FINANCIAL REPORT 2023

Leading Beyond Chemistry

Key figures for the Evonik Group

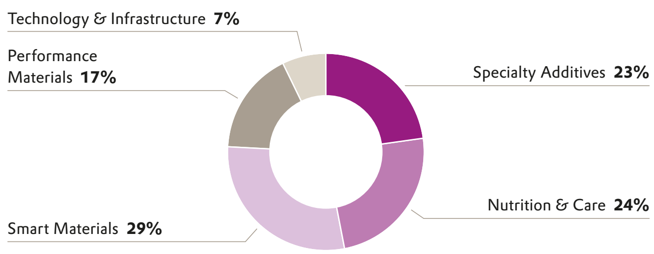
T01

in € million	2019[a]	2020	2021	2022	2023
Sales	13,108	12,199	14,955	18,488	15,267
Research & development expenses	428	433	464	460	443
Adjusted EBITDA[b]	2,153	1,906	2,383	2,490	1,656
Adjusted EBITDA margin in %	16.4	15.6	15.9	13.5	10.8
Adjusted EBIT[c]	1,201	890	1,338	1,350	521
Income before financial result and income taxes, continuing operations (EBIT)	1,086	819	1,173	942	−243
ROCE[d] in %	8.6	6.1	9.0	8.3	3.4
Net income	2,106	465	746	540	−465
Adjusted net income	902	640	986	1,054	370
Earnings per share in €	4.52	1.00	1.60	1.16	−1.00
Adjusted earnings per share in €	1.94	1.37	2.12	2.26	0.79
Total assets as of December 31	22,023	20,897	22,284	21,810	19,940
Equity ratio as of December 31 in %	41.1	38.8	42.1	50.7	45.1
Cash flow from operating activities	1,321	1,727	1,815	1,650	1,594
Cash outflows for investments in intangible assets, property, plant and equipment	880	956	865	865	793
Free cash flow[e]	472	780	950	785	801
Net financial debt as of December 31	−2,141	−2,886	−2,857	−3,257	−3,310
Lost time injury rate (LTI-R)[f]	0.24	0.16	0.19	0.25	0.21
Process safety incident rate (PSI-R)[g]	1.10	1.45	0.48	0.49	0.43
No. of employees as of December 31	32,423	33,106	33,004	34,029	33,409

[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] All reported work-related accidents (excluding traffic accidents) resulting in absences of at least one full shift per 200,000 working hours.
[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.

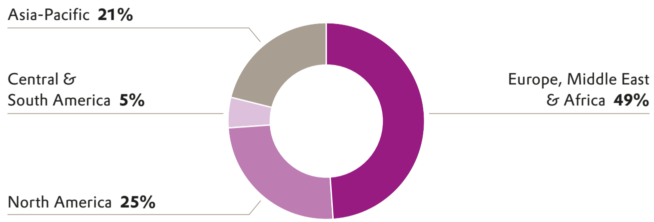
Sales by division

C01



Sales by region[a]

C02



[a] By location of customer.

CONTENTS

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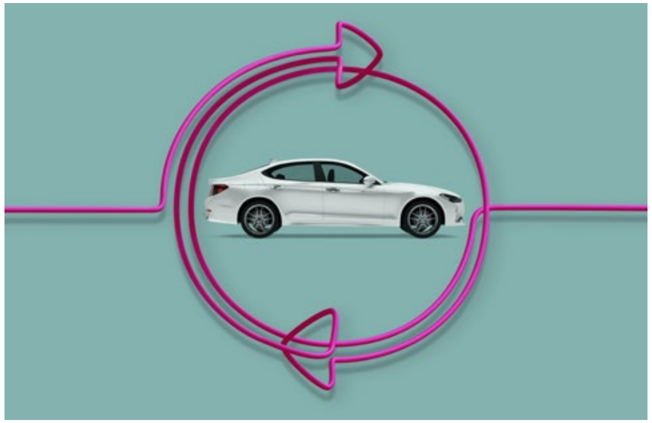
WE GO BEYOND

To enable transformation, it is essential to go beyond the familiar. We at Evonik have long been on this journey, paving the way with our passion for outstanding products and technologies, enabling us and our customers to go beyond what is considered possible today and to create entirely new solutions for the most important questions of our shared future. Such as lipids for the medicines of the future, biosurfactants for green detergents, additives for plastic recycling, and membranes enabling the energy transition. Driving forward the transformation of industry and society, we work as one with our customers because this is the only way to lend their products the properties that give them the competitive advantage they need to succeed. That is what drives us. Embracing change is the key to a sustainable world – today and tomorrow. We go beyond to enable transformation.

NEWS



WE GO BEYOND TO CLOSE MATERIAL CYCLES

CIRCULARITY FOR SUSTAINABLE GROWTH

Creating value from waste and reducing dependency on fossil raw materials: Evonik's Global Circular Economy Program aims to utilize the benefits of the circular economy in all value chains. The goal is to generate at least €1 billion in additional sales from circular products and technologies by 2030. To achieve this, Evonik wants to further strengthen its activities with additives and specialties and make greater use of defossilized raw materials based on recycled materials, biomass, and CO_2. It is driving forward the development of technologies to close the loop, for example, for chemical recycling of PET waste streams. Evonik sees the circular economy as the key to sustainable growth that takes equal account of economic, ecological, and social aspects.

WE GO BEYOND TO DEVELOP RECYCLING SOLUTIONS

A NEW LIFE FOR USED MATTRESSES

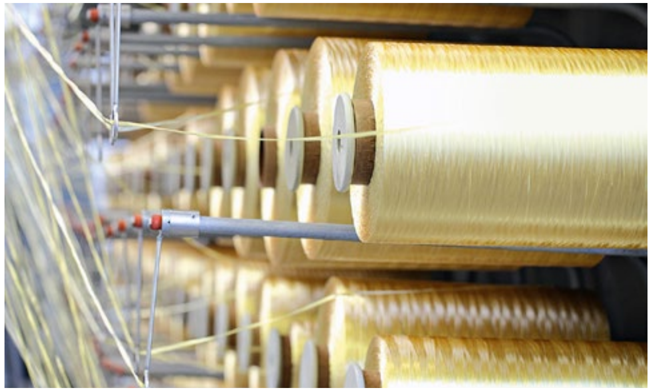
It is estimated that more than 250 kilotons of polyurethane foam (PU foam) from end-of-life mattresses are incinerated or landfilled in Europe every year. Evonik wants to recycle the materials. It has therefore developed a chemical process to recover the main components of PU foam for reuse. The process is currently being tested in a pilot plant in Hanau (Germany). To secure the long-term supply of PU foam, Evonik signed a cooperation agreement with the recycling company REMONDIS in 2023. Moreover, Evonik has also been cooperating with foam producer The Vita Group since 2021. The recycled materials have already produced competitive results in a joint product test. As the next step, Evonik intends to test the process in a demonstration plant to help close the production cycle in the polyurethane industry.

WE GO BEYOND TO FIGHT PANDEMICS AND DISEASES

LIPID FACILITIES TO STRENGTHEN OUR LEADING EDGE

Evonik has started construction of a production facility for pharmaceutical specialty lipids in Lafayette (Indiana, USA). The total investment is in the triple-digit million dollar range, and the US government is assuming a share of the costs of up to US$ 150 million. This new multipurpose facility will allow fast and flexible production of high-quality specialty lipids, which could be used in future mRNA-based applications for infectious disease control, cancer immunotherapy, protein replacement, and gene therapy. In early March 2023, Evonik also opened a production plant for smaller batches of lipids in GMP (good manufacturing practice) quality in Hanau (Germany). Both investments strengthen Evonik's position as the world's leading supplier of drug delivery technologies and a strategic partner for the pharmaceuticals industry.

NEWS



WE GO BEYOND TO PUSH RENEWABLE ENERGIES

INNOVATIVE MEMBRANES FOR THE ENERGY TRANSITION

Evonik is investing a double-digit million euro amount to expand SEPURAN® production capacity in Schörfling and Lenzing in Austria. Completion is scheduled for the first half of 2025. A new hollow fiber spinning facility came into operation in Schörfling at the beginning of 2023. Evonik's SEPURAN® brand name is used to market innovative membrane technologies for efficient gas separation, for example, for the treatment of biogas and the extraction of hydrogen. At the heart of Evonik's membranes are fine hollow fibers made from the high-performance plastic polyimide. The capacity expansion includes the construction of an additional plant for spinning hollow fibers and the expansion of polyimide production. SEPURAN® membranes make an important contribution to reducing dependence on fossil fuels. Evonik is concentrating on investing in green technologies that offer its customers superior sustainability benefits.

WE GO BEYOND TO MAKE MOBILITY SUSTAINABLE

A BOOST FOR ELECTRIC VEHICLES IN ASIA

Evonik is building its first fumed aluminum oxide plant in Asia. This facility in Yokkaichi (Japan) will produce the AEROXIDE® brand of aluminum oxide for separator coatings in lithium-ion batteries to extend the mileage of electric vehicles. It also speeds up charging of batteries and increases their service life. Yokkaichi has been an important production center for fumed oxides for many years. This capacity expansion will enable the site to meet demand from Asia's growing battery markets and supply custom-tailored solutions. Evonik is investing a double-digit million euro amount in this project. Construction started in summer 2023, and the facility is scheduled to start operating in 2025. The investment is supported by funds from the Japanese government.

WE GO BEYOND TO REACH A CLEANER FUTURE

INDUSTRIAL-SCALE PRODUCTION OF BIOSURFACTANTS

Evonik is strengthening its position in the growing market for biosurfactants. Since January 2024, the company has been producing rhamnolipids at its new production facility in Slovenská Ľupča (Slovakia). This is the world's first industrial-scale production plant for these high-performance biosurfactants. Rhamnolipids are used in skincare products and cleaning agents. Their benefit compared with conventional bio-based surfactants: as well as being 100 percent biodegradable, they have high environmental tolerability to microorganisms in water. In addition, they deliver an excellent cleaning performance and have good skin tolerability. Production is based on the fermentation of sugar. Rhamnolipids are seen as a future-oriented alternative to conventional surfactants produced from crude oil and tropical fats. Evonik developed this biosurfactant though a strategic partnership with the consumer goods group Unilever. Evonik's investment in this plant was in the triple-digit million euro range.

THE FUTURE MAKERS: OUR EMPLOYEES

How we embrace transformation.

We go beyond to enable transformation: To deliver on this promise, we count on the knowledge, courage, and spirit of discovery of our employees. More than 33,000 people work for our company around the world. They are all wholeheartedly committed to the transformation of industry and society. To support them in that, we do not set boundaries. On the contrary, we encourage our employees to develop their own ideas and explore new routes together with their teams, customers, and business partners—perhaps by researching a trailblazing innovation, accessing new areas of application, or developing an efficient production process.

Seven examples on the pages between the chapters in the combined management report provide insights into how our employees shape the transformation in their daily work.

Ralf Düssel, head of Sustainability, Essen (Germany)
p. 15

Shogo Ichinozuka, engineer, Yokkaichi (Japan)
p. 22

Peter Aigner, chemical process technician, Schörfling (Austria)
p. 98

WE GO BEYOND

Stefan Liebig, technical manager, Essen (Germany)
p. 42

Patrick Glöckner, head of the Circular Economy Program, Marl (Germany)
p. 86

Zeinab I. Aly, process engineer, Lafayette (Indiana, USA)
p. 50

Annegret Terheiden, chemist, Essen (Germany)
p. 46

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
€3,520 million

ADJUSTED EBITDA
€673 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
€3,611 million

ADJUSTED EBITDA
€389 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
€4,461 million

ADJUSTED EBITDA
€540 million

EFFICIENCY

Performance Materials

The Performance Materials business produces key intermediates for the areas of mobility, construction, living at home, hygiene, rubber, and polymers. It also has a clear focus on activities to enhance sustainability, such as biogenic raw materials and reducing CO_2.

SALES
€2,549 million

ADJUSTED EBITDA
€111 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
€1,073 million

ADJUSTED EBITDA
€217 million

A CHALLENGING YEAR

- Lower demand as a result of the **weak economic environment**
- Selling prices stable in the specialty chemicals businesses but significant declines at Animal Nutrition and Performance Intermediates
- **Sales** decreased by 17 percent to €15.3 billion, mainly due to volumes
- **Adjusted EBITDA** fell 33 percent to €1.7 billion
- High **free cash flow** of €801 million
- **Adjusted net income** 65 percent below the prior-year level at €370 million
- **Net income** was –€465 million as a consequence of high impairment losses
- **Outlook for 2024:** adjusted EBITDA expected to be between €1.7 billion and €2.0 billion

KEY FIGURES

SALES
€15.3 billion
(2022: €18.5 billion)

ADJUSTED EBITDA
€1,656 million
(2022: €2,490 million)

NET INCOME
–€465 million
(2022: €540 million)

FREE CASH FLOW
€801 million
(2022: €785 million)

Letter from the chairman of the executive board

CHRISTIAN KULLMANN
Chairman of the Executive Board

Worldwide, we are living through a period of multiple crises. The shock waves caused by the pandemic were followed by Russia's invasion of Ukraine, then a sharp hike in energy prices and alarmingly high inflation. China has plunged into a growth crisis and is losing traction as the locomotive for the global economy. Moreover, on the political front there is a global shift back towards national interests, combined with isolationist tendencies. All that is making it more difficult for companies to regain their accustomed growth rates. The permanent presence of international crises—most recently in the Middle East—is becoming the new norm for the business world.

At Evonik, we are used to dealing with crises and competitive pressure. Nevertheless, recession and uncertainties took their toll in 2023, resulting in a significant drop in earnings in almost all of our businesses. Our adjusted EBITDA declined by one-third to €1.66 billion. Net income was impacted by restructuring and by high impairment losses on businesses whose future prospects have deteriorated or that we intend to sell. The bottom line was a loss of €465 million.

We therefore need to take resolute action. And that is precisely what we did last year. Our goal was to save €250 million to offset rising costs, and we achieved it. I would like to thank all our employees for their discipline in implementing these, at times painful, measures. Their importance is shown by our excellent free cash flow, which was €801 million in 2023.

That was an outstanding achievement in an exceptionally challenging year and testifies to our systematic focus on safeguarding liquidity, the excellent management of our net working capital, and our high investment discipline. We will continue to drive forward these measures.

At the same time, we still want to offer our shareholders an attractive return. At the annual shareholders' meeting, the executive board and supervisory board will therefore propose an unchanged dividend of €1.17 per share. Even in such turbulent times, we are committed to reliability and stability.

To uphold that in the long term, we have embarked on some important strategic adjustments. We are taking these steps resolutely, but without haste. Because we want the improvements at Evonik to last. So where did we start? First: Our administration is too slow, too complex, and too unfocused. To ensure clear responsibilities and timely decisions, we have launched the Evonik Tailor Made program, which will give us an administration tailored to our needs and do away with what we no longer need. The goal is an even greater focus on our chemicals businesses.

That brings me to the second aspect: There is no need for us to finance and operate chemical parks where other companies produce more than we do. We are therefore splitting our Technology & Infrastructure division. Technology and process engineering are mission-critical and will remain bundled at Evonik. The situation is different for infrastructure services. Here, we need to find the best operating models for our sites in Marl and Wesseling (Germany) and Antwerp (Belgium).

Despite the challenging times, we have invested substantially in improving and growing our specialty chemicals businesses. Because we see ourselves as a company that helps drive forward the necessary changes in our economic system. In March 2023, we held the groundbreaking ceremony for our new Lipid Innovation Center in Indiana (USA). This new facility will produce specialty lipids, which are required for mRNA vaccines and other nucleic acid therapies. It is scheduled to start operating in 2025 and will strengthen our leading position as a solution provider for the pharmaceutical industry. Our production plant for rhamnolipids in Slovakia has now been completed. It is an excellent example of how we have driven forward a production process for a highly sustainable product from the original idea to commercial production and gained access to the market.

We are expanding our production capacities for gas separation membranes in Schörfling and Lenzing in Austria. A further production line will be added by 2025. This product supports the energy transition in the gas markets. In Weston (Michigan, USA), we are building a new production facility for ultra-high-purity colloidal silicon dioxide, a key material for the booming semiconductor industry. This is scheduled to come on stream this year. In Yokkaichi (Japan), we are investing in a production facility for aluminum oxide. This is geared to solutions for lithium-ion battery technology for electric vehicles and is due to start operating in 2025. Driving forward so many complex projects at the same time is not a given—especially not in such a challenging year as 2023. It requires a competent and motivated team. And we have that!

Our innovative strength is also reflected in our sustainability aspirations. Our company's climate targets are in conformance with the Paris Agreement on Climate Change.

That was confirmed last year by the Science Based Targets initiative on the basis of a scientific assessment. Our corporate targets to reduce greenhouse gas emissions will help keep global warming well below 2 °C. Now we are taking the next step towards a circular economy with further ambitious targets: We want to generate additional sales of at least €1 billion with circular products and technologies by 2030. Our Next Generation Solutions—products and solutions with clear sustainability benefits—account for 43 percent of our sales.

We are making progress with the planned restructuring of our portfolio. In 2023, we found a new owner for our site in Lülsdorf (Germany): International Chemical Investors Group, which is investing significantly at the site. We are also at an advanced stage in the sale of our Superabsorbents business. When it has been completed, we will have achieved two of the three steps in the disposal of the businesses in our Performance Materials division. Preparations for the sale of the C_4 chemicals business are making good headway.

As you can see, we are using our potential in this challenging situation to prepare our company for better times. By carefully implementing a clear agenda rather than through hectic action. Evonik's clear focus on the success of the chemicals businesses strengthens its solid foundation. That stability will enable us to successfully tackle the demanding years ahead. And we will be strong enough to exploit the opportunities on the world markets resulting from the green transformation of the global economy.

On behalf of the entire executive board, I would like to thank all our employees for their loyalty in this period of such enormous change. I would also like to thank our shareholders for their trust in us.

CHRISTIAN KULLMANN
Chairman of the Executive Board

The executive board

From left to right

THOMAS WESSEL
Chief Human Resources Officer

MAIKE SCHUH
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

As in previous years, the impact of geopolitical crises dominated the stock markets in 2023. Alongside the ongoing war in Ukraine, the resurgence of the Middle East conflict towards the end of the year was a source of turmoil. Moreover, following the end of the zero-Covid policy, the economic situation in China recovered far more slowly than had originally been predicted. Persistently high inflation around the world and the resulting restrictive monetary policy held back investment and consumption, especially demand for consumer durables. All this had a particularly strong impact on chemical companies, including Evonik. As a result, shares in Evonik ended 2023 only slightly higher than at the end of the previous year. The main indices ended the year more positively.

Evonik shares started 2023 at €17.94 and made clear gains in the first few weeks of the year. The capital markets hoped that the end of the zero-Covid policy in China would bring a broadly based global economic recovery during the year. Shares in Evonik therefore rose 20 percent to a high for the year of €21.60 at the beginning of February 2023.

They subsequently traded at around €20 until the end of May, after which it became increasingly clear that the hoped-for recovery in demand would not materialize in the fiscal year. By then, the European chemical industry was already having to contend with destocking by customers, which lasted for longer than had been expected because demand remained low. Furthermore, compared with global conditions, the rise in energy and raw material costs in the wake of the war in Ukraine resulted in an unfavorable cost situation in Europe. That also left a mark on Evonik's business performance. Consequently, shares in Evonik fell to a low for the year of €15.97 at the end of October; this was also the lowest level since the start of the Covid pandemic in March 2020.

That was followed by a slightly positive trend up to year-end, fueled by hopes of a recovery in demand and thus a better year in 2024. Shares in Evonik closed at €18.50 on December 29, 2023, which was 16 percent above the October low and 3 percent above the closing price at the end of the previous year. The more broadly based STOXX® Europe 600 Chemicals rose 14 percent in 2023.

Price performance of Evonik shares January 1 – December 31, 2023 C03

Dividend distribution

Evonik has a long-term dividend policy aligned to continuity and reliability. The annual shareholders' meeting in May 2023 therefore resolved to pay a constant dividend of €1.17 per no-par share for 2022, which was then paid out. At the annual shareholders' meeting on June 4, 2024, the executive board and supervisory board will once again propose a stable dividend of €1.17 per share for 2023. As in the previous year, that would result in a total dividend payment of €545 million. The dividend yield of over 6 percent remains among the highest in the chemical industry.

Key figures T02

	2023
Highest share price[a] in €	21.60
Lowest share price[a] in €	15.97
Closing price[a] on December 29, 2023 in €	18.50
Market capitalization on December 29, 2023 in € billion	8.62

[a] Xetra trading.

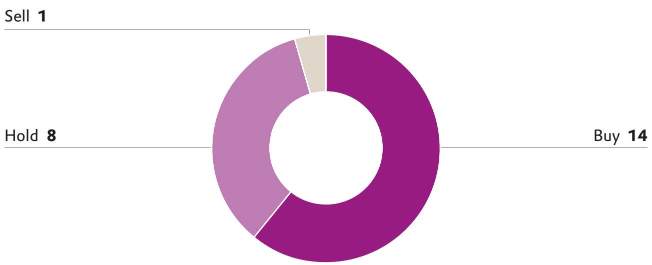
Shareholder structure

At year-end 2023, RAG-Stiftung was still Evonik's largest shareholder with a stake of around 53 percent. The free float was about 47 percent.

Dialogue with the capital markets

Evonik continued its intensive capital markets communication in 2023. The company gave current and potential investors opportunities to gain impressions and engage in direct discussions at conferences and roadshows, as well as at several private investor events. In view of the challenging economic environment, discussions with investors and analysts were dominated by short-term topics such as the development of demand in Evonik's various end-markets and regions and the contingency measures introduced to safeguard business performance. Another focus of communication was the systematic strategic development of the Evonik Group, for example, through portfolio optimization and expansion of the sustainable product offering (Next Generation Solutions).

Analysts' ratings C04



INVESTOR RELATIONS

For further information on our investor relations activities, visit our website at www.evonik.finance/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

Analysts' valuations of Evonik shares

At the end of 2023, Evonik was covered by 23 analysts. Fourteen of them rated the share as a buy, only one as a sell, and eight issued neutral recommendations. The price targets at year-end ranged from €16 to €26, giving an average of just under €20, which was €4 lower than as of December 31, 2022.

Credit ratings

Evonik has a solid investment grade rating. As in the previous year, it has a rating of Baa2 from Moody's and BBB+ from Standard & Poor's—with a stable outlook in each case.

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, DAX® 50 ESG, FTSE4Good, STOXX® Global ESG Leaders, Euronext Vigeo Eiris Indices Europe 120

COMBINED MANAGEMENT REPORT

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 **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. Sustainability p. 50 ff. The components of the NFS are employee, environmental, and social matters, respect for human rights, preventing bribery and corruption, and the supply chain. In addition, the NFS contains the disclosures on our taxonomy-eligible and taxonomy-aligned activities as required by the EU Taxonomy Regulation. The full tables on the EU taxonomy can be found in the annex to the combined management report p. 224 ff. The allocation of the aspects to these sections is shown in the index in section 5.2 Combined non-financial statement p. 53 ff.

The **takeover-relevant information** in accordance with section 315a of the German Commercial Code (HGB) presented in the corporate governance chapter p. 124 ff. also forms part of the combined management report.

The **declaration on corporate governance** in accordance with section 315d of the German Commercial Code (HGB) in conjunction with section 289 ff. HGB is also included in the corporate governance chapter p. 111 ff. and is available on our website at **www.evonik.finance/declaration-on-corporate-governance.** It is an unaudited component of the combined management report. It contains the declaration of conformity pursuant to section 161 of the German Stock Corporation Act (AktG), information on corporate governance and corporate management practices and on the work of the executive board and the supervisory board, and the diversity concept for the composition of the executive board and the supervisory board.

KPMG AG Wirtschaftsprüfungsgesellschaft has audited the consolidated financial statements of Evonik Industries AG and the combined management report for fiscal 2023 and issued an unqualified opinion p. 213 ff. The auditor did not audit the content of the NFS presented in section 5. Sustainability. Instead, the NFS 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) p. 221 ff.

The **remuneration report** in accordance with section 162 of the German Stock Corporation Act (AktG), together with the auditor's report on the formal and substantive audit, is available on the internet at **www.evonik.finance/remuneration-report.**

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

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.

▽△ The text was not included in the statutory audit.

1. BASIC INFORMATION ON THE EVONIK GROUP

Ralf Düssel is responsible for sustainability at Evonik.

FIGURES

No end-market accounts for more than

20%

of sales

Around

43%

of our sales come from Next Generation Solutions

Production facilities in

27

countries

WE GO BEYOND TO ENABLE TRANSFORMATION

"Evonik has staff from a wide range of disciplines—including chemists, biotechnologists, and agricultural engineers. It is very important to us that our experts network with one another. Working in interdisciplinary teams generates completely new ideas. And they are necessary to find sustainable solutions to tomorrow's major concerns."

