activities.

At the level of the taxonomy-eligible economic activities, direct assignment to the KPIs was only possible on a restricted basis. 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; both of these levels are below the level of our IFRS reporting segments, which are our divisions. All indicators were assigned to at most one taxonomy-eligible activity to avoid possible 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 non-taxonomy-aligned activity into a taxonomy-aligned activity within the next five years and for which CapEx or OpEx as defined in the EU taxonomy was incurred in 2021.

5.5.3 Water management

We save water wherever possible and endeavor to achieve a further reduction in our emissions into water. A good water supply is crucial for smooth production.

Efficient use of water

The Evonik Group strives to use water as efficiently as possible. The availability of water as a resource depends enormously on regional and local conditions. By using water stress analyses at production sites, we aim to pay greater attention, in particular, to the considerable local differences in the availability of water. For us, water stress refers first and foremost to the availability of water for production. Our sustainable water management also takes into account quantitative, qualitative, and social aspects of water use. We identify the potential for improvement at our sites and endeavor to minimize the use of water, especially in water stress areas, in order to respect the needs of our neighbors. We plan to develop a new quantitative water target through a strategic project in 2022.

Taking into account projections for climate change and socio-economic developments, in 2019 we identified sites that are particularly likely to be affected by water stress in the next 20 years. These findings were revised and updated in 2020. Our definition of water stress is based on the AWARE method[1] recommended by the EU Commission. In our examination of the relevant sites, we use the AWARE categories: extreme—high—medium—moderate. In the reporting period, ten production sites were classified as being exposed to extreme or high water stress using the AWARE system, and a further nine were classified as having medium or moderate exposure.

We are therefore initially focusing our effort to achieve our present water target on our major integrated production sites and sites in regions exposed to water stress. In the reporting period, we conducted further interviews and analyses of measures at all sites with a water stress classification of high or extreme. Our ESHQ experts and the process and technology experts responsible for the relevant sites were involved in this. At the sites concerned in China, India, the USA, South Korea, and Europe, we also held detailed local discussions on water use and possible options to reduce this. For 2023, we are planning a systematic analysis of all sites with a classification of moderate or low. Based on these activities, site-specific action plans have been drawn up to ensure effective preventive measures. We have introduced suitable management processes to monitor the achievement of our global water target.

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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 Preventing bribery and corruption

We are convinced that reliable and ethical management of the company is the basis for our long-term business success, fair competition, and acceptance by society. We are committed to fair competition for the benefit of our stakeholders, comply with cartel and antitrust law, and forbid any form of corruption by our employees. Business ethics and corruption prevention are based on our code of conduct and our code of conduct for suppliers. These are supplemented by our policy on gifts and hospitality, and group-wide standards on the use of external third parties for distribution and when dealing with authorities (policy on external intermediaries). We conduct regular risk analyses on fighting corruption, antitrust law, and anti-money laundering.

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, ensure they are familiar with its content, and take part in the relevant training.[2] Violation of the code of conduct can damage Evonik's reputation and result in substantial financial loss. We therefore have a zero tolerance approach. Violation of the code of conduct can have far-reaching consequences for the employee involved.

Our code of conduct for suppliers sets out binding requirements for our suppliers. Intermediaries, above all sales intermediaries, are subject to corruption screening and further compliance checks before the establishment of the business relationship and have to sign a corresponding declaration. Risk-based compliance checks are also applied to business partners involved in acquisitions, joint ventures, corporate venture projects, and major investment projects. These are based on uniform rules for the Evonik Group.

1 AWARE stands for Available WAter REmaining.
2 See the declaration on corporate governance in the compliance section p. 87 f.

5.6.2 Supply chain

Careful supplier selection

Evonik has a significant influence on society and the environment through its procurement volume. We are aware of this responsibility. Together with our suppliers, we drive forward transparency and sustainability along the value 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[1] and renewable raw materials, including palm oil. We have established special procurement strategies for these critical raw materials. These processes are integrated into a management system, where they are mapped. As well as monitoring suppliers of critical raw materials, we aim to examine the sustainability of all major raw material suppliers[2] by 2025.

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 2021, we did not receive any reports of issues relating to our suppliers.

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, 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.

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. The validation and evaluation of our suppliers are an integral part of sustainable supply chain management at Evonik. The validation of new suppliers includes checking that they meet the requirements of 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. In our evaluation of suppliers, special attention is paid to our strategic suppliers and suppliers of strategic raw materials. Strategic suppliers and raw materials are defined as those identified with the operational units as being of high significance for our business performance. These may be key raw materials or single-source situations. We work systematically both to extend strategic relationships with suppliers and to validate new suppliers. To supplement our code of conduct for suppliers, our approach includes self-assessments, audits, and validation of suppliers through the Together for Sustainability (TfS) initiative.

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 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, TfS does not simply make environmental and social standards in supply chains measurable; it also helps to bring about a direct improvement.

Active involvement in TfS is important to us. As a member of the TfS initiative, we are also subject to TfS assessments. At the start of 2021, EcoVadis awarded us platinum status for the first time, based on the assessment initiated in 2020. That places Evonik 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 a gold rating on six occasions.

We achieved our target of conducting a sustainability assessment of 90 percent of suppliers of critical raw materials in 2019. We have therefore extended our target and now aim to evaluate the sustainability of all major raw material suppliers by 2025. Around 69 percent of major raw material suppliers had been reviewed using sustainability criteria by year-end 2021.

[1] These are mineral raw materials from the Democratic Republic of Congo and its neighboring countries that are often used to finance armed conflicts.
[2] Annual procurement volume > €100 thousand.

The total of 1,946 suppliers evaluated comprises audits, assessments, and supplier validations performed by TfS and directly by Evonik.

Key data on the supply chain T37

	2020	2021
No. of sustainability audits (Evonik)	31	16
No. of sustainability assessments (Evonik)	186	176
No. of sustainability audits (TfS)	258	284
No. of sustainability assessments (TfS)	1,148	1,345

As a responsible company, Evonik aspires to meet its duty of care with regard to conflict minerals in the supply chain and checks the origin of such substances delivered by its suppliers. Our screening in 2021 did not identify any use of conflict minerals.

Evonik is actively working to implement the requirements of the German legislation on due diligence in the supply chain. Based on the well-established supplier validation, supplier evaluation, and risk identification processes, our supply chains are undergoing a far-reaching review to analyze, avoid, and where necessary, eliminate specific risks relating to human rights. More detailed processes and responsibilities will be established in 2022.

5.6.3 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.

We examine the entire value chain of each 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. We make all legally required information on safe handling of our products available to our customers, together with further information, for example, on disposal of the products. That includes safety data sheets and technical information sheets. As well as 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), product stewardship at Evonik includes voluntary commitments that go beyond these regulations. 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, which includes the Global Product Strategy. The key elements of our product stewardship have been defined in a product policy. To supplement this, an operating procedure defines how these commitments are to be implemented within Evonik, together with control mechanisms to monitor their observance.

The European Green Deal published by the EU Commission sets out a timetable for Europe to become climate-neutral by 2050. One element in the zero-pollution target is the chemicals strategy for sustainability published by the EU in October 2020, which will have far-reaching consequences for the chemical industry and its value chain. It includes, among other things, amending and tightening the REACH regulation, the classification and labeling regulation, and many other regulations. The chemicals regulations are expected to have a far stronger focus on dangers. Evonik supports the aims of the Green Deal but sees a considerable need to optimize the chemicals strategy.

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. We use the Chemicals Management System developed by Evonik to evaluate our substances. This system supports us in global product evaluation, analogously to a life cycle analysis. As an extension of this, our Chemicals Management SystemPLUS is used for products containing substances of very high concern. These are subject to a more detailed examination to bring about a further reduction in the negative impact on people and the environment.

5.6.4 Business ethics 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 are committed to fair competition, we comply with cartel and antitrust law, and we forbid any form of corruption by our employees. 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 ensure we observe our human rights obligations. The fundamental importance of human rights for Evonik is reflected in the execu-

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

tive board's policy statement on human rights, which is based on the Universal Bill of Human Rights, the International Labor Standards issued by the International Labour Organization (ILO), and the OECD's Guidelines for Multinational Enterprises. Human rights are part of our code of conduct and also form the basis for our global social policy. The human rights demands made on our suppliers are set out in a separate code of conduct. We regularly check compliance through our supplier validation and evaluation processes. Our risk map shows potential human rights and labor law risks at country level. It is continuously updated. This internal tool gives us insights into our sites, major supplier countries, and possible human rights risks. The sources used for the map include the Global Rights Index of the International Trade Union Confederation (ITUC), the Global Slavery Index of the Walk Free Foundation, and the Global Childhood Report published by Save the Children. We also use MVO Netherlands' CRS Risk Check. We use the human rights risk map to define and implement measures to raise awareness.

Violations of human rights can be reported to Evonik via internal reporting channels and a whistleblower hotline operated by an external provider. This enables employees and external parties (e.g., suppliers, customers, other business partners, and victims) to report suspected breaches of human rights. The anonymity of whistleblowers is protected if they do not wish to disclose their identity. All allegations are investigated internally. In 2021, we received two reports of human rights violations, but ultimately they were not confirmed.

In view of the increasing importance of human rights in global supply chains, it is important to us to regularly raise the awareness of employees and business partners and sharpen their compliance with human rights. Based on the findings of our risk map, we have developed human rights training activities, which we have extended in recent years. They are used worldwide via internal communication platforms and e-learning modules. Training was conducted first in countries where the potential human rights risk is highest. Participants come from both administrative and operational functions.

The National Action Plan (NAP) on the economy and human rights adopted by the German government in 2016 ended with the monitoring phase in 2020. In light of the findings of the NAP monitoring, legislation on due diligence in supply chains was passed by both houses of the German parliament in summer 2021. The new law comes into force on January 1, 2023.

5.6.5 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 appeal 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 at our sites. 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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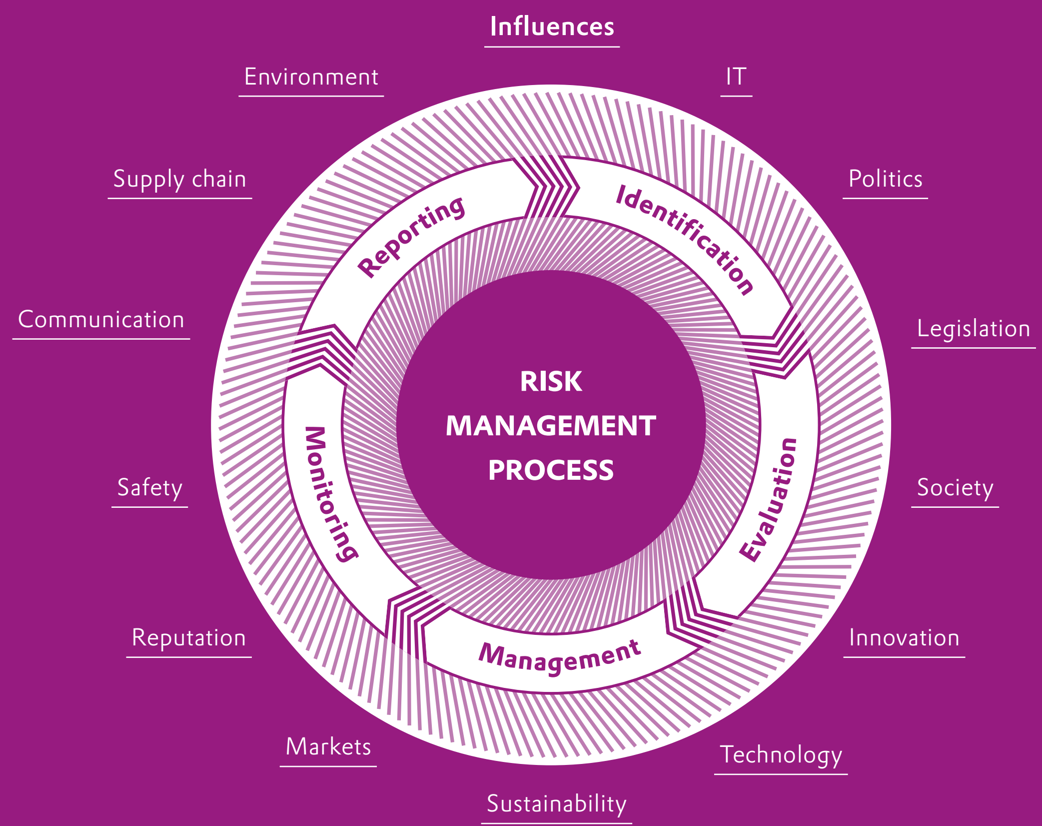
6. OPPORTUNITY AND RISK REPORT

Multidisciplinary risk management process

Group-wide risk management includes all potential risk areas in order to identify risks as early as possible and manage opportunities and risks



Material risks
(Expected value >€100 million)

- Threat of cyberattacks
- Changes in exchange rates
- Development of margins for C_4 chemicals

Material opportunities
(Expected value >€100 million)

- Price trend for methionine
- Changes in exchange rates
- Development of margins for C_4 chemicals

6.1 Opportunity and risk management

Risk strategy

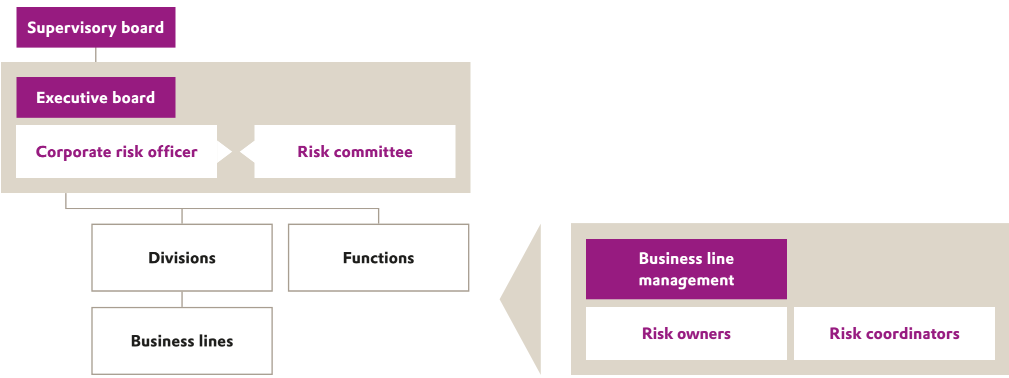
Evonik's group-wide internal opportunity and risk management (referred to generically as risk management in this section) forms a central element in the management of the company. In compliance with the requirements of section 91 paragraph 2 of the German Stock Corporation Act (AktG), Evonik has established a risk detection system as part of its risk management. The most recent revision took place in 2021: The risk landscape was extended to include extreme risks, and a risk-bearing capacity was defined. The aims are to identify risks as early as possible and to define measures to mitigate them. To ensure optimal use is made of opportunities, these also need to be recognized and tracked from an early stage. 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.

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.

Structure of risk management C28

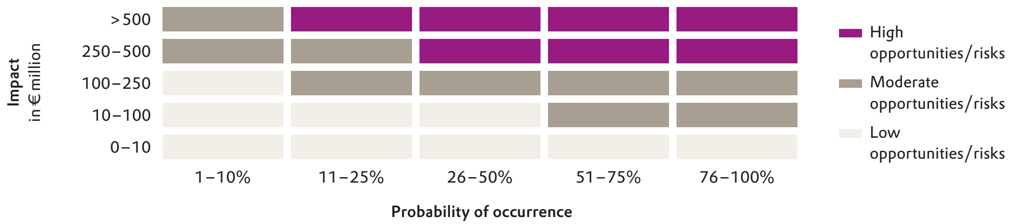


In 2021, risk management again included all consolidated companies in the Evonik Group. At companies where we do not exert a controlling influence, we implement our risk management requirements primarily through our presence in management and supervisory bodies. Material opportunities and risks are integrated into our risk management via our matrix organization.

The Group 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 risk management system 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 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.

Opportunity/risk matrix C29



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 C29). 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 capacity. The risk-bearing capacity 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 Evonik Group.

For 2021, we expected more risks than opportunities. Since the situation remains very volatile due to the coronavirus pandemic, both opportunities and risks are around the same level as in the previous year. In all the chemical divisions, more opportunities than risks materialized overall in 2021. 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 2022 outweigh the potential opportunities. Compared with 2021, the opportunities for the Evonik Group are slightly higher, and the risks are slightly lower.

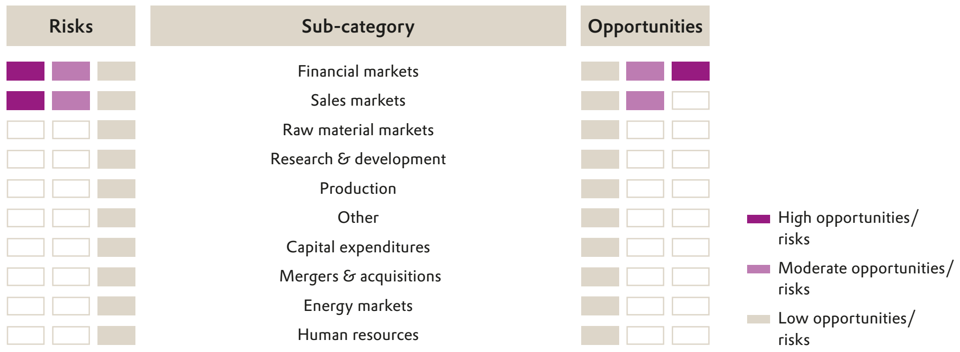
The material risks for the Evonik Group are the threat of cyberattacks, changes in the exchange rates of the main currencies of relevance for Evonik, and lower margins for C_4 chemicals. The material opportunities for the Evonik Group are changes in exchange rates, the development of the price of methionine and higher margins for C_4 chemicals. Compared with the previous year, the last two 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. Subsections 6.3 p. 67 ff., 6.4 p. 72 f., and 6.5 p. 74 present the material risks and material opportunities, along with further opportunities and risks in each of the main categories (see C30). Except where otherwise indicated, they apply to all divisions.

Risk catalog C30

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. The following chart (C31) 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.

Opportunity and risk classes within the market and competition category C31



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 revolving credit facility as a central source of liquidity, and our solid investment grade rating. Overall, we believe that adequate financing instruments are available to ensure sufficient liquidity at all times.

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 lies on the main foreign currencies of relevance for the Evonik Group, the US dollar, the Chinese renminbi yuan, and the Singapore dollar. 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, for instance, in Argentina, which is a hyperinflationary economy. Economic risks also arise because exchange rates influence our competitiveness in global markets.

[1] Further details of the financial derivatives used and their recognition and measurement can be found in note 9.4 p. 153 ff. to the consolidated financial statements.
[2] A detailed overview of liquidity risks and their management can be found in note 9.4 p. 153 ff. to the consolidated financial statements. Details of the financing of the Evonik Group and action to protect liquidity can be found in section 2.9 Financial condition p. 33 ff.

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, 99 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, in particular, by the development of the coronavirus pandemic. A successful end to the pandemic could bring opportunities through strong industrial growth and pent-up demand. Conversely, setbacks in combating the pandemic or the appearance of new virus variants entail a risk of supply chain disruption and rising insolvencies. Other relevant parameters affecting the macroeconomic development, apart from geopolitical conflicts and trade disputes, are the general economic trend in major economies and their monetary and fiscal policies. The current high inflation rates and developments in key sectors of the economy could affect demand in the market areas of relevance for Evonik. 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 rise in the growing 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 our 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

[1] See note 6.10 to the consolidated financial statements p. 132 ff.

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 impairment losses.

3. Raw material markets

For our business operations, we require both high-volume raw materials and smaller amounts of strategically relevant raw materials that have to meet highly demanding specifications. 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 price of strategic raw materials, especially petrochemical feedstocks obtained directly or indirectly from crude oil. 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 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 at site level. 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.