1.1 Business model

Evonik is one of the world's leading specialty chemicals companies. Our strengths include the balanced spectrum of our activities, end-markets, and regions. Our strong **competitive** position is based on collaboration with customers, our innovative capability, and our 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 customers enables us to build up a deep knowledge of their business, so we can offer products tailored to their specifications and extensive technical service. 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, resource-efficient growth.

Sustainability is integrated into our strategic management process. Our goal for the future is to substantially increase the proportion of sales from attractive growth businesses with a clearly positive sustainability profile (Next Generation Solutions). Evonik supports the objectives of the Paris Agreement on Climate Change. That is underscored by our commitment to the Science Based Targets initiative (SBTi [1]). We aspire to be climate-neutral by 2050.

Our **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.

We systematically examine the positive and negative effects of business activities along the **value chain.** Early identification of future opportunities and risks makes our business model more resilient and sharpens our 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.

[1] SBTi is a partnership of CDP, the United Nations Global Compact, and the World Wide Fund for Nature. The initiative supports companies that align their activities to achieving the 1.5 °C target defined in the Paris Agreement.

Corporate structure C05

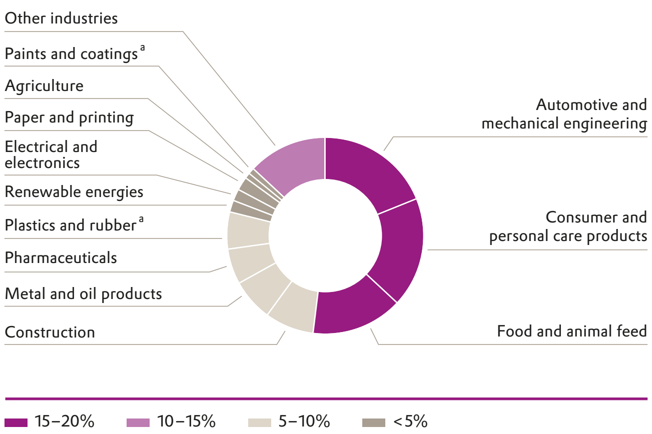
Evonik					
Division	**Specialty Additives**	**Nutrition & Care**	**Smart Materials**	**Performance Materials**	**Technology & Infrastructure**
Description	A broad spectrum of additives, cross-linkers, and formulating expertise that make the key difference for customers in growth markets such as coatings, mobility, infrastructure, and consumer goods.	Sustainable solutions that improve health and the quality of life for applications in 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; superabsorbents for consumer applications.	Experts in site management, asset life cycle management, supply chains, and production-focused digitalization.
Products and applications (examples)	**Additives for polyurethane foams** (rigid/flexible foam), for example, for mattresses, car seats, and insulating materials **Additives, matting agents, fumed silicas,** and **specialty resins** for paints, coatings, and printing inks **Isophorone** and **epoxy curing agents,** for example, for coatings, adhesives, and composites **Pour point depressants and viscosity index improvers** for oil and other lubricants for construction machinery and the automotive sector	Animal Nutrition **D-/L-methionine and lysine** as essential amino acids for the animal nutrition industry Health & care **Pharmaceutical active ingredients** Exclusive synthesis of active ingredients, pharmaceutical polymers for drug delivery systems **Medical products** Biocompatible and bioresorbable materials for orthopedic and medical applications **Cell culture** Pharmaceutical amino acids and peptides **System solutions for the cosmetics and detergents industries**	Inorganic materials **Fumed and precipitated silicas** and **silanes,** for example, for the automotive, tire, electronics, and cosmetics industries **Peroxides** as sterilizing agents, cleaning agents for silicon wafers, and environment-friendly bleaching agents for the paper and textile industries **Specialty catalysts** for synthesis and **alkoxides** for use in catalysts in the production of biodiesel High-tech polymers **Polyamide 12** for sports shoe soles, sunglasses, gas and oil pipelines, and many safety-critical automotive components **Polymer foams** for lightweight structures, **specialty polybutadiene and polyester, membranes** for efficient treatment of biogas, natural gas, and hydrogen	Performance Intermediates **Butadiene, MTBE, butene-1, isononanol, DINP** for use in the automotive industry, for example, as plasticizers, synthetic rubber for tires, and fuel additives Superabsorbents for diapers and hygiene products	Energy management Integrated plant support and maintenance Process engineering, process safety Pipelines, transport management, logistics safety Digital solutions for chemical production Strategic site development
Sites	Herne, Essen (Germany), Mobile (Alabama, USA), Shanghai (China), Singapore, Nanjing (China), Wichita (Kansas, USA)	Essen, Hanau (Germany), Antwerp (Belgium), Slovenská Ľupča (Slovakia), Lafayette (Indiana, USA), Mobile (Alabama, USA), Shanghai (China), Singapore	Marl, Rheinfelden (Germany), Antwerp (Belgium), Lenzing (Austria), Mobile (Alabama, USA), Rosario (Argentina), Dombivli (India), Nanjing (China), Yokkaichi (Japan)	Marl, Krefeld (Germany), Antwerp (Belgium)	Marl, Hanau, Essen (Germany), Antwerp (Belgium), Mobile (Alabama, USA), Shanghai (China)

The Specialty Additives, Nutrition & Care, and Smart Materials **growth divisions** offer their customers customized, innovation-driven solutions. The aim is to achieve above-average, profitable growth in attractive markets through innovations, investments, and acquisitions. 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. In keeping with our concentration on specialty chemicals, we are withdrawing from the three businesses in the Performance Materials division. We sold the Lülsdorf site, including the functional solutions business, on June 30, 2023, and we expect to complete the divestment of the Superabsorbents business in the first half of 2024. We are preparing to sell Performance Intermediates in the future; this business has operated as an independent unit since mid-2023. We intend to split the Technology & Infrastructure division into cross-site technology and site-specific infrastructure activities in the future. This will enable more differentiated management of their respective services, reduce complexity, and better meet the distinct requirements of the technology and infrastructure activities.

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.

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 entry barriers.

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 104 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.

Procurement

Procurement is organized globally at Evonik and comprises direct procurement (raw materials, logistics, and packaging) and indirect procurement (goods and services). Since it is a global function, methodological excellence, process efficiency, compliance, and the use of purchasing synergies are important to us. Cross-business demand is pooled to obtain favorable prices in the market. The core tasks of Procurement are ensuring the reliability of supply by accessing new procurement markets, diversifying our supplier base, and concluding long-term supply agreements. It continuously optimizes the cost of materials and services.

2023 was dominated by weak overall demand for raw materials, packaging, and logistics services. This resulted in good general availability, with prices trending downwards. However, high energy costs and the general inflationary pressure held back the decline in prices in many value chains. Prices of capital goods stabilized at a high level, while the price of services continued to increase slightly due to the shortage of skilled workers. By the start of 2023, the previous year's bottlenecks in the supply of raw materials and logistics constraints, which were caused by the measures to contain Covid-19 and the war in Ukraine, had been successfully eliminated.

In 2023, Evonik spent €11.3 billion (2022: €13.6 billion) on raw materials and supplies, technical goods, services, energy, and other operating supplies from almost 100 different countries. Europe accounted for the majority of Evonik's procurement expenditures (approx. 65 percent), the Americas for around 20 percent, and Asia for about 15 percent. Raw materials made up 47 percent of total procurement volume. Evonik purchases fossil-based raw materials mainly from the petrochemicals (approx. 17 percent of total expenditures) and inorganics (9 percent) markets. We aim for a further increase in the proportion of renewable raw materials. Based on weight, the proportion increased to 12 percent of our raw material base in 2023 (2022: 11 percent).

Evonik's supplier base comprises around 34,000 suppliers. The 100 largest suppliers account for around 45 percent of procurement expenditure. About 65 of these 100 suppliers are in Europe, 25 are in the Americas, and ten in Asia.

Further factors that influence our business
Since the Evonik Group operates worldwide, it is exposed to economic, legal, and political influences. At present, these are, in particular, the global economic situation, geopolitical events, and energy prices. Evonik is also affected by ecological and social requirements, such as the EU emissions trading system and the future EU Corporate Sustainability Due Diligence Directive (CSDDD). As from a certain level, the resulting opportunities and risks are outlined in section 6. Opportunity and risk report p. 86 ff.

1.2 Principles and objectives

Building a best-in-class specialty chemicals company
We aspire to make Evonik a best-in-class specialty chemicals company. As part of our strategic transformation, we are integrating **sustainability** into all aspects of our corporate strategy—portfolio management, innovation, and corporate culture—as the basis for resource-efficient and profitable growth.

Our goal is to concentrate on businesses with clear specialty chemicals characteristics. Our **portfolio transformation** focuses on high-growth products and solutions, many of which also offer specific sustainability benefits (Next Generation Solutions). 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. The cash flows generated by our operating business and the cash flows from the portfolio transformation will be used primarily to finance the expansion of Next Generation Solutions and for the ongoing development of production processes and infrastructure to reduce CO_2 emissions (Next Generation Technologies).

Innovation plays a key role in aligning Evonik systematically with sustainability. Our focus here is on working intensively with customers and partners along the value chain. Our six innovation growth fields [1] help us gain access to additional, new areas of business that contribute to greater sustainability.

Our performance-oriented **culture** is based on our corporate values: performance, trust, openness, and speed. We regard ourselves as an international company and see diversity as an opportunity. Moreover, sustainability is integrated into our human resources processes at all levels—from recruitment through vocational training and continuing professional development to employee engagement programs and remuneration (Next Generation Culture).

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 aim for average organic sales growth [2] of more than 4 percent a year in our three growth divisions. For the

[1] See section 4. Research and development p. 46 ff.
[2] Organic sales growth is calculated from the change in volumes and prices. See section 2.3 Business conditions and performance p. 25 ff.

adjusted EBITDA margin, we have set a target range of between 18 percent and 20 percent. The target return on capital employed (ROCE) is around 11 percent, which is above the cost of capital. Moreover, Evonik aims to achieve a high cash conversion rate[1] 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 2023[a]	Target
Organic growth in the growth divisions	–11%	> 4%
Adjusted EBITDA margin	10.8%	Between 18% and 20%
Free cash flow: cash conversion rate	48%	> 40%
ROCE	3.4%	11%
Rating	Solid investment grade rating	Solid investment grade rating
Dividend	1.17€[b]	Reliable and attractive

[a] For information on the current development of these parameters, see section 2. Business review p. 22 ff.
[b] Proposal to the annual shareholders' meeting.

The main factors contributing to the significant shortfall in organic growth in the growth divisions were the drop in production volumes caused by the economic situation and the significant price erosion in the Animal Nutrition business. We report on the development of these performance indicators in sections 2.3 Business conditions and performance p. 25 ff. and 2.8 Financial condition p. 38 ff.

As a specialty chemicals company that is aware of its responsibility, we are also continuing to pursue our **non-financial targets.** We strive to remain below the upper limits we have set for the lost time injury rate (LTI-R)[2] and process safety incident rate (PSI-R)[3]. Our goal is to increase the proportion of sales generated with our Next Generation Solutions[4] to over 50 percent by 2030. We are committed to the SBTi target "well below 2°C" and to reducing our absolute scope 1 and 2 emissions[5] by 25 percent between 2021 and 2030. We also aim to reduce scope 3 emissions by 11 percent in the same period. In addition, we have set a target for water: Between 2021 and 2030, we aim to reduce specific freshwater intake[6] by 3 percent. Moreover, we have been pursuing an energy target since 2020. The aim is to reduce both absolute and specific[7] energy consumption by 5 percent by 2025.

The development of absolute energy consumption and absolute CO_2 emissions indicators benefited from the reduction in production output as a result of the economic situation. However, the lower production volumes increased specific energy consumption and specific freshwater intake because the energy and freshwater requirements that are not volume-related were distributed among a lower product volume. We report on the development of these targets in sections 5.4 Safety p. 61 ff. and 5.5 The environment p. 63 ff.

Non-financial targets for the Evonik Group T05

	Status 2023[a]	Target
Targets for 2024		
LTI-R	0.21	≤ 0.26
PSI-R	0.43	≤ 0.40
Targets for 2025		
Absolute energy consumption	Reduction of 8%[b]	Reduction of 5%[b]
Specific energy consumption	Increase of 10%[b]	Increase of 5%[b]
Targets for 2030		
Sales from Next Generation Solutions	43%	> 50%
Absolute CO_2 emissions (scope 1 and 2)	Reduction of 15%[c]	Reduction of 25%[c]
Specific freshwater intake	Increase of 12%[c]	Reduction of 3%[c]

[a] For information on the current status of these targets, see section 5. Sustainability p. 50 ff.
[b] Reference base 2020.
[c] Reference base 2021.

[1] Ratio of free cash flow to adjusted EBITDA.
[2] Number of work-related accidents (excluding traffic accidents) resulting in absences of at least one full shift per 200,000 working hours.
[3] Number of incidents in production plants involving the release of substances or energy, fire, or explosion per 200,000 working hours.
[4] See section 5.1 Sustainability strategy p. 51 ff.
[5] 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.
[6] Freshwater intake per product unit.
[7] Energy consumption per product unit.

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 with 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[1], 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.

Our operating earnings indicators, adjusted EBITDA and adjusted EBIT, are adjusted for special items that, due to their nature or amount, are not attributable to the typical operating business. We classify these special influences as structural measures, acquisitions and divestments, and other special items. We modified these categories in 2023 to avoid possible overlaps between them, so that adjustments are more clearly defined. 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, at the start of 2020, we introduced the cash conversion rate[2] 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 process safety target. The relevant indicators are the **lost time injury rate (LTI-R)** and the **process safety incident rate (PSI-R).**

[1] Ratio of adjusted EBITDA to sales.
[2] Defined as the ratio of free cash flow to adjusted EBITDA.

2. BUSINESS REVIEW

Shogo Ichinozuka is an engineer working in the production technology team in Yokkaichi (Japan). His role in the construction of the fumed aluminum oxide facility includes preparing applications and reviewing mechanical drawings.

FIGURES

€1,656 million
Adjusted EBITDA

10.8%
Adjusted EBITDA margin

€801 million
Free cash flow

WE GO BEYOND TO MAKE MOBILITY SUSTAINABLE

“Asia is a driving force in the expansion of e-mobility in Asia, so it is especially important that our company is investing in production capacity for fumed aluminum oxide here in Yokkaichi. We are all very proud that we will be operating the first Evonik plant of this type in Asia. From our site, we can help guide mobility towards a sustainable future.”

2.1 Overall assessment of the economic situation

We continued Evonik's **strategic** development in 2023. As part of Next Generation Evonik, sustainability is now an integral component of important core processes such as portfolio and innovation management, production and technology, and human resources work. Extending Next Generation Solutions is one of our strategic sustainability targets. To achieve this, we initiated major projects in 2023: We are building a highly flexible production facility for pharmaceutical lipids in the USA, expanding the production plant for fumed aluminum oxide for batteries for electric cars in Japan, and increasing our capacity for gas separation membranes in Austria. Despite the challenging environment, we have made further progress with our plans to divest the businesses in the Performance Materials division. We sold the Lülsdorf site as of June 30, 2023 and expect to complete the sale of the Superabsorbents business in the first half of 2024. To optimize our cost position, we are embarking on a realignment: The Technology & Infrastructure division is to be split into cross-site technology and site-specific infrastructure activities to give it a more focused market presence. In addition, Evonik's entire administration is to be reorganized through the internal Evonik Tailor Made program. The goals are far leaner structures, faster decisions, and more efficient workflows. This year, we will be continuing the short-term contingency measures implemented in 2023, which cut costs by €250 million.

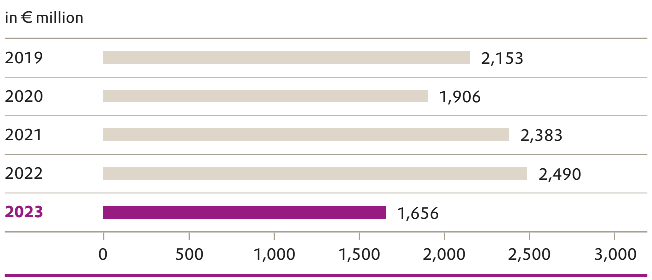
Fiscal 2023 was adversely affected by geopolitical crises, high energy prices, and global inflation. In this challenging environment, our **operating** business registered considerably lower demand, partly due to significant destocking by customers. In addition, our Animal Nutrition and Performance Intermediates businesses registered significant price declines compared with the high prior-year levels. By contrast, we were able to keep selling prices in the specialty chemicals businesses largely stable. Since our business performance was below our original expectations, we had to revise our forecast downwards in summer 2023. We delivered on this revised forecast.

The Evonik Group's sales fell 17 percent to €15.3 billion as a result of lower volumes, a slight drop in selling prices overall, and negative currency effects. **Adjusted EBITDA** decreased by 33 percent to €1.7 billion. Consequently, the **adjusted EBITDA margin** declined to 10.8 percent (2022: 13.5 percent) and was therefore significantly below our target mid-term range of between 18 percent and 20 percent. **ROCE** dropped to 3.4 percent as a result of the drop in earnings. It was therefore below the cost of capital and our mid-term target of 11 percent. As a consequence of the weak business performance, impairment losses on assets totaling €736 million had to be recognized in 2023. **Net income** was therefore –€465 million, a substantial reduction compared with the prior-year level of €540 million. After adjustment for special items, adjusted net income, continuing operations was 65 percent lower at €370 million. Thanks to our clear focus on liquidity management, the Evonik Group generated **free cash flow** of €801 million. The cash conversion rate was 48 percent, which was above our target of around 40 percent. Evonik has had a solid **investment grade rating** for many years. Net financial debt remains moderate. In addition to a comfortable liquidity position, we have high unutilized credit lines.

At the annual shareholders' meeting, the executive board and supervisory board will propose payment of an unchanged dividend of €1.17 per share. We are therefore delivering on our goal of a reliable dividend policy.

To sum up, we can say that we were not satisfied with our business performance in 2023, especially the significant net loss. Nevertheless, taking into account the free cash flow and stable financial position, we rate the overall situation of the Evonik Group as good. This also applies to Evonik Industries AG, which benefited from higher profit transfers and dividends from investments, and reported a significant improvement in net income, enabling the payment of a dividend.

Development of adjusted EBITDA in the Evonik Group C07



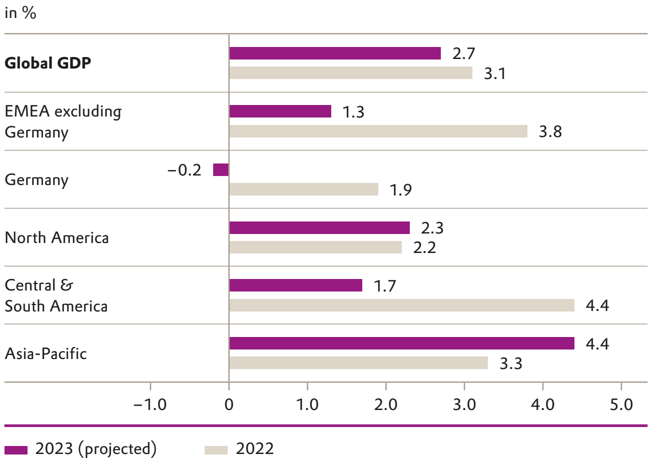
2.2 Economic background

Inflation, restrictive monetary policy, and geopolitical crises dampen economic growth

Global economic conditions in the past fiscal year were dominated by inflation, the resulting restrictive monetary policy, and geopolitical crises. Global economic growth was only moderate, with two divergent trends. Throughout the year, the industrial sector developed worse than had been predicted at the beginning of the year. By contrast, especially at the start of the year, momentum in the service sector was significantly better than had been anticipated. Consequently, S&P Global[1] estimates that the overall global economy grew by 2.7 percent overall in 2023.

The inflation rate remained significantly above the central bank target in most economies in 2023. High inflation led to declining real incomes and, as a consequence, to a drop in consumer demand. The resulting restrictive monetary policy caused a deterioration in financing conditions for private households and companies, which further dampened consumption and investment. In particular, this affected demand for consumer durables, and global trade was also significantly lower than in the previous year. In industry—and especially the chemical industry—this was exacerbated by significant destocking. The only support for industrial output during the year came from the continued high order backlog in the aftermath of the pandemic and the easing of supply bottlenecks.

Development of GDP 2022/2023 C08



Based on data from S&P Global as of January 15, 2024.

Significant regional variations in economic growth

In Europe, the economic situation was weak, and macroeconomic output stagnated. Industry suffered from destocking, which exacerbated the weak demand. Continued high energy prices also held back production volumes, especially in energy-intensive sectors—above all the chemical industry. The restrictive monetary policy brought a further deterioration in financing conditions and held back the economy. Fiscal policy measures mitigated the impact of the energy crisis and inflation, which declined during the year.

In North America and especially the USA, the restrictive monetary policy continued in 2023. Despite high inflation and the deteriorating financing conditions, private consumption proved robust and supported macroeconomic output. The labor market was also very resilient. Taking an annual perspective, there was only minimal growth in industrial activity, with a downward trend over the year. The inflation rate approached the target set by the Fed.

[1] Based on data from S&P Global as of January 15, 2024.

Asia-Pacific registered strong economic growth but with regional variances. The expected significant recovery in the Chinese economy following the end of the zero-Covid policy was not achieved, but growth picked up in the second half of the year. The Chinese economy suffered from weak domestic and export demand. Economic growth was also held back by the challenges in the country's real estate sector. At year-end, the Taiwanese and South Korean economies, in particular, benefited from the upturn in demand in the electronics industry. The Indian economy grew very fast.

Many economies in Central & South America were affected by lower export demand and declining commodity prices. During the year, economic activity was also held back by high inflation and the restrictive monetary policy.

A mixed picture in end-customer markets

Global industrial production only grew minimally in 2023, but there were big regional differences. The Asia-Pacific region posted slight growth. By contrast, there was a clear downward trend in industrial output in Europe, especially in energy-intensive sectors of industry. In the other regions, production was around the prior-year level.

In all, Evonik's **end-customer markets** only saw low growth in 2023. Activity in the food and animal feed sector was almost unchanged year-on-year in all regions. Demand in the construction sector was stable in North America and Europe and increased in the other regions. Demand for hygiene and personal care products increased slightly. Automotive and mechanical engineering production increased significantly in all regions.

Chemical production in Europe affected by high energy costs

Regionally, the development of the **chemical industry** varied greatly in 2023. Globally, chemical output (excluding pharmaceuticals) grew by nearly 2 percent[1]. As a result of high energy and raw material costs, production contracted by 8 percent in the EU. Germany also registered a significant decline of 11 percent in chemical production. This was principally due to a 15 percent drop in petrochemicals. Specialty chemicals held up slightly better in Germany, but even here production volumes were 4 percent lower. Chemical production declined by 1 percent in the USA and grew by 9.5 percent in China.

In 2023, the prices of the specific raw materials used by Evonik were considerably lower than in the previous year.

The euro appreciated slightly against Evonik's most important currency—the US dollar—to an average of US$1.08 compared with an average exchange rate of US$1.05 in the previous year.

[1] Based on data from the German chemical industry association (VCI) as of December 2023.

2.3 Business conditions and performance

Lower sales

The Evonik Group's **sales** fell 17 percent to €15,267 million. We registered an organic decline in sales of 11 percent due to lower volumes and the erosion of selling prices. Further factors were negative currency effects and the disposal of the TAA derivatives business at year-end 2022 and the Lülsdorf site as of June 30, 2023. The other effects mainly resulted from trading in gas and electricity, which is conducted by the Technology & Infrastructure division to supply energy to external customers.

Change in sales 2023 versus 2022 T06

in %	
Volumes	–8
Prices	–3
Organic change in sales	**–11**
Exchange rates	–2
Portfolio/other effects[a]	–4
Total	**–17**

[a] Contains material changes in the comparative base in the chemicals divisions such as portfolio effects. Also includes effects of transactions that are not regular such as royalties, changes in the price of precious metals, and adjustments for hyperinflationary economies. Given the nature of the Technology & Infrastructure division's business and its position within the group, volume, price, and exchange rate deviations are not analyzed for this division; consequently the entire change in sales is included here.

Adjusted EBITDA down significantly year-on-year

Adjusted EBITDA was €1,656 million, 33 percent below the prior-year level as a result of weak demand and the related underutilization of production facilities, as well as significant price declines in the Animal Nutrition and Performance Intermediates businesses. The adjusted EBITDA margin dropped from 13.5 percent in the prior-year period to 10.8 percent.

Adjusted EBITDA by division T07

in € million	2022	2023	Change in %
Specialty Additives	946	673	−29
Nutrition & Care	677	389	−43
Smart Materials	743	540	−27
Performance Materials	350	111	−68
Technology & Infrastructure	86	217	152
Enabling functions, other activities, consolidation	−312	−274	12
Evonik	**2,490**	**1,656**	**−33**

Weaker demand and destocking by customers led to a significant reduction in volumes in the Specialty Additives and Smart Materials division, which therefore reported significantly lower earnings than in the previous year. In the Nutrition & Care division, earnings were mainly impacted by the significant drop in prices in the Animal Nutrition business, while the Performance Materials division suffered from the significant price erosion in the Performance Intermediates business. Earnings improved in the Technology & Infrastructure division, mainly due to successful cost savings and the highly efficient new gas power plants. The adjusted EBITDA reported by enabling functions, other activities, including consolidation, contains, among other things, expenses for strategic research and internal reinsurance.

Sales and reconciliation from adjusted EBITDA to net income T08

in € million	2022	2023	Change in %
Sales	**18,488**	**15,267**	**−17**
Adjusted EBITDA	**2,490**	**1,656**	**−33**
Adjusted depreciation, amortization, and impairment losses	−1,140	−1,135	
Adjusted EBIT	**1,350**	**521**	**−61**
Adjustments	−408	−764	
thereof restructuring measures	−121	−64	
thereof acquisitions and divestments	40	−237	
thereof other special items	−327	−463	
Income before financial result and income taxes, continuing operations (EBIT)	**942**	**−243**	**−126**
Financial result	−19	−108	
Income before income taxes, continuing operations	**923**	**−351**	**−138**
Income taxes	−369	−101	
Income after taxes, continuing operations	**554**	**−452**	**−182**
Income after taxes, discontinued operations	1	–	
Income after taxes	**555**	**−452**	**−181**
thereof income attributable to non-controlling interests	15	13	
Net income	**540**	**−465**	**−186**
Earnings per share	**1.16**	**−1.00**	

Prior-year figures restated.

The weak economic business trend triggered impairment tests on assets in the second and third quarters. These led to total impairment losses of €452 million.

The **adjustments** of −€764 million contain −€463 million for the category other special items, with −€435 million of this amount due principally to impairment losses on the integrated global methionine facilities in the Nutrition & Care division and production facilities in the Smart Materials division in Europe, North America, and China.[1] The expenses of €237 million for acquisitions and divestments mainly contain impairment losses on the Superabsorbents business, which is earmarked for sale[2]. Adjustments of a further −€64 million relate to structural measures, especially in connection with the sale of the Lülsdorf site, the change in the operating model for amino acids, and the planned sale of Performance Intermediates. The prior-year adjustments of

[1] See note 6.5 to the consolidated financial statements p. 157 ff.
[2] See note 4.3 to the consolidated financial statements p. 141 f.

–€408 million mainly comprised impairment losses on goodwill in the Performance Materials division, expenses for the sale of the Lülsdorf site, and on the other hand, the proceeds of divestments in 2022.

The **financial result** decreased to –€108 million. The decline resulted from higher interest expense. In addition, the prior-year figure contained interest income from interest on taxes. The financial result includes special items of –€5 million for impairment losses on financial receivables from a non-consolidated company. The adjusted financial result was –€103 million, compared with the prior-year level of –€19 million. **Income before income taxes, continuing operations** was substantially lower at –€351 million. The income tax expense of €101 million was principally attributable to non-tax-deductible losses and impairment losses. **Net income** decreased from €540 million in 2022 to a net loss of €465 million in 2023 due to the decline in operating earnings and the impairment losses.

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[1] after adjustment for special items. The financial result is adjusted for income and expenses in connection with acquisitions and divestments and other income and expense items that, by nature or amount, do not form part of typical current financing activities. Further, we eliminate amortization of intangible assets, which mainly results from acquisitions, and adjust income tax for taxes on special items. Adjusted net income decreased by 65 percent to €370 million in 2023, while adjusted earnings per share dropped from €2.26 to €0.79.

Reconciliation to adjusted net income T09

in € million	2022	2023	Change in %
Adjusted EBITDA	**2,490**	**1,656**	**–33**
Adjusted depreciation, amortization, and impairment losses	–1,140	–1,135	
Adjusted EBIT	**1,350**	**521**	**–61**
Adjusted financial result	–19	–103	
Adjusted amortization and impairment losses on intangible assets	169	153	
Adjusted income before income taxes[a]	**1,500**	**571**	**–62**
Adjusted income taxes	–431	–188	
Adjusted income after taxes[a]	**1,069**	**383**	**–64**
thereof adjusted income attributable to non-controlling interests	15	13	
Adjusted net income[a]	**1,054**	**370**	**–65**
Adjusted earnings per share in €[a]	**2.26**	**0.79**	

[a] Continuing operations.

[1] See section 1.3 Business management systems p. 21.

Return on capital employed lower than in the previous year

Within our value-oriented management approach, our success is measured principally by **ROCE,** which was 3.4 percent in 2023 and significantly below our cost of capital, which was 10.0 percent before taxes in the reporting period.

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

in € million	2022	2023
Intangible assets	6,070	5,608
+ Property, plant and equipment	7,042	6,539
+ Right-of-use assets	768	972
+ Investments recognized at equity	83	79
+ Inventories	2,992	2,780
+ Trade accounts receivable	2,201	1,840
+ Other interest-free assets	691	660
+ Assets held for sale	32	217
– Interest–free provisions	–801	–654
– Trade accounts payable	–2,017	–1,674
– Other interest–free liabilities	–860	–875
– Liabilities associated with assets held for sale	–9	–86
= Capital employed[a]	**16,192**	**15,406**
Adjusted EBIT	**1,350**	**521**
ROCE (adjusted EBIT/capital employed) in %	**8.3**	**3.4**
Cost of capital (capital employed x WACC)	1,619	1,541
EVA® (adjusted EBIT – cost of capital)	**–269**	**–1,020**

[a] Annual averages in each case.

The average **capital employed** decreased by €0.8 billion to €15.4 billion. Factors here included the impairment losses and the considerable reduction in net working capital. The decrease in the Evonik Group's ROCE resulted from the reduction in the operating result. The Specialty Additives, Nutrition & Care, Smart Materials, and Performance Materials divisions posted lower ROCE, while ROCE in the Technology & Infrastructure division improved significantly.

ROCE by division T11

in %	2022	2023
Specialty Additives	16.3	11.1
Nutrition & Care	9.4	3.7
Smart Materials	8.1	3.6
Performance Materials	19.4	0.5
Technology & Infrastructure	–5.7	4.8
Evonik (including enabling functions, other activities)	**8.3**	**3.4**

Year-on-year drop in 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). In 2023, EVA® was –€1,020 million. The year-on-year decline of €751 million was attributable to the significant reduction in the operating result.

2.4 Comparison of forecast and actual performance

In our half year financial report 2023, we revised the forecast issued at the beginning of the year because of the weaker business trend in the first six months and the fact that an upturn in the second half was no longer anticipated. We achieved our revised forecast.

Group sales fell by 17 percent to €15.3 billion and were therefore within the range of the revised forecast. The reduction was mainly caused by lower selling prices and currency and other effects. Adjusted EBITDA decreased by 33 percent to €1.7 billion and was therefore within the revised range of between €1.6 billion and €1.8 billion forecast in August. The reduction was mainly price-driven. ROCE fell to 3.4 percent due to the drop in operating earnings and was significantly below the prior-year level, as expected. Cash outflows for investments in intangible assets, property, plant and equipment were €793 million and thus below the expected level of around €850 million. The cash conversion rate was 48 percent and therefore as forecast.

Turning to our non-financial indicators, the lost time injury rate (LTI-R) was below the upper limit, but we failed to achieve our target for the process safety incident rate (PSI-R) in 2023.

Comparison of forecast and actual performance T12

Forecast performance indicators	2022	Forecast for 2023[a]	Revised forecast as of August 2023[b]	**2023**	Forecast for 2024
Group sales	€18.5 billion	Between €17.0 billion and €19.0 billion	Between €14.0 billion and €16.0 billion	€15.3 billion	Between €15.0 billion and €17.0 billion
Adjusted EBITDA	€2.5 billion	Between €2.1 billion and €2.4 billion	Between €1.6 billion and €1.8 billion	€1.7 billion	Between €1.7 billion and €2.0 billion
ROCE	8.3%	Slightly below the prior-year level	Significantly below the prior-year level	3.4%	Significantly above the prior-year level
Cash outflows for investments in intangible assets, property, plant and equipment	€865 million	Around €975 million	Around €850 million	€793 million	Around €750 million
Free cash flow: cash conversion rate[c]	32%	Above the prior year	Above the prior year	48%	Around 40%
LTI-R	0.25	≤0.26	≤0.26	0.21	≤0.26
PSI-R	0.49	≤0.40	≤0.40	0.43	≤0.40

[a] As in the financial report 2022.
[b] As in the half year financial report 2023.
[c] Defined as the ratio of free cash flow to adjusted EBITDA.

2.5 Performance of the divisions

2.5.1 Specialty Additives

Key figures T13

in € million	2022	2023	Change in %
External sales	4,184	3,520	–16
Adjusted EBITDA	946	673	–29
Adjusted EBITDA margin in %	22.6	19.1	–
Adjusted EBIT	753	489	–35
Capital expenditures[a]	106	124	17
Depreciation and amortization	190	183	–4
Capital employed (annual average)	4,631	4,403	–5
ROCE in %	16.3	11.1	–
No. of employees as of December 31	3,824	3,492	–9

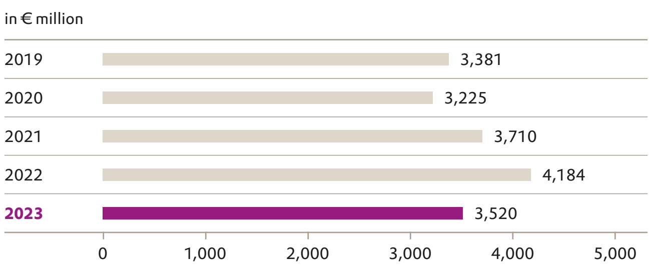
[a] Capital expenditures for intangible assets, property, plant and equipment.

Weaker demand

In 2023, the business performance of the Specialty Additives division was held back by weak demand and noticeable destocking by customers. This resulted in underutilization of facilities, with the related pressure on margins. While selling prices were stable, the 16 percent drop in sales to €3,520 million was mainly caused by considerably lower volumes and negative currency effects. In addition, the prior-year figure still contained sales from the TAA derivatives business, which was divested at year-end 2022.

Demand for products for the construction and coatings industries weakened in all regions, resulting in a significant drop in sales. Lower volumes and a slight decline in selling prices reduced sales of additives for polyurethane foams and consumer durables. Selling prices of additives for automotive applications were stable, but volumes declined.

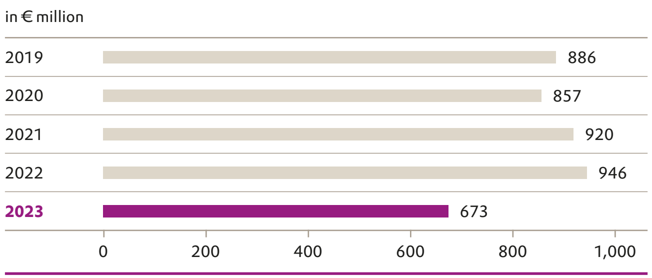
Sales Specialty Additives C09



Adjusted EBITDA below the prior-year level

Adjusted EBITDA decreased by 29 percent to €673 million in the Specialty Additives division. The main reason for this was the considerable drop in volumes and the resulting reduction in capacity utilization at production plants. By contrast, support came from cost savings and lower raw material costs. The adjusted EBITDA margin declined from 22.6 percent in the previous year to 19.1 percent.

Adjusted EBITDA Specialty Additives C10



ROCE still at a good level

Capital expenditures in the Specialty Additives division increased by 17 percent to €124 million. As in previous years, they were substantially lower than depreciation and amortization, which amounted to €183 million. The average capital employed decreased slightly to €4,403 million. ROCE dropped to 11.1 percent as a consequence of the lower operating result but was nevertheless significantly above the group level.

Investment in green hydrogen

The Specialty Additives division is investing in a pilot electrolyzer at its site in Herne (Germany) to produce green hydrogen as a starting product for isophorone diamine (IPDA), a key raw material for the rotor blades for wind turbines. At present, the hydrogen used in Herne is fossil-based. In the future, green hydrogen should be produced directly at this site. The project team in Herne will be integrating an 8 megawatt electrolyzer from project partner Siemens Energy into the integrated production facilities. The electrolyzer will be operated with renewable energy and could meet up to 45 percent of the hydrogen required at the site and 100 percent of its oxygen requirements. Evonik intends to use both the green hydrogen and the oxygen generated during electrolysis for the production of IPDA. Operation of the electolyzer should reduce the carbon footprint.

Apart from this, Specialty Additives mainly invested in the major sites in Germany. About two-thirds of its capital expenditures comprised a large number of smaller projects at these sites. The dip in demand was used to invest, first and foremost, in process safety and the availability of the production plants.

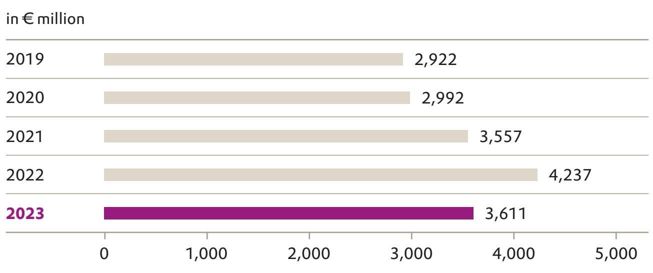
2.5.2 Nutrition & Care

Key figures T14

in € million	2022	2023	Change in %
External sales	4,237	3,611	–15
Adjusted EBITDA	677	389	–43
Adjusted EBITDA margin in %	16.0	10.8	–
Adjusted EBIT	405	147	–64
Capital expenditures[a]	243	311	28
Depreciation and amortization	266	235	–12
Capital employed (annual average)	4,286	3,970	–7
ROCE in %	9.4	3.7	–
No. of employees as of December 31	5,690	5,630	–1

[a] Capital expenditures for intangible assets, property, plant and equipment.

Sales Nutrition & Care C11



Lower sales

In the Nutrition & Care division, sales fell 15 percent to €3,611 million. This was principally attributable to a year-on-year drop in selling prices in the Animal Nutrition business, negative currency effects, and slightly lower volumes.

In the Animal Nutrition business, selling prices for essential amino acids were down significantly compared with the previous year, but the downward trend slowed in the second half of the year. Volumes increased slightly. Overall, sales in the Animal Nutrition business were significantly lower than in the previous year.

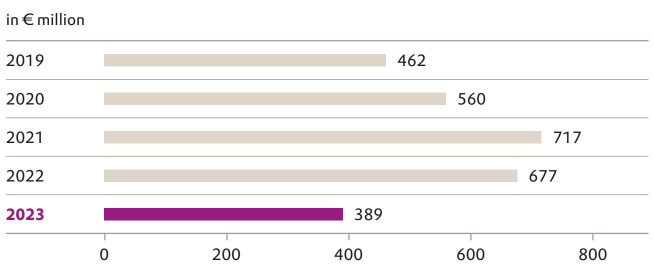
Despite a slight improvement in selling prices, lower volumes reduced sales in the Health & Care business. While active cosmetic ingredients developed well, demand for pharmaceutical lipids for use in mRNA-based vaccines was below the high prior-year level.

Earnings down year-on-year

Adjusted EBITDA declined by 43 percent to €389 million in the Nutrition & Care division. The main reason for this was the price trend for essential amino acids. The adjusted EBITDA margin was below the prior-year level at 10.8 percent (2022: 16.0 percent).

In view of the weak earnings trend, at the start of the year, Evonik decided to adjust the operating model for amino acids. This delivered the first positive effects in 2023. Overall, savings of around €200 million by 2025 are planned.

Adjusted EBITDA Nutrition & Care C12



Higher capital expenditures

Capital expenditures in the Nutrition & Care division increased by 28 percent to €311 million. As a result, capital expenditures were considerably higher than depreciation and amortization, which amounted to €235 million. The average capital employed decreased slightly to €3,970 million. As a consequence of the drop in operating earnings, ROCE fell from 9.4 percent to 3.7 percent.

Investment in Next Generation Solutions

The Nutrition & Care division has erected a new production plant for bio-based surfactants (rhamnolipids) in Slovenská Ľupča (Slovakia). Rhamnolipids are fully biodegradable, and production is based on the fermentation of sugar, obviating the need for crude oil and tropical fats, 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.

We are currently building a new facility for methylmercaptan, a precursor for methionine, in Mobile (Alabama, USA). That completes the backward integration of methionine in the USA; complete backward integration has already been implemented at our production sites in Antwerp (Belgium) and Singapore. The aims are to strengthen our cost position and, at the same time, reduce our carbon footprint. At the site in Singapore, Nutrition & Care is investing in process optimization. This will improve the cost position and increase the capacity of our present methionine facility for the Asian region. We plan to greatly reduce the specific carbon footprint of methionine production at the extended production facility by using innovative processes and green hydrogen. Start-up is scheduled for the second half of 2024.

As the world-leading supplier of drug delivery technologies, Nutrition & Care is also building a new, highly flexible world-scale production facility for pharmaceutical lipids at the Tippecanoe site in Lafayette (Indiana, USA). This plant is scheduled for completion in 2025. The total investment is in the low triple-digit million US dollar range. The US authorities provided support of around US$150 million for the construction of this plant, which is an investment in promising mRNA technology. Our investment in the production of lipids aims to strengthen our healthcare business and support the strategic transformation to Next Generation Evonik.

2.5.3 Smart Materials

Key figures T15

in € million	2022	2023	Change in %
External sales	5,240	4,461	−15
Adjusted EBITDA	743	540	−27
Adjusted EBITDA margin in %	14.2	12.1	–
Adjusted EBIT	416	181	−56
Capital expenditures[a]	266	236	−11
Depreciation and amortization	316	353	12
Capital employed (annual average)	5,109	5,010	−2
ROCE in %	8.1	3.6	–
No. of employees as of December 31	8,011	8,103	1

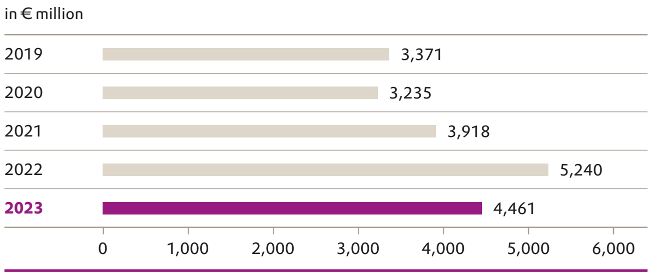
Prior-year figures restated.
[a] Capital expenditures for intangible assets, property, plant and equipment.

Year-on-year drop in sales

Sales in the Smart Materials division contracted by 15 percent to €4,461 million, mainly as a result of considerably lower demand and negative currency effects. By contrast, selling prices were stable.

There was a significant reduction in sales of inorganic products as a result of a decline in demand in almost all market segments. While environment-friendly specialty applications for hydrogen peroxide developed positively, production at facilities in Asia was halted at times due to insufficient demand. Silicas for automotive applications posted a stable development, but demand was weaker in other end-markets. In the Polymers business, we registered an increase in both prices and demand for high-performance polymers, supported by the new production capacities.

Sales Smart Materials C13

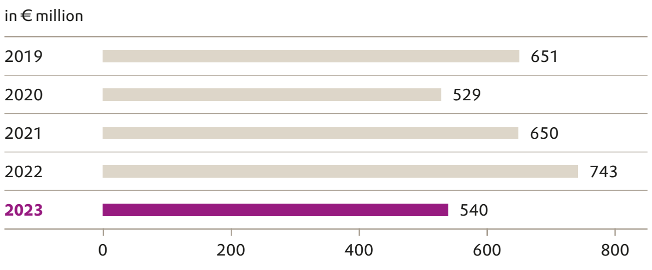


Prior-year figure restated.
Figures for 2019 through 2021, excluding the subsequently integrated alkoxides business.

Lower adjusted EBITDA

Adjusted EBITDA declined by 27 percent to €540 million in the Smart Materials division. This was caused by a significant drop in volumes. A scheduled maintenance shutdown at a production plant for the high-performance polymer polyamide 12 also weighed on earnings. The adjusted EBITDA margin was 12.1 percent, which was below the previous year's level (14.2 percent).

Adjusted EBITDA Smart Materials C14



Prior-year figure restated.
Figures for 2019 through 2021, excluding the subsequently integrated alkoxides business.

Capital expenditures down year-on-year

Capital expenditures in the Smart Materials division fell by 11 percent to €236 million and were therefore below depreciation and amortization, which amounted to €353 million. The average capital employed was €5,010 million, which was around the prior-year level. As a consequence of the lower operating earnings, ROCE decreased from 8.1 percent to 3.6 percent.

Investment projects to strengthen our market position

The Smart Materials division invested a sum in the double-digit million euro range in the construction of a new production plant for ROHACELL® in Darmstadt (Germany) to meet the continued rise in demand for structural foams, for example, from the aviation sector. Evonik has produced ROHACELL® structural foam in Darmstadt for 50 years. It is a core element in sandwich-structured composites. There has been a steady rise in market demand for lightweight components for various industries, ranging from medical technology through sports and components for the electronics industry to automotive and aircraft engineering.

Smart Materials took a new production plant for gas separation membranes into service at its site in Schörfling (Austria). With membranes for the treatment of biogas and the extraction of hydrogen, Evonik is making a contribution to the defossilization of the energy sector. The steadily growing demand in the membrane business is driven by the trend to renewable energies. Evonik is therefore further expanding capacity for SEPURAN® membranes in Austria. At the heart of the SEPURAN® membrane technology are fine hollow fibers based on a high-performance plastic that can withstand high pressure and temperature loads. Evonik is investing an amount in the mid-double-digit million euro range in the new capacity, which is scheduled for completion in 2025.

Construction of a new facility for alkoxides has started in Southeast Asia. The mid-double-digit million euro investment will enhance supply security for customers in the region, and further strengthen our global alkoxides business. The expansion of our production capacities is a response to the growing demand for alkoxides, which are primarily used as catalysts in biodiesel production and in synthesis applications in the pharmaceutical and agricultural sectors. In the future, alkoxides will also play a bigger role in the circular economy through their use in the chemical recycling of PET plastics. The new plant will be a modern facility with state-of-the-art technology aiming for zero scope 1 and 2 carbon emissions and will be located at Evonik's site on Jurong Island (Singapore). Start-up of the alkoxides plant is planned for the end of 2024.

A new research building was erected in Marl (Germany) for quality assurance, product enhancement, and research and development for high-performance polymers.

Smart Materials is investing an amount in the mid-double-digit million euro range to expand capacity for the production of fumed aluminum oxide: Evonik's first aluminum oxide plant in Asia is under construction in Yokkaichi (Japan). AEROXIDE®, an aluminum oxide for ultra-thin separator coatings for the next generation of lithium-ion batteries, enables electric vehicles with a greater range. It also improves safety, speeds up charging, and increases the service life of batteries. The new capacity is scheduled to become operational in 2025 and is supported by funding by the Japanese government.

2.5.4 Performance Materials

Key figures T16

in € million	2022	2023	Change in %
External sales	3,253	2,549	–22
Adjusted EBITDA	350	111	–68
Adjusted EBITDA margin in %	10.8	4.4	–
Adjusted EBIT	225	4	–98
Capital expenditures[a]	60	35	–42
Depreciation and amortization	125	102	–18
Capital employed (annual average)	1,158	741	–36
ROCE in %	19.4	0.5	–
No. of employees as of December 31	1,951	1,738	–11

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

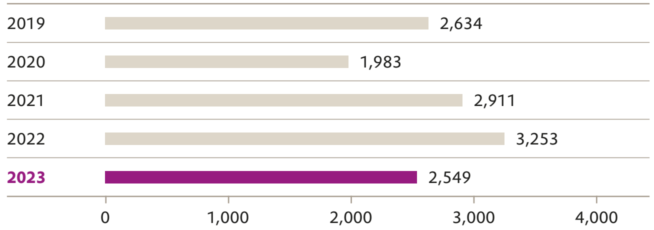
Significant decrease in sales

In the Performance Materials division, sales contracted by 22 percent to €2,549 million. The main reasons for this were lower prices at Performance Intermediates and slightly lower volumes. Moreover, the prior-year figure contained full-year sales for the Lülsdorf site, which was divested as of June 30, 2023.

The business with C_4 products (Performance Intermediates) registered lower demand, and selling prices were significantly below the prior-year level. Sales declined significantly. Sales of superabsorbents were also down year-on-year. This was because lower raw material costs were passed on to customers through price formulas.

Sales Performance Materials C15

in € million



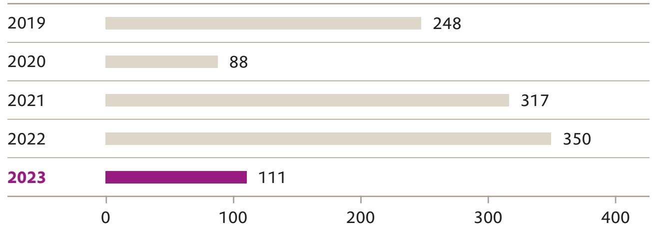
Prior-year figure restated.
Figures for 2019 through 2021 still include the alkoxides business.