This procedure proved both helpful and effective in 2021 in dealing with the additional supply risks caused by the coronavirus pandemic that started 2020, and it will remain an important risk mitigation element in any future flare-up of the pandemic situation. These 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 pandemic-induced changes in end-markets and the related regional shifts. Thirdly, restricted market availability of chemical raw materials due to technical difficulties and low inventory levels throughout industry, coinciding with rising demand, 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. Risks relating to single sourcing and the restricted short-term availability of raw materials mainly relate to the Nutrition & Care and Specialty Additives divisions.

Supply chain

Compliance with sustainability criteria in the supply chain is a central aspect of procurement. 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. 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.

4. 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 mix of short-, mid-, and long-term 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 growth engines and the innovation growth fields, 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. We mainly see additional potential arising from the introduction of new products that go beyond our present planning, especially our Next Generation Solutions.

5. 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 constitutes 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 such as extreme weather events like hurricane Ida in the USA in 2021. Capacity constraints could hold back organic growth. We use 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, 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 that the financial consequences of potential production risks are largely insured. Nevertheless, there is a risk of unforeseeable individual incidents.

6. 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.

7. 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 inherent 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 and are 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.

8. 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.

9. 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 at present, still coal. At several major sites, our power and steam requirements are fully or partially met by resource-efficient co-generation plants. We constantly monitor trends on the national and international energy markets, including the extended scope to use "green" energy, 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) on the futures and spot markets within the framework of defined risk strategies. The aim is to balance the risks and opportunities of the volatile markets for energy and CO_2 allowances. Depending on the development of the general conditions and the ongoing market trend, which led to record prices for many types of energy in 2021, our operating units could be faced with additional costs.

For our facilities 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. In other jurisdictions, further climate protection legislation cannot be ruled out or is currently planned. In the broader regulatory context, the way in which the cost of renewables is allocated—possibly retroactively— among captive energy generators in Germany under the Renewable Energies Act (EEG) is of particular significance for Evonik. That applies to both the valuation of certain contractual rights to the use of captive power plants by companies in the Evonik Group and certain legal issues in connection with the intersite supply of power from captive power generation. We are currently involved in legal proceedings to clarify the second of these issues. However, we assume that the captive generating facilities that we operate at various sites and replacing the coal-fired power plant currently in operation at the site in Marl (Germany) by a highly efficient gas and steam turbine plant, which is currently under construction, will play a part in safeguarding the future competitiveness of our German sites. This also applies if the new German government realizes its plans to end financing of the cost of renewable energies through the electricity price. Possible additional costs could arise from the increase in grid fees resulting from the energy transition in Germany, including further state-driven cost components and possible fundamental changes to the grid fee system. 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.

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 monitors the observance of human rights along the value chain. To minimize the related risks, we require compliance with our code of conduct for suppliers, our global social policy, and the policy statement on human rights.

Evonik is exposed to 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, risks of particular relevance here are a possible change in the charges levied under the German Renewable Energies Act (EEG) and amendments to 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 the recalculation of pension commitments entered into by Evonik and its 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.

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. With markets growing ever closer and the 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

[1] See Declaration on corporate governance p. 86 ff.

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 Managementfunctions.

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 are 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. To protect them and the associated knowledge from cybercrime (including industrial espionage and manipulation through electronic attacks) from both within and outside the Evonik Group and to minimize such risks, we have developed a cybersecurity strategy and established organizational and technical measures. 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 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.

[1] Especially low availability of water.

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. No signs of systematic errors in the Evonik Group's ICS were 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 groupwide 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 orientation, 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, and Slovakia; 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

Outlook 2022

	SALES	ADJUSTED EBITDA				
		Evonik Group	Specialty Additives	Nutrition & Care	Smart Materials	Performance Materials
2021	€ 15.0 billion	€ 2.383 billion	€920 million	€717 million	€650 million	€317 million
Forecast for 2022	€15.5 billion–€16.5 billion	€2.5 billion–€2.6 billion	Slightly above the prior-year level	Considerably higher	Significantly higher	Lower

Basis for our forecast:

- Global growth: 4.2% (2021: 5.6%)
- Internal raw material cost index higher than in the prior year

7.1 Economic background

Global economic recovery expected to continue

We expect economic conditions in 2022 to allow a continuation of the global economic recovery.[1] Despite the introduction of a more restrictive monetary policy in some countries, conditions should largely remain expansionary in 2022 and support global growth. The continued spread of coronavirus mutations can be expected to trigger new containment measures, which could temporarily restrict service activities. Supply chain disruption and high energy prices are likely to exert further upward pressure on prices in the first half of 2022 and hold back industrial output. Global growth momentum should pick up as soon as these disruptive factors recede. Economies with a focus on trade and industry will probably benefit most. Overall, we anticipate that the global economy will grow by 4.2 percent[2] in 2022.

We expect economic growth in Europe to be weaker in the first quarter due to the reintroduction of restrictions to contain the coronavirus and the ongoing disruption of global supply chains. The economy should pick up again in the spring, assuming that consumer spending rebounds and industrial activity gains momentum as the supply chain problems gradually diminish. Accommodating monetary and fiscal policies should continue to support growth.

In North America, especially the USA, the pandemic will dampen consumer spending and economic activity in the first quarter, but economic growth should accelerate again from the second quarter. Since inflation is high, the Fed is expected to raise benchmark rates in 2022. The less expansionary monetary policy, combined with the decreasing impact of earlier economic stimulus measures, could result in a year-on-year drop in growth momentum in 2022.

GDP forecast for 2022 C32

Based on data from IHS Markit as of January 18, 2022.

Although the pandemic will probably hold back economic activity to some extent in the Asia-Pacific region as well, the overall growth prospects are good. Low consumer price inflation is increasing the growth potential of consumer spending. In view of the present shift from goods to services, exports could provide less support than in 2021. We anticipate that the Chinese government will introduce growth-oriented fiscal and monetary policy measures in 2022. In Japan too, growth should be buoyed by the accommodating monetary policy. These policies will have a positive economic impact on Asia's emerging markets.

Conditions are likely to prove more difficult in Central & South America in 2022, partly due to the pandemic, partly as a result of a more restrictive monetary policy to counter the inflationary pressure and rising borrowing costs resulting from the Fed's monetary policy. This will be exacerbated by growing political uncertainty ahead of the elections in Brazil. In all probability, commodity-driven countries will benefit from higher exports and taxes in the wake of the global rise in commodity prices. Overall, growth momentum in this region is expected to slow in 2022.

The forecast for the world economy is still hampered by great uncertainty. The development of the pandemic and especially the emergence of new virus mutations remains a major source of uncertainty and could lead to renewed economic downturns and further disruption of global supply chains. Rising inflation could accelerate central bank measures to reduce accommodative monetary policies and slow down the global economic recovery. In the wake of interest rate rises by the Fed, the emerging markets could face a tougher financial environment and be forced to adopt an economically inappropriate tight monetary policy in order to stabilize their exchange rates. Ultimately the development of the global economy could differ from our expectations due to geopolitical conflicts.

In view of the continuing global uncertainty, we assume that there will be a further rise in the price of raw materials, especially inorganics. In 2022, we expect the prices of the specific raw materials used by Evonik to be higher than in 2021.

[1] Based on data from IHS Markit, Kiel Institute for the World Economy (IfW), World Bank, and Berenberg Bank; as of December 2021/January 2022.
[2] Based on data from IHS Markit as of January 18, 2022.

7.2 Outlook

Our forecast is based on the following assumptions:

- Global growth: 4.2 percent (2021: 5.6 percent)
- Internal raw material index: higher than in the prior year

Sales and earnings

Our outlook for 2022 is based on the assumption of a continuation of the global economic recovery as outlined in the section "Economic background" p.76. Nevertheless, there is still considerable uncertainty regarding the projected economic development. In particular, the development of the pandemic, further disruption to global supply chains, and rising inflation remain sources of uncertainty.

Evonik anticipates that **sales** will be between €15.5 billion and €16.5 billion in 2022 (2021: €15.0 billion). The three growth divisions will benefit from structural trends and continue their positive long-term development. We anticipate strong growth in demand from customers for our Next Generation Solutions, in other words, Evonik products and solutions with a superior sustainability profile. Our six innovation growth fields should also make a further contribution to growth in 2022. Evonik is currently raising its own prices to offset the significant rise in raw material, energy, and logistics costs since the second half of 2021. Overall, we expect **adjusted EBITDA** to be between €2.5 billion and €2.6 billion (2021: €2,383 million).

In 2022, the Specialty Additives division will again benefit from its specific customer solutions, which are geared to improving product properties and sustainability profiles. The supply chain bottlenecks should ease during the year, and higher raw material costs should be offset by our own price rises. Overall, we anticipate that this division's earnings will be slightly above the prior-year level (2021: €920 million).

For the Nutrition & Care division, we assume that the structural growth trend in our resilient end-markets will continue. In particular, our system solutions for consumer goods, nutrition, and health should register further above-average growth. Overall, we anticipate that this division's earnings will be considerably higher than in the prior year (2021: €717 million).

Within the Smart Materials division, an unchanged positive trend is expected for the Inorganics unit, thanks to its environment-friendly hydrogen peroxide specialties and catalysts. Polymers will benefit above all from new capacity for our high-performance polymers. Higher raw material costs will gradually be offset by our own price rises. Overall, we expect earnings to be significantly higher year-on-year (2021: €650 million).

In the Performance Materials division, we should benefit from a market improvement in the Baby Care business and our long-standing customer relationships. By contrast, we expect margins on C_4 derivatives to normalize. Overall, we assume that earnings in this division will be lower than in the previous year (2021: €317 million).

For the Technology & Infrastructure division and enabling functions, other activities, consolidation, we are predicting that earnings will be considerably less negative than in the previous year (2021: –€221 million), which was affected, among other things, by high insurance deductibles for weather-related damage in Europe and the USA and temporary power plant shutdowns in Germany.

In 2022, the return on capital employed **(ROCE)** is expected to be slightly above the previous year's level (2021: 9.0 percent).

Financing and investments

We expect **cash outflows for investments in intangible assets, property, plant and equipment** to be around €900 million in 2022 (2021: €865 million).

For the free cash flow, we expect the **cash conversion rate**[1] to reach the previous year's very good level of approximately 40 percent (2021: 40 percent). Combined with the forecast improvement in adjusted EBITDA, the absolute **free cash flow** should therefore be higher than in the previous year (2021: €950 million). Our high investment discipline and focused management of net working capital should have a positive impact, while higher bonus payments will provide a headwind.

Occupational and plant safety

Our aim is to avoid all accidents and incidents. We assume that the **accident frequency rate** will be around the prior-year level (2021: 0.19) and thus once again well below the upper limit of 0.26 set for 2022. We anticipate that we can achieve a slight improvement in our plant safety indicator, **incidency frequency rate** (2021: 0.48), 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] Ratio of free cash flow to adjusted EBITDA.

CORPORATE GOVERNANCE

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Report of the supervisory board

Bernd Tönjes, Chairman of the Supervisory Board

Ladies and Gentlemen,

In 2021, 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

For the second consecutive year, the coronavirus pandemic affected the way the supervisory board conducted its work and held its meetings. The meetings on March 3, 2021, June 2 and 23, 2021, and December 14, 2021 were purely virtual meetings. The meeting on September 22, 2021 used a hybrid format comprising a mixture of attendance in person and remote participation. At these five meetings, we discussed issues of central importance for the Evonik Group. In addition, the supervisory board adopted one resolution using the written circulation procedure.

The work of the supervisory board was again supported and prepared by its committees in 2021. The principle that meetings should be held either purely virtual meetings or as a combination of attendance in person and remote participation also applied unrestrictedly to the work of the committees. The committees and their members in the year under review were as follows:

- **Executive committee:** Bernd Tönjes (chairman), Karin Erhard (deputy chairwoman), Martin Albers, Dr. Volker Trautz.
- **Audit committee:** Michael Rüdiger (from June 3, 2021; chairman and financial expert with specialist knowledge of accounting within the meaning of section 100 paragraph 5 German Stock Corporation Act/AktG and recommendation D.4 of the German Corporate Governance Code), Dr. Siegfried Luther (until June 2, 2021; chairman and financial expert within the meaning of section 100 paragraph 5 AktG and recommendation D.4 of the German Corporate Governance Code), Birgit Biermann (deputy chairwoman), Jens Barnhusen, Prof. Barbara Grunewald, Dr. Thomas Sauer, Angela Titzrath (financial expert with specialist knowledge of audit procedures 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 (from June 3, 2021, also chairman), Michael Rüdiger (until June 2, 2021, also chairman), Karin Erhard (deputy chairwoman), Martin Albers, Frank Löllgen, Gerhard Ribbeheger (from April 1, 2021), Anke Strüber-Hummelt (until March 31, 2021), Bernd Tönjes, Ulrich Weber.
- **Innovation and research committee:** Prof. Barbara Albert (chairwoman), Frank Löllgen (deputy chairman), Prof. Aldo Belloni, Karin Erhard (until June 2, 2021), Hussin El Moussaoui, Martina Reisch, Gerhard Ribbeheger (from June 3, 2021), 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.

Subsection 2.3 p. 89 ff. of the declaration on corporate governance contains a detailed description of the tasks allocated to these committees.

The executive committee held six meetings in 2021. The audit committee and the finance and investment committee each held four meetings, and the innovation and research committee held two meetings. The nomination committee met three times in the reporting period. 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 on examining the annual financial statements on the basis of the intensive preliminary examination by the audit committee. Another important issue, based on the preliminary work and recommendations of the nomination committee, was the planning for new shareholder representatives on the supervisory board following the resignation of Dr. Siegfried Luther and Peter Spuhler with effect from the end of the annual shareholders' meeting in June 2021. Further the supervisory board discussed the budget for 2021 and the mid-term planning. In addition, it considered the non-financial statement, the declaration on corporate governance, the bonus payments to the executive board members for the preceding fiscal year, and the executive board's objectives for fiscal 2021. In June, the supervisory board held two meetings. The central issue at the first of these meetings, on June 2, 2021, was the reappointment of Christian Kullmann as chairman of the executive board (see the section headed "Personnel issues relating to the executive board and supervisory board" p. 85). The second meeting, on June 23, 2021, mainly looked at the carve-out of the superabsorbents and acrylic acids business to form an independent entity within the Evonik Group with the ability to enter into partnerships. The agenda for the meeting in September 2021 included a further personnel issue relating to the executive board (for further information, see the section headed "Personnel issues relating to the executive board and supervisory board" p. 85). Furthermore, the supervisory board adopted amendments to its rules of procedure and an update to the declaration of conformity 2020. At its meeting in December, the supervisory board adopted the budget for 2022, the mid-term planning for the period to 2024, and the current declaration of conformity pursuant to section 161 of the German Stock Corporation Act (AktG).

The main issues addressed by the **executive committee** in the reporting period were: an examination of the business situation, current projects, and the price of Evonik shares; the inclusion of ESG targets into the long-term incentive (LTI); the bonus payments to the executive board members for 2020 and their targets for 2021; reappointment of executive board members; the approval of secondary employment of a member of the executive board; the planning for 2022 and the mid-term planning for the period to 2024.

The meeting of the **audit committee** in February 2021 focused primarily on the annual financial statements of Evonik Industries AG and the consolidated financial statements of the Evonik Group. Other matters examined by the audit committee included opportunity and risk management, the compliance report for 2020, the mid-term dividend policy, the proposal for the selection of the auditor for 2021, the appointment of the auditor, and the establishment of a cap on fees for non-audit services by the auditor. The main item at the meeting in May was the quarterly statement as of March 31, 2021. At its meeting in August, the audit committee discussed the changes in the statutory framework resulting from the German Act to Strengthen Financial Market Integrity (FISG). It also made a thorough examination, among other things, of the business performance in the first half of 2021 and the half year financial report as of June 30, 2021 and discussed the upcoming changes to the rules of procedure of the supervisory board, including adopting a recommendation on this. Furthermore, the audit committee obtained a status report on the implementation of the reporting requirements relating to the EU taxonomy. The main item discussed at the meeting in November was the business performance in the third quarter, together with the quarterly financial statement as of September 30, 2021. In addition, the audit committee examined the requirements for a functioning compliance management system in the context of the newly adopted German Act on Due Diligence in the Supply Chain and defined the focal areas of the audit for 2021. It also examined the annual report of the internal audit department, together with the audit schedule and the annual reports of ESHQ (Environment, Safety, Health, and Quality) and Group Security.

In the reporting period, the **finance and investment committee** concentrated intensively on growth projects and the integration of the acquisitions into the Evonik Group (see "Investments and acquisitions"). Other topics included the plans for the reporting period and 2022 as well as the mid-term planning, the macroeconomic situation, the carve-out of the Baby Care business line, the capital markets' perspective on Evonik, including consulting an external analyst, and status reports on projects and currently relevant issues.

At its meeting in April, the **innovation and research committee** looked in detail at the reorganization of the Research, Development, & Innovation (RD&I) function and water management at Evonik. The main items on the agenda at the November meeting of the innovation and research committee were the use of artificial intelligence in product development in the High Performance Polymers business line within the Smart Materials division and ways of reducing the environmental impact of plastics.

In the reporting period, the **nomination committee** addressed succession planning in connection with the resignation of the shareholder representatives Dr. Siegfried Luther and Peter Spuhler with effect from the end of the annual shareholders' meeting in 2021.

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

Evonik's business developed well in 2021. Demand was high, and volume sales increased significantly compared with the previous year when business was hampered by the coronavirus pandemic. In the second half of the year, however, a sharp rise in raw material and logistics costs and problems within global supply chains had an adverse effect. Thanks to higher volumes and selling prices, group sales increased by 23 percent to €14,955 million and adjusted EBITDA advanced 25 percent to €2,383 million. Net income was 60 percent higher at €746 million.

The net income of Evonik Industries AG, calculated on the basis of the German Commercial Code, increased substantially to €732 million.

Investments and acquisitions

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

- Construction of a methylmercaptan facility at the site in Mobile (Alabama, USA)
- Construction of a production facility for rhamnolipids at the Fermas site in Slovenská Ľupča (Slovakia)
- Acquisition of Infinitec Activos SL, Barcelona (Spain)
- Construction of a new polyamide 12 production line in Marl (Germany)

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

- Expansion of capacity at the integrated silica/silane production facility in Antwerp (Belgium)
- Construction and operation of a backwardly integrated methionine complex on Jurong Island (Singapore)
- Construction of a production facility for omega-3 fatty acids for aquaculture in Blair (Nebraska, USA)
- Acquisition of Porocel, Little Rock (Arkansas, USA)
- Modernization of the Allentown site (Pennsylvania, USA)
- Construction of a new production site for precipitated silica at the Bushy Park site in Charleston (South Carolina, USA)
- Expansion of capacity for specialty silicas at the site in Chester (Pennsylvania, USA)

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 June 2021
- Resolution on the declaration of conformity in compliance with section 161 of the German Stock Corporation Act (AktG) and the supervisory board's report to the annual shareholders' meeting
- Ongoing impact of the coronavirus crisis and the measures taken in this connection, including implementation of the vaccination and testing requirements for accessing workplaces and attending meetings and events
- Amendment of the investment thresholds for Evonik Pensionstreuhand e. V.
- 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 for 2022

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

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	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	6/6	100	4/4	100			3/3	100	0/0		2/2	100
Karin Erhard (deputy chairwoman)	5/5	100	6/6	100	4/4	100					0/0		1/1	100
Martin Albers	5/5	100	6/6	100	4/4	100					0/0			
Prof. Barbara Albert	5/5	100											2/2	100
Jens Barnhusen	5/5	100					4/4	100						
Prof. Aldo Belloni	5/5	100			4/4	100							2/2	100
Birgit Biermann	4/5	80					4/4	100						
Werner Fuhrmann (from June 2, 2021)	2/3	67												
Prof. Barbara Grunewald	5/5	100					4/4	100						
Martin Kubessa	5/5	100												
Frank Löllgen	5/5	100			4/4	100							2/2	100
Dr. Siegfried Luther (until June 2, 2021)	2/2	100					2/2	100						
Hussin El Moussaoui	5/5	100											2/2	100
Cedrik Neike (from June 2, 2021)	3/3	100												
Martina Reisch	5/5	100											2/2	100
Gerhard Ribbeheger (from April 1, 2021)	4/4	100			3/3	100							1/1	100
Michael Rüdiger	5/5	100			4/4	100	2/2	100						
Dr. Thomas Sauer	5/5	100					4/4	100						
Peter Spuhler (until June 2, 2021)	0/2	0												
Anke Strüber-Hummelt (until March 31, 2021)	1/1	100			1/1	100								
Angela Titzrath	5/5	100					4/4	100						
Dr. Volker Trautz	5/5	100	6/6	100					3/3	100	0/0		2/2	100
Ulrich Weber	5/5	100			4/4	100			3/3	100				

Corporate governance

The supervisory board is committed to the principles of good corporate governance. This is based principally on recognition of the provisions of the German Corporate Governance Code in the current version of December 16, 2019. 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 2021, the executive board and supervisory board issued a declaration of conformity, which is published on the company's website www.evonik.com/declaration-on-corporate-governance and in the declaration on corporate governance p. 86 f.