Adjusted EBITDA down substantially year-on-year

Adjusted EBITDA fell 68 percent to €111 million in the Performance Materials division, principally due to a significant drop in selling prices. The adjusted EBITDA margin was 4.4 percent, down from 10.8 percent in the previous year.

Adjusted EBITDA Performance Materials C16

in € million



Prior-year figure restated.
Figures for 2019 through 2021 still include the alkoxides business.

Significant reduction in capital expenditures

The Performance Materials division invested in many smaller projects geared to the maintenance of production facilities and to raise their efficiency. Other projects are pilot plants for testing novel reactions, catalysts, and bio-based projects. Capital expenditures were €35 million, a significant reduction compared with the previous year (€60 million) and substantially lower than depreciation and amortization (€102 million). The average capital employed decreased by 36 percent to €741 million. As a result of the low earnings, ROCE was 0.5 percent (2022: 19.4 percent).

2.5.5 Technology & Infrastructure

Key figures T17

in € million	2022	2023	Change in %
External sales	1,508	1,073	–29
Adjusted EBITDA	86	217	152
Adjusted EBITDA margin in %	5.7	20.2	–
Adjusted EBIT	–53	52	–
Capital expenditures[a]	120	101	–16
Depreciation and amortization	121	147	21
Capital employed (annual average)	926	1,087	17
ROCE in %	–5.7	4.8	–
No. of employees as of December 31	8,367	8,197	–2

[a] Capital expenditures for intangible assets, property, plant and equipment.

The Technology & Infrastructure division generates sales internally, mainly with the chemicals divisions (2023: €1,926 million), and with external customers. External sales decreased by 29 percent to €1,073 million. This was mainly attributable to lower sales from the supply of natural gas and electricity to external customers at our sites. Adjusted EBITDA improved 152 percent to €217 million as a result of the contingency measures introduced and the use of the highly efficient new gas power plants. The prior-year figure was impacted by the high cost of supplying energy.

Sustainable investment

Capital expenditures in the Technology & Infrastructure division decreased by 16 percent to €101 million and were below depreciation and amortization (€147 million). In Antwerp (Belgium), Technology & Infrastructure is investing in a new 150 kV connection to the electricity grid. This will enable the site to source sustainable eco-power, for example, from offshore wind farms, and is an important contribution to facilitating the use of alternatives to fossil-based energy in the chemical plants. This investment is an important basis for Evonik to achieve its sustainability targets. The rail infrastructure at the site in Marl (Germany) is being renewed as a long-term, scalable basis for sustainable rail-based chemicals logistics.

In addition, Evonik is involved in the GET H2 initiative to establish a nationwide hydrogen infrastructure in Germany to make the energy transition possible. The initiative consists of companies, municipalities, and institutions that are actively committed to creating a competitive hydrogen market. Hydrogen can be used to store renewable energies for use in applications that cannot be electrified, for example, in chemical parks. In Marl, Technology & Infrastructure is making a key contribution to the hydrogen infrastructure for the GET H2 nucleus and driving forward the role of this site as a leader in green hydrogen by enabling both the production of green hydrogen and the direct use of green hydrogen for production.

2.6 Regional development

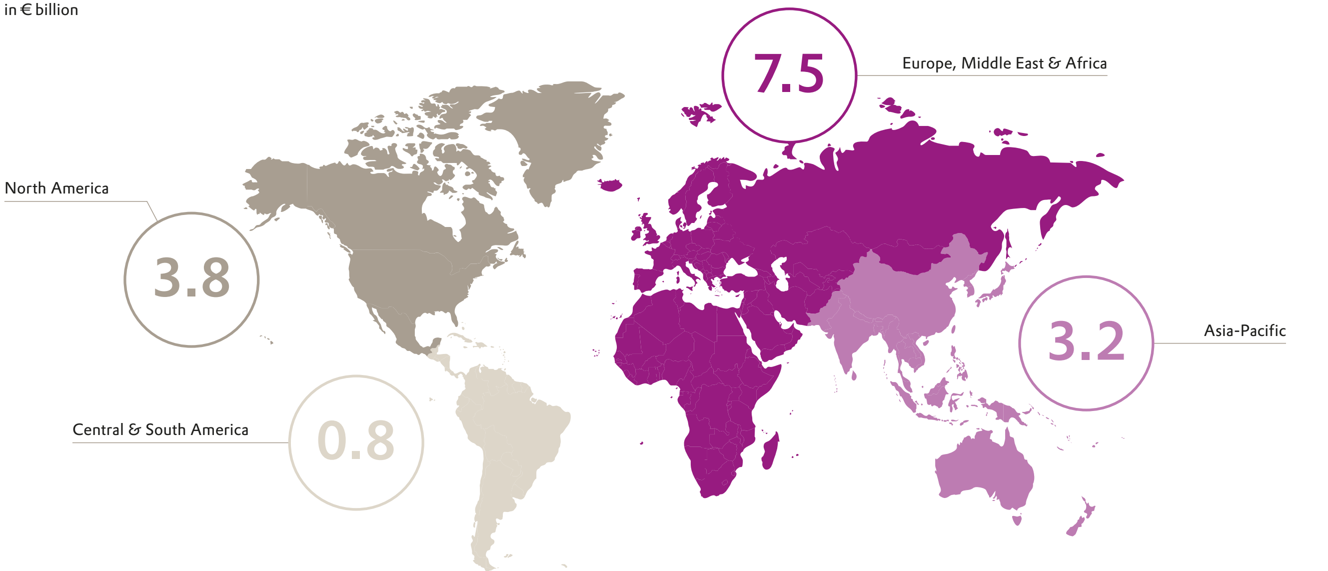
A global presence

We generated 83 percent of sales outside Germany in 2023.

Sales in the **Europe, Middle East & Africa** (EMEA) region were 20 percent lower at €7,497 million. In Germany, sales amounted to €2,591 million, a year-on-year drop of 11 percent. While the downward trend in sales in the EMEA region affected all divisions, the impact was greatest in the Smart Materials division. EMEA accounted for 49 percent of the Evonik Group's sales. Capital expenditures were €474 million, which was below the prior-year level (2022: €569 million). An innovative building for the development and testing of high-performance polymers was constructed in Marl (Germany). At our site in Herne (Germany), we are investing in a pilot electrolyzer to produce green hydrogen as a starting product for isophorone diamine (IPDA), a key raw material for the rotor blades for wind turbines. To meet the growing demand for structural foams, an additional production plant for ROHACELL® was built and taken into service in Darmstadt (Germany). Our site in Antwerp (Belgium) is investing in a new 150 kV connection to the electricity grid to enable the sourcing of sustainable eco-power, for example, from offshore wind farms. In Austria, a production facility for SEPURAN® membranes for gas separation came into operation. In view of the importance of membranes for the defossilization of the energy sector, production capacity here is being expanded further. A production plant for sugar-based and thus fully biodegradable rhamnolipids was erected at the site in Slovenská Ľupča in Slovakia.

Sales by region[a] C17

in € billion



[a] By location of customer.

In **North America,** sales declined 12 percent to €3,845 million. The downward trend in this region was mainly attributable to the Specialty Additives and Nutrition & Care divisions. The region accounted for 25 percent of Group sales. Capital expenditures increased from €203 million in the previous year to €242 million. At our site in Mobile (Alabama, USA), we are erecting a production facility for methylmercaptan, enabling backward integration of our methionine production analogously to our production sites in Antwerp (Belgium) and Singapore. A new, highly flexible production facility for pharmaceutical lipids, the basis for promising mRNA technology, is being constructed at the Tippecanoe site in Lafayette (Indiana, USA). This investment, which is supported by funding from the US authorities, is scheduled for completion in 2025.

Sales dropped 20 percent to €760 million in **Central & South America,** and this region accounted for 5 percent of Group sales. The decline was mainly attributable to the Nutrition & Care division.

In the **Asia-Pacific** region, sales fell 16 percent to €3,165 million. The drop in sales was mainly due to the Smart Materials, Specialty Additives, and Nutrition & Care divisions. This region accounted for 21 percent of Group sales. Capital expenditures were €137 million, which was significantly above the prior-year level of €75 million. In Singapore, we are extending our methionine facility to serve the Asian market. We expect the technologies deployed to greatly reduce the specific carbon footprint of methionine production at the extended production facility. Start-up is scheduled for the second half of 2024. In addition, a new production facility for alkoxides is under construction in Singapore. This is scheduled to come on stream at the end of 2024. In Yokkaichi (Japan), we are extending the production facilities for fumed aluminum oxide. This capacity is geared to the production of specialty solutions for lithium-ion battery technologies for electric vehicles. The new capacity is scheduled to become operational in 2025 and is supported by funding from the Japanese government.

2.7 Earnings position

Weaker earnings performance

Sales decreased by 17 percent to €15,267 million due to the reduction in volumes and, in some cases, lower selling prices. Negative currency effects and the divestment of the TAA derivatives business at year-end 2022 and the Lülsdorf site as of June 30, 2023 also contributed to the decline. The reduction in volumes and lower raw material expenses were also reflected in the cost of sales, but impairment losses, especially on production plants and intangible assets[1], had a negative impact. Overall, the cost of sales decreased by 12 percent to €12,567 million. The gross profit fell 36 percent to €2,700 million. Selling, research and development, and administrative expenses were lower than in the previous year: In addition to positive currency effects, all of these items benefited from a reduction in profit-related remuneration components and contingency measures, which had an impact in the short term. By contrast, higher factor costs had a downside effect. The volume-driven reduction in freight costs had a positive effect on selling expenses. Administrative and selling expenses benefited from measures resulting from optimization projects. Other operating income decreased by 37 percent to €226 million. This development was caused by lower income from the disposal of assets, the reversal of provisions, and lower income from business insurance. Other operating expense was 32 percent lower than the prior-year figure, which contained, as the biggest single factor, the impairment loss on goodwill in the Performance Materials division. By contrast, in the reporting period, higher net expenses from the currency translation of operating monetary assets and liabilities and operating currency hedging had a greater impact on other operating expense than in the previous year. One factor contributing to this development in the reporting period was the substantial depreciation of the Argentinian peso in December 2023, combined with a high level of foreign currency liabilities in Argentina as a result of exchange controls. Income before financial result and income taxes, continuing operations decreased to –€243 million.

Income statement for the Evonik Group T18

in € million	2022	2023	Change in %
Sales	18,488	15,267	–17
Cost of sales	–14,257	–12,567	–12
Gross profit on sales	**4,231**	**2,700**	**–36**
Selling expenses	–2,035	–1,836	–10
Research and development expenses	–460	–443	–4
General administrative expenses	–554	–488	–12
Other operating income	358	226	–37
Other operating expense	–610	–412	–32
Result from investments recognized at equity	12	10	–17
Income before financial result and income taxes, continuing operations	**942**	**–243**	**–126**
Financial result	–19	–108	–468
Income before income taxes, continuing operations	**923**	**–351**	**–138**
Income taxes	–369	–101	–73
Income after taxes, continuing operations	**554**	**–452**	**–182**
Income after taxes, discontinued operations	1	–	–100
Income after taxes	**555**	**–452**	**–181**
thereof income attributable to non-controlling interests	15	13	–13
Net income/loss (earnings attributable to shareholders of Evonik Industries AG)	**540**	**–465**	**–186**

[1] See note 5.5 to the consolidated financial statements p. 147 f.

Significant net loss

The financial result decreased. Income from the discounting of other provisions was lower, while expenses for the unwinding of discounting of other provisions were higher. The rise in interest rates increased interest expense for financial and lease liabilities, which were also higher. Expenses for interest rate derivatives were also higher. The financial result benefited from income resulting from the measurement of the Argentinean peso as the currency of a hyperinflationary economy; in the previous year, by contrast, this resulted in an expense that reduced the financial result. Income before income taxes, continuing operations decreased to –€351 million. The income tax expense of €101 million was principally attributable to non-tax-deductible losses and impairment losses. The income attributable to non-controlling interests comprised the pro rata profits of fully consolidated subsidiaries that are attributable to shareholders outside the Evonik Group. Net income declined to –€465 million.

2.8 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 operating activities, 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 the central element in our financing strategy and one of the Evonik Group's financial targets. It enables us to 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.

Higher free cash flow

The **cash flow from operating activities, continuing operations** was €1,594 million, which was only slightly below the prior-year figure. The weaker operating performance was largely offset by the targeted reduction in net working capital, compared with an increase in the previous year. In combination with more disciplined spending in current investment projects, the **free cash flow** increased by a total of €16 million to €801 million. The cash conversion rate[1] was 48 percent, which was above our target of around 40 percent (2022: 32 percent).

The other investing activities resulted in a cash inflow of €140 million. This contains the proceeds from the sale of securities and the Specialty Additives division's TAA derivatives business, which was divested in December 2022. By contrast, the financial investments in 2023 resulted in cash outflows. Financing activities resulted in a cash outflow of €823 million, which included the dividend payment of €545 million for fiscal 2022 and net repayment of financial debt totaling €177 million.

Cash flow statement (excerpt) T19

in € million	2022	2023
Cash flow from operating activities, continuing operations	1,650	1,594
Cash outflows for investments in intangible assets, property, plant and equipment	–865	–793
Free cash flow	**785**	**801**
Cash flow from other investing activities, continuing operations	88	140
Cash flow from financing activities, continuing operations	–672	–823
Change in cash and cash equivalents	**201**	**118**

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

Slight increase in net financial debt

Net financial debt increased slightly to €3,310 million, a rise of €53 million compared with December 31, 2022. While the free cash flow was €801 million, cash outflows resulted from the dividend payment for fiscal 2022 of €545 million and financial investments.

Net financial debt T20

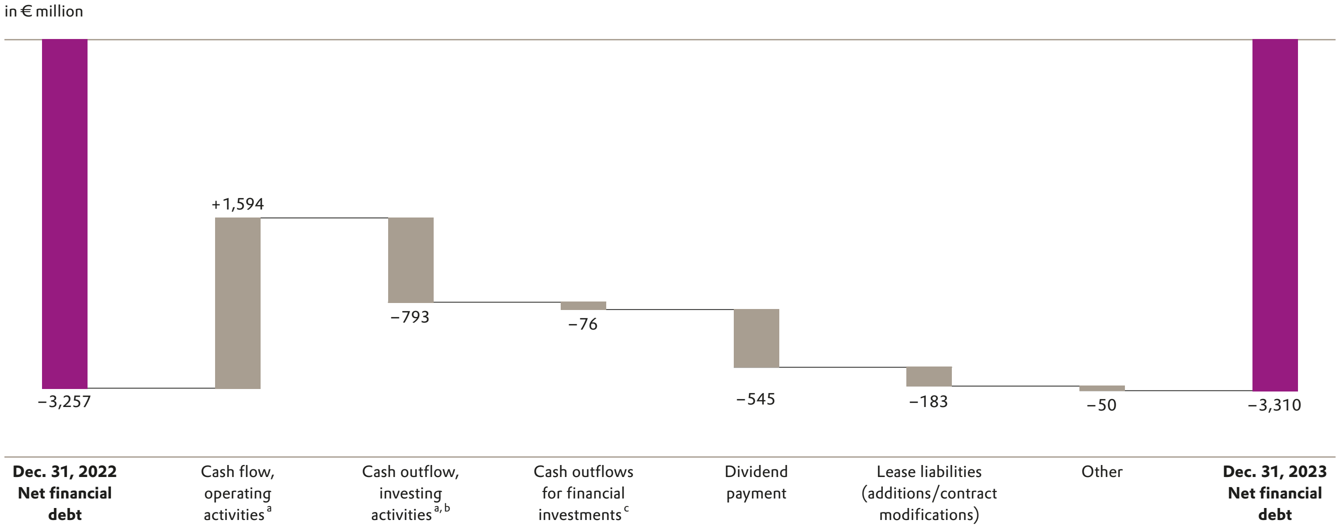
in € million	Dec. 31, 2022	Dec. 31, 2023
Non-current financial liabilities[a]	–4,074	–3,320
Current financial liabilities[a]	–243	–1,006
Financial debt	**–4,317**	**–4,326**
Cash and cash equivalents	645	749
Current securities	413	261
Other financial investments	2	6
Financial assets	**1,060**	**1,016**
Net financial debt as stated on the balance sheet	**–3,257**	**–3,310**

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

Bonds as a central financing instrument

At year-end 2023, the financial debt of €4,326 million comprised five bonds with a total carrying amount of €2,976 million, Schuldschein loans totaling €254 million, lease liabilities totaling €937 million, bank loans totaling €80 million, and other financial liabilities of €79 million.

Change in net financial debt C18



[a] Continuing operations.
[b] Cash outflows for investments in intangible assets, property, plant and equipment.
[c] Cash outflows to obtain control over businesses.

As of the reporting date, five bonds with a nominal value of €3.0 billion were outstanding:

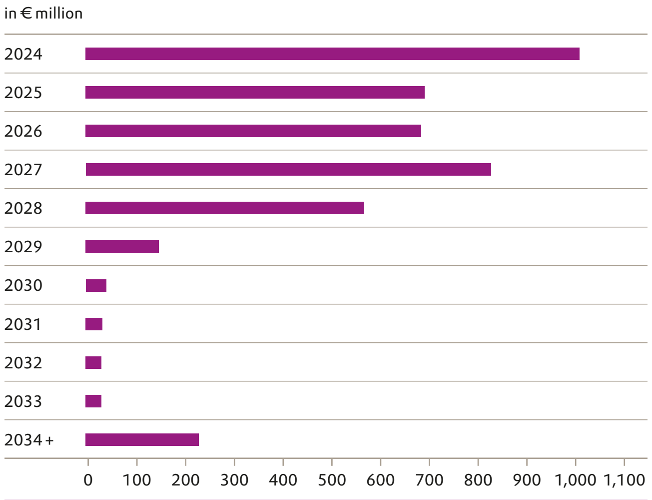
Bonds T21

	Nominal value in € million	Rating (S&P/Moody's)	Maturity	Coupon in %	Issue price in %
Evonik Industries AG					
Bond 2016/2024[a]	750	BBB+/Baa2	Sep. 7, 2024	0.375	99.490
Bond 2020/2025[a]	500	BBB+/Baa2	Sep. 18, 2025	0.625	99.599
Green bond 2022/2027[a]	750	BBB+/Baa2	Sep. 25, 2027	2.250	99.386
Bond 2016/2028[a]	500	BBB+/Baa2	Sep. 7, 2028	0.750	98.830
Green hybrid bond 2021/2081[b]	500	BBB–/Ba1	Sep. 2, 2081	1.375	99.375

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

Around 94 percent of the Evonik Group's non-derivative financial liabilities are denominated in euros. Including currency derivatives concluded for financing purposes, around 74 percent of financial liabilities are denominated in euros, 14 percent in US dollars, 10 percent in Singapore dollars (SGD), and 2 percent in other currencies.

Maturity profile of financial liabilities C19



As of December 31, 2023.
The hybrid bond is included in 2026 (when Evonik has its first right of redemption).

Liquidity position remains strong

As of December 31, 2023, Evonik had cash and cash equivalents amounting to €749 million and current securities totaling €261 million. In addition, Evonik has access to a €1.75 billion syndicated credit facility as a central source of liquidity. This credit facility was agreed on in November 2022. Following utilization of the first extension option in 2023, it now runs until November 2028. Evonik has a second option to extend it by one year, so it will end at the latest in November 2029. The syndicated credit facility represents the long-term liquidity reserve for the Evonik Group and was not drawn at any time in fiscal 2023. It does not contain any covenants requiring Evonik to meet certain financial ratios. In addition, Evonik still has access to bilateral credit facilities of €800 million. These had not been drawn as of December 31, 2023. They are available alongside the syndicated credit facility as an additional liquidity reserve.

A solid level of pension provisions

Pension provisions account for about one-third 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 2022, pension provisions increased by €499 million to €1,858 million. This is mainly attributable to the significant reduction in the discount rate. The funding ratio of pension obligations[1] was 79 percent as of the reporting date and thus still at a solid level in line with the industry norm[2].

Capital expenditures at the prior-year level

Investment projects are aimed at exploiting 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. With regard to the expansion of our market positions, all projects are regularly reviewed for changes in the market situation.

Capital expenditures[3] were €860 million, which was around the prior-year level (2022: €856 million). There is a slight timing difference in outflows for intangible assets, property, plant and equipment as a result of payment terms. In the reporting period, outflows for capital expenditures totaled €793 million, compared with €865 million in the previous year. The Nutrition & Care

[1] Ratio of plan assets to pension obligations.
[2] Internal evaluation of other chemical companies based on 2022.
[3] Capital expenditures for intangible assets, property, plant and equipment. For information on purchase commitments, see note 9.6 to the consolidated financial statements p. 207 f.

division accounted for the highest share of capital expenditures (36 percent). The Smart Materials division accounted for 27 percent, the Specialty Additives division for 14 percent, the Technology & Infrastructure division for 12 percent, and the Performance Materials division for 4 percent. Regionally, capital expenditures were focused on the Europe, Middle East & Africa region (55 percent), followed by North America (28 percent), and Asia-Pacific (16 percent).

Major projects completed or virtually completed in 2023 T22

Project	Location
Nutrition & Care	
Construction of a production facility for rhamnolipids	Slovenská Ľupča (Slovakia)
Smart Materials	
Expansion of ROHACELL® production	Darmstadt (Germany)
Construction of a laboratory and research building	Marl (Germany)
Construction of a production facility for membranes	Schörfling (Austria)

For further information on current capital expenditure projects, see section 2.5 Performance of the divisions p. 30 ff.

Financial investments amounted to €89 million. They mainly comprised the acquisition of all shares in the former joint venture Thai Peroxide Company Ltd., Bangkok (Thailand) and the acquisition of the Argentinean cosmetic active ingredient company Novachem S.R.L., Buenos Aires.

2.9 Asset structure

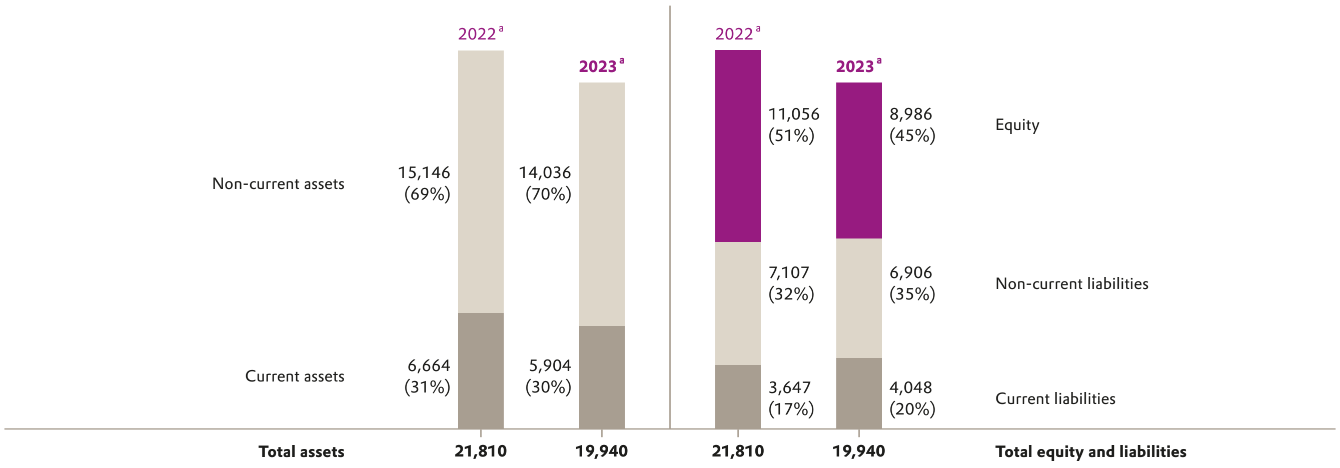
Reduction in total assets

As of December 31, 2023, total assets were €19.9 billion, which was €1.9 billion lower than at year-end 2022. Non-current assets decreased by €1.1 billion to €14.0 billion. This was mainly attributable to impairment losses on production facilities and the reclassification of the production plants of the Superabsorbents business, which is classified as held for sale. Currency effects also contributed to the decline. In all, non-current assets made up 70 percent of total assets (2022: 69 percent). Current assets decreased by €0.8 billion to €5.9 billion. This was principally due to lower inventories and a sales-related drop in trade accounts receivable. Current assets made up 30 percent of total assets (2022: 31 percent).

Equity decreased by €2.1 billion to €9.0 billion. In addition to the annual dividend payment, the factors contributing to the reduction in equity included the net loss, the after-tax effect of the remeasurement of pension obligations, and currency effects. The equity ratio dropped from 50.7 percent to 45.1 percent. Non-current liabilities were €0.2 billion lower at €6.9 billion, mainly due to the reclassification of the €750 million bond due in September 2024 to current liabilities. By contrast, pension provisions increased, principally as a result of the reduction in the discount rate. The €0.4 billion increase in current liabilities to €4.0 billion contains the reclassified and now current bond. Conversely, there was a production-related decline in trade accounts payable and a decrease in other provisions for variable remuneration components.

Balance sheet structure of the Evonik Group C20

in € million



[a] As of December 31.

3. PERFORMANCE OF EVONIK INDUSTRIES AG

Stefan Liebig is a technical manager at Cosmetic Solutions at Evonik’s Essen Goldschmidtstrasse facilities. He develops applications for rhamnolipids.

FIGURES

€1.17
Dividend per share

6.3%
Dividend yield

WE GO BEYOND WITH SUSTAINABLE BIOSURFACTANTS

“In addition to their good cleaning properties, rhamnolipids have very good skin tolerability and environmental compatibility. That is a very rare and highly attractive combination. Our rhamnolipids enable our customers to market high-performance yet sustainable consumer cleaning and care products. That’s a great feeling.”

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 net income as an earnings indicator that contains all these effects and forms the basis for the ability of Evonik Industries AG to pay a dividend.

Income statement for Evonik Industries AG T23

in € million	2022	2023
Sales	526	510
Other own work capitalized	3	1
Other operating income	703	548
Cost of materials	–51	–34
Personnel expense	–451	–351
Depreciation and amortization of intangible assets, property, plant and equipment	–22	–22
Other operating expense	–1,063	–889
Operating result	**–355**	**–237**
Income from investments	279	764
Write-downs of financial assets and current securities	–7	–9
Write-ups of financial assets and current securities	5	21
Net interest income/expense	–112	55
Income before income taxes	**–190**	**594**
Income taxes	–33	57
Income after taxes	**–223**	**651**
Net loss (–)/net income (+)	**–223**	**651**
Profit carried forward from the previous year	165	–
Withdrawals from (+) other retained earnings	603	–
Allocations to (–) other retained earnings	–	–6
Distributable profit	**545**	**645**

The €16 million reduction in sales to €510 million was mainly due to the transfer of procurement activities to a German subsidiary. This also contributed to a corresponding reduction in the cost of materials, which decreased by €17 million to €34 million. Lower pension expenses than in the previous year were the main reason for the drop in personnel expense to €351 million, which was 22 percent less than in the previous year. Other operating income contracted to €548 million, mainly as a result of lower currency translation gains. Due to the ban on netting in section 246 paragraph 2 of the German Commercial Code (HGB), currency translation gains of €492 million (2022: €659 million) are shown in other operating income, while the corresponding currency translation losses of €535 million (2022: €686 million) are shown separately in other operating expense. The net effect was a loss of €43 million (2022: loss of €27 million). Following an adjustment to our accounting practice in the reporting period, all hedged cash pool balances in foreign currencies were valued at the respective average hedged exchange rates as of the reporting date. This resulted in recognition of non-period income of €103 million and non-period expenses of €133 million in the reporting period. The net effect was an expense of €30 million.

Income from investments increased by €485 million to €764 million, mainly as a result of higher profit transfers. In the previous year, profit transfers were lower. This was mainly due to high negative pension valuation effects at German subsidiaries. Write-downs of €9 million were made on financial assets in the reporting period. Write-ups of financial assets and current securities totaled €21 million and comprised €12 million on shares in an affiliated company and €9 million on the specialized funds.

The net interest position improved significantly year-on-year from –€112 million to €55 million. The main reason was income in connection with the valuation 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 €594 million, principally as a result of higher profit transfers and higher interest income. The income tax effects comprised income of €57 million compared with expense of €33 million in the previous year. The change was attributable to lower taxable income in 2023 compared with 2022. Moreover, income was realized from the reversal of tax provisions.

The **net income** of Evonik Industries AG, calculated on the basis of the German Commercial Code, increased by €874 million year-on-year to €651 million. After allocating €5,943,118.23 to other retained earnings, the distributable profit is €645,220,000. A proposal will be put to the annual shareholders' meeting that the distributable income of €545,220,000 should be used to pay a **dividend** of €1.17 per share. The remaining €100,000,000 will be carried forward to fiscal 2024.

Asset structure

Balance sheet for Evonik Industries AG T24

in € million	Dec. 31, 2022	Dec. 31, 2023
Intangible assets, property, plant and equipment	57	43
Financial assets	7,836	7,839
Non-current assets	**7,893**	**7,882**
Receivables and other assets	4,317	4,210
Securities	409	262
Cash and cash equivalents	299	417
Current assets	**5,025**	**4,889**
Deferred income	29	30
Total assets	**12,947**	**12,801**
Issued capital	466	466
Capital reserve	723	722
Retained earnings	3,535	3,541
Distributable profit	545	645
Equity	**5,269**	**5,374**
Provisions	1,002	897
Other liabilities	6,673	6,529
Deferred income	3	1
Total equity and liabilities	**12,947**	**12,801**

The total assets of Evonik Industries AG declined slightly from €12.9 billion to €12.8 billion. Financial assets mainly comprise shares in subsidiaries. In the reporting period, an affiliated company was written up by €12 million. Furthermore, a write-down of €9 million was made on an investment. As a result, financial assets were virtually unchanged at €7.8 billion. The receivables mainly comprise financial receivables of €4.0 billion (2022: €4.2 billion), principally in connection with cash pooling activities and intra-group loans. Securities comprise units totaling €262 million in two specialized funds, which were purchased in 2019.

Equity increased by €0.1 billion to €5.4 billion because the net income of €0.7 billion in 2023 was higher than the dividend payment for 2022 (€0.5 billion). The equity ratio increased from 40.7 percent in 2022 to 42.0 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. The liabilities include financial liabilities of €6.3 billion (2022: €6.5 billion). €3.1 billion (2022: €3.3 billion) of this amount comprises liabilities to affiliated companies, principally in connection with cash pooling activities. A further €3.0 billion (2022: €3.0 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.

As of December 31, 2023, Evonik Industries AG had cash and cash equivalents amounting to €417 million and current securities totaling €262 million. In addition, Evonik Industries AG has a €1.75 billion syndicated credit facility as a central source of liquidity.

Furthermore, Evonik Industries AG still has access to bilateral credit lines totaling €800 million. These had not been drawn as of December 31, 2023. They are available alongside the syndicated credit facility as an additional liquidity reserve.[1]

At Evonik Industries AG, additions to intangible assets amounted to €2 million in the reporting period (2022: €5 million), and additions to property, plant and equipment totaled €8 million (2022: €15 million). The additions to property, plant and equipment mainly resulted from the procurement of IT equipment.

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. 86 ff.

Outlook[2] for 2024

The expectation that earnings would increase significantly in 2023 was met. In 2024, we expect the earnings of Evonik Industries AG to be around the 2023 level. This is based principally on the assumption that income from dividend distributions by subsidiaries will be slightly higher. By contrast, we expect the net interest result to decline.

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 2.8 Financial condition p. 38 ff.
[2] For details of the assumptions, see section 7. Report on expected developments p. 98 ff.

4. RESEARCH AND DEVELOPMENT

Annegret Terheiden is a chemist at Evonik's Goldschmidtstrasse facilities in Essen (Germany). Together with a team of application technology, research, and process technology experts, she has developed a chemical process for recycling mattresses.

WE GO BEYOND TO DEVELOP RECYCLING SOLUTIONS

"We came up with the idea of recovering the chemical components of end-of-life mattresses and returning them to the material cycle back in 2019. Our new recycling process is already being tested in a demonstration plant. That shows how a combination of passion, focused research, and interdisciplinary teamwork can create new, future-oriented opportunities within just a few years."

FIGURES

€443 million
R&D expenses

2.9%
R&D ratio

Approx.
23,000
patents and pending patents

Our goal: leading in innovation

Developing sustainable innovations is vital for our focus on profitable growth. In this way, we help our customers achieve their own climate protection, circularity, and biodiversity targets. Examples of our innovative contribution to a sustainable transformation are our membrane technologies and our lipid nanoparticles for modern mRNA vaccines.

Sustainability is an elementary component of our innovation portfolio. Our aim is to steadily improve both our handprint and our footprint[1]. Therefore, some of the members of the research, development & innovation (RD&I) council and the sustainability council are the same. We use strategic perspectives to allocate our research and development resources. These include an intensive sustainability assessment using the methodology that has become established for the sustainability analysis of our business[2]. Idea to Profit (I2P) is used to manage our R&D projects in several steps—from the idea through systematic development to profitable commercialization.

Our innovative capability enables us to open up opportunities in new, future-oriented businesses in 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 SEPURAN® 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 in the field of additive manufacturing

Our aim is to generate additional sales[3] of over €1 billion with these innovation growth fields by 2025. Our R&D activities are guided by our RD&I function. This comprises the R&D teams of the growth divisions, innovation management, Creavis, which is our business incubator and strategic research institute, and Evonik Venture Capital. The strategic framework for our R&D is set by the RD&I council, which also manages the targeted allocation of human and financial R&D resources. It is chaired by the member of the executive board responsible for chemicals and innovation. Other members are the chief innovation officer, the head of Corporate Strategy, and the heads of the divisions.

Creavis serves the Evonik Group as an innovation driver for resource-saving solutions with a perspective that goes beyond 2025. In this role, it develops transformative innovations that go beyond the product and market focus of the operational units. Creavis bundles its activities in three incubation clusters:

- The Defossilation cluster helps industries become less dependent on fossil raw materials by developing high-growth solutions that make a contribution to the transition to a circular, climate-neutral economy.
- The Life Sciences cluster focuses on novel concepts for resource-efficient and sustainable food production for the world's continuously growing population. Another focal area is preventing and curing diseases, especially as many people are living to an advanced age.
- Solutions Beyond Chemistry fosters traceable, safe, and circular value chains based on special application know-how and data-based solutions. These increase the transparency, effectiveness, and sustainability of industrial systems.

Our **venture capital** activities facilitate early insight into innovative technologies and business models. By collaborating with start-ups and technology funds around the world, Evonik gains more rapid access to attractive future technologies and markets. The Evonik Group has made more than 50 investments since the establishment of Evonik Venture Capital in 2012. One important instrument in this is the Sustainability Tech Fund, which was set up in 2022 and has a total investment volume of €150 million. This fund is oriented, on the one hand, towards climate-neutral technologies and business models and, on the other, towards innovative technologies that complement our Next Generation Solutions.

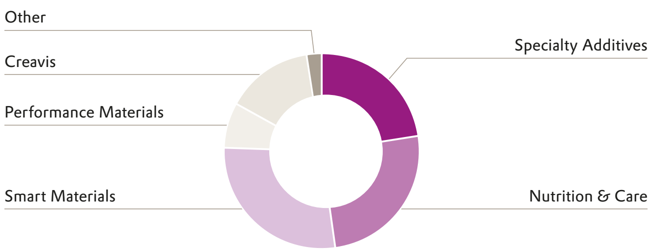
The **Evonik Biotech Hub** uses its extensive understanding of complex biological systems and biotechnological production processes to develop custom-tailored, competitive solutions for its customers, with a focus on all of Evonik's business lines.

[1] We consider our handprint to be positive impacts of our products along the value chain compared with other established products and applications on the market, especially in customers' applications.
[2] See section 5.1 Sustainability strategy **p. 51 ff.**
[3] Reference base 2015.

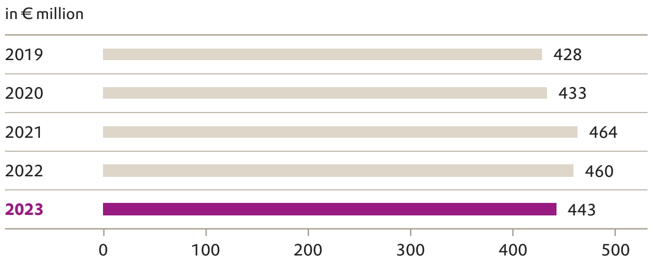
We place our trust in industrial biotechnology for the production of biomolecules and micro-organisms, such as

- highly soluble, ultra-pure collagen of non-animal origin for use in pharmaceutical and medical applications, as well as in cell culture and tissue engineering;
- biosurfactants for household and cosmetic applications;
- omega-3 fatty acids produced from natural microalgae for animal nutrition;
- amino acids for low-protein diet formulations as a global standard for animal nutrition; and
- probiotics to reduce the use of antibiotics in livestock farming.

Breakdown of R&D expenses C21



R&D expenses C22



Global research network

RD&I has more than 40 locations worldwide and around 2,700 R&D employees. R&D expenses totaled €443 million in 2023. The ratio of R&D expenses to sales was 2.9 percent (2022: 2.5 percent). At present, our operational chemicals divisions account for around 83 percent of our R&D expenses, while Creavis accounts for 14 percent. In the reporting period, some of our projects received funding from the European Union or the Federal Republic of Germany. In all, we received funding of around €3.7 million. Evonik has an extensive patent strategy to protect new products and processes. The value and quality of our patent portfolio have increased steadily in recent years. In 2023, 227 new patent applications were submitted, and we had around 23,000 patents and pending patents.

To position ourselves close to our customers with our innovative ideas, minimize geopolitical risks, and enable us to respond quickly to regional trends, we are driving forward our globalization strategy, for example, through **innovation hubs** in attractive growth regions. Outside of Germany, we currently have innovation hubs in:

- Allentown (Pennsylvania, USA): research focuses on applications for amines, high-performance polymers, and polyurethanes
- Mumbai (India): research focuses on formulations for the pharmaceuticals industry, catalysts for oils and lubricants, and the development of applications for construction and agriculture
- Shanghai (China): research focuses on applications for lithium-ion batteries, cosmetics, and silicone
- Singapore: research focuses on cell cultures and skin models, coating additives, and photopolymers.

Our progress in 2023

In the reporting period, we engaged in many research projects that contributed to the **green transformation** of Evonik and its customers towards sustainability and more efficient use of resources. These are illustrated by the following examples:

We are contributing our specialty chemicals expertise in plastics and additives for recycling to the Future Sustainable Car Materials (FSCM) project: A consortium of 19 leading industrial companies and research institutes is working on new processes to use sustainable materials for a circular economy in the automotive industry. The aim is to keep the materials in the value chain at the end of their useful life and to use them to produce new objects, such as automotive parts, without using fossil resources. This project, which is funded for three years by the Federal Ministry for Economic Affairs and Climate Action, was launched at the end of 2022.

Through our venture capital investment in the battery expert Hefei Haizhou New Material Co. Ltd., Hefei (China), which is known as SuperC, we are supporting a key technology that improves the range, robustness, charging speed, and service life of batteries. In this way, we are stepping up our efforts to extend Next Generation Solutions because high-performance batteries are a crucial factor for the electrification of road transport and a permanent reduction in CO_2 emissions. By working with SuperC, we are enhancing our understanding of this highly dynamic market and driving forward our growth strategy for battery solutions. The investment comes from the Sustainability Tech Fund set up by Evonik Venture Capital in 2022.

At the beginning of 2023, we also strengthened our position in sustainable products and recycling processes through a venture capital investment in the British company Interface Polymers Ltd., Loughborough. Its additives simplify the recycling of plastics. Interface Polymers' additive technology is therefore an excellent fit with Evonik's Circular Economy Program[1]. This investment was also made by the Sustainability Tech Fund. In parallel with this investment, the Coating Additives business line has agreed to an extensive development partnership with Interface Polymers with the aim of using its technologies in paints and coatings.

In the EarLi project (extraction and purification of lithium hydroxide monohydrate from spent lithium-ion batteries for reuse in the production of battery cells), we are working with several partners from science and industry on an economically viable method for the recovery of high-purity lithium. We want to play our part in finding a solution that drives forward e-mobility with the lowest possible environmental impact. The project is funded by the Federal Ministry for Economic Affairs and Climate Action. It is scheduled to run for three years.

Creavis has developed IN VIVO BIOTICS™, an innovative platform for synbiotic dietary supplements, and brought further products to market maturity in the reporting period. The synbiotic solutions combine selected micro-organisms with health-enhancing ingredients, generating various positive effects in the human gut such as strengthening the immune system, reducing inflammation, or gluten degradation in people who suffer from gluten intolerance. The first products are already being marketed by the Health Care business line.

The growing popularity of fermented food and beverages and the increasing awareness of the role of the microbiome for health have significantly increased consumer acceptance of fermentation-based beauty products.

R&D at Evonik T25

	2023
R&D expenses	€443 million
R&D ratio[a]	2.9%
No. of new patent applications filed	227
Patents held and pending	approx. 23,000
R&D employees	approx. 2,700
R&D locations	more than 40

[a] R&D expenses as a proportion of sales.

1 See section 5.6 Value chain p. 77 ff.

5. SUSTAINABILITY

Zeinab I. Aly is a process engineer. Together with her team, she is designing the processes for the new specialty lipids facility at the Tippecanoe site in Lafayette (Indiana, USA).

WE GO BEYOND TO FIGHT PANDEMICS AND DISEASES

"Through my work, I help produce high-quality lipids for innovative new drug delivery systems, which improve many people's lives. I'm passionate about that. The colleagues in my team are my inspiration. The diversity of their backgrounds and experience inspires me to reach for new heights."

FIGURES

0.21
Lost time injury rate

0.43
Process safety incident rate

Employees from
109
nations

5.1 Sustainability strategy

Evonik aims to be the best-in-class specialty chemicals company. Our sustainable corporate strategy makes a significant contribution to this, with ambitious targets and management tools that help us translate the transformation requirements into profitable growth. The strategy comprises the following elements:

- Giving sustainability a firm place in our market proposition and purpose
- Integrating sustainability into our strategic management process
- Increasing the proportion of attractive growth businesses in our portfolio with a clear focus on sustainability
- Foresighted resource management with ambitious environmental targets, including systematically considering the impact of our business along the value chain and on the Sustainable Development Goals (SDGs)
- Selective improvement of our sustainability reporting

Evonik continued to work on the strategic transformation of its business in the reporting period. As part of **Next Generation Evonik,** sustainability is an integral component of important core processes such as portfolio and innovation management, production and technology, and human resources work. This strategic integration paves the way for us to meet our promise to be an enabler of sustainability in a wide range of markets and areas of life. Therefore, we have set ourselves ambitious sustainability targets. These relate, for example, to the transformation of our portfolio and the continuation of our climate strategy for the period 2021 through 2030, in keeping with our commitment to the Science Based Targets initiative (SBTi). In 2023, the focus was on implementing measures to achieve these targets.

There were further economic challenges and geopolitical crises in 2023. We do not see this as a reason to reduce our commitment to greater sustainability. On the contrary, we see our sustainability management as an important basis to safeguard and extend Evonik's long-term resilience and market success.

Transformation requirements and core processes C23

Transformation perspective	Our response	Core processes
Market	Next Generation Solutions	Sustainability analysis of our business
Assets	Next Generation Technologies	Evonik Carbon Footprint
Human resources	Next Generation Culture	All levels of HR work

In view of the transformation requirements made on our business activities, we draw a distinction between market-driven, asset-related, and human resources influences. In line with this, our sustainable corporate strategy is focused on three core processes: **Next Generation Solutions** (market perspective), **Next Generation Technologies** (asset perspective), and **Next Generation Culture** (human resources perspective). Between 2022 and 2030, we aim to invest more than €3 billion in the growth of our Next Generation Solutions, in other words, products and solutions whose sustainability profile is above or even significantly above the market reference level. In the same period, we intend to invest €700 million in Next Generation Technologies. These are, in particular, measures at production plants and infrastructure that are geared to our goal of further reducing our CO_2 emissions. The aim of Next Generation Culture is to establish sustainability firmly at all levels of the human resources process—from recruiting through training and continuing professional development to including sustainability indicators in remuneration systems. Through these three elements of Next Generation Evonik, we are employing our full agility to achieve a business model that balances economic, ecological, and social aspects and thus strengthens our resilience.

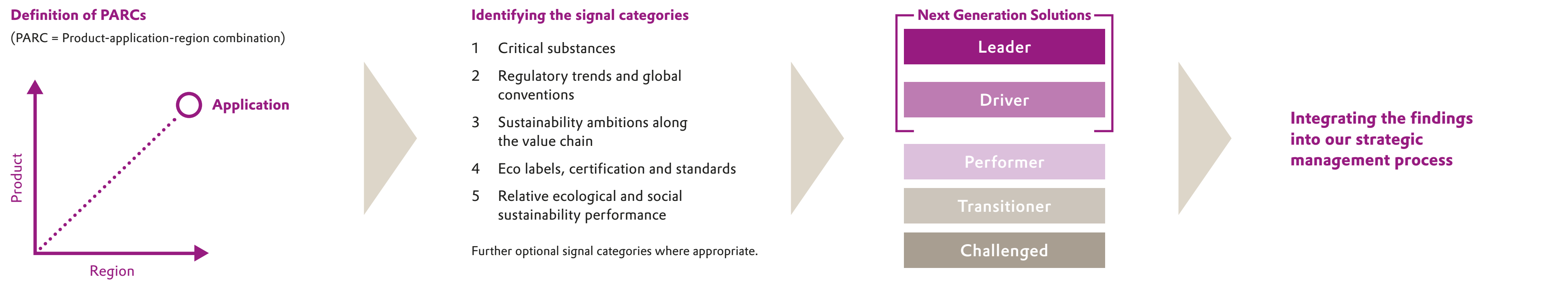
Our sustainability management is aligned with materiality. We performed a full new materiality analysis in 2022 and identified 15 material sustainability topics for Evonik based on the concept of double materiality. In 2023, we reviewed the materiality analysis using a peer group and media analysis. This review confirmed that our 15 material sustainability topics are complete and up-to-date. The sustainability topics that are ranked highest for Evonik are green energy, portfolio transformation, and circular economy.

Sustainability analysis of our business supports portfolio management

The **sustainability analysis of our business** is a key tool for the strategic management and ongoing development of our portfolio. The methodology is based on the chemical industry standard for portfolio analysis. The extensive evaluation of these sustainability signals in all three dimensions of sustainability—economic, ecological, and social—gives us insights for the foresighted management of individual products and entire business areas. The results of the analysis are used in our strategic management process.

The market signals identified as being significant for Evonik form the heart of our sustainability analysis. These include anticipated regulatory trends, such as those relating to chemical safety along the value chain, ecological and social performance compared to alternative solutions, and major sustainability ambitions in our markets. The evaluation is based on the framework for Portfolio

Sustainability analysis and portfolio management C24



Sustainability Assessment (PSA) developed by the World Business Council for Sustainable Development (WBCSD). This enables us to take account of different market signals in the various end-markets for our business. The unit of evaluation is defined through a 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. We dynamically extend the PARC approach to include new requirements, for example, in the area of circularity. In the reporting period, we therefore analyzed our entire chemical business in more detail from the perspective of the circular economy.

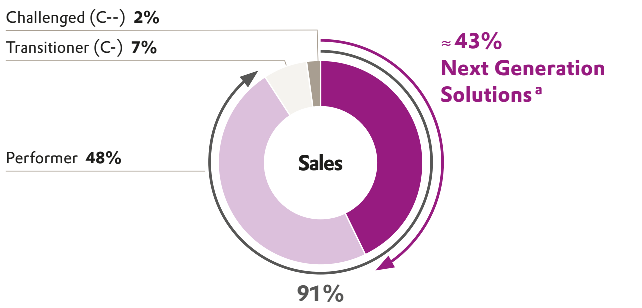
The assessment of all the PARCs analyzed is used in a structured overall evaluation of the sustainability performance of our portfolio, resulting in allocation to the performance categories leader (A++), driver (A+), performer (B), transitioner (C–), or challenged (C––). We refer to products and solutions allocated to the categories leader (A++) and driver (A+) as Next Generation Solutions. These have attractive growth rates and stand out positively in their markets because of their clear sustainability benefits.

For fiscal 2023, we examined 531 PARCs, covering the total sales generated by Evonik with chemicals in the fiscal year. The most important findings are:

- Evonik generated 91 percent of sales with products and solutions whose sustainability performance was at least in line with the market reference level (leader, driver, or performer category). The figure for 2022 was also 91 percent.
- 43 percent of Evonik's sales came from Next Generation Solutions. These are products and solutions with a clearly positive sustainability profile that is above or even well above the market reference level (leader and driver categories). In 2022, the proportion was also 43 percent.
- Weak negative market signals were identified for 7 percent of sales (transitioner category), and strong negative signals were identified for 2 percent (challenged category) (2022: 7 percent transitioner, 2 percent challenged). We are addressing these in dialogue with our customers through innovation or active portfolio management.

We want to increase the proportion of sales generated by our Next Generation Solutions from 43 percent at present to over 50 percent by 2030. On a long-term view, we aim to keep the proportion of sales generated with products that are classified as

Portfolio overview C25



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

challenged as a result of changes in market conditions, consumer behavior, rising reference levels, or tighter regulation below 5 percent. This is to be achieved, on the one hand, through the ongoing development of existing Next Generation Solutions and, on the other, by aligning our research and development in order to generate additional sales with new Next Generation Solutions. At the same time, we are reducing the proportion of sales from products classified as transitioners or challenged through selective product modifications or withdrawal from specific businesses. For example, in 2023, we sold the Lülsdorf site in Germany and the related cyanuric chloride business in Wesseling (Germany). As a result, PARCs in the transitioner category left our portfolio.