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. 86 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 early summer 2021, the supervisory board held an event addressing the topic of cybersecurity that lasted several hours. 85 percent of supervisory board members participated. In the second half of the year, another multi-hour event was held, this time on smart materials. Two dates were offered for this, and the attendance rate was 70 percent. A hybrid format comprising a mixture of attendance in person and remote participation was used for both events.

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 2021 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 2021. 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 (KMPG), Berlin (Germany) has audited the financial statements of Evonik Industries AG as of December 31, 2021, 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) adopted 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 2021, 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 June 2, 2021. 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 timely identification of developments that could represent a threat to the continued existence of the company.

In addition, KPMG was awarded the contract for the audit 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 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. In the first year of reporting, disclosures are only required on taxonomy-eligible business activities for the first two environmental objectives—climate change mitigation and climate change adaptation.

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 2, 2022. At its meeting on February 23, 2022, 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. The audit committee convinced itself that the auditor performed the audit correctly and that the audit and the audit reports meet the statutory requirements. Further, the audit committee requested the auditor to report on its collaboration with the internal audit department and 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, the consolidated financial statements for the Evonik Group, the combined management report for fiscal 2021, 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 2, 2022. The auditor also took part in this meeting 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.

The supervisory board convinced itself that the auditor performed the audit correctly and that the audit and the audit reports meet the statutory requirements. 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 2, 2022, the supervisory board therefore endorsed the annual financial statements of Evonik Industries AG and the consolidated annual financial statements. The annual financial statements for 2021 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 for the distribution of the profit, in particular with a view to the dividend policy, the impact on liquidity, 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 2021. 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 2, 2022.

The audit committee conducted a thorough examination of these documents at its meeting on February 23, 2022 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 convinced itself that the auditor performed the audit correctly and that the audit and the audit reports meet the statutory requirements. 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 2, 2022. At this meeting too, 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 checked 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 convinced itself that the auditor performed the audit correctly and that the audit and the audit reports meet the statutory requirements.

In particular, it examined the completeness and correctness of the report on relations with affiliated companies. No grounds for objection were identified.

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 its meeting on June 2, 2021, the supervisory board reappointed Christian Kullmann to the executive board for a period of five years starting on May 24, 2022 and confirmed his position as chairman of the executive board of Evonik Industries AG.

At its meeting on September 22, 2021, the supervisory board reappointed Dr. Harald Schwager as a member of the executive board for the period from September 1, 2022 through August 31, 2025 and confirmed his position as deputy chairman of the executive board of Evonik Industries AG.

On the supervisory board, there was one change on the employee side in 2021. Anke Strüber-Hummelt stepped down from the supervisory board on March 31, 2021. Gerhard Ribbeheger was appointed by Essen Local Court to replace her as a member of the supervisory board with effect from April 1, 2021.

On the shareholders' side, there were two personnel changes on the supervisory board in 2021: Dr. Siegfried Luther and Peter Spuhler resigned from the supervisory board with effect from the end of the annual shareholders' meeting on June 2, 2021. The annual shareholders' meeting on June 2, 2021 elected Werner Fuhrmann to succeed Dr. Siegfried Luther from the end of the annual shareholders' meeting. Furthermore, the annual shareholders' meeting on June 2, 2021 elected Cedrik Neike to replace Peter Spuhler from the end of the annual shareholders' meeting.

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

The supervisory board appointed Gerhard Ribbeheger to the finance and investment committee with effect from April 1, 2021 to replace Anke Strüber-Hummelt. The supervisory board also elected Gerhard Ribbeheger as a member of the innovation and research committee from June 3, 2021, as successor to Karin Erhard, who left the committee. Michael Rüdiger took over the role of chairman of the audit committee from Dr. Siegfried Luther effective June 3, 2021. Michael Rüdiger stepped down as chairman of the finance and investment committee as of this date. The supervisory board elected Prof. Aldo Belloni as chairman of the finance and investment committee with effect from June 3, 2021. Effective June 3, 2021, the supervisory board designated Angela Titzrath and Michael Rüdiger as finance experts for the fields of auditing and accounting, respectively, in accordance with section 100 paragraph 5 German Stock Corporation Act (AktG).

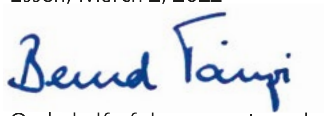
The supervisory board would like to thank Anke Strüber-Hummelt, Dr. Siegfried Luther, and Peter Spuhler for their committed work over many years for the good of the company and its workforce.

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 and careful management of the pandemic during the past year.

The supervisory board adopted this report at its meeting on March 2, 2022, in accordance with section 171 paragraph 2 of the German Stock Corporation Act (AktG).

Essen, March 2, 2022



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 22 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 December 16, 2019. 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 2020, including the update of September 2021, the company has fully complied with all recommendations of the German Corporate Governance Code in the version dated December 16, 2019, as published in the Federal Gazette on March 20, 2020, with the following exceptions, and will continue to do so.

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. 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.

With effect from the end of the annual shareholders' meeting on June 2, 2021, Mr. Peter Spuhler resigned from the company's supervisory board. The declaration of an exception from recommendation C.5 with respect to him has not been required since then and will not be necessary in the future.

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, was elected chairman of the supervisory board of Borussia Dortmund GmbH & Co. KGaA with effect from September 25, 2021. Mr. Kullmann has been a member of this board since May 2007 and was its deputy chairman from August 2019. In this function, he already prepared and chaired meetings of the supervisory board and the annual shareholders' meeting of Borussia Dortmund GmbH & Co. KGaA in November 2020 due to the absence of the previous chairman of the supervisory board. Mr. Kullmann 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 assuming 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.

Essen, December 2021

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. 86 f.

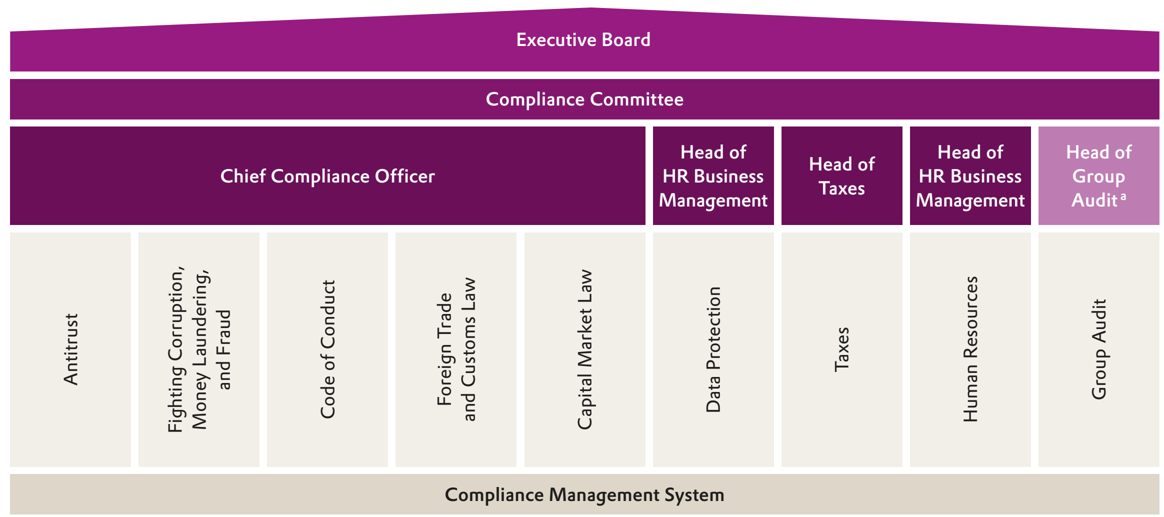
Compliance

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. They include antitrust law, fighting corruption, money laundering, and

House of Compliance C33



[a] Advisory role.

fraud, as well as the code of conduct, foreign trade and customs law, capital market law, data protection, taxes, human resources, and group audit. Environment, safety, health, and quality, including compliance-related aspects, 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 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 and efficacy of the compliance management system for the compliance topics allocated to them.

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

The executive board and supervisory board continuously examine sustainability topics, especially aspects of the environment, safety, and society during the year. Sustainability was the principal topic at the supervisory board's strategy meeting in September 2021. The development of accident frequency and severity is reflected in the executive board's variable pay as a performance-related component. Extensive information on sustainability can be found in the sustainability section of the combined management report **p. 45 ff.** and the sustainability report. **www.evonik.com/sustainability-report**

Compliance Management System (CMS) C34

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 **www.evonik.com/investor-relations**, which provides a convenient overview of important dates. 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. 86 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 2021, 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. 79 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. 95 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 2021.

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 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 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 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 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.

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. 93 f.

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, seven 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 in human resources and social issues
  This requires professional experience in organizing, selecting, and hiring personnel. Based on this description, 14 members of the supervisory board have experience in human resources and social issues.
- Scientific knowledge (especially a knowledge of the chemical sector)
  Such knowledge may have been acquired through vocational training, a course of study, or professional activity in a scientific context. Seven members of the supervisory board meet this requirement.
- Experience in 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.

Digital progress in the industry is increasingly impacting the work of the supervisory board. Before the next supervisory board elections, which are scheduled for 2023, a review will therefore be conducted to establish which additional competencies need to be added in the areas of digitalization and information technology and taken into account when selecting candidates. Until then, these topics should regularly be included in the annual training offered by the company to the present supervisory board members.

[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).

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. 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, 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), Birgit Biermann (deputy chairwoman), Jens Barnhusen, Prof. Barbara Grunewald, Dr. Thomas Sauer, 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, Frank Löllgen, Gerhard Ribbeheger, Michael Rüdiger, 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), Frank Löllgen (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. 79 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. 95 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 the 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 representing the shareholders,and three representing 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. It therefore also meets the new 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 2021, the proportion of female managers was 26.9 percent at the first management level and 29.2 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 p. 89 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 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. 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 June 2, 2021 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 2021. 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 June 2, 2021, KPMG also reviewed the half year financial report in fiscal 2021.

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 combined management report p. 64 ff.

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)
• RSBG SE (Chair) (until August 16, 2021)

b) • DEKRA e.V.

Karin Erhard, Hanover
Deputy Chairwoman of the Supervisory Board

Member of the Central Board of Executive Directors of the German Mining, Chemical and Energy Industrial Union (IG BCE)

a) • 50Hertz Transmission GmbH

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

Chairman of the Works Council of the jointly operated Essen campus

b) • RAG-Stiftung

Prof. Barbara Albert, Darmstadt
Professor of Solid State Chemistry at the Eduard-Zintl Institute of Inorganic and Physical Chemistry of the Technical University of Darmstadt

a) • Schunk GmbH

Jens Barnhusen, Bottrop
Deputy Chairman of the Works Council for Evonik's Goldschmidtstrasse facilities

a) • Pensionskasse Degussa VVaG

Prof. Aldo Belloni, Eurasburg
Former Chairman of the Executive Board of Linde Aktiengesellschaft

b) • TÜV Süd e.V. (Chair)

Birgit Biermann, Bochum
District Manager Dortmund-Hagen of the German Mining, Chemical and Energy Industrial Union (IG BCE) (until October 25, 2021)

Member of the Central Board of Executive Directors of the German Mining, Chemical and Energy Industrial Union (IG BCE) (since October 26, 2021)

b) • DMT-Gesellschaft für Lehre und Bildung mbH

Werner Fuhrmann, Gronau
(since June 2, 2021)

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 for Civil Law and Commercial Law at the University of Cologne

Martin Kubessa, Velbert
Member of the Works Council for Evonik's Marl facilities

Frank Löllgen, Cologne
Regional Director North Rhine of the German Mining, Chemical and Energy Industrial Union (IG BCE)

a) • Bayer AG

Hussin El Moussaoui, Brachttal Schlierbach
Deputy Chairman of the Group Works Council of Evonik Industries AG

Deputy Chairman of the Works Council for the jointly operated Hanau site

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).

Cedrik Neike, Berlin
(since June 2, 2021)

Member of the Managing Board of Siemens Aktiengesellschaft and CEO of Digital Industries

b) • ATOS SE, Bezons (France)
• Siemens France Holding S.A., Saint-Denis (France)
• Siemens Aktiengesellschaft Österreich, Vienna (Austria)

Martina Reisch, Rheinfelden
Chairwoman of the Works Council of the jointly operated Rheinfelden site

Gerhard Ribbeheger, Haltern am See
(since April 1, 2021)

Deputy Chairman of the Group Works Council of Evonik Industries AG

Chairman of the Works Council for Evonik's Marl facilities

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

Angela Titzrath, Hamburg
Chairwoman of the Executive Board of Hamburger Hafen und Logistik Aktiengesellschaft

a) • Deutsche Lufthansa AG
• Talanx AG

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, of Deutsche Bahn AG

a) • HDI Global SE
• ias Aktiengesellschaft

b) • ias Stiftung

The following members left the supervisory board in 2021:

Anke Strüber-Hummelt, Marl
(until March 31, 2021)

Deputy Chairwoman of the Group Works Council of Evonik Industries AG

Chairwoman of the Works Council for Evonik's Marl facilities

Dr. Siegfried Luther, Gütersloh
(until June 2, 2021)

Former Chief Financial Officer of Bertelsmann AG (now Bertelsmann SE & Co. KGaA)

a) • Sparkasse Gütersloh-Rietberg (until January 21, 2021)

Peter Spuhler, Weiningen (Switzerland)
(until June 2, 2021)

Interim Group CEO of Stadler Rail AG

and Chairman of the Board of Directors of Stadler Rail AG, Bussnang (Switzerland) and of PCS Holding AG, Frauenfeld (Switzerland)

a) • Robert Bosch GmbH, Stuttgart

b) • Aebi Schmidt Holding AG, Frauenfeld (Switzerland) (Chair)
• AngelStar S.r.l., Mola di Bari (Italy)
• Allreal Holding AG, Zug (Switzerland)
• Autoneum Holding AG, Winterthur (Switzerland) (until March 25, 2021)
• Chesa Sül Spelm AG, Frauenfeld (Switzerland)
• DSH Holding AG, Warth-Weiningen (Switzerland)
• European Loc Pool AG, Frauenfeld (Switzerland)
• Rieter Holding AG, Winterthur (Switzerland)
• Stadler CIS AG, Bussnang (Switzerland) (Chair until March 10, 2021)
• Stadler Minsk CJSC, Minsk (Belarus) (Chair)
• Stadler Pankow GmbH, Berlin (Chair)
• Stadler Trains Magyarország Kft., Budapest (Hungary)
• Stadler US Inc., Westfield (USA)
• ZSC Lions AG, Zurich (Switzerland)

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 since September 25, 2021)

Dr. Harald Schwager, Speyer
Deputy Chairman of the Executive Board

a) • Evonik Operations GmbH (Chair)

b) • DEKRA e.V. (since April 14, 2021)
• KSB Management SE

Thomas Wessel, Recklinghausen
Chief Human Resources Officer and Labor Relations Director

a) • Evonik Operations GmbH
• Pensionskasse Degussa VVaG (Chair since April 24, 2021)
• 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, 2021, 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. 132,307 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

[1] This report is part of the audited combined management report.

to 10 percent of the company's capital stock. Together with other 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 23, 2018 adopted an amendment to section 4 paragraph 6 of the articles of incorporation authorizing the executive board until May 22, 2023, subject to the approval of the supervisory board, to increase the company's capital stock by up to €116,500,000 (authorized capital 2018). 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 23, 2018 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 2018. The authorized capital has not yet been utilized.

In connection with the authorization of May 23, 2018 to issue convertible and/or warrant bonds with a nominal value of up to €1.25 billion up to May 22, 2023, the capital stock is conditionally increased by a further €37,280,000 (conditional capital 2018). 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 23, 2018, 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 2017, the company agreed a €1.75 billion syndicated credit facility with its core banks; this had not been drawn as of December 31, 2021. 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 a debt issuance program to place bonds with a total volume of up to €5 billion. By December 31, 2021, 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.
- In 2020, the company agreed revolving credit facilities for €100 million in each case for general funding of working capital with DZ Bank AG and the German branch of BNP Paribas S.A. (the "lenders"). The lenders have the right to terminate the credit facilities within agreed deadlines in the event of a change of control and to declare outstanding amounts due and payable. Under the terms of the agreements, a change of control is deemed to have occurred if a person (apart from RAG-Stiftung, Essen, 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.

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.

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Income statement

T39

in € million	Notes	2020	2021
Sales	5.1	12,199	14,955
Cost of sales	5.2	−8,865	−10,925
Gross profit on sales		**3,334**	**4,030**
Selling expenses	5.2	−1,501	−1,717
Research and development expenses	5.2	−433	−464
General administrative expenses	5.2	−531	−546
Other operating income	5.3	288	211
Other operating expense	5.3	−353	−349
Result from investments recognized at equity	5.4	15	8
Income before financial result and income taxes, continuing operations (EBIT)	5.5	**819**	**1,173**
Interest income		48	64
Interest expense		−171	−129
Other financial income/expense		−12	−23
Financial result	5.6	**−135**	**−88**
Income before income taxes, continuing operations		**684**	**1,085**
Income taxes	5.7	−181	−316
Income after taxes, continuing operations		**503**	**769**
Income after taxes, discontinued operations		−24	−2
Income after taxes	5.8	**479**	**767**
thereof attributable to non-controlling interests		14	21
thereof attributable to shareholders of Evonik Industries AG (net income)		465	746
Earnings per share in € (basic and diluted)	5.9	**1.00**	**1.60**
thereof continuing operations		1.05	1.60
thereof discontinued operations		−0.05	0.00

Prior-year figures restated.