Sustainable finance

The transformation 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 for the future. 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. In 2023, the EcoVadis rating agency awarded us gold status for our sustainability performance. Sustainalytics classified Evonik as "low risk" for the first time, positioning it among the top 5 percent of the chemical industry worldwide.

In 2022, Evonik successfully issued its second green bond—a senior bond with a nominal value of €750 million. In keeping with the allocation of funding outlined in our Green Finance Framework, in 2023, we allocated €580 million of the proceeds to investment and research expenses to expand our Next Generation Solutions.[1]

Reporting in compliance with the new Corporate Sustainability Reporting Directive (CSRD), which is mandatory for us from fiscal 2024, is a substantial task for Evonik. A cross-functional project team is currently working to implement the extensive reporting requirements.

In order to manage Evonik's business development with a view to non-financial indicators, we need high-quality sustainability data. That is also necessary to avoid a lack of transparency in external reporting. Our **sustainability data management** project plays an important part in this. Following the successful automation of the sustainability analysis of our business, we continued our work on the greenhouse gas emission management module. In the coming years, we want to successively add further sustainability-related management and reporting data to this platform. Moreover, in 2023, we produced an extensive overview of Evonik's sustainability indicators by areas of action and material topics, further improving transparency and ensuring rapid access to data. This overview can be viewed on our website **https://corporate.evonik.com/en/sustainability/sustainability-key-figures-2023-237342.html.**

Responsible management

Given the increasing relevance of sustainability for corporate management, we integrated further sustainability aspects into our governance framework in the reporting period. The supervisory board's finance and investment committee has extended its focus to sustainability and has therefore been renamed the investment and sustainability committee. We drove forward risk management by increasing the alignment between sustainability risks and conventional risk management. We also drafted climate and water policies and are preparing further policies. These will be published on our website **https://corporate.evonik.com/en/sustainability/policies** when they have been adopted. Moreover, from 2023, we integrated sustainability more closely into the remuneration of the executive board and other executives. As well as including occupational safety in short-term remuneration as in the past, we introduced sustainability targets, for example, reducing scope 1 and 2 emissions, increasing the proportion of sales from Next Generation Solutions, and employee engagement, as an additional component of long-term remuneration.

As well as complying with legal requirements, responsible management requires conformance with internal regulations and internationally recognized standards. The starting point for responsible corporate management at Evonik is our code of conduct[2], together with our global social policy and our policy on the environment, safety, health, quality, and energy (ESHQE). The policy statement on human rights was revised in 2023 on the basis of the annual human rights risk analysis and adopted by the executive board.

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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 NFS are employee, environmental, and social matters, respect for human rights, preventing bribery and corruption, and the supply chain. In the NFS, we report on concepts, processes, measures, and metrics. We used the GRI standards of the Global Reporting Initiative (GRI) as a guide. The disclosures on the EU taxonomy are contained in section 5.5 The environment p. 63 ff.

[1] Evonik Green Bond Allocation and Impact Report 2022.
[2] The code of conduct applies to a) all employees of Evonik Industries AG, b) all employees of companies where Evonik Industries AG directly or indirectly holds more than 50 percent of the shares or is able to exert a controlling influence in any other way, and c) the executive board of Evonik Industries AG and all managing bodies of the companies referred to in b). At companies where Evonik holds a stake but does not exert a controlling influence, we work towards establishing comparable standards.

The relevant NFS topics are derived from our **materiality analysis**[1], which was based on the principles of double materiality for the first time in 2022 in order to prepare for the implementation of the CSRD. Our analytical approach was based on the revised GRI Sustainability Reporting Standards and, in some aspects, on the EFRAG[2] working papers of January 2022, ESRG 1 "Double materiality conceptual guidelines for standard-setting" and ESRS[3] 4 "Sustainability material impacts, risks, and opportunities." Similarly, we took into account certain content from the exposure drafts of April 2022. Since the performance of the materiality analysis in 2022, the ESRS have been revised, with interim standards published in November 2022 and June 2023. The final version of the ESRS was published on July 31, 2023. In light of this, in the reporting period, we examined whether the approach used for our materiality analysis meets the requirements of the final versions of the ESRS. The 15 material topics identified in Evonik's materiality analysis are included in the NFS. These are our top three material topics—green energy, portfolio transformation, and circular economy—and 12 further material topics. In addition, the NFS contains sections on the EU taxonomy and social commitment.

In 2023, 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 section 6. Opportunity and risk report p. 86 ff.[4]

The content of the NFS was reviewed by KPMG through a limited assurance engagement, and chapters 5.3 Employees p. 55 ff. and 5.4 Safety p. 61 ff. were the subject of a reasonable assurance engagement. The assurance engagement on the sustainability reporting was based on audit standard ISAE 3000.

Overview T26

Contents of the NFS	Topics	Section in combined management report
Business model		1.1 Business model[a] p. 16 ff.
		5.1 Sustainability strategy p. 51 ff.
	Portfolio transformation	1.2 Principles and objectives p. 19 f.
		5.1 Sustainability strategy p. 51 ff.
	Cybersecurity	5.6 Value chain p. 77 ff.
Employee matters	Occupational safety and plant safety	5.4 Safety p. 61 ff.
	Attractiveness as an employer	5.3 Employees p. 55 ff.
	Employee satisfaction	5.3 Employees p. 55 ff.
	Diversity and equal opportunity	5.3 Employees p. 55 ff.
	Health protection and promotion	5.4 Safety p. 61 ff.
Environmental matters	Mitigating climate change	5.5 The environment p. 63 ff.
	Green energy	5.5 The environment p. 63 ff.
	Water management	5.5 The environment p. 63 ff.
	Biodiversity	5.5 The environment p. 63 ff.
	Circular economy	5.6 Value chain p. 77 ff.
	Product stewardship	5.6 Value chain p. 77 ff.
	EU taxonomy	5.5 The environment p. 63 ff.
Respecting human rights	Responsible management and human rights	5.6 Value chain p. 77 ff.
Preventing bribery and corruption	Responsible management and human rights	5.6 Value chain p. 77 ff. Declaration on corporate governance[b] p. 111 ff.
Supply chain	Responsibility within the supply chain	5.6 Value chain p. 77 ff.
Social matters	Social commitment	5.6 Value chain p. 77 ff.

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

[1] See sustainability report **www.evonik.media/sustainability-report**
[2] EFRAG = European Financial Reporting Advisory Group.
[3] ESRS = European Sustainable Reporting Standards.
[4] 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 **http://evonik.com/CDP-ClimateChange** (outside the scope of the assurance engagement).

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 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

	2022	2023
Employees (as of December 31)	2,537	2,497
Women as a proportion of the total workforce in %	47.7	47.1
Female managers in %	34.7	34.4
Total turnover in %	3.6	5.2
Average length of service in years	17.1	16.4

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.

Global management

The recruitment, development, and long-term retention of talented and qualified employees play a part in Evonik's lasting success. To this end, Evonik's HR strategy sets various focal areas. First, it is important to develop the right talents. Second, all employees should be empowered to shape and advance their career paths. These objectives are supplemented by competitive remuneration and benefits. Another focal area is empowering managers to transform the business and lead it into the future.

Evonik's **HR strategy** is geared to achieving the company's strategic goals and fostering its positive development. That includes being a highly attractive employer and correspondingly high employee engagement. The HR strategy is derived from the requirements of the operating business and functional areas and forms the basis for day-to-day HR work. The demands made on managers, especially in leading global teams, are complex and require an in-depth understanding of economic, ecological, and social sustainability requirements, including the associated management knowledge. It is important that HR and the entire management identify with the strategic objectives and implement them in their processes. Extensive planning of present human resources and future requirements and a targeted recruitment policy support these processes.

Our global **HR organization** comprises the HR Talent Management and HR Business Management functions, both of which have global management tasks and work closely together. 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, digital HR applications and system solutions, interaction with representatives of the workforce, and aspects of employment law. Our HR processes are supported by digital services, learning offerings, and a global knowledge database for executives and employees.

The heads of both HR functions report directly to the chief human resources officer (CHRO). The heads of both functions make key decisions on the basis of the Group Organizational Policy HR. They are responsible for defining strategic topics for the Evonik Group worldwide and making decisions on implementing the HR strategy. The central body for project management and the implementation of all topics is the HR alignment meeting, which is chaired by both functions. Alongside the heads of the two HR functions, the permanent members are the heads of HR Solutions & Systems, Workforce Analytics & Business Services, and Labor Law Relations. The development of corporate executives is a separate function, which reports directly to the chairman of the executive board.

Reduction in the headcount

The Evonik Group had 33,409 employees at year-end 2023. That was 620 fewer than at year-end 2022. The reduction was mainly due to the sale of the Lülsdorf site in Germany as of June 30, 2023. This site had been part of the Performance Materials division.

Employees by division T28

	Dec. 31, 2022	Dec. 31, 2023
Specialty Additives	3,824	3,492
Nutrition & Care	5,690	5,630
Smart Materials	8,011	8,103
Performance Materials	1,951	1,738
Technology & Infrastructure	8,367	8,197
Enabling functions, other activities, consolidation	6,186	6,249
Evonik	**34,029**	**33,409**

Prior-year figures restated.

Personnel expense, including social security contributions and pension expense, decreased by 7 percent to €3,254 million (2022: €3,487 million). Personnel expense increased to 21.3 percent of sales (2022: 18.9 percent).

5.3.1 Attractiveness as an employer

In order to attract employees and strengthen employee retention, Evonik revised its positioning as an employer in 2023. Our new employer identity, "Be Part of Something Special", covers three key aspects: the importance of products and solutions for a sustainable future, the potential for individual development, and the strong team spirit within the workforce. Evonik offers an appreciative and motivational working environment with performance-related remuneration and additional benefits, flexible worktime models, a focus on occupational health and safety, and transparent development opportunities, as well as supporting digital competencies, diversity, and work-life balance. Employees around the world were actively involved in developing the new **employer branding** and are important advocates for Evonik as an employer. Our attractiveness as an employer is measured by external rankings, internal surveys, and early employee turnover[1].

Systematic talent management

We regularly assess and evaluate potential, succession scenarios, and development requirements at HR meetings attended by the executive board. Special attention is paid to attractive career paths, job rotation, and high-quality development programs to support the development of our future top executives. Our programs include aspects such as sustainability, entrepreneurial and personal responsibility, and geopolitical developments.

As well as appointments to top management positions, our focus is on building up a pipeline for key roles at various levels. With this in mind, we offer the Evonik Explorer Program, where employees can proactively apply to take part in a group-wide talent program. This two-year program gives participants individual, practice-oriented preparation for the next steps in their development along a specialist or management career path. A nine-month development program is a central element in this. Around 320 employees were confirmed as Evonik Explorers in 2023.

Creative onboarding

Onboarding initiates new employees into our corporate culture and processes so they can get off to a successful start at Evonik. We use two methods to give new employees the latest and most relevant information: We work with stakeholders at local, national, and business level to ensure that onboarding is state-of-the-art in all areas. In addition, we use digital tools, which we can update at short notice. These are available to new employees from their first day. In this way, we ensure that from the very beginning, our employees are well-informed and prepared so they are able to meet our requirements.

Culture initiative

The world of work is undergoing profound changes—from digitalization and new ways of working to the responsible use of natural and social resources. To complement Next Generation Technologies and Next Generation Solutions, Evonik has adopted **Next Generation Culture** with the aim of integrating sustainability requirements at all stages in the HR process. These include personnel planning, analysis of the additional capabilities, skills, and management qualities, individually tailored upskilling offers, and a greater focus on sustainability indicators in remuneration systems. Since 2022, we have greatly increased information, training, and workshops on this topic. We have integrated sustainability more strongly into the long-term remuneration of the executive board and other executives.

In times of transition, our corporate values—performance, openness, trust, and speed—can play a valuable part in providing guidance and stability and contribute to the readiness to change. We are therefore continuing our ONE Culture initiative to make Evonik more dynamic and performance-oriented on the basis of our corporate values. One special focus in 2023 was putting our Next Generation Culture into practice. The Next Generation Culture initiative invites all employees to play a part in shaping and driving forward our corporate culture. An Evonik social network community hosted information, learning content, and a collaborative campaign to collect and share established measures to increase sustainability at work. There was a good response. The community attracted 1,300 members, and 75 measures were submitted. The most successful of these were presented to several hundred employees worldwide through the internal learning sessions format as positive examples to be copied.

An extensive performance management system

Our performance management system is based on eight performance dimensions. These include performance and leadership behavior and, in particular, goal achievement and quantity and quality of work. How goals are achieved and the related behavior are always taken into account.

There was a sharper focus on aspects such as diversity, sustainability, and leadership behavior, which are included in the Evonik competency model. This describes the professional and personal abilities that we as a company expect from our employees and executives. We are firmly convinced that sustainable business activities and diversity are the basis for performance excellence.

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

Addressing the shortage of skilled workers

The intensifying shortage of skilled workers requires us to step up our activities to retain and develop our employees and recruit qualified new employees while they are training or studying. We support the **retention of skilled staff** through a culture that strengthens performance, loyalty, and identification with the company throughout their employment with Evonik. Regular pulse checks help make retention measurable. Our career development portal highlights opportunities for development within the company, and a new vocational training campaign reaches out to school students and their parents. Our employer branding uses job fairs, social media campaigns, and information on our careers pages to position Evonik as an employer with the relevant target groups. We benefit from long-standing partnerships with universities and student networks. In addition, we cement our contact with students through our "Evonik Perspectives" retention program. We are increasingly offering dual training and study programs. As part of our talent acquisition drive, experts actively approach candidates in the market to gain key specialists for Evonik.

Long-term jobs

Around 96 percent of our permanent 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. If agency staff have been used for a job for more than six months, we examine whether it is a permanent job for which a permanent employee can be hired. Alongside appropriate remuneration, we make sure that agency staff are covered by the high social and safety standards applicable for our own staff. 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, 2023.

Employees by contractual status T29

	2022	2023
Employees	34,029	33,409
of which employees on permanent contracts	31,368	30,898
of which employees on limited-term contracts	1,605	1,361
of which apprentices/trainees[a]	1,056	1,150

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

5.3.2 Employee satisfaction

Employee satisfaction is a central success factor for Evonik. Alongside competitive remuneration and attractive development opportunities, our employees benefit from a wide range of offerings to improve their work-life balance as well as preventive health care. The aim is to maintain productivity at a high level and minimize employee turnover. We regularly measure employee satisfaction through group-wide employee surveys and annual pulse checks and derive specific action for continuous improvement. We are convinced that the focus on employee satisfaction will continue to gain importance in view of the dynamic labor market trends. Satisfied employees value their employer, contribute to a positive working atmosphere, and are less likely to change employer. For prospective employees, customers, and colleagues, motivated and committed employees are our most important advocates.

Employee retention

Early turnover increased slightly to 2.2 percent, and the total turnover rate dropped slightly to 6.6 percent. Our goal is a further reduction in the early employee turnover rate.

Key data on employee retention T30

	2022	2023
Total turnover in %	6.7	6.6
Early turnover rate in %	1.9	2.2
Average length of service in years	14.1	13.9

Global remuneration policies

Attractive, 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 objective criteria such as responsibility, competencies, and success. Personal attributes such as gender, age, etc., play no part in the process, and our policies explicitly forbid discrimination. In addition, minimum standards defined by law and in collective agreements, e.g., local minimum wages, are applied. Furthermore, in the future, we want to regularly check that we pay a living wage to our employees in all countries.

Collective agreements on remuneration cover almost 100 percent of our employees in Germany and around 70 percent of our employees worldwide. There are performance- or profit-oriented incentive systems at almost all our sites and companies.

These systems cover nearly all of our permanent employees. Evonik offers voluntary social benefits to employees in all regions where it has a presence. In addition, in 2023, 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 40 percent.

Evonik offers pension plans in many countries, where it is customary to do so. In the past, defined benefit pensions financed solely by the employer were most common. Newer, defined contribution plans are generally based on mandatory or voluntary contributions by employees. 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.

Work-life balance

A family-friendly HR policy that is geared to different phases in people’s lives is important to Evonik. More than 96 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 together colleagues who want to share a job. Evonik is perceived by the general public as a family-friendly employer. Since 2009, we have been audited every three years by the Hertie Foundation for the berufundfamilie certificate. The most recent audit, in 2021, once again rated our work-life balance offerings as above-average.

well@work

Alongside work-life balance, the focal areas of our in-house well@work initiative are exercise, nutrition, and mental fitness. A wide range of offerings at our sites, supplemented by group-wide digital programs, foster the physical and mental health of our employees. In 2023, Evonik responded to the rising demand for vegetarian meals by extending the menus available in its staff restaurants. Moreover, the carbon footprint of lunchtime menus was disclosed for the first time. Our employees responded positively to the increased choice.

#SmartWork project

#SmartWork is our approach to **hybrid working,** comprising a balanced mixture of presence in the workplace and mobile working. In spring 2023, the maximum possible time permitted for mobile working was increased to an average of 60 percent. Worldwide, around 11,900 employees have now registered for #SmartWork. A global framework provides a basis for optimizing collaboration, while local rules can be used to structure and implement details of #SmartWork at country level. In Germany, the employer and employee representatives concluded such agreements at the beginning of this project. They are continuously reviewed.

We expect the introduction and ongoing development of #SmartWork to bring cost savings by reducing the office space required and business travel. Both aspects contribute to a further improvement in Evonik’s ecological footprint. To further optimize mobile working, a survey was conducted in 2023, and a platform was set up to share good practices.

5.3.3 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 business success.

Diversity enriches

Employees with different backgrounds and personalities enrich our teams and our company. We do not tolerate discrimination. Diversity enhances Evonik’s creativity, innovative capability, and proximity to customers. It also has a positive influence on the recruitment of new employees and on staff retention. We actively raise awareness of this issue through our corporate media and regular dialogue formats. We use training in diversity and unconscious bias for employees in a wide range of jobs and levels in the company to raise awareness of diversity and unconscious bias and of factors that hinder diversity.

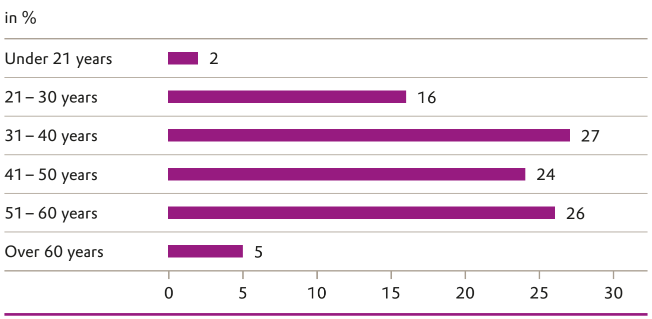
Our **diversity strategy** is derived from our corporate strategy. Diversity is a firm element in our corporate values, working principles, and the Evonik competency model. The parameters we use to manage diversity often exceed the legal requirements. Via the HR dashboards, executives can obtain a monthly overview of relevant diversity indicators. We inform all employees about the present situation in an annual diversity report. The role of the diversity council is to embed diversity in our organization and to drive 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. Global implementation of the measures adopted by the diversity council is driven forward by three diversity panels—for processes, regions, and communication. Our global diversity & inclusion team is responsible for implementation at regional level.

All measures to foster diversity take a holistic approach: We address the issue from strategic, cultural, and process perspectives. Our executives are required to actively manage diversity with the aid of specific indicators relating to experience, age, training, nationality, and gender. We also take into account different mentalities and perspectives arising, for example, from religious conviction and sexual orientation.

Age structure

We foster cross-generational collaboration in our teams and give special priority to mental and physical health. Other offerings include LILY (Learning and Individualized Library), an online platform that facilitates lifelong learning. Our reverse mentoring offers different generations an opportunity to learn from one another across regional boundaries and organizational units to develop an understanding of the viewpoint of different generations.

Age structure in the Evonik Group C26



In 2023, the average age of Evonik employees was around 43 years. 47 percent of new hires were under 30, 46 percent were aged 30 to 50, and 7 percent were over 50.

Higher percentage of women

We aim to increase the **proportion of women** in the Evonik Group worldwide and at all levels. Our objective is for women to account for 30 percent of executives at each of the top two management levels by 2026. 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, 27 percent of our employees are female. The proportion of female managers was 30 percent in 2023.

Key data on diversity T31

	2022	2023
Women as a proportion of the total workforce in %	26	27
Female managers in %	29	30
Female managers as a proportion of other management levels in %	30	30
Female managers as a proportion of middle management in %	17	19
Female managers as a proportion of top management in %	20	22
Nationalities	108	109

An extensive range of measures supports the attainment of our aim of increasing the proportion of women. Examples are childcare offerings, vacation programs for kids, and job sharing. For ten years now, the groW global network has been bringing together women in the Evonik Group. It fosters talent, shares knowledge, and advocates for diversity and different perspectives. Evonik supports social impetus and takes part in alliances to encourage young women to enter STEM professions. The “Grow beyond yourself” initiative launched in the Asia-Pacific region in 2023 targets the same professions: In China, Japan, and India, Evonik offers a training program, including an innovation competition, at schools. The aim is to improve everyday opportunities for girls and to encourage them to take up STEM professions.

#TogetherAsOneEvonik stands for Evonik’s commitment to fairness and diversity and the rejection of hatred and discrimination. We offer our employees and managers a wide variety of job-related training opportunities. These include anti-discrimination and anti-racism events, media competency workshops, breakout days on courage at our site in Essen and the Jewish Museum in Frankfurt (Germany), as well as activities such as the Cultural Appreciation Day at our site in Singapore.

Evonik currently employs people of 109 **nationalities** at 205 sites in 53 countries. The proportion of managerial employees who do not hold German citizenship is around 46 percent. Group-wide, the proportion in middle management is around 26 percent.

Our code of conduct and global social policy forbid discrimination on the basis of ethnic origin, skin color, religion or beliefs, age, gender, sexual identity, physical constitution, appearance, or other attributes that are protected by law. Employees who feel they have been discriminated against have a right to lodge a complaint via our anonymous whistleblower system, which can be accessed both internally and externally.

Training and continuing professional development

Evonik regards well-trained employees as a success factor in competition and has a global learning strategy aligned with future business requirements.

Learning strategy for continuing professional development

Our activities in this area cover both the vocational training of young people at the start of their working lives and continuing professional development of our employees. The central elements are:

- uniform global solutions for training and personnel development, with digital self-directed learning content,
- simplifying the offering of digital learning platforms, and
- increasing the acceptance of self-directed digital learning and lifelong learning.

We offer our employees access to a wide range of learning journeys and digital content for self-directed learning. 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. We measure our success in implementing our learning strategy by the number of active participants, their average learning time, and the total number of people registered to use the LILY learning platform. Both platforms are available to all employees worldwide, provided they have access to the intranet. At the start of 2023, Evonik introduced the LinkedIn Learning digital library of over 20,000 courses in various languages for all employees. The courses range from business-specific software through project management to career advice and tips on leadership.

Since we have more than 1,112 apprentices and a strategy to secure skilled employees, we consider that we are well-prepared for the challenges of demographic change, including in production and related areas. To retain young people in the company, all apprentices who are able and willing to take up employment are offered jobs. In addition, we are training 556 apprentices in cooperation with other companies.

Training ratio remains high

In 2023, Evonik trained more than 1,600 young people. Our offering covered 36 recognized vocational training courses and combined vocational training and study programs at 15 sites. Apprentices accounted for 6 percent of our workforce in Germany, so the ratio remained above the national average of around 4.7 percent in Germany. In all, we invested around €64 million in vocational training. Our high commitment is also reflected in good examination results. The “Start in den Beruf” pre-apprenticeship program has proven very effective preparation for youngsters who are not ready for a vocational training course. In the 2022/2023 project year, we offered an additional 15 places in this program, bringing the total to 65. This complementary offering gives young people an insight into the dual training system and the occupations available to help them make a career choice.

The quality of vocational training at Evonik was highlighted by successful DIN ISO 21001 certification and further awards in 2023: For the fifth consecutive time, a study of Germany’s best vocational training companies awarded Evonik first place in the specialty chemicals category. Furthermore, we were given a five-star rating by the business magazine Capital for our performance in dual vocational training and combined vocational training and university courses—also for the fifth time. In addition, a joint project by Evonik’s vocational training department and MINT-EC was awarded the Comenius EduMedia seal.

In the reporting period, Evonik invested about €371 per employee in training and continuing professional development. That was a total of €12 million. The reduction in external training expenses was due to extensive savings drives.

The second worldwide application round for the Evonik Explorer development program started in spring 2023. Overall, about 320 talented employees were confirmed as new Evonik Explorers. This program also uses a blend of digital self-directed learning phases, remote groupwork, online seminars, and face-to-face sessions.

The aim of the Evonik learning sessions is to try out new methods of collaboration, learn from one another, and encourage networking with colleagues from other disciplines. The corresponding community now has around 16,500 members worldwide. The program content, which is developed by the community itself, includes a broad spectrum of topics and speakers.

5.4 Safety

5.4.1 Occupational and plant safety

Safety as a management task

Protecting the health, safety, and employability of our employees and preventing accidents and incidents at work and in the operation of our production facilities are of central importance to Evonik. Our high safety standards aim to prevent fatalities, accidents, and damage to health and the environment. That includes both our employees and contractors' employees during their working hours, during commuting, and during the transportation of goods. Another goal is to prevent Evonik releasing hazardous substances into the environment and to exclude damage to our production facilities resulting from inadequate safety precautions. We take into consideration both internal and external factors such as extreme weather, manipulation, and terrorist attacks.

The group-wide management of occupational and plant safety at Evonik is based on global policies, processes, and systems. These are an integral part of our integrated management systems. We use centrally planned internal audits to evaluate the implementation of the applicable rules and regulations and identify any scope for optimization. Our internal processes are supplemented by external audits by certification bodies. The ESHQ function is responsible for the standardization of mission-critical processes for all divisions. Requirements and the need for action are defined in binding targets based on performance indicators. Accident frequency is also reflected in the variable remuneration of members of the executive board.

Our ESHQE management handbook sets out our mandatory global rules on the environment, safety, health, quality, and energy. The aim is to continuously optimize our processes, plants, products, and services. That includes minimizing the undesirable influences of our activities on people and nature.

Our group-wide **Safety at Evonik** management approach covers all aspects of occupational and transportation safety. It defines binding principles of action that give our managers and employees, including personnel from staffing agencies, reliable guidance on safety-compliant conduct in their daily work. This is supplemented by Safety at Evonik 2025, a roadmap setting out further safety elements for every year up to 2025. We are planning to extend this roadmap to 2030.

Our crisis and incident management are designed to prevent and limit the damage if accidents nevertheless happen. We systematically analyze and simulate incidents with external support. In this way, we aim to further improve our safety performance. We share the findings within the company via our ESHQ Global SharePoint. One successful format for this is our safety flyer. To build and share experience, we also participate in various national and international networks.

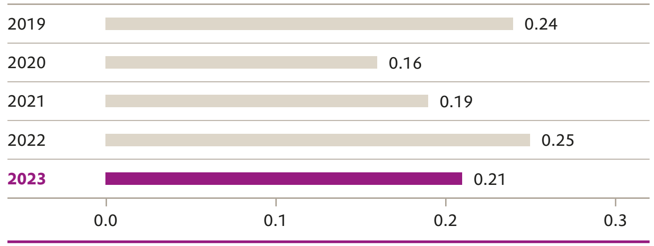
Safe transportation of goods is very important for Evonik. We use a uniform process to select the logistics service providers for transportation and regularly review their reliability. In keeping with our understanding, this includes evaluating the Responsible Care® performance of all transportation providers. Our aim is to minimize risk at all stages, from loading through transportation to unloading.

Lost time injury rate below the upper limit

We have always paid special attention to occupational safety, which also includes both safety on the way to and from work and the safety of contractors' employees working at our sites. The key performance indicator for occupational safety at Evonik is the lost time injury rate (LTI-R). In 2023, we once again achieved our target of remaining below the defined upper **LTI-R**[1] threshold for Evonik employees[2] of 0.26 accidents resulting in absences of at least one full shift per 200,000 working hours. The LTI-R was 0.21[3] and therefore well below the defined upper limit.

Lost time injury rate (LTI-R) C27

Number of accidents per 200,000 working hours



The LTI-R[4] for contractors' employees[5] was 0.79, which was higher than in the previous year (0.43). The number of accidents increased from 47 in 2022 to 48 in 2023. The increase in the LTI-R is attributable to the fact that fewer contractors were used. Most of the accidents were caused by workers tripping, slipping, falling, or coming into contact with machinery.

[1] This indicator contains all reported work-related accidents (excluding traffic accidents) resulting in absences of at least one full shift per 200,000 working hours.
[2] Evonik employees, including employees from staffing agencies, as defined in the German legislation (AÜG).
[3] The total number of hours worked by Evonik's employees in the reporting period was approximately 67 million hours.
[4] Number of reported work-related accidents (excluding traffic accidents) resulting in absences of at least one full shift per 200,000 working hours.
[5] Calculation based on estimates and assumptions.

In 2023, there were no fatal accidents involving our employees or contractors' employees either at our sites or during commuting. There were no accidents resulting in more than six months' absence from work.

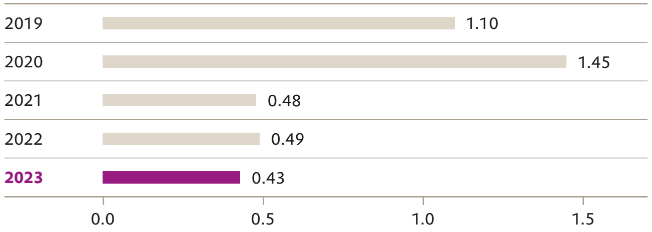
Process safety incident rate above the upper limit

Safety is the basic precondition for the operation of our facilities and their performance. It 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.

The key performance indicator for plant safety at Evonik is the **process safety incident rate (PSI-R)**[1]. We monitor the number of process safety incidents (PSI) involving the release of substances, fire, or explosion in line with the Cefic[2] definition. Our PSI-R was 0.43 in the reporting period, so we failed to meet our target of remaining below the upper limit of 0.40. Nevertheless, the PSI-R was considerably better than in the previous year (0.49). Although most incidents were due to the release of substances, specific countermeasures resulted in an improvement in the PSI-R in 2023.

Process safety incident rate (PSI-R) C28

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



2019 through 2020 based on the "Cefic 2011" definition, 2021 through 2023 based on "Cefic 2016."

We steadily endeavor to optimize our safety management system. Our expert circle on plant safety worked on various projects in the reporting period. The focus is on the ongoing development of our plant safety regulations. Based on the experience gained with ESTER (Evonik Standard Tool ESHQ and Reporting), we continued to optimize the management-of-change process.

Targets for 2024

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

The upper limits for 2024 are unchanged:

- Lost time injury rate (LTI-R) ≤ 0.26
- Process safety incident rate (PSI-R) ≤ 0.40

5.4.2 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.

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. Our aim is to meet all statutory requirements on occupational health and safety and avoid high rates of sickness-related absence. We offer our employees a range of voluntary measures to foster their health. These are bundled in the group-wide **well@work** initiative. In this way, we support a healthy lifestyle. A family-friendly human resources policy that takes account of different phases in employees' lives and supports a good work-life balance is important to Evonik. Appropriate offerings are designed to counter a poor work-life balance and the increase in mental health and stress-related illness. Our health protection and promotion measures are also available to all employees, including personnel from staffing agencies.

[1] Number of incidents in production plants involving the release of substances per 200,000 working hours.
[2] Cefic: Conseil Européen des Fédérations de l'Industrie Chimique/European Chemical Industry Council.

The Evonik Global Health Program sets out the main goals of our occupational health strategy, together with data and facts. We use this as the basis for refining our strategy and adapting it to the latest developments. The main challenges identified for the period 2020 through 2025 are the aging workforce, the global increase in mental health problems, and changes in the working world due to digitalization and Work 4.0. On this basis, priorities have been defined for our occupational health activities. Our occupational health management policy sets binding worldwide standards for health protection and promotion at Evonik.

In Germany, issues relating to occupational safety and health protection have to be agreed on with the employee representatives. Our policies for our global workforce are also based on this. In line with statutory requirements, at our German sites, we have occupational safety committees that meet at least four times a year to discuss issues relating to occupational safety and the protection of health. These committees are composed of employee and employer representatives, safety specialists, safety officers, and occupational medicine specialists. There are also comparable bodies at other sites. Fulfillment of the relevant requirements is monitored through internal and external environment, safety, and health audits, accompanied by extensive reporting. We recommend or require action to address indications that there is scope for improvement and deviations from the applicable guidelines.

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

Emergency medical management

Evonik's Medical Incident and Emergency Management standard defines binding basic requirements for emergency medical management at all sites worldwide. The exact equipment and human resources required depend on production-related risks and the availability and quality of local medical infrastructure.

Corporate health promotion

Our well@work program centers on four central areas: exercise, a healthy diet, mental health, and work-life balance. Our corporate health promotion activities center on basic programs with a long-term focus to encourage employees to adopt a healthy lifestyle. These are supplemented by health campaigns, which change every year. At all of our German sites, there are interdisciplinary health task forces to implement well@work. The Care & Support program in Germany enables employees to contact the company medical service with private medical questions. They are given advice and support. In the event of illnesses requiring treatment, they are referred to their general practitioner or a specialist physician.

5.5 The environment

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 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 have used an ISO 50001-certified energy management system for many years. This is currently been transferred stepwise to a digital system.

The ESHQ function has a central audit system to regularly monitor the implementation of our strategy and management 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

[1] Maximum that can be achieved: 6.0.

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.

In 2023, we completed the introduction of our global ESHQ software ESTER and integrated a further module to systematically record environmental data on scope 1 and 2 emissions. Our environmental data for 2023 are reported entirely using ESTER for the first time. That greatly improves data quality and allows timely evaluation. In 2024, we plan to record all internal and external audits for matrix certification in the ESTER tool. This will further harmonize processes and systems and therefore contribute to enhanced efficiency.

The ESHQ function bundles all group-wide strategic management and coordination activities relating to the environment, plant safety, occupational safety, and health. Decisions on the implementation of the strategy are taken by the ESHQ panel. Its members are representatives of the divisions, regions, the technical committee, and employee representatives. The panel is chaired by the head of the ESHQ function, who reports directly to the chief human resources officer. Management and decision-making for the environment area of action are assigned to the sustainability council and the sustainability circle. The Sustainability and ESHQ functions work together closely to prepare and implement the work of the sustainability council and the sustainability circle.

Our divisions and regions are subject to annual audits to monitor compliance with DIN EN ISO 14001 and RC 14001 validation at our production locations. In 2023, we conducted 101 internal and external ESHQ audits worldwide. The proportion of output covered varies from year to year because of the addition of newly acquired units, but so far it has always been between 95 and 100 percent.

5.5.1 Mitigating climate change

Mitigating climate change and the related extreme weather events are a major challenge for society and one that we are also addressing. We are driving forward the reduction of all climate-relevant emissions and other environmental impacts of our business activities. To actively mitigate the effects of climate change, we set ambitious new targets in 2022. We have also integrated reducing our CO_2 emissions (scope 1 and 2 emissions) into the remuneration of the executive board and other executives. Carbon pricing is used as an additional planning criterion in investment decisions. Along the entire value chain, we are working on innovative solutions to reduce emissions—often in collaboration with suppliers and customers. Moreover, we started work on a climate transition plan in the reporting period.

The main lever to reduce greenhouse gas (GHG) emissions is our own production. In addition, compared with conventional alternatives, many of our Next Generation Solutions make a further contribution at the application stage.

Our levers[a] to reduce GHG emissions along the value chain C29

Upstream	Gate-to-gate	Downstream
• Projects with key suppliers • Using climate-neutral instead of fossil-based raw materials • Closed-loop material flows; raw materials from recyclate	• Integrated facilities to use by-products • EAGER[b] project/Next Generation Technologies/research • Green energy • Process efficiency • Sustainable data management	• Next Generation Solutions • CO_2e avoided by using Evonik products • Products to support a circular economy

[a] Examples.
[b] EAGER = Evonik Assessment of Greenhouse Gas Emission Reduction.

Ambitious new climate targets 2021 – 2030 due to our commitment to SBTi

In 2022, Evonik announced its commitment to **SBTi.** SBTi is a partnership of CDP, the United Nations Global Compact, the World Resources Institute, and the World Wide Fund for Nature. It defines and encourages best practices for science-based target-setting and independently evaluates targets set by companies from this perspective. It has now become an internationally accepted standard.

In the reporting period, the emission reduction targets submitted by Evonik were successfully validated by the SBTi. It confirmed that the ambitious target set for scope 1 and 2 emissions is suitable to help reduce global warming to well under 2°C. Our overriding target is to reduce scope 1 and 2 emissions by 25 percent between 2021 and 2030. In addition, Evonik has given an undertaking to reduce scope 3 emissions in all upstream categories and the category "downstream transportation and distribution" by 11 percent[1]. Here is an overview of our climate-related targets: see chart C30.

To achieve our ambitious **scope 1** and **2 target,** we have put in place a wide range of measures. These include exiting coal-fired power generation at our site in Marl (Germany), ongoing global development of production processes and infrastructure (Next Generation Technologies), and a stepwise switch to renewable energy. In this way, we are also contributing to achieving the Paris Agreement on Climate Change.

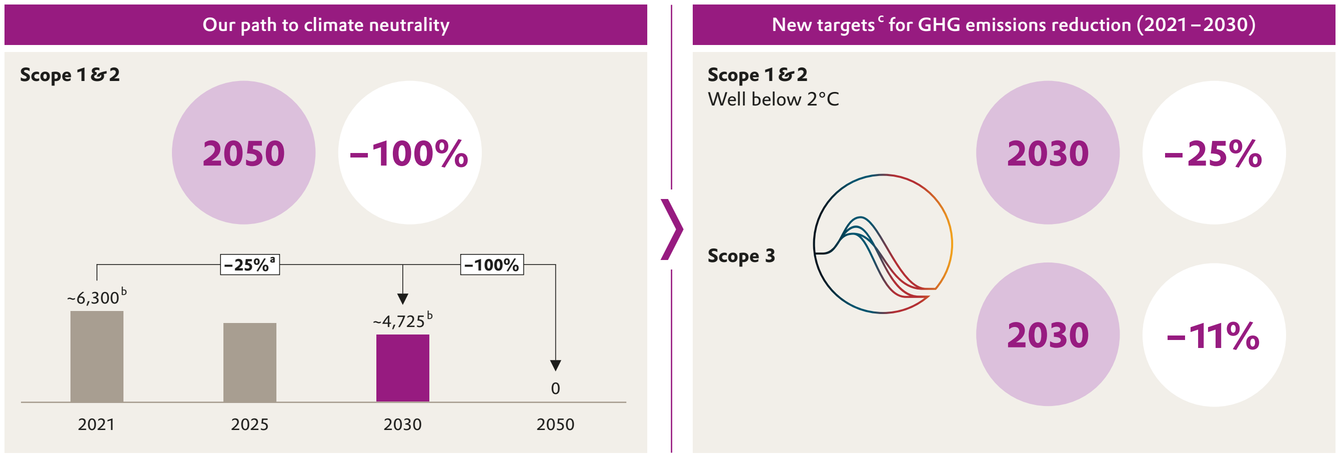
In 2022, the EAGER project identified the potential to reduce GHG emissions at our sites. A cross-functional team identified scope to reduce CO_2e[2] (scope 1 and 2 emissions) at the top 20 sites around the world by around 1 million metric tons (including the related costs of emissions avoidance), in accordance with the "well below 2°C" target. The top 20 sites account for 80 percent of Evonik's GHG emissions[3]. In the period to 2030, we plan to invest €700 million in **Next Generation Technologies,** in other words, in the ongoing development of production processes and infrastructure to reduce GHG emissions. Evonik invested around €81 million in EAGER projects in the reporting period. Our aim is to reduce scope 1 and 2 CO_2 emissions by 170,000 metric tons CO_2e p.a. from 2026. For example, we are investing in the construction of a new facility in Singapore for carbon-neutral production of alkoxides.

In view of the geopolitical situation, we could not decommission the coal-fired power plant in Marl (Germany) as planned in 2022. Due to the consequences of Russia's invasion of Ukraine, we are required to retain the capacity until the end of March 2024 to safeguard the general reliability of supply. In this way, we secured the supply of electricity, heat, and steam to the site. We nevertheless assume that we will be able to achieve our scope 1 and 2 emissions reduction target for the period between 2021 and 2030.

Measures to reduce scope 3 emissions between 2021 and 2030

Reducing scope 3 emissions is challenging for the entire value chain because these emissions are outside our direct sphere of influence and are affected by many external factors. That necessitates intensive cooperation with partners along the value chain.

Ambitious climate targets C30



[a] Gross emissions; base year 2021, target year 2030.
[b] In thousand metric tons CO_2e.
[c] Validated by SBTi, https://sciencebasedtargets.org/companies-taking-action#dashboard

[1] Exact value: 11.07 percent.
[2] CO_2 equivalents.
[3] Based on greenhouse gas emissions from our sites in 2020.

We analyze which raw materials and suppliers offer us the greatest potential for reduction. The starting point comprises secondary data from databases but also, increasingly, primary data. To increase the proportion of primary data, we contact our key suppliers once a year. In this context, we discuss, among other things, the main ways we can leverage emissions reduction with our suppliers. That may be renewable energies, improved processes, or alternative raw materials. Taking the overview of all factors, we then discuss specific targets with our suppliers. In this way, we support our customers' focus on reducing carbon emissions and circularity.

The short-term availability of low-carbon raw materials is limited. Therefore, we also use detailed mid- and long-term scenario analyses for the alignment of our procurement strategies. Green hydrogen is expected to drive the energy transition in the area of raw materials. That opens up opportunities for the production of green ammonia and green methanol. In the methanol process, CO_2 removal is possible, so the product would have a negative carbon footprint. Evonik is monitoring these developments and is in close contact with potential suppliers. Since ammonia can be used as a transport medium for hydrogen and as a substitute for marine diesel, we assume that the development here will be faster than for other raw materials.

Outlook 2030 – 2050

On our climate journey, we are currently focusing on reducing our scope 1 and 2 emissions. In the period to 2030, this will be leveraged principally by exiting coal-fired power generation, switching to green electricity, and increasing process and energy efficiency at our sites, especially by applying best practices. Our efforts will be supported by digital process technologies and the establishment of a sustainability data management system. Looking beyond 2030, we see broadening our technology and raw material portfolios as the key drivers of our transformation. We anticipate that the availability of alternative raw materials will improve significantly and drive forward circularity. From 2035, we expect new technologies to reach maturity, one example being the widespread availability of green hydrogen. In the following years, we expect to see the breakthrough of processes such as carbon capture and storage (CCS) and carbon capture and utilization (CCU). Carbon capture and utilization technologies are a possible way of reducing the consumption of fossil fuels and avoiding CO_2 emissions.

Greenhouse gas emissions on track

The standard used to report our GHG 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. Purchased electricity is calculated by the market-based method using the individual emission factors of the power suppliers.

Global demand remained weak overall in 2023 in challenging economic conditions, and production contracted by 10 percent year-on-year to 7.5 million metric tons. That was also one of the main reasons for the sharp drop in scope 1 and 2 GHG emissions, which also fell by 10 percent to 5.4 million metric tons CO_2e. Other reasons for the reduction were increased purchasing of electricity from renewable resources[1] and the mode of operation of the power plants in Marl (Germany). Significantly less coal was used at the coal-fired power plant as block 4 was taken out of service in April 2023, and there was a long maintenance shutdown at block 5 in the second half of the year.

The requirement to extend the operation of the coal-fired power plant at this site, which was imposed to safeguard general supply as a result of the geopolitical situation, expires at the end of March 2024. Worldwide, Evonik will then no longer generate any electricity from coal.

Greenhouse gas emissions T32

in thousand metric tons CO_2 equivalents[a,b]	2022	2023
Gas	1,892	1,871
Coal	1,127	926
Substitute fuels and process emissions	1,137	985
Other (oil, methane[c], dinitrogen oxide[c], hydrofluorocarbons)	64	60
Total scope 1	**4,221**	**3,842**
Purchased electricity and steam[d]	1,757	1,537
Total scope 2	**1,757**	**1,537**
GHG emissions, total scope 1 + 2	**5,979**	**5,379**
Reduction compared with the reference year (2021) in %	**–5**	**–15**

Prior-year figures restated.
[a] The calculation of greenhouse gases as CO_2 equivalents is based on the Sixth Assessment Report IPPC AR6 (2021) and is based on a period of 100 years.
[b] GHG emissions are presented in accordance with the SBTi standards for the first time.
[c] Emissions from production and energy generation.
[d] Market-based method using individual emission factors of electricity suppliers.

In 2023, Evonik had 26 (2022: 24) facilities that fell within the scope of the EU Emissions Trading System (EU ETS). In total, these EU ETS facilities emitted 2.5 million metric tons CO_2 in the reporting period (2022: 2.8 million metric tons CO_2).

Moreover, we are subject to carbon pricing systems in a number of countries. In Germany and Austria, we are subject to national emissions trading systems in addition to the EU ETS. In the provinces of Fujian and Shanghai in China, our Nanping and Shanghai sites are subject to 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 78 percent of GHG emissions were subject to carbon pricing systems in 2023.

[1] See section 5.5.3 Water management p. 70 ff.

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. 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 price for the EU ETS will be €142 per metric ton CO_2 up to 2030. In all other regions of relevance to Evonik, we have altered our forecast to €40 per metric ton CO_2 by 2030 at the latest. This reflects the development of the political framework in key emerging markets and developing countries, which does not currently indicate an increase in carbon pricing. In view of regional differences in the starting situation, we have scenarios for the development of carbon pricing—differentiated by countries and regions—showing the rise to the assumed final global 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)[1] very closely, for example, through a cross-functional workshop. The TCFD focuses on climate reporting by companies and their climate-related opportunities and risks. In keeping with its participation in CDP Climate Change, in 2023 Evonik again published detailed strategies, data, and development paths on climate change. 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.

Governance[a]

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.

Our most important sustainability bodies are the sustainability council and the sustainability circle. The sustainability council is responsible for the management of sustainability-related aspects and the associated decisions. It is chaired by the chairman of the executive board. Other members, alongside the executive board members, are the heads of the divisions to ensure close alignment with the businesses. The decisions taken by the sustainability council are prepared by the sustainability circle, which comprises representatives of the functions and departments of relevance for sustainability.

The supervisory board addressed sustainability issues at several meetings in 2023, including climate-related aspects and the related disclosures on the EU taxonomy and the introduction of the Corporate Sustainable Reporting Directive. In 2023, the supervisory decided that the finance and investment committee would also address sustainability in the future and renamed it the investment and sustainability committee.

The ongoing strategic development of sustainability management at Evonik is also reflected in the remuneration of the executive board and corporate executives: From 2023, the attainment of sustainability targets, such as the reduction in our scope 1 and 2 emissions, is included as an additional long-term component.

[a] You can find further information here: Sustainability report, chapters The environment p. 46 ff. and Further elements of our sustainability management p. 135 ff.; 2023 CDP Climate Change response: Governance chapter; **https://evonik.com/CDP-ClimateChange** (outside the scope of the limited assurance engagement).

Strategy[a]

Climate and sustainability aspects are integrated into all aspects of our corporate strategy—portfolio management, innovation, and corporate culture. In 2023, we adopted a climate policy, which is available on our website. Our aim is to improve the efficient use of energy and raw materials in production and along our upstream and downstream value chains. For example, we are increasing the use of green electricity, include carbon pricing as an additional planning criterion in investment decisions, and perform scenario analyses that reflect climate-related opportunities and risks as part of our strategy process at executive board level. We are also committed to the independent SBTi and its target of "well below 2°C." Our climate targets are in conformance with the Paris Agreement on Climate Change. The SBTi undertook a scientific assessment of the targets and confirmed them in July 2023.

In the upstream value chain, we consider both our "raw material backpack" and scope 1 and 2 emissions from our production facilities. Measures to reduce our scope 1 and 2 emissions include exiting coal-fired power generation at our site in Marl (Germany), ongoing global development of production processes and infrastructure (Next Generation Technologies), and the transition to renewable energies. 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 is to increase the proportion of our products with a pronounced sustainability profile (Next Generation Solutions) from 43 percent in 2023 to over 50 percent by 2030.

Climate change involves considerable opportunities and risks for Evonik. We have identified short-, mid- and long-term transformation risks and physical risks. You can find an extensive description of the individual risks in our CDP Climate Change response.

[a] You can find further information here: section 1.2 Principles and objectives p. 19 f.; Evonik Carbon Footprint **www.evonik.com/sustainability**; sustainability report, chapters The environment p. 46 ff. and Strategy and growth p. 13 ff.; 2023 CDP Climate Change response: Business Strategy chapter; **https://evonik.com/CDP-ClimateChange** (outside the scope of the limited assurance engagement).

[1] In October 2023, TCFD considered that it had fulfilled its purpose and was therefore disbanded. In the future, companies' progress will be monitored by the IFRS Foundation.

Risk management[a]

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. The short- and mid-term opportunities and risks are taken into account in our financial planning. Our risk management system also includes extreme risks, which are partly due to climate change. 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 opportunities and risks.

To strengthen the focus on sustainability-related risks and opportunities in our risk identification and reporting, we use our annual risk coordinator conference to raise the awareness of our risk coordinators of the rising significance of these aspects. In many cases, the time horizon for sustainability risks goes well beyond the mid-term period used in our conventional risk management. Therefore, we are currently working on an approach to identify long-term sustainability-related risks and opportunities so that we can define adequate targets and measures to address them. We want to include these opportunities and risks even more effectively in our portfolio and innovation management and our investment activity in the future.

[a] You can find further information here: section 6. Opportunity and risk report p. 86 ff.; 2023 CDP Climate Change response: Risks and opportunities chapter; **https://evonik.com/CDP-ClimateChange** (outside the scope of the limited assurance engagement); sustainability report, chapter Governance and compliance (opportunity and risk management) p. 114 ff.