Statement of comprehensive income

T40

in € million	2020	2021
Income after taxes	**479**	**767**
Unrealized amounts from hedging instruments: designated risk components	100	−79
Realized amounts from hedging instruments reclassified to profit or loss: designated risk components	−23	−36
Deferred taxes on hedging instruments: designated risk components	−23	36
Unrealized amounts from hedging components: cost of hedging	−40	−11
Realized amounts from hedging instruments reclassified to profit or loss: cost of hedging	45	15
Deferred taxes on hedging instruments: cost of hedging	1	−2
Other comprehensive income from currency translation	−580	527
Other comprehensive income from currency translation of investments recognized at equity	−2	−3
Other comprehensive income that can be reclassified	**−522**	**447**
Other comprehensive income from the remeasurement of the net defined benefit liability	−622	995
Deferred taxes from the remeasurement of the net defined benefit liability	213	−329
Other comprehensive income from equity instruments measured at fair value through OCI	39	−62
Other comprehensive income that cannot be reclassified	**−370**	**604**
Other comprehensive income after taxes	**−892**	**1,051**
Total comprehensive income	**−413**	**1,818**
thereof attributable to non-controlling interests	7	21
thereof attributable to shareholders of Evonik Industries AG	−420	1,797

Balance sheet

T41

in € million	Notes	Dec. 31, 2020	Dec. 31, 2021
Goodwill	6.1, 6.5	4,545	4,785
Other intangible assets	6.1, 6.5	1,332	1,260
Property, plant and equipment	6.2, 6.5	6,588	6,963
Right-of-use assets	6.3	668	608
Investments recognized at equity	6.4, 6.5	75	81
Other financial assets	6.6	607	581
Deferred taxes	6.14	2,004	1,755
Other income tax assets	6.14	13	16
Other non-financial assets	6.8	102	125
Non-current assets		**15,934**	**16,174**
Inventories	6.7	1,806	2,548
Trade accounts receivable	6.6	1,455	1,954
Other financial assets	6.6	697	571
Other income tax assets	6.14	211	199
Other non-financial assets	6.8	231	382
Cash and cash equivalents	6.6, 7	563	456
Current assets		**4,963**	**6,110**
Total assets		**20,897**	**22,284**

in € million	Notes	Dec. 31, 2020	Dec. 31, 2021
Issued capital		466	466
Capital reserve		1,167	1,168
Retained earnings		6,876	7,767
Other equity components		−497	−112
Equity attributable to shareholders of Evonik Industries AG		**8,012**	**9,289**
Equity attributable to non-controlling interests		87	83
Equity	6.9	**8,099**	**9,372**
Provisions for pensions and other post-employment benefits	6.10	4,618	3,766
Other provisions	6.11	715	657
Other financial liabilities	6.12	3,564	3,531
Deferred taxes	6.14	586	628
Other income tax liabilities	6.14	275	195
Other non-financial liabilities	6.13	114	143
Non-current liabilities		**9,872**	**8,920**
Other provisions	6.11	744	892
Trade accounts payable	6.12	1,273	2,022
Other financial liabilities	6.12	434	477
Other income tax liabilities	6.14	136	211
Other non-financial liabilities	6.13	339	390
Current liabilities		**2,926**	**3,992**
Total equity and liabilities		**20,897**	**22,284**

Statement of changes in equity

Note 6.9 T42

in € million	Issued capital	Capital reserve	Retained earnings	Other equity components: 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, 2020	**466**	**1,167**	**7,343**	**76**	**–9**	**–8**	**–65**	**8,970**	**90**	**9,060**
Capital increases/decreases	–	–	–	–	–	–	–	–	2	2
Dividend distribution	–	–	–536	–	–	–	–	–536	–12	–548
Income after taxes	–	–	465	–	–	–	–	465	14	479
Other comprehensive income after taxes	–	–	–409	39	54	6	–575	–885	–7	–892
Total comprehensive income	–	–	56	39	54	6	–575	–420	7	–413
Other changes	–	–	13	–15	–	–	–	–2	–	–2
As of December 31, 2020	**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
Other changes	–	1	15	–	–	–	–	16	–	16
As of December 31, 2021	**466**	**1,168**	**7,767**	**38**	**–34**	**–**	**–116**	**9,289**	**83**	**9,372**

Cash flow statement

Note 7

T43

in € million	2020	2021
Income before financial result and income taxes, continuing operations	819	1,173
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets	1,018	1,073
Result from investments recognized at equity	−15	−8
Gains/losses on the disposal of non-current assets	−10	43
Change in inventories	70	−675
Change in trade accounts receivable	54	−449
Change in trade accounts payable	−30	680
Change in provisions for pensions and other post-employment benefits	−14	83
Change in other provisions	−133	207
Change in miscellaneous assets/liabilities	33	−23
Cash inflows from dividends	27	19
Cash outflows for income taxes	−371	−432
Cash inflows from income taxes	288	124
Cash flow from operating activities, continuing operations	**1,736**	**1,815**
Cash flow from operating activities, discontinued operations[a]	−9	–
Cash flow from operating activities	**1,727**	**1,815**
Cash outflows for investments in intangible assets, property, plant and equipment	−956	−865
Cash outflows to obtain control of businesses	−451	−70
Cash outflows relating to the loss of control over businesses	–	−145
Cash outflows for investments in other shareholdings	−23	−15
Cash outflows relating to divestments of intangible assets, property, plant and equipment	–	−21
Cash inflows from divestments of intangible assets, property, plant and equipment	45	9
Cash inflows relating to the loss of control over businesses	20	–
Cash inflows from divestment of other shareholdings	45	2
Cash inflows/outflows relating to securities, deposits, and loans	720	23
Cash inflows from interest	30	12
Cash flow from investing activities, continuing operations	**−570**	**−1,070**
Cash inflows/outflows relating to non-controlling interests	2	–
Cash outflows for dividends to shareholders of Evonik Industries AG	−536	−536
Cash outflows for dividends to non-controlling interests	−16	−21
Cash outflows for the purchase of treasury shares	−16	−15
Cash inflows from the sale of treasury shares	12	12
Cash inflows from the addition of financial liabilities	1,039	655
Cash outflows for repayment of financial liabilities	−2,156	−948
Cash inflows/outflows in connection with financial transactions	14	91
Cash outflows for interest	−77	−94
Cash flow from financing activities, continuing operations	**−1,734**	**−856**
Change in cash and cash equivalents	**−577**	**−111**
Cash and cash equivalents as of January 1	**1,165**	**563**
Change in cash and cash equivalents	−577	−111
Changes in exchange rates and other changes in cash and cash equivalents	−25	4
Cash and cash equivalents as on the balance sheet as of December 31	**563**	**456**

Prior-year figures restated.

[a] Cash flows from discontinued operations relate entirely to the methacrylates business.

Notes to the consolidated financial statements

1. Segment report

Segment report by operating segments Note 8.1 T44

	Specialty Additives		Nutrition & Care		Smart Materials		Performance Materials		Technology & Infrastructure		Enabling functions, other activities, consolidation		**Total Group (continuing operations)**	
in € million	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**
External sales	3,225	3,710	2,992	3,557	3,235	3,918	1,983	2,911	696	798	68	61	12,199	14,955
Internal sales	10	9	15	7	57	72	65	147	1,370	1,484	−1,517	−1,719	–	–
Total sales	3,235	3,719	3,007	3,564	3,292	3,990	2,048	3,058	2,066	2,282	−1,449	−1,658	12,199	14,955
Result from investments recognized at equity	2	2	–	–	6	6	4	−3	3	3	–	–	15	8
Adjusted EBITDA	857	920	560	717	529	650	88	317	145	97	−273	−318	1,906	2,383
Adjusted EBITDA margin in %	26.6	24.8	18.7	20.2	16.4	16.6	4.4	10.9	20.8	12.2	–	–	15.6	15.9
Adjusted EBIT	681	739	301	453	270	374	−45	188	31	−15	−348	−401	890	1,338
Capital employed (annual average)	4,244	4,168	3,914	3,893	4,244	4,637	1,293	1,209	822	827	83	65	14,600	14,799
ROCE in %	16.0	17.7	7.7	11.6	6.4	8.1	−3.5	15.6	3.8	−1.8	–	–	6.1	9.0
Depreciation and amortization[a]	−173	−180	−255	−253	−259	−273	−126	−126	−110	−108	−75	−83	−998	−1,023
Impairment losses/reversal of impairment losses in accordance with IAS 36	−3	−1	−3	−36	−6	−7	−1	−6	−4	−3	−3	–	−20	−53
Capital expenditures[b]	93	94	139	164	466	379	49	63	159	162	89	67	995	929
Financial investments	–	–	32	90	464	12	–	3	–	–	14	18	510	123
No. of employees as of December 31	3,666	3,693	5,295	5,453	7,874	7,742	1,798	1,964	8,711	8,152	5,762	6,000	33,106	33,004

Prior-year figures restated.

[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

T45

	Europe, Middle East & Africa		North America		Central & South America		Asia-Pacific		Total Group (continuing operations)	
in € million	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**
External sales[a]	5,868	7,363	2,953	3,495	537	684	2,841	3,413	12,199	14,955
Non-current assets in accordance with IFRS 8 as of December 31	7,198	7,472	4,080	4,265	137	166	1,894	1,919	13,309	13,822
Capital expenditures	738	713	158	138	6	13	93	65	995	929
No. of employees as of December 31	22,506	22,461	4,862	4,806	669	701	5,069	5,036	33,106	33,004

Prior-year figures restated.

[a] External sales Europe, Middle East & Africa: thereof Germany €2,469 million (2020: €2,074 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 use of discretion in decisions on accounting policies

The consolidated financial statements cover the period from January 1 to December 31, 2021 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 and decisions based on the use of discretion. 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. Material decisions based on the use of discretion relate to the determination of joint operations (see note 3.7 p. 109 f.), the determination of discontinued operations (see note 4.2 p. 112 f.), indefinite useful lives (see notes 6.1 p. 120 ff. and 6.5 p. 126 ff.), the definition of cash-generating units (see note 6.5 p. 126 ff.), and the recognition of liabilities (see note 9.4.4.2 p. 166 ff.).

The accounting policies and the use of discretion 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 on this page. Other changes to the prior-year figures are outlined either in note 3.5 p. 109 or in the relevant notes.

3.3 Assumptions and estimation uncertainties

The preparation of consolidated financial statements involves assumptions and estimates about the future. The subsequent circumstances may differ from these estimates. Adjustments to estimates are recognized in income as soon as better information is available. We regularly review our assumptions and estimates to identify any need for adjustment. The estimates and assumptions that constitute a considerable risk that the carrying amounts of assets and liabilities may have to be adjusted within the next fiscal year are estimates and assumptions made in impairment testing of goodwill (see note 6.5 p. 126 ff.), and with regard to provisions for pensions (see note 6.10 p. 132 ff.), non-current provisions (see note 6.11 p. 137 ff.), and the valuation of investments, especially measurement of the stake in Vivawest GmbH (see note 9.4 p. 153 ff.).

3.4 Accounting standards to be applied for the first time

Apart from the practical expedients in IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021, which Evonik did not apply, only the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 Interest Rate Benchmark Reform (Phase 2) had to be applied for the first time in fiscal 2021.

In connection with the reform of the interest rate benchmark (IBOR reform), the amendments to IFRS 9, IAS 39, and IFRS 7 Interest Rate Benchmark Reform (Phase 1) issued by the ISAB clarify that hedging relations that are affected by the IBOR reform are not subject to early termination. The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 Interest Rate Benchmark Reform (Phase 2), which are also relevant for changes in benchmark interest rates outside hedge accounting, offer temporary practical expedients for financial reporting by replacing benchmark interest rates by alternative, virtually risk-free rates. The amendments do not have a material impact on the Evonik Group.

3.5 Restatement of prior-year figures

Restatement in the income statement

The **presentation of the adjustments** was altered as of December 31, 2021. Irrespective of their classification as adjustments, they are now allocated to the relevant function costs. The prior-year figures have been restated.

Impact on the income statement T46

in € million	2020
Sales	–
Cost of sales	–32
Gross profit on sales	**–32**
Selling expenses	–3
Research and development expenses	–
General administrative expenses	–29
Other operating income	–57
Other operating expense	121
Result from investments recognized at equity	–
Income before financial result and income taxes, continuing operations (EBIT)	**–**

Restatement in the segment report

Effective January 1, 2021, the executive board of Evonik Industries AG further optimized the **functions** that support the executive board and the operating divisions. The executive board now decides on the allocation of resources at the level of the Technology & Infrastructure division, which was previously part of the Services segment and is therefore now a reporting segment. This division provides technology and infrastructure services for the chemical industry and drives forward production-related innovation and digitalization. At the same time, the support functions formerly bundled in the Services segment were combined with the former corporate functions to form enabling functions with global responsibility for supporting the executive board and the operating divisions. Immaterial goodwill of €59 million previously allocated to the Services segment has been allocated in full to the chemicals divisions in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to ensure a more relevant presentation of the assets of the divisions. The prior-year figures have been restated.

3.6 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 2021 or have not yet been officially adopted by the European Union (amendments to IFRS 3 Reference to the Conceptual Framework, IAS 16 Proceeds Before Intended Use, IAS 37 Onerous Contracts – Cost of Fulfilling a Contract, Annual Improvements 2018–2020 with additional amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41, amendments to IAS 1 Classification of Liabilities as Current or Non-current, amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies, amendments to IAS 8 Definition of Accounting Estimates, and amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction). 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.

3.7 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.

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. 111 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 shareholdings 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 shares 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.

3.8 Currency translation

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 (see note 9.4.4.1 p. 164 ff.).

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.

Exchange rates T47

	Average annual rates		Closing rates	
€1 corresponds to	2020	**2021**	Dec. 31, 2020	**Dec. 31, 2021**
Brazilian real (BRL)	5.88	6.38	6.37	6.31
British pound (GBP)	0.89	0.86	0.90	0.84
Chinese renminbi yuan (CNY)	7.89	7.64	8.02	7.19
Japanese yen (JPY)	121.89	130.03	126.49	130.38
Singapore dollar (SGD)	1.57	1.59	1.62	1.53
US dollar (USD)	1.15	1.19	1.23	1.13

Argentina has been classified as a hyperinflationary economy since July 1, 2018, so the concept of historical cost of acquisition and production pursuant to IAS 29 Financial Reporting in Hyperinflationary Economies is therefore applied to two Argentinean subsidiaries. The loss on the net monetary items is recognized in the financial result. In 2021, it was €34 million (2020: €7 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 November 30, 2021, it was 560.92 (November 30, 2020: 371.02).

4. Changes in the Evonik Group

4.1 Scope of consolidation

Changes in the scope of consolidation T48

No. of companies	Germany	Other countries	Total
Evonik Industries AG and consolidated subsidiaries			
As of December 31, 2020	**28**	**124**	**152**
Acquisitions	–	4	4
Other companies consolidated for the first time	1	2	3
Intragroup mergers	–1	–1	–2
Other companies deconsolidated	–	–2	–2
As of December 31, 2021	**28**	**127**	**155**
Joint operations			
As of December 31, 2020	**1**	**2**	**3**
As of December 31, 2021	**1**	**2**	**3**
Investments recognized at equity			
As of December 31, 2020	**4**	**11**	**15**
As of December 31, 2021	**4**	**11**	**15**
Total	**33**	**140**	**173**

In aggregate, the acquisitions made in the reporting period were not material.

The following list contains material subsidiaries selected on the basis of quantitative and qualitative criteria in accordance with IFRS 12 Disclosure of Interests in Other Entities. An overview of all companies included in the consolidated financial statements and full details of the shareholdings[1], 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.

[1] 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**

Material consolidated subsidiaries T49

Name of company	Registered office	Shareholding in %
Germany		
Evonik Operations GmbH	Essen	100.00
Evonik Real Estate GmbH & Co. KG	Marl	100.00
Evonik Superabsorber GmbH [a]	Essen	100.00
LBBW AM-EVO [b]	Essen	0.00
Union Treasury 1 [b]	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 Corporation	Parsippany (New Jersey, USA)	100.00
Evonik Finance B.V.	Amsterdam (Netherlands)	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 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 Speciality Organics Ltd.	Greenford (UK)	100.00
Evonik Superabsorber LLC [a]	Greensboro (North Carolina, USA)	100.00
Evonik Taiwan Ltd.	Taipei (Taiwan)	100.00
Evonik UK Holdings Ltd.	Greenford (UK)	100.00
Nippon Aerosil Co., Ltd.	Tokyo (Japan)	80.00
OOO Evonik Chimia	Moscow (Russian Federation)	100.00

[a] Additions in 2021 recognized in other companies consolidated for the first time.
[b] Fully consolidated structured company in accordance with IFRS 10.B8 in conjunction with B19 (b).

There was no change in the shareholdings in the material consolidated subsidiaries compared with the previous year. The only exception comprises the other companies consolidated for the first time in the reporting period.

4.2 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** 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.

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, comprises post-divestment gains/losses, mainly relating to the methacrylates business, which was divested in 2019.

Divestment gains/losses from discontinued operations T50

in € million	2020	2021
Methacrylates business	–25	–1
Other discontinued operations	5	–
Income before income taxes from the divestment of discontinued operations	**–20**	**–1**
Methacrylates business	–6	–1
Other discontinued operations	2	–
Income taxes	**–4**	**–1**
Methacrylates business	–31	–2
Other discontinued operations	7	–
Income after taxes from the divestment of discontinued operations	**–24**	**–2**

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 transfer of control of the products to the customer.

The **transaction price** is the consideration expected to be received from the customer for 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 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 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 is recognized as revenue on a straight-line basis over the contractually agreed performance period.

Sales totaled €14,955 million (2020: €12,199 million). In all divisions, they consist principally of revenue from the sale of products and services. In the Evonik Group, revenue from the sale of products amounted to €14,394 million (2020: €11,670 million) and revenue from the sale of services totaled €520 million (2020: €512 million).

All divisions **sell products** on the basis of multi-year master agreements with annual adjustment of 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. The stage of fulfillment is determined using input- or output-based methods, depending on the specific case.

Sales by segments and regions 2021 T51

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 by segments and regions 2020 T52

in € million	Europe, Middle East & Africa	North America	Central & South America	Asia-Pacific	Total Group
Specialty Additives	1,330	839	92	964	3,225
Nutrition & Care	975	878	296	843	2,992
Smart Materials	1,473	858	93	811	3,235
Performance Materials	1,427	339	55	162	1,983
Technology & Infrastructure	622	36	–	38	696
Enabling functions, other activities	41	3	1	23	68
Total Group	**5,868**	**2,953**	**537**	**2,841**	**12,199**
thereof sales outside the scope of IFRS 15	14	–11	–1	5	7

Prior-year figures restated.

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 €9 million (2020: €10 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, 2021 T53

in € million	Revenue recognition in 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

Transaction prices of unsatisfied performance obligations as of December 31, 2020 T54

in € million	Revenue recognition in 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	873	515	1,229	2,617

Further information on contract assets from contracts with customers can be found in note 6.8 p. 129 f., while further information on contract liabilities from contracts with customers can be found in note 6.13 p. 140 f.

5.2 Function costs

Evonik distinguishes between the following functional areas: cost of sales, selling expenses, research and development expenses, and general administrative expenses.

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. 117 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. 126 ff.

5.3 Other operating income/expense

Other operating income/expense T55

in € million	Other operating income 2020	Other operating income 2021	Other operating expense 2020	Other operating expense 2021
Restructuring measures[a]	3	1	−3	–
Reversal of/additions to other provisions[b]	29	14	−48	−71
Recultivation and environmental protection measures	1	–	−13	−16
Disposal of assets[b]	8	6	−9	−35
Impairment losses/reversal of impairment losses pursuant to IAS 36[b]	–	–	−19	−23
Impairment losses/reversal of impairment losses pursuant to IFRS 9 (net presentation)[c]	–	–	−1	−2
Currency translation of operating monetary assets and liabilities (net presentation)[c]	–	1	−4	–
Operational currency hedging (net presentation)[c]	–	–	−12	−13
REACH Regulation	1	1	−11	−10
Other	246	188	−233	−179
Other operating income/expense	**288**	**211**	**−353**	**−349**

Prior-year figures restated.
[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. 117 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. 126 ff.

In 2021, **impairments/reversal of impairments for expected credit losses pursuant to IFRS 9** Financial Instruments comprised net expense of €2 million (2020: €1 million) relating entirely to trade accounts receivable.

The net income and expense from the **currency translation of operating monetary assets** and from **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. 163 ff.

The **other income** of €188 million (2020: €246 million) contains income of €54 million (2020: €52 million) from occasional, unplanned business activities not intended to be permanent operations (non-core operations). Furthermore, this item contains income of €1 million (2020: €19 million) from subsidies in connection with measures relating to the change in German energy policy and income of €2 million (2020: €6 million) from public subsidies in the China region in connection with the coronavirus pandemic. In addition, the other income contains a claim to a value-added tax refund for previous years in Brazil, insurance refunds, insurance premiums, and commission.

The **other expense** of €179 million (2020: €233 million) contains an expense of €16 million (2020: €28 million) in connection with the acquisition of PeroxyChem and Porocel and the divestment of the methacrylates business. Furthermore, this item contains expenses in connection with the end of disputes relating to the sale of a plot of land in a previous period and the reorganization of the superabsorbents business. Further, this item includes expenses for insurance deductibles, outsourcing, non-core businesses, commission payments, other taxes, and legal and consultancy fees.

5.4 Result from investments recognized at equity

Result from investments recognized at equity T56

in € million	2020	2021
Income from measurement at equity	16	12
Expenses for measurement at equity	−1	−4
Result from investments recognized at equity	**15**	**8**

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 2021 T57

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

Additional information on income before financial result and income taxes in 2020 T58

in € million	Cost of sales	Selling expenses	Administrative expenses	Other operating income	Other operating expense	Result from investments recognized at equity	**Total**
Restructuring measures	−4	−3	−7	3	−3	–	−14
thereof from the reversal of/additions to other provisions	−7	3	7	3	–	–	6
Reversal of/additions to other provisions	−4	–	4	29	−48	–	−19
Result from the disposal of assets	–	–	−11	8	−9	–	−12
Impairment losses/reversal of impairment losses pursuant to IAS 36	−5	–	–	–	−19	4	−20

Prior-year figures restated.

As in the previous year, the income and expenses relating to **restructuring measures** mainly come from the program to reduce selling and administrative expenses. A new estimate was made of the obligations relating to this program due to a change in the employees affected. This resulted in reversals of provisions for restructuring and the establishment of new provisions. This item also includes expenses in connection with the shutdown of a production facility in the Nutrition & Care division and, in the previous year, income in connection with the optimization of the product portfolio in the Performance Materials division.

Disposal of assets T59

	Gains		Loses	
in € million	2020	2021	2020	2021
Property, plant and equipment	11	5	–5	–6
Right-of-use assets	–	1	–	–
Investments	–	–	–14	–22
Trade accounts receivable	–	–	–3	–4
Other non-financial assets	–	–	–1	–3
Total	**11**	**6**	**–23**	**–35**

The losses on the **disposal of assets** resulting from equity investments comprise €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. In 2020, this item contained losses of €12 million due to the divestment of a PeroxyChem company in Canada to meet antitrust requirements.

Note 6.5 p. 126 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 T60

in € million	2020	2021
Income from securities and loans	15	9
Interest and similar income from derivatives	5	1
Other interest-type income	28	54
Interest income	**48**	**64**
Interest expense on financial liabilities	–35	–45
Interest and similar expenses for derivatives	–14	–5
Interest expense for other provisions[a]	–23	–5
Net interest expense for pensions	–54	–43
Interest expense for leases	–16	–14
Other interest-type expense	–29	–17
Interest expense	**–171**	**–129**
Result from currency translation of financing-related assets and liabilities	–41	–43
Income from financing-related currency hedging	36	39
Miscellaneous financial income and expenses	–7	–19
Other financial income/expense	**–12**	**–23**
Financial result	**–135**	**–88**

Prior-year figures restated.
[a] This item contains expense from the unwinding of discounting and from changes in interest rates.

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 €22 million (2020: €9 million) relating to taxes in connection with income from plan assets and income tax receivables.

Negative interest of €1 million (2020: €2 million) on short-term deposits is recognized in **other interest-type expense.**

Interest and similar expenses for derivatives and the corresponding income item mainly comprise accrued and realized interest from cross-currency interest rate swaps used for currency hedging of an intragroup 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. 163 ff.

5.7 Income taxes

Income taxes shown in the income statement T61

in € million	2020	2021
Other income taxes	244	337
thereof relating to other periods	23	–12
Deferred taxes	–63	–21
thereof relating to temporary differences	–58	–13
thereof relating to loss carryforwards and tax credits	–7	–10
thereof from changes in tax rates and tax legislation	2	2
Income taxes	**181**	**316**

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 T62

in € million	2020	2021
Income before income taxes, continuing operations	**684**	**1,085**
Expected income taxes	219	347
Variances due to differences in the assessment base for trade tax	4	4
Deviation from the expected Group tax rate	–53	–82
Changes in the valuation of deferred taxes	–23	2
Losses without the establishment of deferred taxes	5	8
Utilization of loss carryforwards	–4	–12
Changes in tax rates and tax legislation	2	2
Non-deductible expenses	25	29
Tax-free income	–34	–38
Result from investments recognized at equity	–5	–2
Other	45	58
Effective income taxes (current income taxes and deferred taxes)	**181**	**316**
Effective income tax rate in %	26.4	29.1

The changes in the valuation of deferred taxes comprise the revaluation of previously non-recognized deferred taxes on temporary differences. "Other" contains other income taxes and deferred income taxes totaling €13 million (2020: –€4 million) relating to other periods, non-deductible withholding taxes, and, in particular, the revaluation of uncertain income tax positions.

5.8 Income after taxes

Income after taxes T63

in € million	2020	2021
Income after taxes, continuing operations	**503**	**769**
thereof attributable to non-controlling interests	14	21
thereof attributable to shareholders of Evonik Industries AG	489	748
Income after taxes, discontinued operations	**–24**	**–2**
thereof attributable to non-controlling interests	–	–
thereof attributable to shareholders of Evonik Industries AG	–24	–2

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 2020 or 2021, diluted earnings per share are identical to basic earnings per share.

Earnings per share T64

			Earnings per share in € (basic and diluted)	
in € million	2020	2021	2020	2021
Income after taxes, continuing operations	503	769	1.08	1.65
Income after taxes, discontinued operations	–24	–2	–0.05	–
Less income after taxes attributable to non-controlling interests	–14	–21	–0.03	–0.05
Income after taxes attributable to shareholders of Evonik Industries AG (net income)	**465**	**746**	**1.00**	**1.60**

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 on assets with an indefinite useful life, especially goodwill, at least once a year. 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. Trademarks with no restriction on their use (an indefinite useful life) are tested annually for impairment and to check that their useful life is still indefinite. If the assessment alters and the useful life is reclassified as finite, the carrying amounts of such trademarks are amortized over their estimated remaining useful life using the straight-line method.

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

T65

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 other intangible assets**	**Total goodwill and other intangible assets**
Cost of acquisition/production						
As of January 1, 2020	**4,666**	**2,076**	**146**	**1,333**	**3,555**	**8,221**
Currency translation	–206	–11	–	–72	–83	–289
Additions from business combinations	182	61	–	160	221	403
Other additions	–	12	–	19	31	31
Disposal	–	–700	–142	–389	–1,231	–1,231
Reclassification	–	17	–	–11	6	6
As of December 31, 2020	**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
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**
Amortization and impairment losses						
As of January 1, 2020	**97**	**1,500**	**144**	**622**	**2,266**	**2,363**
Currency translation	–	–4	–	–16	–20	–20
Amortization	–	77	–	66	143	143
Impairment losses	–	5	–	–	5	5
Disposal	–	–697	–141	–389	–1,227	–1,227
As of December 31, 2020	**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
Disposal	–	–22	–	–	–22	–22
As of December 31, 2021	**98**	**957**	**6**	**369**	**1,332**	**1,430**
Carrying amounts as of December 31, 2020	**4,545**	**574**	**1**	**757**	**1,332**	**5,877**
Carrying amounts as of December 31, 2021	**4,785**	**525**	**20**	**715**	**1,260**	**6,045**

Prior-year figures restated.

Franchises, trademarks, and licenses do not include trademarks with an indefinite useful life (2020: €170 million). In the annual review of the useful life of trademarks, the estimate for trademarks totaling €170 million was altered, resulting in classification as trademarks with a finite useful life. This was part of a strategic review of the trademark portfolio following the introduction of the new corporate structure. These trademarks are now amortized on a straight-line basis. Periods of between ten and 20 years were defined for their amortization.

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

T66

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, 2020	**3,592**	**13,317**	**1,070**	**788**	**18,767**
Currency translation	–116	–393	–17	–15	–541
Additions from business combinations	50	203	14	16	283
Other additions	70	158	37	699	964
Disposal	–28	–299	–50	–10	–387
Reclassification	7	279	15	–342	–41
As of December 31, 2020	**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
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**
Depreciation and impairment losses					
As of January 1, 2020	**1,703**	**9,704**	**882**	**43**	**12,332**
Currency translation	–44	–226	–12	–	–282
Additions from business combinations	5	27	–	–	32
Depreciation	93	552	68	–	713
Impairment losses	2	16	1	1	20
Disposal	–28	–273	–50	–1	–352
Reclassification	–7	3	–	–2	–6
As of December 31, 2020	**1,724**	**9,803**	**889**	**41**	**12,457**
Currency translation	50	233	11	–1	293
Additions from business combinations	–	–	–	–	–
Depreciation	96	565	62	–	723
Impairment losses	4	40	–	4	48
Disposal	–9	–169	–39	–	–217
Reclassification	–1	–23	–4	–	–28
As of December 31, 2021	**1,864**	**10,449**	**919**	**44**	**13,276**
Carrying amounts as of December 31, 2020	**1,851**	**3,462**	**180**	**1,095**	**6,588**
Carrying amounts as of December 31, 2021	**1,941**	**3,566**	**168**	**1,288**	**6,963**

Prior-year figures restated.

The carrying amount of property, plant and equipment used as **collateral for liabilities of Evonik** is €23 million, as in the previous year.

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

T67

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, 2020	**251**	**350**	**156**	**757**
Currency translation	–10	–2	–7	–19
Additions from business combinations	11	5	17	33
Other additions	32	32	90	154
Disposal	–17	–25	–19	–61
Reclassification	33	–	–	33
As of December 31, 2020	**300**	**360**	**237**	**897**
Currency translation	9	4	8	21
Additions from business combinations	3	–	–	3
Other additions	45	6	59	110
Disposal	–26	–22	–39	–87
Reclassification	8	–8	–	–
As of December 31, 2021	**339**	**340**	**265**	**944**
Depreciation and impairment losses				
As of January 1, 2020	**35**	**37**	**45**	**117**
Currency translation	–2	–	–1	–3
Depreciation	34	40	67	141
Disposal	–14	–2	–17	–33
Reclassification	7	–	–	7
As of December 31, 2020	**60**	**75**	**94**	**229**
Currency translation	4	1	3	8
Depreciation	36	41	64	141
Disposal	–9	–7	–26	–42
Reclassification	1	–1	–	–
As of December 31, 2021	**92**	**109**	**135**	**336**
Carrying amounts as of December 31, 2020	**240**	**285**	**143**	**668**
Carrying amounts as of December 31, 2021	**247**	**231**	**130**	**608**

Further information on right-of-use assets and leasing can be found in note 9.2 p. 150 f.

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 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 T68

in € million	Dec. 31, 2020	Dec. 31, 2021
Carrying amount of individually non-material associates	8	13
Carrying amount of individually non-material joint ventures	67	68
Investments recognized at equity	**75**	**81**

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 T69

	Associates		Joint ventures	
in € million	2020	2021	2020	2021
Income after taxes, continuing operations	3	4	12	4
Total comprehensive income	**3**	**4**	**12**	**4**

In addition, there was other comprehensive income of –€3 million (2020: –€2 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. 172 ff.

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 and other intangible assets with an indefinite useful life are 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. 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 Fair Value Measurement). Future cash flows are derived from the current three-year mid-term plan. 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 determined by calculating the value in use of the CGU/group of CGUs.

The **impairment test on goodwill** is based on the cash flows derived from the mid-term plan. Other key parameters are the terminal growth rate and the weighted average cost of capital after taxes. These are defined centrally by Evonik and are derived from internal and external market expectations. 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 impairment testing of goodwill is September 30.

Disclosures on the impairment test on segment goodwill T70

	WACC after taxes (in %)		Terminal growth rate (in %)		Goodwill[a] (in € million)	
	2020	**2021**	2020	**2021**	Dec. 31, 2020	**Dec. 31, 2021**
Specialty Additives	6.52	6.37	1.50	1.50	1,861	1,986
Nutrition & Care	6.39	5.72	1.50	1.50	1,105	1,185
Smart Materials	7.28	7.15	1.50	1.50	1,292	1,319
Performance Materials	7.56	7.31	1.50	1.50	287	295

[a] Prior-year figures restated.

The future cash flow estimate was based on assumptions about the development of sales, which are reflected in segment-specific average annual growth rates of between 2.5 percent and 3.2 percent. For adjusted EBITDA, growth in line with sales is assumed for the Specialty Additives division; for the other chemicals divisions, it is assumed that growth in adjusted EBITDA will be considerably higher than the increase in sales.

In the **impairment tests on other intangible assets, property, plant and equipment, right-of-use assets, investments recognized at equity, and certain other non-financial assets,** the recoverable amount is determined analogously to the method used for the impairment test on goodwill.

The impairment tests on investments recognized at equity led to an impairment loss of €3 million for a CGU in the Performance Materials division (2020: reversal of €4 million).

The impairment tests on other intangible assets and property, plant and equipment resulted in impairment losses for individual CGUs. The impairment losses in the Nutrition & Care division relate to production facilities in the North America region. In the Smart Materials and Performance Materials divisions, impairment losses were recognized for production facilities in North America and Europe. All impairment losses involved a write-down of the value in use.

Impairment losses by assets and segments T71

	Intangible assets		Property, plant and equipment		Investments recognized at equity		Total	
in € million	2020	2021	2020	2021	2020	2021	2020	2021
Specialty Additives	–	–	3	1	–	–	3	1
Nutrition & Care	1	–	2	36	–	–	3	36
Smart Materials	–	2	6	5	–	–	6	7
Performance Materials	–	–	5	3	–	3	5	6
Technology & Infrastructure	1	–	3	3	–	–	4	3
Enabling functions, other activities	3	–	–	–	–	–	3	–
Total Group	**5**	**2**	**19**	**48**	**–**	**3**	**24**	**53**

Prior-year figures restated.

6.6 Financial assets

Financial assets T72

	Dec. 31, 2020		Dec. 31, 2021	
in € million	Total	thereof non-current	Total	thereof non-current
Trade accounts receivable	**1,455**	**–**	**1,954**	**–**
Cash and cash equivalents	**563**	**–**	**456**	**–**
Other investments	568	568	515	515
Loans	49	5	51	10
Securities and similar claims	492	27	489	43
Receivables from derivatives	163	5	70	3
Miscellaneous other financial assets	32	2	27	10
Other financial assets	**1,304**	**607**	**1,152**	**581**
Financial assets	**3,322**	**607**	**3,562**	**581**

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. 154 ff.

As in the previous year, the **loans** contain convertible bonds totaling €12 million. Information on their valuation is presented in note 9.4.1 p. 154 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 T73

in € million	Dec. 31, 2020	Dec. 31, 2021
Receivables from cross-currency interest rate swaps	72	–
Receivables from forward exchange contracts and currency swaps	90	29
Receivables from commodity derivatives	1	41
Total	**163**	**70**

The **miscellaneous other financial assets** comprise time deposits at banks and claims relating to the termination of contracts. Further, the figure for the previous year contains receivables of €3 million from finance leases.

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.

Inventories T74

in € million	Dec. 31, 2020	Dec. 31, 2021
Raw materials and supplies	436	617
Work in progress	95	98
Finished goods and merchandise	1,275	1,833
Inventories	**1,806**	**2,548**

Impairment losses of €61 million were recognized on **inventories** in the reporting period (2020: €47 million), while reversals of impairment losses amounted to €34 million (2020: €19 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 €10,381 million (2020: €8,396 million).

6.8 Other non-financial assets

Other non-financial assets T75

	Dec. 31, 2020		Dec. 31, 2021	
in € million	**Total**	thereof non-current	**Total**	thereof non-current
Advance payments made	28	–	60	–
Deferred expenses	69	40	83	42
Contract assets from contracts with customers	20	12	12	12
Miscellaneous other non-financial assets	216	50	352	71
Other non-financial assets	**333**	**102**	**507**	**125**

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. 163 ff.

Development of contract assets from contracts with customers T76

in € million	2020	2021
As of January 1	**18**	**20**
Additions	7	–
Reclassification to receivables	–4	–8
Currency translation	–1	–
As of December 31	**20**	**12**

Miscellaneous other non-financial assets mainly comprise receivables from other taxes, 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.

A resolution on **authorized capital** was adopted at the annual shareholders' meeting on May 23, 2018. This authorizes the executive board until May 22, 2023 to increase the company's capital stock, subject to the approval of the supervisory board, by up to €116,500,000 by issuing new registered no-par shares (authorized capital 2018). 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 23, 2018 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 2018. The authorized capital has not yet been utilized.

Under a further resolution adopted by the annual shareholders' meeting of May 23, 2018, the capital stock is conditionally increased by up to €37,280,000, divided into up to 37,280,000 registered shares with no par value (**conditional capital** 2018). This conditional capital increase relates to a resolution of the above shareholder's meeting granting authorization to issue convertible and/or warrant bonds.

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 23, 2018, 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 4, 2021, 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, 2021 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 T77

	Treasury shares (in € million)		No. of ordinary shares		Average price (in €)	
	2020	2021	2020	2021	2020	2021
As of January 1	–	–	–	–	–	–
Purchase of treasury shares	16	15	841,030	503,491	18.72	29.75
Sale of treasury shares to employees	–13	–13	726,558	434,650	18.35	30.16
thereof bonus shares	–3	–3	187,025	115,729	18.35	30.16
Sale of treasury shares on the stock exchange	–3	–2	114,472	68,841	21.84	30.41
Change in the capital reserve	–	–	–	–	–	–
As of December 31	–	–	–	–	–	–

Through this share buyback program, by March 26, 2021 Evonik Industries AG purchased 503,491 shares in the company, corresponding to 0.1 percent of the capital stock. The purchases were made from March 8, 2021 at an average daily volume of around 33,600 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 2021, shares in the company were transferred to participating employees on the basis of the share price on March 31, 2021 and the exchange rates prevailing on the same date. The remaining ordinary shares were sold to third parties via the stock exchange by April 16, 2021.

Retained earnings amounted to €7,767 million (2020: €6,876 million) and comprise Group earnings from 2021 and previous years, as well as other comprehensive income from the remeasurement of the net defined benefit liability.

A proposal will be submitted to the annual shareholders' meeting that €545,220,000 of the distributable profit of Evonik Industries AG for 2021, amounting to €710,000,000, should be used to pay a dividend. That corresponds to a dividend of €1.17 per no-par share. The remaining €164,780,000 will be carried forward to 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, €21 million (2020: –€22 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 T78

in € million	2020	2021
Sales	–21	20
Cost of sales	–1	1
Total	**–22**	**21**

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. 159 ff.

Non-controlling interests amounting to €83 million (2020: €87 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 shareholdings 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 T79

in € million	2020	2021
As of January 1	**–1**	**–8**
Currency translation	–7	–
Other comprehensive income as in the statement of comprehensive income	**–7**	**–**
As of December 31	**–8**	**–8**

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, 2021 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 T80

	2020		2021	
in € million	Defined benefit obligation	Plan assets	Defined benefit obligation	Plan assets
Germany	11,722	7,314	10,990	7,386
thereof pension fund/reinsured support fund	6,056	3,807	5,712	3,940
thereof funded through CTA	5,315	3,507	4,965	3,446
USA	504	342	441	318
UK	537	542	538	539
Other	199	153	193	156
Total Group	**12,962**	**8,351**	**12,162**	**8,399**

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.

As part of the de-risking strategy in the USA, a partial buy-out of the pension obligations was arranged in 2020: Pension obligations amounting to €85 million and plan assets of €81 million were transferred to an external insurance company. For both the pension obligations and the plan assets, the transfer was recognized as a plan settlement of €81 million. Since the pension obligations transferred were €4 million higher, this resulted in a settlement gain.

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.

As part of the de-risking strategy in the UK, the majority of plan assets were transferred to a reinsurance funding model (“buy-in”) in 2020. The assets affected by the buy-in have been invested in an insurance policy that covers the risk relating to fluctuations in the valuation of pension obligations. At the same time, for future increases in benefit entitlements, the remaining commitments under these plans were altered to a defined contribution commitment. 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 T81

	Evonik Group		Germany	
in %	2020	2021	2020	2021
Discount rate as of December 31	0.98	1.38	0.90	1.30
Future salary increases	2.53	2.53	2.50	2.50
Future pension increases	1.57	1.69	1.50	1.60
Healthcare cost trend	6.18	5.94	–	–

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, 2021, the discount rate was 2.79 percent for the USA (2020: 2.44 percent) and 1.81 percent for the UK (2020: 1.23 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 T82

in € million	2020	2021
Present value of the defined benefit obligation as of January 1	**12,225**	**12,962**
Current service cost	210	224
Interest cost	170	125
Employee contributions	42	40
Actuarial gains (–) and losses (+) (remeasurement component)	944	–798
of which based on financial assumptions	936	–774
of which based on demographic assumptions	–2	–
of which changes in the past fiscal year	10	–24
Benefits paid	–468	–476
Past service cost	–3	5
Changes at the companies	10	4
Gain/loss from settlement	–4	–2
Payments for settlement of plans	–81	–
Currency translation	–83	78
Present value of the defined benefit obligation as of December 31	**12,962**	**12,162**

The weighted term of the obligations is 17.4 years (2020: 18.2 years).

Breakdown of the present value of the defined benefit obligation T83

in € million	2020	2021
Unfunded plans	362	347
Partially or fully funded plans	12,505	11,731
Healthcare benefit obligations	95	84
Present value of the defined benefit obligation as of December 31	**12,962**	**12,162**

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 T84

	Reduction of 1 percentage point		Increase of 1 percentage point	
in € million	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021
Group-wide discount rate	2,714	2,409	–2,039	–1,820
Future salary increases	–110	–85	121	92
Future pension increases	–994	–936	1,198	1,124
Healthcare cost trend	–8	–7	10	9

Assuming all other parameters remain unchanged, a reduction of 20 percent in mortality in the retirement phase would increase the defined benefit obligation by €968 million (2020: €1,066 million).

Change in the fair value of plan assets T85

in € million	2020	2021
Fair value of plan assets as of January 1	**8,364**	**8,351**
Interest income from plan assets	118	82
Employer contributions	166	149
Employee contributions	9	8
Income from assets excluding interest income from plan assets (remeasurement component)	225	193
Other administrative expense	–4	–4
Benefits paid	–378	–445
Payments for settlement of plans	–81	–
Changes at the companies	1	–
Currency translation	–69	65
Fair value of plan assets as of December 31	**8,351**	**8,399**

Breakdown of the fair value of plan assets T86

	Dec. 31, 2020		**Dec. 31, 2021**	
	in € million	in %	in € million	in %
Cash/balances with banks	434	5.2	227	2.7
Shares—active market	1,119	13.4	1,218	14.5
Government bonds—active market	359	4.3	563	6.7
Corporate bonds—active market	2,455	29.4	1,974	23.5
Corporate bonds—no active market	526	6.3	470	5.6
Other bonds—active market	601	7.2	630	7.5
Real estate (direct and indirect investments)—active market	17	0.2	17	0.2
Real estate (direct and indirect investments)—no active market	1,111	13.3	1,176	14.0
Alternative investments (infrastructure/hedge funds/commodities)—active market	685	8.2	789	9.4
Alternative investments (infrastructure/hedge funds/commodities)—no active market	384	4.6	655	7.8
Other—active market	25	0.3	50	0.6
Other—no active market	635	7.6	630	7.5
Total	**8,351**	**100.0**	**8,399**	**100.0**

In 2021, as in 2020, none of the other assets included in the plan assets were used by the company.

Change in the asset ceiling T87

in € million	2020	2021
Asset ceiling as of January 1	**106**	**7**
Interest expense on the unrecognized portion of plan assets	2	–
Changes in asset ceiling, excluding interest expense (remeasurement component)	–97	–4
Currency translation	–4	–
Asset ceiling as of December 31	**7**	**3**

The change in the asset ceiling in the previous year was mainly due to the buy-in in the UK.

Change in the net defined benefit liability T88

in € million	Dec. 31, 2020	Dec. 31, 2021
Net defined benefit liability as of January 1	**3,967**	**4,618**
Current service cost	210	224
Past service cost	–3	5
Gain/loss from settlement	–4	–2
Net interest cost	54	43
Employee contributions	33	32
Other administrative expense	4	4
Changes recognized in OCI (remeasurement)	622	–995
Benefits paid	–90	–31
Employer contributions	–166	–149
Changes at the companies	9	4
Currency translation	–18	13
Net defined benefit liability as of December 31	**4,618**	**3,766**

The pension provisions recognized on the balance sheet included healthcare benefit entitlements, mainly of retirees of US subsidiaries.

Expected change in net benefit payments T89

in € million	Prior year	Reporting period
2021	240	–
2022	248	242
2023	254	253
2024	258	256
2025	261	259
2026	–	261

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 €148 million are expected to be incurred for the following year (2020: €162 million).

The **net interest cost** is included in the financial result; see note 5.6 p. 118 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. 175 ff. Foreign subsidiaries paid a total of €28 million (2020: €30 million) into defined contribution plans, which are also included in personnel expense (pension expenses).

Further, €139 million (2020: €134 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. 141 f., 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 T90

in € million	Dec. 31, 2020 Total	Dec. 31, 2020 thereof non-current	Dec. 31, 2021 Total	Dec. 31, 2021 thereof non-current
Personnel-related	610	229	795	230
Recultivation and environmental protection	314	264	310	264
Restructuring	133	51	57	32
Sales and procurement	33	4	62	4
Other taxes and interest on taxes	80	66	62	26
Other obligations	289	101	263	101
Other provisions	**1,459**	**715**	**1,549**	**657**

Overall, the other provisions were €90 million higher than in 2020. 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 2022.

Provisions relating to relevant legal risks are allocated to the various categories of provisions based on type. There were no provisions for relevant legal risks in the reporting period. In the previous year, provisions for such risks were reported in full in other obligations. They contain appropriate expenses for court and lawyers' fees, payments to plaintiffs, and any payments for settlement or indemnity. The level of such provisions is based, among other factors, on the type of dispute or claim, the status of the legal proceedings, the opinion of lawyers, experience of comparable cases, and probability assumptions.

Change in other provisions T91

in € million	Personnel-related	Recultivation, environmental protection	Restructuring	Sales, procurement	Other taxes, interest on taxes	Other obligations	Total
As of January 1, 2021	**610**	**314**	**133**	**33**	**80**	**289**	**1,459**
Additions	508	39	17	40	15	148	767
Utilization	–317	–26	–75	–6	–19	–168	–611
Reversal	–11	–7	–18	–6	–15	–22	–79
Unwinding of discounting/interest rate changes	–2	–11	–	–	–	–	–13
Other	7	1	–	1	1	16	26
As of December 31, 2021	**795**	**310**	**57**	**62**	**62**	**263**	**1,549**

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. 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 2026.

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 three-quarters of the non-current provisions will result in payments after the end of 2026.

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 change in these provisions was the principal reason for the reduction in provisions for restructuring in the reporting period. The non-current portion of all restructuring provisions will be utilized by the end of 2026.

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 2026.

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 utilized by the end of 2026.

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. Around three-quarters of the non-current provisions for other obligations will result in payments up to the end of 2026. Expected reimbursements of €6 million (2020: none), where receipt is virtually certain when the obligation is settled, are disclosed in miscellaneous other non-financial assets.

6.12 Financial liabilities

Financial liabilities T92

	Dec. 31, 2020		Dec. 31, 2021	
in € million	Total	thereof non-current	Total	thereof non-current
Trade accounts payable	**1,273**	**–**	**2,022**	**–**
Bonds	2,986	2,986	2,992	2,992
Commercial paper	45	–	–	–
Liabilities to banks	142	23	46	7
Loans from non-banks	12	–	16	5
Lease liabilities	653	532	590	474
Liabilities from derivatives	19	–	181	4
Liabilities from rebate and bonus agreements	47	–	68	–
Miscellaneous other financial liabilities	94	23	115	49
Other financial liabilities	**3,998**	**3,564**	**4,008**	**3,531**
Financial liabilities	**5,271**	**3,564**	**6,030**	**3,531**

The **bonds** issued by the financing company Evonik Finance B.V., Amsterdam (Netherlands) in 2016 were transferred to Evonik Industries AG in May 2021. In August 2021, Evonik Industries AG issued its first green hybrid bond with a nominal value of €500 million. In the same month, it made an offer to creditors to repurchase the €500 million hybrid bond issued in 2017. Just over 80 percent of creditors accepted the offer, so Evonik redeemed the bond in September 2021 by paying the creditors the redemption price offered. The remaining almost 20 percent was redeemed in October 2021 at a price of 100 percent by exercising a special termination right provided for in the bond terms in the event that an 80 percent redemption threshold was achieved.

Bonds issued by Evonik Industries AG T93

in € million	Interest coupon in %	Nominal value[a]	Carrying amount Dec. 31, 2020	Carrying amount Dec. 31, 2021	Stock market value Dec. 31, 2020	Stock market value Dec. 31, 2021
Fixed-interest bond 2015/2023	1.000	750	748	749	764	758
Fixed-interest bond 2016/2024	0.375	750	747	750	755	757
Fixed-interest bond 2016/2028	0.750	500	496	500	520	510
Hybrid bond 2017/2077[b]	2.125	500	498	–	511	–
Fixed-interest bond 2020/2025	0.625	500	497	498	514	508
Hybrid bond 2021/2081[c]	1.375	500	–	495	–	498
Total		**3,000**	**2,986**	**2,992**	**3,064**	**3,031**

[a] The redeemed hybrid bond 2017/2077 is not included in the total nominal value.
[b] The formal tenor of this bond is 60 years. The bond was fully redeemed prematurely in October 2021.
[c] The formal tenor of the bond is 60 years, and Evonik has an initial redemption right in 2026.

As in the previous year, the accrual of €12 million for payment of the coupon on the outstanding 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. 150 f. and 9.4 p. 153 ff.

Liabilities from derivatives T94

in € million	Dec. 31, 2020	Dec. 31, 2021
Liabilities from forward exchange contracts and currency swaps	19	121
Liabilities from commodity derivatives	–	60
Total	**19**	**181**

The **miscellaneous other financial liabilities** contain liabilities to partners in joint operations totaling €50 million (2020: €57 million).

6.13 Other non-financial liabilities

Other non-financial liabilities T95

in € million	Dec. 31, 2020 Total	Dec. 31, 2020 thereof non-current	Dec. 31, 2021 Total	Dec. 31, 2021 thereof non-current
Contract liabilities from contracts with customers	177	86	210	100
Deferred income	35	16	78	39
Miscellaneous other non-financial liabilities	241	12	245	4
Other non-financial liabilities	**453**	**114**	**533**	**143**

Contract liabilities from contracts with customers mainly result from prepayments received from customers and, to a small extent, from freight services 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 –€114 million (2020: –€24 million) includes contract liabilities of €11 million (2020: €13 million) established in prior years and contract liabilities of €103 million (2020: €11 million) recognized in 2021.

Development of contract liabilities T96

in € million	2020	2021
As of January 1	**133**	**177**
Currency translation	–4	5
Additions	71	183
Reclassification	–	3
Refunds	1	–44
Revenue recognition	–24	–114
As of December 31	**177**	**210**

The **miscellaneous other non-financial liabilities** mainly comprise liabilities for other taxes, liabilities to the public sector, liabilities from insurance contracts, and liabilities relating to acceptance by the Federal Network Agency of the bid for the decommissioning of hard coal power plants.

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 the one hand, on current planning calculations, which are normally for a five-year period, and on the other hand, on 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 T97

	Dec. 31, 2020		Dec. 31, 2021	
in € million	Total	thereof non-current	Total	thereof non-current
Deferred tax assets	2,004	2,004	1,755	1,755
Other income tax assets	224	13	215	16
Deferred tax liabilities	586	586	628	628
Other income tax liabilities	411	275	406	195

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 T98

in € million	Dec. 31, 2020 Deferred tax assets	Dec. 31, 2020 Deferred tax liabilities	Dec. 31, 2020 thereof recognized in profit or loss	Dec. 31, 2021 Deferred tax assets	Dec. 31, 2021 Deferred tax liabilities	Dec. 31, 2021 thereof recognized in profit or loss
Intangible assets	182	228	–46	184	262	–77
Property, plant and equipment	28	335	–307	25	345	–321
Right-of-use assets	–	172	–172	–	148	–148
Financial assets	952	90	807	901	46	764
Inventories	74	1	73	82	3	79
Other assets	63	23	41	46	24	23
Provisions	1,742	897	–700	1,415	845	–647
Other liabilities	213	67	144	230	69	160
Special tax allowance reserves (based on local law)	–	41	–41	–	38	–38
Loss carryforwards	29	–	29	39	–	39
Tax credits	1	–	1	1	–	1
Other	3	15	–12	2	18	–16
Deferred taxes (gross)	**3,287**	**1,869**	**–183**	**2,925**	**1,798**	**–181**
Netting	–1,283	–1,283	–	–1,170	–1,170	–
Deferred taxes (net)	**2,004**	**586**	**–183**	**1,755**	**628**	**–181**

€1,286 million of the deferred tax assets (2020: €1,588 million) relate to the pension provisions recognized on the balance sheet. Other liabilities of €143 million (2020: €167 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 €47 million (2020: €45 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 €268 million (2020: €171 million). Evonik is in a position to manage the timing of the reversal of temporary differences.

Deferred tax assets of €1 million (2020: €2 million) were recognized for companies that made a loss. Utilization will be ensured by restructuring. 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 T99

in € million	Corporation taxes (German and foreign) 2020	Corporation taxes (German and foreign) 2021	Local taxes (German and foreign) 2020	Local taxes (German and foreign) 2021	Tax credits (foreign) 2020	Tax credits (foreign) 2021
Up to 1 year	21	19	–	–	–	–
More than 1 and up to 5 years	21	3	–	–	–	–
More than 5 and up to 10 years	3	5	–	–	–	–
Unlimited	242	290	93	107	8	7
Total	**287**	**317**	**93**	**107**	**8**	**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 investment 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** include, among other things, the gross purchase prices for the shares in subsidiaries consolidated for the first time. As in the previous year, the entire purchase prices comprised a cash outflow. The acquisitions included cash and cash equivalents amounting to €5 million (2020: €36 million).

As in 2020, the **cash inflows/outflows relating to the loss of control over businesses** relate to divestments in prior periods.

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 reconciliation shows the **change in liabilities from financing activities.** These cash flows are presented in the cash flow statement as cash flows from financing activities. In addition to financial debt,[1] this includes those derivatives that relate to financing.

The other changes affecting the cash flow from financing activities comprise changes in financial liabilities and derivatives relating to financing as a result of cash inflows and outflows in connection with financial transactions and cash outflows for interest. The difference compared with the cash outflows for interest disclosed in the cash flow from financing activities is due to interest payments for items not included in financial liabilities and derivatives relating to financing.

The amounts shown under other are both changes in cash flows recognized outside the cash flow from financing activities and non-cash changes in financial liabilities, principally due to unwinding of discounting and the capitalization of assets.

[1] Financial liabilities excluding derivatives and liabilities for rebate and bonus agreements.

Reconciliation of financial debt 2021

T100

		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	Changes in the scope of consolidation	Currency translation	Additions and disposals of lease liabilities	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
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**

Reconciliation of financial debt 2020

T101

		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	Changes in the scope of consolidation	Currency translation	Additions and disposals of lease liabilities	Recognized at fair value	Other	**As of Dec. 31**
Bonds	3,637	499	−1,150	−35	–	–	–	–	35	2,986
Commercial paper	–	140	−95	–	–	–	–	–	–	45
Liabilities to banks	150	371	−443	−10	31	−12	–	–	55	142
Loans from non-banks	18	–	−7	–	–	–	–	–	1	12
Lease liabilities	650	–	−139	−12	33	−15	125	–	11	653
Miscellaneous other financial liabilities	63	29	−322	−3	315	−4	–	–	16	94
Financial debt	**4,518**	**1,039**	**−2,156**	**−60**	**379**	**−31**	**125**	**–**	**118**	**3,932**
Receivables/liabilities from financing-related derivatives	−17	–	–	−1	–	–	–	−74	5	−87
Total	**4,501**	**1,039**	**−2,156**	**−61**	**379**	**−31**	**125**	**−74**	**123**	**3,845**

8. Notes to the segment report

8.1 Reporting based on operating segments

Following further optimization of the support functions with effect from January 1, 2021 (see note 3.5 p. 109 ff.), 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 reporting based on operating segments therefore reflects the internal reporting and management structure of the Evonik Group (management approach). The external financial reporting standards are applied, see note 3 p. 108 f., 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.

Evonik's segments are outlined below:

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. These 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 hard 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 T102

	Other activities		Enabling functions, consolidation		Enabling functions, other activities, consolidation	
in € million	2020	2021	2020	2021	2020	2021
External sales	27	22	41	39	68	61
Internal sales	4	4	–1,521	–1,723	–1,517	–1,719
Total sales	31	26	–1,480	–1,684	–1,449	–1,658
Adjusted EBITDA	–7	–27	–266	–291	–273	–318
Adjusted EBIT	–24	–42	–324	–359	–348	–401
Capital employed (annual average)	–80	–67	163	132	83	65
Depreciation and amortization	–18	–15	–57	–68	–75	–83
Impairment losses/reversal of impairment losses in accordance with IAS 36	–2	–	–1	–	–3	–
Capital expenditures	1	1	88	66	89	67
Financial investments	–	–	14	18	14	18
No. of employees as of December 31	21	–	5,741	6,000	5,762	6,000

Prior-year figures restated.

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 on this page.

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 T103

in € million	2020	2021
Sales, reporting segments	13,648	16,613
Total sales, other activities	31	26
Enabling functions, consolidation, less discontinued operations	–1,480	–1,684
External sales of the Evonik Group	**12,199**	**14,955**

Prior-year figures restated.

External sales by country (location of customer) T104

in € million	2020	2021
USA	2,587	3,049
Germany	2,074	2,469
China	1,139	1,301
Switzerland	541	743
Netherlands	498	623
Japan	429	508
Brazil	332	422
France	333	422
UK	303	410
Italy	294	377
Other countries	3,669	4,631
External sales of the Evonik Group	**12,199**	**14,955**

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.116.

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 T105

in € million	2020	2021
Adjusted EBITDA, reporting segments	2,179	2,701
Adjusted EBITDA, other activities	−7	−27
Adjusted EBITDA enabling functions, consolidation, less discontinued operations	−266	−291
Adjusted EBITDA	**1,906**	**2,383**
Depreciation and amortization	−998	−1,023
Impairment losses/reversal of impairment losses	−20	−57
Depreciation, amortization, impairment losses/reversal of impairment losses included in adjustments	2	35
Adjusted depreciation, amortization, and impairment losses	−1,016	−1,045
Adjusted EBIT	**890**	**1,338**
Adjustments	−71	−165
Financial result	−135	−88
Income before income taxes, continuing operations	**684**	**1,085**

Prior-year figures restated.

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 2021 T106

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**

Adjustments 2020 T107

in € million	Cost of sales	Selling expenses	Administrative expenses	Other operating income	Other operating expense	Result from investments recognized at equity	Total
Restructuring	−4	−3	−7	3	−3	–	−14
Impairment losses/reversal of impairment losses	–	–	–	–	–	4	4
Acquisition/divestment of shareholdings	−7	–	−22	–	−8	–	−37
Other	−21	–	–	26	−29	–	−24
Adjustments	**−32**	**−3**	**−29**	**29**	**−40**	**4**	**−71**

Prior-year figures restated.

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 T108

	Amounts recognized on the balance sheet	Capital employed		Amounts recognized on the balance sheet	Capital employed	
in € million	Dec. 31, 2020	Dec. 31, 2020	Average 2020	**Dec. 31, 2021**	**Dec. 31, 2021**	**Average 2021**
Goodwill	4,545	4,545	4,669	4,785	4,785	4,659
Other intangible assets	1,332	1,331	1,321	1,260	1,260	1,298
Property, plant and equipment	6,588	6,588	6,534	6,963	6,963	6,707
Right-of-use assets	668	668	662	608	608	640
Investments recognized at equity	75	75	65	81	81	79
Other financial assets	1,304	75	33	1,152	74	52
Deferred taxes	2,004	–	–	1,755	–	–
Other income tax assets	224	–	–	215	–	–
Other non-financial assets	333	333	428	507	506	446
Inventories	1,806	1,806	1,943	2,548	2,548	2,170
Trade accounts receivable	1,455	1,455	1,524	1,954	1,954	1,761
Cash and cash equivalents	563	–	–	456	–	–
Total assets	**20,897**	**16,876**	**17,179**	**22,284**	**18,779**	**17,812**
Provisions for pensions and other post-employment benefits	–4,618	–	–	–3,766	–	–
Other provisions	–1,459	–744	–719	–1,549	–892	–773
Other financial liabilities	–3,998	–53	–66	–4,008	–185	–95
Deferred taxes	–586	–	–	–628	–	–
Other income tax liabilities	–411	–	–	–406	–	–
Other non-financial liabilities	–453	–451	–555	–533	–532	–573
Trade accounts payable	–1,273	–1,273	–1,239	–2,022	–2,022	–1,572
Total liabilities	**–12,798**	**–2,521**	**–2,579**	**–12,912**	**–3,631**	**–3,013**
Capital employed		**14,355**	**14,600**		**15,148**	**14,799**

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 T109

in € million	Dec. 31, 2020	Dec. 31, 2021
Germany	5,338	5,562
USA	3,929	4,096
Singapore	997	995
Belgium	751	697
China	528	560
Other countries	1,766	1,912
Non-current assets	**13,309**	**13,822**

Prior-year figures restated.

9. Other disclosures

9.1 Capitalized borrowing costs

Borrowing costs of €9 million (2020: €6 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 2020.

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. 124 ff.).

IFRS 16 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 and the lease liability is increased to reflect interest on the lease using the effective interest method and reduced to reflect lease payments. Consequently, lease expense is no longer recognized in the income statement. 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 uniform discount rates, taking into account the contract currency, lease term, and 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 T110

in € million	2020	2021
Right-of-use assets as of December 31[a]	668	608
Lease liabilities as of December 31[b]	653	590
Depreciation and impairment losses[a]	141	141
Interest expense	16	14
Expenses for short-term leases	11	12
Expenses for leases for assets of low value	2	3
Expenses for variable lease payments not recognized on the balance sheet	6	7
Revenue from subleasing	11	9
Total cash outflows for leases	175	176

[a] See note 6.3 p. 124 f.
[b] See notes 6.12 p. 139 f. and 9.4 p. 153 ff.

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 principal right-of-use assets relate to land and land rights (21 percent), buildings (19 percent), power plants (9 percent), storage tanks (27 percent), and rail wagons and transport containers (12 percent). For information on lease terms, see note 6.3 p. 124 ff.

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 are not material.

Evonik has pending lease contracts, which have been signed but will only be recognized for the first time after the reporting date. The material contracts relate to new gas and steam turbine power plants and a warehouse. The discounted lease payments for these leases are around €371 million (2020: €370 million), payable over terms of up to 25 years.

Many 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. 163 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 T111

in € million	2020	2021
Assets under operating leases	20	18
Receivables from finance leases[a]	3	–
Revenue (operating leases)[b]	18	18
thereof revenue from variable lease payments that are based on usage of the leased asset	1	1

[a] See notes 6.6 p. 128 f. and 9.4 p. 153 ff.
[b] Prior-year figures restated.

Maturity structure of future lease payments (lessor; operating leases) T112

in € million	2020	2021
Due within 1 year	14	13
Due in more than 1 and up to 2 years	9	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	137	136
Total	**175**	**171**

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. Following the stock exchange listing, the performance of Evonik shares became the central element in the LTI plan for the first time in 2013. The redesigned LTI plan was introduced for both executive board members 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 relative 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.

Starting in 2019, the intrinsic value of the LTI is no longer 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.

LTI plan for executive board members—Tranches 2016 through 2021 T113

		2016 tranche	2017 tranche	2018 tranche	2019 tranche	2020 tranche	2021 tranche
Grant date		May 18, 2016	Jun. 7, 2017	May 15, 2018	Jul. 2, 2019	May 27, 2020	May 10, 2021
No. of virtual shares granted		139,109	108,283	119,846	181,784	184,232	192,627
No. of virtual shares forfeited		76,077	–	–	–	–	–
No. of virtual shares exercised		63,032	–	–	–	–	–
No. of virtual shares as of December 31, 2021		–	108,283	119,846	181,784	184,232	192,627
Performance period	From–to	Jan. 1, 2016–Dec. 31, 2020[a]	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
Expense (+)/income (–) for the period	in €'000	–	–	–1,429	30	805	1,167
Carrying amount of provision	in €'000	–	–	–	1,704	1,772	1,167

[a] Extension option utilized in some cases.

LTI plan for executives—Tranches 2016 to 2021 T114

		2016 tranche	2017 tranche	2018 tranche	2019 tranche	2020 tranche	2021 tranche
Grant date		May 18, 2016	Jun. 6, 2017	May 11, 2018	Jul. 2, 2019	May 25, 2020	May 6, 2021
No. of virtual shares granted		436,125	523,169	460,694	532,476	476,182	489,032
No. of virtual shares forfeited		436,125	82,159	72,014	48,086	1,981	–
No. of virtual shares exercised		–	–	–	–	–	–
No. of virtual shares as of December 31, 2021		–	441,010	388,680	484,390	474,201	489,032
Performance period	From–to	Jan. 1, 2016–Dec. 31, 2020[a]	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
Expense (+)/income (–) for the period	in €'000	–	–	–4,710	62	2,062	2,962
Carrying amount of provision	in €'000	–	–	–	4,541	4,562	2,962

[a] Extension option utilized in some cases.

As of December 31, 2021, total provisions for share-based payment amounted to €16.7 million (2020: €15.8 million). In 2021, the total expense for share-based payment was €0.9 million (2020: €1.8 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. 163 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.

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.

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 miscellaneous 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. Moreover, the liabilities from rebate and bonus agreements, which have to be measured in accordance with IFRS 15 and recognized in other financial liabilities and the shares in non-consolidated subsidiaries that are measured at cost and recognized in investments are outside the scope of IFRS 9.

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, 2021 T115

	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	**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**

Carrying amounts and fair values of financial assets as of December 31, 2020 T116

	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	**–**	**1,455**	**–**	**–**	**–**	**1,455**	**1,455**
Cash and cash equivalents	**–**	**563**	**–**	**–**	**–**	**563**	**563**
Other investments	556	–	–	–	12	568	556
Loans	–	37	12	–	–	49	49
Securities and similar claims	–	–	492	–	–	492	492
Receivables from derivatives	–	–	30	133	–	163	163
Miscellaneous other financial assets	–	29	–	–	3	32	29
Other financial assets	**556**	**66**	**534**	**133**	**15**	**1,304**	**1,289**
Financial assets	**556**	**2,084**	**534**	**133**	**15**	**3,322**	**3,307**

Prior-year figures restated.

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. The debt instruments are bank acceptance drafts that are used as a means of payment in China and which Evonik either holds to maturity or sells to a bank at a discount before they mature. In view of the operational nature of these financial instruments, we recognize them in trade accounts receivable.

Carrying amounts and fair values of financial liabilities as of December 31, 2021

T117

in € million	Carrying amounts by IFRS 9 valuation category: At fair value through profit or loss	Carrying amounts by IFRS 9 valuation category: At amortized cost	Carrying amounts by IFRS 9 valuation category: 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
Commercial paper	–	–	–	–	–	–
Liabilities to banks	–	46	–	–	46	47
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**

Carrying amounts and fair values of financial liabilities as of December 31, 2020

T118

in € million	Carrying amounts by IFRS 9 valuation category: At fair value through profit or loss	Carrying amounts by IFRS 9 valuation category: At amortized cost	Carrying amounts by IFRS 9 valuation category: Not allocated to any category	Not measured in accordance with IFRS 9	**Carrying amount**	Fair value IFRS 9 categories
Trade accounts payable	**–**	**1,273**	**–**	**–**	**1,273**	**1,273**
Bonds	–	2,986	–	–	2,986	3,064
Commercial paper	–	45	–	–	45	45
Liabilities to banks	–	142	–	–	142	144
Loans from non-banks	–	12	–	–	12	12
Lease liabilities	–	–	–	653	653	–
Liabilities from derivatives	14	–	5	–	19	19
Liabilities from rebate and bonus agreements	–	–	–	47	47	–
Miscellaneous other financial liabilities	–	94	–	–	94	94
Other financial liabilities	**14**	**3,279**	**5**	**700**	**3,998**	**3,378**
Financial liabilities	**14**	**4,552**	**5**	**700**	**5,271**	**4,651**

Financial instruments recognized at fair value are allocated to the levels in the fair value hierarchy.

Financial instruments recognized at fair value T119

in € million	Level	Description	Valuation method	Material non-observable inputs	2020	2021
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	–	49	39
	Level 3	Vivawest GmbH	Discounted cash flow method (see below)	Cost of capital and growth	459	408
	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	60	68
Loans	Level 3	Convertible bonds	Nominal value of the bonds; where material, a conversion right is taken into account	Quoted market price	12	12
Securities and similar claims	Level 1	Short-term money market instruments	Present stock market price	–	464	446
	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	28	43
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	–	163	70
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	–	–19	–181

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 €4 million (2020: €5 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 €176 million (2020: €150 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 €349 million (2020: €208 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. €45 million of this amount (2020: €38 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.

There were no transfers between the levels of the fair value hierarchy in the reporting period.

Fair value of level 3: Reconciliation from the opening to the closing balances T120

in € million	Other investments	Loans	Securities and similar claims	Trade accounts receivable	Total
As of January 1, 2020	**436**	**8**	**24**	**–**	**468**
Additions/disposals	10	4	–	–	14
Recognized in other comprehensive income for the period	73	–	–	–	73
Recognized in other financial income/expense for the period	–	–	4	–	4
As of December 31, 2020	**519**	**12**	**28**	**–**	**559**
Additions/disposals	9	–	2	29	40
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	**476**	**12**	**43**	**29**	**560**

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 2021 T121

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.

Net result by valuation category 2020 T122

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	–3	–	–	–	–3
Result from measurement at fair value	–	–	–	–6	–6
Result from currency hedging	–	–	–	24	24
Result from currency translation of monetary assets and liabilities	–45	–	–	–	–45
Impairment losses/reversal of impairment losses	–1	–	–	–	–1
Interest income	4	–	–	16	20
Interest expense	–	–37	–	–14	–51
Result from securities and other investments[a]	–	–	10	–3	7
Total	**–45**	**–37**	**10**	**17**	**–55**

Prior-year figures restated.
[a] In 2020, 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 or income from derivative financial instruments do contain the results from financial derivatives for which hedge accounting is applied. As in 2020, 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 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 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.

Evonik hedges the **currency risk arising from intragroup foreign currency loans** against the functional currency of the relevant Group company through cross-currency interest rate swaps, forward exchange contracts, and currency swaps recognized as cash flow hedges. In forward exchange transactions and currency swaps, 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. In cross-currency interest rate swaps, the currency component is designated using the forward-to-forward method, and only 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. The maturities of the hedging instrument and hedged item normally correspond. Ineffectiveness may occur if the notional value of the hedging instruments and hedged items do not correspond or their maturities differ.

The following weighted average hedging rates for the major currency pairs are derived from hedging of the currency risk:

Hedging of currency risk T123

	Maturing in 2022	Maturing in 2023
Average EUR/USD exchange rate	1.21	1.16
Average EUR/CNH[a] exchange rate	7.91	7.63
Average EUR/SGD exchange rate	1.61	–

[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. No cash flow or fair value hedges were used to hedge this risk in either 2021 or 2020.

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, 2021 T124

in € million	Notional value, total: Total	Notional value, total: thereof non-current	Carrying amount: Receivables from derivatives	Carrying amount: 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
Cross-currency interest rate swaps	–	–	–	–
thereof cash flow hedges	–	–	–	–
Total	**4,749**	**319**	**29**	**121**
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).
[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).

Derivative financial instruments as of December 31, 2020 T125

in € million	Notional value, total: Total	Notional value, total: thereof non-current	Carrying amount: Receivables from derivatives	Carrying amount: Liabilities from derivatives
Currency risks				
Forward exchange contracts, currency options, and currency swaps	4,092	217	90	19
thereof cash flow hedges	1,831	217	60	4
thereof hedges of a net investment	72	–	–	1
Cross-currency interest rate swaps	421	–	72	–
thereof cash flow hedges	421	–	72	–
Total	**4,513**	**217**	**162**	**19**
Commodity price risks				
Gas derivatives[a]	6	2	–	–
thereof cash flow hedges	6	2	–	–
Coal derivatives[b]	7	–	1	–
thereof cash flow hedges	7	–	1	–
Total	**13**	**2**	**1**	**–**

[a] Hedged volume of gas derivatives 88 million m³ (of which non-current: 23 million m³).
[b] Hedged volume of coal derivatives 133 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 2020 and 2021, 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 T126

	Designated risk components			Cost of hedging	
in € million	Currency hedges	Commodity price hedges	Total	Hedged item realized at a point in time	Total
As of January 1, 2020	**−1**	**−3**	**−4**	**−15**	**−15**
Gains/losses from effective hedging relationships recognized in OCI	94	4	98	−39	−39
Reclassification to the income statement due to realization of the hedged item	−24	1	−23	45	45
Offset against cost of acquisition	−2	–	−2	−1	−1
As of December 31, 2020	**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**

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 T127

in € million	Designated risk components
As of January 1, 2020	**−5**
Gains/losses from effective hedging relationships recognized in OCI	4
As of December 31, 2020	**−1**
Gains/losses from effective hedging relationships recognized in OCI	−5
As of December 31, 2021	**−6**

€3 million (2020: €3 million) of the other equity components from net investment hedges relate to the early termination of hedging relationships.

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 2021 T128

in € million	Currency 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	**–**	**–**

Effectiveness of the hedging relationships 2020 T129

in € million	Currency hedges	Commodity price hedges
Change in the value of the hedged item	–135	–5
Change in the designated value of the hedging instrument	135	5
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	**–**	**–**

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 T130

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. 130 ff. (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, 99 percent (2020: 100 percent) of the instruments recognized as financial assets were variable-interest instruments. At year-end 2021, 99 percent (2020: 98 percent) of financial instruments recognized in other financial instruments 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, 2021.

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, 2021 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 2021 was 5.2 percent for the USD (2020: 7.8 percent) and 4.6 percent for the CNY/CNH (2020: 7.3 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 T131

	Dec. 31, 2020					Dec. 31, 2021				
		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	325	9	18	41	81	419	5	10	–41	–81
CNY	123	4	8	11	23	178	–	–	–16	–33

Several scenario analyses were carried out to measure interest rate risk as of December 31, 2021. These analyzed shifts of 50, 100, and 150 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 T132

	Dec. 31, 2020					Dec. 31, 2021				
		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	–1	–3	–	–	446	–3	–6	–	–

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 operations and power requirements. Recognition of these transactions is mandatory. The amounts to be recognized in the corresponding balance sheet items were principally influenced by the development of electricity prices in 2021. 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 €16 million (2020: zero). This would not have had any impact on other equity components.

Financial derivatives were also used on a small scale to hedge the procurement price risks relating to natural gas and coal. 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 €1 million in the value of the commodity derivatives on other equity components from hedging components of in 2021, as in 2020. As in 2020, 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 solid investment rating, the resulting liquidity risk for Evonik is deemed to be very low.

As of December 31, 2021, Evonik had cash and cash equivalents amounting to €456 million and current securities totaling €446 million. In addition, Evonik has a €1.75 billion revolving credit facility as a central source of liquidity. This credit line was agreed in June 2017 and runs until June 2024. It was not utilized in 2021 and does not contain any covenants requiring Evonik to meet specific financial ratios. There are also diverse other credit lines. As of December 31, 2021, €545 million of the total amount of these had not been drawn.

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, 2021 T133

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
Commercial paper	–	–	–	–	–
Liabilities to banks	39	17	10	–	66
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**

Payments for non-derivative financial instruments by residual maturity as of December 31, 2020 T134

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	**1,273**	**–**	**–**	**–**	**1,273**
Bonds	40	1,295	1,267	511	3,113
Commercial paper	45	–	–	–	45
Liabilities to banks	119	20	3	–	142
Loans from non-banks	12	–	–	–	12
Lease liabilities	136	188	130	302	756
Miscellaneous other financial liabilities	70	25	–	–	95
Other financial liabilities	**422**	**1,528**	**1,400**	**813**	**4,163**

A disclosure on the maturity of existing financial guarantees can be found in the section on risk of default 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, 2021 T135

in € million	Up to 1 year	More than 1 and up to 3 years	More than 3 years	Total
Cross-currency interest rate swaps	–	–	–	–
thereof cash inflows	–	–	–	–
thereof cash outflows	–	–	–	–
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**
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**

Payments relating to derivative financial instruments by remaining maturity as of December 31, 2020 T136

in € million	Up to 1 year	More than 1 and up to 3 years	More than 3 years	Total
Cross-currency interest rate swaps	70	–	–	70
thereof cash inflows	498	–	–	498
thereof cash outflows	–428	–	–	–428
Forward exchange contracts, currency options, and currency swaps	78	2	–	80
thereof cash inflows	2,427	209	–	2,636
thereof cash outflows	–2,349	–207	–	–2,556
Commodity derivatives	1	–	–	1
Receivables from derivatives	**149**	**2**	**–**	**151**
Forward exchange contracts, currency options, and currency swaps	–18	–	–	–18
thereof cash inflows	1,420	8	–	1,428
thereof cash outflows	–1,438	–8	–	–1,446
Liabilities from derivatives	**–18**	**–**	**–**	**–18**

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 CDS (credit default swaps) 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 T137

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 (with and without financing components), 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, 2021, the **general approach** was applied for loans amounting to €39 million (2020: €37 million) and miscellaneous other financial assets of €29 million (2020: €28 million), which are measured at amortized cost. Of these, loans amounting to €37 million and miscellaneous other financial assets totaling €17 million have an investment grade rating. Miscellaneous other financial assets totaling €12 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 2021. As of December 31, 2021, 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. Even taking into account the (expected) impact of the coronavirus pandemic, there were no significant changes in the estimation methods or assumptions in the reporting period. There were no overdue items.

As of December 31, 2021, the **simplified approach** was applied for trade accounts receivable of €1,954 million (2020: €1,455 million) and contract assets of €12 million (2020: €20 million). In the reporting period, there were no longer any receivables from finance leases (2020: €3 million). In this approach too, the (expected) impact of the coronavirus pandemic does not result in any significant changes in the estimation methods or assumptions. 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) T138

in € million	Trade accounts receivable
As of January 1, 2020	**7**
Change	–1
As of December 31, 2020	**6**
Change	1
As of December 31, 2021	**7**

Credit loss matrix for trade accounts receivable as of December 31, 2021 T139

	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)	–	–	1	6	7
thereof based on credit risk attributes	–	–	1	3	4
thereof 1–180 days past-due	–	–	–	1	1
thereof 181–365 days past-due	–	–	–	–	–
thereof >365 days past-due	–	–	–	2	2

Credit loss matrix for trade accounts receivable as of December 31, 2020 T140

in € million	Low default risk			High default risk	
	Risk category 1	Risk category 2	Risk category 3	Risk category 4–6	**Total**
Credit default rate in %	–	–	–	2.0	–
Gross carrying amount	56	323	363	306	1,048
Expected credit losses (risk provisioning)	–	–	–	6	6
thereof based on credit risk attributes	–	–	–	2	2
thereof 1–180 days past-due	–	–	–	–	–
thereof 181–365 days past-due	–	–	–	1	1
thereof >365 days past-due	–	–	–	3	3

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.

Loss allowances for financial assets that have to be tested individually for impairment T141

in € million	Trade accounts receivable
As of January 1, 2020	**15**
Additions	5
Utilization	–13
Reversal	–1
As of December 31, 2020	**6**
Additions	5
Utilization	–2
Reversal	–1
As of December 31, 2021	**8**

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 2021, trade accounts receivable totaling €372 million (2020: €252 million) were covered by credit insurance (after factoring out the deductible). The maximum default risk was €1,582 million (2020: €1,203 million).

As of December 31, 2020, there was no collateral 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, 2021 T142

	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

Offsetting rights for financial assets and liabilities as of December 31, 2020 T143

	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	161	–	161	13	–	148
Liabilities from derivatives	18	–	18	13	–	5

Further, there is a default risk relating to the granting of financial guarantees. As of the reporting date, guarantees with a total nominal value of €30 million (2020: €32 million) had been granted to a joint venture. This amount is also the maximum default risk; see note 9.6 p. 174. In principle, these guarantees can be called in full at any time during their residual term (2022 or 2031), as soon as the contractual conditions are met. 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 which are recognized at equity. Post-employment benefit plans for employees are also regarded as related parties. There are transactions between these post-employment benefit plans and the occupational pension plans. For further information, see note 6.10 p. 132 ff. In addition, the Evonik Group provides services for these plans. These transactions are presented in the table below.

The dividend for fiscal 2020 was paid following the resolution adopted by the annual shareholders’ meeting on June 2, 2021. RAG-Stiftung, Essen (Germany) received €305 million (2020: €315 million).

In 2021, Evonik received dividends of €10 million (2020: €16 million) from associates and joint ventures.

The contingent liability shown in the joint ventures column as of December 31, 2021 comprises €28 million resulting from a guarantee granted to secure a loan for the joint venture Saudi Acrylic Polymers Company, Ltd., Jubail (Saudi Arabia). In addition, one guarantee totaling €1 million was provided as collateral for credit facilities at the joint venture LiteCon GmbH, Hönigsberg/Mürzzuschlag (Austria).

Business relations with related parties T144

in € million	RAG-Stiftung 2020	RAG-Stiftung 2021	Fellow subsidiaries 2020	Fellow subsidiaries 2021	Subsidiaries 2020	Subsidiaries 2021	Joint ventures 2020	Joint ventures 2021	Associates 2020	Associates 2021	Post-employment benefit plans 2020	Post-employment benefit plans 2021
Goods and services supplied	1	1	1	2	11	17	24	29	6	4	6	7
Goods and services received	–	–	–2	–1	–	–	–	–	–1	–1	–	–
Other income	–	–	–	–	–	–	9	7	7	3	–	–
Receivables as of December 31	–	–	–	–	20	9	4	6	2	1	–	–
Liabilities as of December 31	–	–	–	–	–1	–1	–12	–23	–	–1	–	–
Contingent liabilities as of December 31	–	–	–	–	–	–	–32	–29	–	–	–	–

Prior-year figures restated.

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 and subsidies. Further, customary business relationships were maintained with the Deutsche Bahn Group, the Deutsche Telekom Group, and the Duisport Group.

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.

Short-term remuneration comprises both amounts not related to performance and short-term performance-related payments. As of December 31, 2021, there were provisions of €5,625 thousand (2020: €2,408 thousand) for short-term performance-related remuneration of members of the executive board, and €2,820 thousand (2020: €1,910 thousand) for other management members.

At year-end 2021, provisions for share-based payments amounted to €4,643 thousand (2020: €4,071 thousand) for members of the executive board and €1,137 thousand (2020: €921 thousand) for other management members.

The share-based payments are expenses incurred in 2021 for LTI tranches from 2017 to 2021.

The present value of pension obligations (defined benefit obligations) was €30,403 thousand (2020: €29,820 thousand) for the executive board and €13,546 thousand (2020: €12,155 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 T145

in €'000	Executive board of Evonik Industries AG 2020	Executive board of Evonik Industries AG 2021	Supervisory board of Evonik Industries AG 2020	Supervisory board of Evonik Industries AG 2021	Other management members 2020	Other management members 2021	Total 2020	Total 2021
Short-term remuneration	7,328	10,341	3,380	3,466	6,898	4,956	17,606	18,763
Share-based payment	346	574	–	–	–516	317	–170	891
Current service cost for pensions and other post-employment benefits	2,849	3,038	–	–	1,142	460	3,991	3,498
Termination benefits	–	–	–	–	5,516	–	5,516	–

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 mainly comprise guarantee and warranty obligations totaling €48 million (2020: €48 million). They include guarantees of €29 million in favor of joint ventures, see note 9.5 p. 172 ff., 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 0.82 percent and 25 percent of the respective (sub-) fund assets and recognizes them in financial assets as securities and similar claims with a total carrying amount of €43 million (2020: €26 million). As a result of contractual agreements, there are obligations to make payments into the fund assets of a maximum of €26 million (2020: €18 million) 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. There is no intention of providing further financial or other support.

There were no **contingent receivables** as of December 31, 2021.

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.

The **other financial commitments** are exclusively the order commitment for the purchase of property, plant and equipment. As of the reporting date, commitments for the purchase of property, plant and equipment amounted to €309 million (2020: €288 million). As in the previous year, there were no commitments to purchase intangible assets.

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.[1]

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) T146

	Shareholding in %		Income after taxes		Equity	
in € million	2020	**2021**	2020	**2021**	2020	**2021**
Borussia Dortmund GmbH & Co. KGaA, Dortmund (Germany)	9.83	9.83	–49	–77	334	258
Vivawest GmbH, Essen (Germany)[a]	15.00	15.00	100	80	1,732	1,721

[a] Based on their nature as plan assets, shares amounting to 7.5 percent of this shareholding (2020: 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 T147

in € million	2020	**2021**
Wages and salaries	2,460	2,668
Social security contributions	388	409
Pension expenses	233	255
Other personnel expense	87	76
Total	**3,168**	**3,408**

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. 118 f.

Headcount (annual average) T148

No. of employees	2020	**2021**
Specialty Additives	3,640	3,685
Nutrition & Care	5,281	5,345
Smart Materials	7,609	7,767
Performance Materials	1,779	1,854
Technology & Infrastructure	8,682	8,323
Enabling functions, other activities	5,750	5,826
Total	**32,741**	**32,800**

The companies included in the consolidated financial statements on a pro rata basis do not have any employees.

[1] www.evonik.com/list-of-shareholdings

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 2021 amounted to €15,746 thousand (2020: €11,001 thousand). The figure for 2021 includes bonus payments of €406 thousand for the previous year, for which no provision was established in 2020. 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 €2,898 thousand in 2021 (2020: €2,848 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 €83,390 thousand (2020: €90,170 thousand).

The remuneration of the **supervisory board** for 2021 totaled €3,466 thousand (2020: €3,380 thousand).

10.4 Evonik is committed to the German Corporate Governance Code

In December 2021, 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 2021 and the services of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft and the companies in the global PwC group for fiscal 2020:

Auditor's fees T149

	Germany		Other countries		Total fees	
in € million	2020	**2021**	2020	**2021**	2020	**2021**
Auditing of financial statements	4.2	2.6	3.8	2.9	8.0	5.5
Other audit-related services	1.0	0.9	0.5	0.2	1.5	1.1
Tax consultation services	–	0.1	–	0.3	–	0.4
Other services	0.3	0.1	–	0.1	0.3	0.2
Total	**5.5**	**3.7**	**4.3**	**3.5**	**9.8**	**7.2**

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 relate, 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 16, 2022 and approved them for publication. The consolidated financial statements will be submitted to the audit committee at its meeting on February 23, 2022 for a preliminary examination and to the supervisory board for approval at its meeting on March 2, 2022.

Essen, February 16, 2022

Evonik Industries AG
The Executive Board

Kullmann	Dr. Schwager
Wessel	Wolf

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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 16, 2022

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 2021, 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 2021, 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 2021.

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.

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 1 January 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, 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.

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 2021. 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 4,785 million as of 31 December 2021, and at 22% 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 30 September 2021.

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, the assumed long-term growth rates and the discount rate used.

There is the risk for the consolidated financial statements that impairment existing 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 reconciled this information with the 2022 budget prepared by management and approved by the Supervisory Board as well as the medium-term planning up to and including 2024. Furthermore, we evaluated 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 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.

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 31 December 2021, the provisions for employee benefits and similar obligations amounted to EUR 3,766 million. This is the net balance of the present value of pension obligations of EUR 12,162 million and the fair value of plan assets of EUR 8,399 million, the majority of which relates to pension commitments in Germany, USA and the United Kingdom.

Pension obligations (defined benefit obligations) are measured using the projected unit credit method in accordance with IAS 19. The actuarial determination of pension obligations 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 Industries AG.

With the involvement of our actuaries, we assessed the actuarial reports obtained by Evonik Industries AG as well as the competence, skills and objectivity 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 representatively selected samples 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 unlisted interest-bearing investments, we performed 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. We compared the fair values of listed interest-bearing investments with external price information. 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 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 this auditor's report and
- the report of the supervisory report expected to be available to us after that date.

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 18 February 2022.

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 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 for one 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 related safeguards.

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_KA+KLB_ESEF-2021-12-31.zip" (SHA256-Hashwert: 809e4965b7b9385e97515d421c089790a6bc915c427da68dda32dc28f44d1d82) 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 2021 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 (10.2021)) 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 2 June 2021. We were engaged by the Supervisory Board on 7 September 2021. 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 published in the German Federal Gazette [Bundesanzeiger] – 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, 18 February 2022
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 2021. 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 its parent company, 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, 2021 to December 31, 2021.

In addition, we have performed reasonable assurance procedures on the following non-financial disclosures, which also qualify as components of the report:

- Disclosures in Chapter 5.3 – Employees
- Disclosures in Chapter 5.4 – Safety

The disclosures included in Chapter 5.1 – Sustainability strategy on the Section "Sustainability analysis of our business supports portfolio management" (PSA-Analysis) are not subject to the assurance procedures and are marked accordingly in the combined Management Report.

Management Responsibilities

The legal representatives of Evonik are responsible for the preparation of the Report 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 of the combined non-financial statement.

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 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 Report that is free of – intended or unintended – material misstatements.

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 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 Report, 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.

Our assurance engagement does not include separately marked disclosures contained in the Section "Sustainability analysis of our business supports portfolio management" of Chapter 5.1.

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 report 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, 2021 to December 31, 2021 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 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 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 four 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 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. These standards require 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:

- Performing 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 areas of Employees and Safety, including the control-relevant key figures on accident and incident frequency
- Performing 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, 2021 to December 31, 2021 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 of the combined non-financial statement. Our assurance engagement did not cover the disclosures in the section “Sustainability Analysis for Portfolio Management” contained in Chapter 5.1 and marked accordingly.

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, 2021 to December 31, 2021, 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 as stipulated in No. 9 and accepts the validity of the General Engagement Terms with respect to us.

Düsseldorf, February 18, 2022
KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Brandt
Wirtschaftsprüferin
[German Public Auditor]

ppa. Dietrich

Market positions 2021[a]

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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]
TAA and TAA derivatives	UV stabilizers for plastics	1[c]	[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]
Pharmaceutical polymers	Drug delivery systems (e.g., tablet coatings) and medical products (e.g., bioresorbable implants)	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	[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]
Amorphous polyalphaolefins	Thermoplastic hot melt adhesives	2	[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	1–2	[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[b]	[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]
Superabsorbents	Diapers, incontinence products, feminine hygiene products, technical applications	3	[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.

TCFD index

We are closely following the objectives of the Task Force on Climate-related Financial Disclosures (TCFD) and the establishment of sustainability reporting standards. In keeping with its participation in CDP Climate Change, in 2021 Evonik again published detailed strategies, data, and development paths on climate change **https://www.evonik.com/CDP-ClimateChange**. We also present climate-related data in our combined management report and our sustainability report **S. 77 ff.** A cross-functional unit working group regularly examines the TCFD requirements. 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.

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Climate-related information by category	You can find further information here:
Governance	
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. The main sustainability bodies at Evonik are the sustainability circle and the sustainability council. The sustainability circle comprises representatives of the relevant functions and specialist departments. The sustainability council ensures close alignment with the businesses. Both are chaired by the executive board member responsible for sustainability. The supervisory board regularly addressed sustainability issues in 2021, including climate-related aspects and the EU taxonomy. In the future, the ongoing strategic development of sustainability management at Evonik will be reflected in the remuneration of the executive board and corporate executives through additional sustainability targets.	Combined management report, section 5.5 The environment **p. 55 ff.** Sustainability report, chapter Strategy and growth **p. 12 ff.** 2021 CDP Climate Change response: chapter Governance **https://www.evonik.com/CDP-ClimateChange**

Climate-related information by category	You can find further information here:
Strategy	
Climate change involves perceptible opportunities and risks for Evonik. We have therefore integrated climate and sustainability aspects into our strategic management process. 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. In the upstream value chain, we evaluate both our "raw material backpack" and scope 1 and 2[a] emissions from our production facilities. 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 for the coming years is to substantially increase the proportion of products with a pronounced sustainability profile (Next Generation Solutions). In 2021, we evaluated options to achieve a further reduction in our greenhouse gas emissions. When assessing potential measures to reduce emissions, we always examine both technological and economic viability criteria and the impact on growth and profitability scenarios. We have identified short-, mid- and long-term transition risks and physical risks. You can find an extensive description of the individual risks in our CDP Climate Change response. The short- and mid-term opportunities and risks are taken into account in our financial planning. Furthermore, since 2021, our risk management system has included extreme risks, which are partly due to climate change.	Combined management report, section 6 Opportunity and risk management report **p. 64 ff.** Evonik Carbon Footprint **www.evonik.com/responsibility** Sustainability report, chapter Value change and products, section "Sustainable products and solutions for our customers" **p. 57 f.** 2021 CDP Climate Change response: chapter Business Strategy **https://www.evonik.com/CDP-ClimateChange**

[a] 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.

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Climate-related information by category	You can find further information here:
Risk management	
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. 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. We systematically develop our risk management system and align it to new requirements.	Combined management report, section 6. Opportunity and risk report **p. 64 ff.** 2021 CDP Climate Change response: chapter Risks and opportunities **https://www.evonik.com/CDP-ClimateChange**

Climate-related information by category	You can find further information here:
Metrics and targets	
Evonik and its predecessor companies have defined ambitious environmental targets since 2004. Our current target is to cut scope 1 and 2 greenhouse gas emissions[a] by 50 percent in absolute terms by 2025 (reference base: 2008). Furthermore, by 2025 we want to cut scope 3 emissions from our upstream value chain by 15 percent and absolute and specific energy consumption by 5 percent in each case (reference base: 2020). Calculation of our CO_2eq[b] emissions is based on the Greenhouse Gas Protocol. In 2021 our CO_2eq emissions were: Scope 1: 4.8 million metric tons Scope 2[c]: 0.6 million metric tons Scope 3: 21.9 million metric tons	Combined management report, sections 1.2 Principles and objectives **p. 16** and 5.5 The environment **p. 55 ff.** Sustainability report, chapter The environment **p. 73 ff.** 2021 CDP Climate Change response: chapter Targets and performance **https://www.evonik.com/CDP-ClimateChange**

[a] 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.

[b] CO_2 equivalents.

[c] Net scope 2 (market-based). The net figure shows the position after subtracting electricity and steam supplied to third parties from the total amount of purchased electricity and steam.

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.

Accident frequency (occupational safety indicator)

All work-related accidents (excluding traffic accidents) resulting in absences of at least one full shift per 200,000 working hours.

Alkoxides

Evonik produces alkoxides, which are used as catalysts for efficient high-yield production of biodiesel. Using Evonik's catalysts, biodiesel can be manufactured from renewable raw materials in a water-free process. As a result, 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 to 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 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

The 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, the CDP collects information on companies' CO_2 emissions, climate risks, and reduction targets and strategies on behalf of investors on a voluntary basis using standardized questionnaires. Evonik's ratings in the CPD categories in 2021 were as follows: Climate Change: A–, Water Security: B; and 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 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 selected indirect emissions (scope 3). Scope 3 emissions include emissions from the production of purchased raw materials, packaging materials, capital goods, energy-related emissions outside scope 1 and scope 2, emissions from inbound shipments of raw materials, the disposal of production waste, business trips, commuting by employees, Evonik's fleet of vehicles, energy requirements for offices, and emissions from the disposal and recycling of products sold. The data exclude the usage phase of Evonik's 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.

Global Reporting Initiative
The Global Reporting Initiative (GRI) is an independent international standards organization that provides the most widely used standards for sustainability reporting, the GRI Standards. 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 classification of our CO_2eq[1] emissions in scopes 1 to 3.

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 to bring this unique method for directly synthesizing propylene glycol (PG) from propylene and H_2O_2 to market maturity.

Incident frequency (plant safety indicator)
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).

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.

[1] CO_2 equivalents.

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.

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 (macro molecules) 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.

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 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. 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. Initial application for 2021 only covers the first two objectives. Moreover, to facilitate the transition, for 2021 it is only necessary to report the share of the three indicators associated with taxonomy-eligible activities. Reporting on all six environmental objectives is expected to be introduced from 2023.

EVA®
Abbreviation for economic value added. The indicator used for 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.

Venture capital
Venture capital is risk capital that is made available to fund innovative concepts and ideas, generally at high-growth small and mid-sized enterprises. Through its venture capital activities, Evonik aims to invest up to €250 million in promising start-ups and leading specialized venture capital funds in the mid-term. 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 T152

	For definition and calculation see page
Adjusted EBITDA	17, 21, 106, 147
Adjusted EBITDA margin	17, 21, 106, 147
Adjusted EBIT	17, 22, 106, 147
Adjustments	17, 21, 22, 147
Adjusted net income	22, 23
Adjusted earnings per share	23
Capital employed	24, 106, 147, 148
Economic value added (EVA®)	24
Free cash flow	17, 33
Net financial debt	34
ROCE	17, 24, 106, 149

Financial calendar

Financial calendar 2022 T153

Event	Date
Interim report Q1 2022	May 6, 2022
Annual shareholders' meeting 2022	May 25, 2022
Interim report Q2 2022	August 3, 2022
Interim report Q3 2022	November 8, 2022

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