Metrics and targets[a]

Evonik and its predecessor companies have defined ambitious environmental targets since 2004. As a member of SBTi, we have given a commitment to reduce absolute scope 1 and 2 emissions by 25 percent between 2021 and 2030. To achieve our ambitious targets, a wide range of measures are planned. We also aim to reduce scope 3 emissions by 11 percent by 2030. Furthermore, we want to reduce both absolute and specific energy consumption by 5 percent between 2020 and 2025.

Calculation of our CO_2e emissions is based on the Greenhouse Gas Protocol.

In 2023, our CO_2e emissions were:

Scope 1: 3.8 million metric tons

Scope 2: 1.5 million metric tons

Scope 3: 19.2 million metric tons

[a] You can find further information here: section 1.2 Principles and objectives p. 19 f.; sustainability report, chapter The environment p. 46 ff.; 2023 CDP Climate Change response: Targets and performance chapter; **https://evonik.com/CDP-ClimateChange** (outside the scope of the limited assurance engagement).

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, thermal processing of residual gases with a high calorific value (as substitutes for natural gas), the use of electric filters to remove particulates, the use of catalysts to reduce nitrogen oxide, and desulfurization by washing with subsequent precipitation. 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. The other emissions into the air declined in 2023 as a result of lower production output and the reduced use of coal for energy generation at Marl Chemical Park. The coal-fired power plant in Marl will be finally decommissioned at the end of March 2024 in accordance with the statutory requirements. That will bring a significant reduction in emissions into the air (excluding greenhouse gas emissions).

5.5.2 Green energy

Green energy is one of our three most important material topics. In the reporting period, we made good progress with the **strategic transformation** of Evonik in this area. The focus at our sites is clearly defined: In the long term, supply will be switched to energy from renewable resources. More than 50 sites in Europe, Asia, and North and South America currently source or generate sustainable energy. That avoids around 410,000 metric tons of CO_2 a year. Our energy management system brings a continuous and lasting increase in energy efficiency. We have already optimized more than 80 percent of our global energy requirements using an ongoing, certified process.

Significant increase in the proportion of green electricity

In the future, our European sites will be far less dependent on fossil fuels. In 2022, we signed a long-term **power purchase agreement** (PPA[1]) with EnBW for the supply of green electricity from the planned 960 Megawatt (MW) He Dreiht offshore wind farm, starting in 2026. Further PPAs were concluded in December 2023. From 2025, Evonik will source electricity from Vattenfall under a ten-year PPA. This will come from the approximately 120 MWp[2] photovoltaic locations that are being erected in northern Germany. Furthermore, under a ten-year PPA with RWE, from 2028, we will be sourcing approximately 37.5 GWh p.a. green electricity from the Kaskasi offshore wind farm, which started operating in 2023. These long-term agreements ensure the financial viability and realization of these projects and help advance the energy transition. Evonik compensates for fluctuations in the wind energy and solar power feed-in through its own balance group management. This shows that we have a keen eye on the reliability of supply, can avoid potential bottlenecks, and safeguard the long-term operation of our production facilities.

Worldwide, about 35 percent of electricity purchased by Evonik from external suppliers already comes from renewable sources. By 2030, we want to switch to green sources for 100 percent of purchased electricity. The PPAs with EnBW, Vattenfall, and RWE in Germany will increase this to well over 50 percent. At the same time, these agreements will reduce scope 2 emissions (purchased power) by about 150,000 metric tons CO_2 a year. Our goal is to reduce scope 1 and 2 emissions from 6.3 million metric tons to 4.7 million metric tons between 2021 and 2030. About one-third of this reduction should be achieved by using renewable energies.

In addition to green electricity, biomethane is becoming increasingly important for Evonik as a substitute for fossil-based natural gas. Our production facilities in Schörfling am Attersee (Austria) already operate entirely with energy from renewable resources. These production facilities for SEPURAN® membranes run exclusively off green electricity from wind, hydroelectric power, and biomass. Since the beginning of 2022, this site's gas requirements have been fully met by locally produced biomethane. By switching to environmentally friendly energy supply, Evonik has reduced direct CO_2 emissions at this plant in Upper Austria by about 5,000 metric tons a year. Moreover, since 2021, the High Performance Polymers business line has used biomethane for the manufacture of certain products in Germany. Since May 2023, biomethane has been used to produce steam at the Health Care business line's site in Ham (France.)

Energy management systems and measures to increase energy efficiency

Evonik aims to reduce both absolute and specific energy consumption by 5 percent by 2025 (baseline year: 2020). New technologies and efficient processes will pay a part in this. For example, our digital energy management system (DEnMS) supports the achievement of operational energy targets at our sites. In 2022[3], successful energy efficiency activities led to a reduction of more than 380 GWh in energy consumption, as well as reducing emissions by around 1 million tons CO_2. This reduction compared with the previous year (42,000 metric tons CO_2) was due to the switch from coal to natural gas following commissioning of the highly efficient gas and steam turbine power plants at our site in Marl (Germany).

In 2023, we successfully had further sites in Europe, North America, Brazil, and China certified as conforming with ISO 50001. Our certified energy management system now includes 57 sites, and ISO 50001 certification is planned for further sites in the coming years. Our aim is for certification to cover more than 90 percent of Evonik's global energy consumption by 2026. While absolute energy consumption at the ISO 50001-certified sites was reduced by 2.8 percent between 2020 and 2022, we registered a 3.4 percent rise in specific energy consumption in this period. The main reason for this was the cyclical drop in production volumes. Lower capacity utilization at production facilities often reduces their energy efficiency.

[1] PPAs are long-term power supply agreements between a producer (e.g., a wind farm operator) and a major customer (e.g., an industrial company).
[2] MWp = Megawatt peak.
[3] The figures for 2023 will not be available until spring 2024.

Energy data

In our energy reporting, we distinguish between primary energy inputs, generally fossil fuels used to generate electricity and steam, and secondary energy inputs. These mainly comprise purchased electricity and steam. We also use substitute fuels such as thermal processing of by-products, waste, and sewage sludge. At present, natural gas and coal are Evonik's main fuels.

Energy inputs T33

in petajoules[a]	2022	2023
Total fuels	50.49	48.03
thereof natural gas	33.12	33.21
thereof coal	11.22	9.86
thereof substitute fuels and oils	6.14	4.95
Purchased electricity and steam	24.48	23.79
Electricity and steam supplied to third parties	−10.34	−12.05
Gross energy input[b]	**74.96**	**71.82**
Net energy input[c]	**64.63**	**59.77**
Change in net energy input versus 2020 in %	**–**	**−8**
Production in million metric tons	8.38	7.50
Specific net energy input in petajoules per million metric tons production	7.71	7.97
Change in specific net energy input versus 2020 in %	**6**	**10**

Prior-year figures restated.
[a] The energy data are presented on the basis of the reporting boundaries and principles set out in the SBTi standard.
[b] Fuel inputs plus purchased electricity and steam.
[c] Fuel inputs plus purchased electricity and steam less electricity and steam supplied to third parties.

The coal-fired power plant in Marl (Germany) will be decommissioned at the end of March 2024. That will end coal-fired power generation by Evonik worldwide. Coal will then be a negligible component of our energy mix.

Volume-driven decrease in net energy input

Thanks to the coordinated operation of the power plants in Marl, there was a stronger shift in our energy mix towards natural gas in 2023. Increased use was made of the new, highly efficient gas and steam turbine power plants. Together with the higher availability of the power plants and the actual market prices, there was a significant rise in power sold to third parties. There was a significant reduction in the availability of substitute fuels due to the substantial drop in production activity. Heating oil now only plays an insignificant role in the energy mix. It is only used for auxiliary firing systems in the coal-fired power plant I in Marl. Moreover, insignificant amounts are required for emergency generators at some sites. The change in absolute and specific net energy input versus 2020 mainly reflects the trend in production.

5.5.3 Water management

We save water wherever possible and endeavor to achieve a further reduction in our emissions. In the reporting period, Evonik adopted a water policy and published it on its website. Our aim is to reduce specific freshwater intake by 3 percent relative to production volume between 2021 and 2030. This is to be achieved by a wide range of measures at our production sites. These measures were identified as part of the EAGER project. Integrated heat management measures can reduce demand for cooling water, which in turn reduces demand for freshwater. For example, our Active Oxygens business line has planned power-to-heat (PtH) projects for the period up to 2030. These include, for example, installing heat pumps in Europe, which should avoid around 35,000 metric tons of CO_2 and save more than 3 million m^3 of water a year. Process improvements help reduce freshwater intake. For instance, the Animal Nutrition business line has reduced water consumption by about 40 percent per metric ton of methionine at its facility in Mobile (Alabama, USA) by improving resource management at the site. In Antwerp (Belgium), Evonik is planning to use treated municipal wastewater instead of drinking water for its cooling towers in the future. Furthermore, there are plans to use the treated wastewater for steam generation, chemical processes, and in the desalination plants at this site. Based on full capacity utilization, this should allow savings of around 2.5 million m^3 drinking water a year at this site from 2026 and reduce freshwater requirements by a further 10 percent. In view of this, the municipal water utility in Antwerp is planning to build a cooling water factory with several technology companies in the next three years to recycle and treat municipal wastewater.

We are also continuing our work on established water management topics, including monitoring our sites in water stress areas. Adequate availability of water for cooling and production processes plays a key role in our production activities. We therefore regularly analyze the short-, medium-, and long-term water risks at our sites. In the reporting period, we therefore widened our analysis of water stress at our sites to encompass a holistic assessment of water risks. We use the WWF[1] Water Risk Filter to analyze

[1] WWF = World Wide Fund For Nature.

various physical risk aspects such as water stress, flooding, and water quality. In addition, we evaluate reputational risks such as water conflicts and media scrutiny, and regulatory risks. The focus is on the 2030 and 2050 time horizons, based on the TNFD[1] climate scenarios. The AWARE[2] method, which we previously used to identify sites in water stress areas, has been integrated into the WWF Water Risk Filter. The water risk assessment looks at risks relative to the water basin and the type of water use at each site. Examples are particularly water-intensive processes. In the reporting period, we performed a full water basin assessment. We also started to assess water use by interviewing experts at our sites. We started with those sites that our water basin analysis identified as being in high-risk regions.

We use the WWW Water Risk Filter to determine the sites that are most affected by water risks. In the reporting period, we did not obtain a rating of very high or extreme for any of our 104 production sites. At five sites, water risk was classified as high. A further 47 sites are classified as medium risk in respect of the water basin. Ten of these are in the upper range (medium-high). The shift compared with the previous year (AWARE method) is attributable to the considerably wider scope of the WWF Water Risk Filter, which has a total of 12 risk categories.

Risk category 1 (water scarcity) looks at six indicators, one of which is the AWARE approach. In addition, the WWF Water Risk Filter defines levels (extreme, very high, high, medium, etc.) to which the sites are allocated.

We also examined future risks for the time horizons 2030 and 2050 using the WWF Water Risk Filter, including analyses for the pessimistic, current trend, and optimistic scenarios. The pessimistic scenario is based on very conservative assumptions. On this basis, 19 sites would be classified as high risk in 2030 (but none as very high or extreme). In 2050, 23 sites would be classified as high risk and a further three as very high risk (but none as extreme risk). Analyzing our site using the WWF Water Risk Filter helps us identify relevant water-related impacts, dependencies, and risks, in order to derive and prioritize future measures. Furthermore, we are currently working on an approach to assign a monetary value to water risks.

In addition to the water risks outlined above, we perform a holistic risk analysis covering the additional potential impact of natural catastrophes such as storms, hail, floods, hurricanes, tornadoes, and torrential rainfall. Moreover, our sites are regularly audited by insurance companies.

Water data

Total water intake was 403 million m³ in the reporting period, while discharges amounted to 397 million m³. The difference of 6 million m³ between water intake and discharge mainly comprises water used to replace evaporation losses. Around 98 percent of our total water intake of 1,724 million m³ was for cooling purposes in energy generation and production. Only 2 percent (41 million m³) was used for production purposes. We include water used in closed cooling circuits and evaporation losses when calculating the proportion of total water used for cooling.

Water intake by source[a] T34

in million m³	2022	2023
Drinking water[b]	20.6	19.0
Groundwater	51.7	46.7
Surface water	172.1	153.8
Recycling of water from third parties and use of rainwater	3.4	4.7
Total freshwater	**247.8**	**224.3**
Salt water (sea water)	196.6	179.0
Total	**444.4**	**403.2**
Production in million metric tons	**8.4**	**7.5**
Specific water intake in m³ freshwater per metric ton production	**29.5**	**29.9**
Development of specific freshwater usage in % relative to the reference base 2021	**10**	**12**

[a] Differences due to rounding.
[b] Water from municipal or other utilities.

[1] TNFD = Task Force on Nature-related Financial Disclosures.
[2] AWARE stands for Available WAter REmaining.

Evonik's consumption of freshwater—the total of recycled water from third parties, rainwater, drinking water, groundwater and surface water—declined by 10 percent to 224 million m³ in the reporting period. The reduction in consumption of drinking water and surface water was mainly attributable to the reduction in production in 2023. The reduction in groundwater consumption was mainly due to the sale of the Lülsdorf site in Germany. The increase in "recycling of water from third parties and use of rainwater" was mainly due to increased rainfall in Marl (Germany) compared with the drought in 2022. The reduction in salt water intake in 2023 was due to a maintenance shutdown at a methionine plant on Jurong Island (Singapore) in the fourth quarter.

Emissions into water

Our sites aim to make a contribution to protecting natural water resources. When planning new production plants, we therefore consider the use of processes that generate little or no wastewater. Where contaminated water from production processes (production effluent) is unavoidable, partial streams are tested, for example, for biodegradability. We have high technology standards and infrastructure for the disposal of wastewater at our sites. In some cases, production effluent is pretreated in the production plants. Consequently, the effluent load of wastewater discharged into our own or third-party treatment facilities is moderate.

5.5.4 Biodiversity

Biodiversity is one of Evonik's 15 material topics. We are aware that our business operations involve both opportunities and risks with regard to biodiversity. These include the loss or protection of biodiversity on land and in the oceans, including microbial organisms. It is important to avoid supply chain disruption and production stoppages caused by reduced biodiversity and damaged ecosystems.

The starting points for our examination of biodiversity are conventional environmental topics such as emissions into water and the air and responsible water and waste management, which we report on regularly. In addition, the following aspects of biodiversity are addressed in the sustainability analysis of our business: water, eutrophication, acidification, land use, use of renewable raw materials, emissions of critical and persistent chemicals, and microplastics.

In the reporting period, we were involved in various biodiversity workstreams at the German chemical industry association (VCI) and the federation of German industries (BDI) and also took part in various consultation procedures. Moreover, we continued our discussions with the European Commission on the EU biodiversity strategy for 2030 with a focus on the proposed EU soil legislation. We also set up internal expert groups to examine relevant aspects of biodiversity. We started to analyze new reporting guidelines and methods and to define and calculate additional biodiversity indicators. We follow the activities of biodiversity initiatives such as the TNFD, Science Based Targets for Nature (SBTN), and the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES).

For biodiversity analyses, we still use a geoinformation system based on the data of the IBAT Alliance[1]. On this basis, we annually examine the potential impact of our worldwide sites on areas of special significance for biodiversity. This focuses on all sites within one kilometer of conservation areas or key biodiversity areas. Key biodiversity areas are areas with land, freshwater, and marine ecosystems that play a key role in protecting global biodiversity. Areas are classified as global key biodiversity areas if they meet one or more of eleven criteria, which are subdivided into the following five categories: threatened biodiversity, geographically restricted biodiversity, ecological integrity, biological processes, and biological irreplaceability. The data on key biodiversity areas are also made available by the IBAT alliance and are linked to the data on Evonik sites in our geoinformation system GISSus. Overall, 37 percent of Evonik's production sites are located within one kilometer of conservation areas or key biodiversity areas.

Evonik's products and solutions

Declining biodiversity has a negative effect on Evonik's business activities. At the same time, our business activities can have a negative effect on biodiversity. However, Evonik's products and solutions also play a part in maintaining biodiversity and help protect habitats.

Peracetic acid from Evonik is an effective alternative to established biocides for disinfecting wastewater. Before the treated wastewater is discharged into the environment, it undergoes a disinfection process to eliminate pathogenic bacteria. This prevents the bacteria getting into waterways used by people for recreational purposes or fishing. One big advantage of peracetic acid compared with chlorinated disinfectants is that it decomposes and no or only very few toxic by-products are released.

Evonik's Health Care business line markets products that can be used as alternatives to animal-derived substances in pharmaceutical applications and therefore make a positive contribution to circularity and biodiversity. One example is PhytoChol®, a plant-based

[1] The IBAT Alliance comprises the following four non-governmental organizations: (1) BirdLife International, (2) Conservation International, (3) International Union for Conservation of Nature (IUCN), (4) United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC).

cholesterol, which is an essential component in the production of lipid nanoparticles, a key technology for drug delivery. Another example is PhytoSquene®, a squalene based on amaranth oil. We therefore offer an alternative to traditional production from shark liver oil, which makes a contribution to preserving biodiversity because many species of shark are currently endangered.

5.5.5 Disclosures on the EU taxonomy

EU taxonomy—little focus on specialty chemicals at present

As part of the Green Deal, the EU taxonomy[1] is designed to direct financing towards sustainable investments. The EU taxonomy has six environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

Reporting obligations for 2023 cover taxonomy eligibility and taxonomy alignment 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. Consequently, 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. Delegated acts published in 2023 added further economic activities for these climate objectives[2] and the other four economic objectives[3]. In these as well, chemicals and precursors are only rarely included in the taxonomy-eligible economic activities. For the four other environmental objectives, reporting obligations in 2023 only related to taxonomy eligibility.

Consequently, Evonik's portfolio of specialty chemicals is currently only partly affected by the EU taxonomy: Some of our activities are listed in the environmental objectives climate change mitigation and pollution prevention and control and are therefore taxonomy-eligible[4]. In 2023, these taxonomy-eligible activities accounted for just 17 percent of turnover, 13 percent of CapEx[5], and 15 percent of OpEx[6]. None of Evonik's activities are taxonomy-eligible for the environmental objectives climate-change adaptation, protection of water and marine resources, transition to a circular economy, and protection and restoration of biodiversity and ecosystems.

The taxonomy-aligned[7] activities relating to the environmental objective climate change mitigation account for 1 percent of turnover and less than 1 percent of both CapEx and OpEx. The background to these low ratios is that for the climate change mitigation objective for chemical products, the EU taxonomy mainly addresses the carbon footprint of the products and especially their raw materials. By contrast, it disregards the positive impacts (handprint[8]) of many products. In view of the rising use of non-fossil raw materials and greater certification, we assume that we can increase this percentage in the coming years.

Unlike the EU taxonomy, the sustainability analysis[9] of our business covers the footprint, handprint, and further signals and market requirements. Many Evonik products are differentiated from competing 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.

[1] Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment.
[2] Commission Delegated Regulation (EU) 2023/2485 of June 27, 2023, which adds economic activities for the climate-related objectives, did not result in any modifications at Evonik.
[3] Commission Delegated Regulation (EU) 2023/2486 of June 27, 2023.
[4] Taxonomy-eligible economic activities are those activities of a company that fall within the scope of the EU taxonomy and are listed in the delegated acts supplementing Regulation (EU) 2020/852.
[5] As defined by the EU taxonomy, see below.
[6] As defined by the EU taxonomy, see below.
[7] Taxonomy-aligned economic activities are taxonomy-eligible activities that meet the stringent technical screening criteria, do-no-significant-harm (DNSH) criteria, and the minimum social safeguards set out in the delegated acts on the EU taxonomy.
[8] Positive impacts of our products along the value chain compared with other established products and applications on the market, especially in customers' applications.
[9] See section 5.1 Sustainability strategy p. 51 ff.

Assessment of the taxonomy eligibility of activities
To determine which activities are taxonomy-eligible, we screened our portfolio at product level to see whether products are allocated to the individual economic activities defined in 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 taxonomy-eligible. For the climate change mitigation environmental objective, these are butadiene, which is allocated to the EU taxonomy activity CCM 3.14 Manufacture of organic basic chemicals, and products that are within the scope of activity CCM 3.17 Manufacture of plastics in primary form.[1] In addition, we identified some precursors within the scope of activity 3.5 Manufacture of energy efficiency equipment for buildings[2]. Further, the sale of electricity and steam from the Technology & Infrastructure division's gas and steam turbine power plants fall within the scope of activity CCM 4.30 High-efficiency co-generation of heat/cool and power from fossil gaseous fuels. Economic activity PPC 1.1 Manufacture of pharmaceutical active ingredients is taxonomy-eligible for the environmental objective pollution prevention and control. The taxonomy alignment of this activity does not have to be examined in the first reporting period. All products and activities for which disclosures are required under the EU taxonomy are at levels well below our reporting segments, which are our divisions.

In the assessment of taxonomy-aligned economic activities, we set a threshold below which we do not screen activities for potential taxonomy alignment and do not disclose them as taxonomy-eligible because of their very low contribution to turnover, CapEx, and OpEx. These include, for example, the economic activities manufacture of hydrogen, electricity distribution and transmission systems, and operation of rail networks.

Screening of taxonomy-eligible activities for taxonomy alignment
The first step was to determine whether the taxonomy-eligible activities meet the stringent criteria for activities that make a substantial contribution to climate change mitigation. If they did, they were further screened to determine whether the products or production plants harm any of the other five environmental objectives (do-no-significant-harm criteria). For this purpose, the products affected and the sites where they are produced were screened centrally in accordance with appendices A through D of the delegated act. We have valid operating permits for all plants and sites worldwide. Consequently, they have undergone extensive inspection and evaluation by the responsible authorities from an environmental due diligence perspective. Our plants and sites within the EU comply with the EU directives set out in the appendices, and we monitor compliance with any official requirements by performing systematic internal and external controls as an integral part of our management systems. The EU directives do not apply to sites outside the EU. Instead, these sites and plants are evaluated on the basis of the environmental regulations applicable to the specific location, which include environmental due diligence aspects. We comply with the applicable environmental regulations in all cases, implement all requirements imposed by the authorities, and monitor their observance through systematic internal and external controls.[3, 4, 5]

A further requirement is the observance of the minimum safeguards. We based our examination on the Draft Report on Minimum Safeguards of the Platform on Sustainable Finance and evaluated four focus areas: human rights, corruption, taxes, and fair competition. In keeping with their high significance for good corporate governance, all four topics are part of our House of Compliance[6]. Evonik is committed to observing internationally recognized standards and its own more far-reaching guidelines and principles of conduct. The policy statement on human rights was revised in 2023 on the basis of the annual human rights risk analysis and adopted by the executive board. All standards and guidelines apply group-wide, i.e., they also apply to sites outside the EU.

[1] The abbreviation CCM stands for the environmental objective climate change mitigation; PPC stands for pollution prevention and control.
[2] 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 key components. Evonik products that are precursors for such equipment and influence their energy efficiency have therefore been included here as taxonomy-eligible key components.
[3] For appendix B, the basis for technical screening of activities in the EU is directive 2000/60/EC ("water policy framework"), which applies directly for our plants and sites within the EU. Possible requirements resulting from inspection by the responsible authorities could be the measurement and analysis of water emissions and, where applicable, the implementation of any necessary measures.
[4] Screening based on the pollution prevention and control criteria pursuant to appendix C is assessed using our EHS data system.
[5] The basis for appendix D is the EU directive on environmental impact assessment (2011/92/EU) or equivalent impact assessments for sites/operations located in or near biodiversity-sensitive areas. Potential requirements are, for example, the measurement of emissions into the air or water or noise emissions, including their analysis and, where applicable, the implementation of any necessary measures. An overview of our ten largest sites located in or near biodiversity-sensitive areas (e.g., based on the IUCN criteria) can be found in Evonik's sustainability report 2023.
[6] See the declaration on corporate governance p. 111 ff.

Determination of the key performance indicators

For the climate-related objectives, the EU taxonomy requires disclosure of the share of turnover, CapEx, and OpEx attributable to both taxonomy-eligible and taxonomy-aligned activities. For the environmental objective pollution prevention and control, only the taxonomy-eligible share of these KPIs had to be disclosed for 2023.

Calculation of CapEx for the EU taxonomy T35

in € million	2022	2023
Capital expenditures for property, plant and equipment[a]	848	856
Capital expenditures for intangible assets[b]	8	4
Capital expenditures	**856**	**860**
Additions to property, plant and equipment from business combinations[a]	0	13
Additions to intangible assets from business combinations[b]	0	0
Additions from business combinations	**0**	**13**
Additions from leasing transactions[c]	518	187
Additions from leasing transactions due to business combinations[c]	0	0
Additions from leasing	**518**	**187**
Total CapEx for the EU taxonomy	**1,374**	**1,060**

[a] See note 6.2 to the consolidated financial statements p. 153 f.
[b] See note 6.1 to the consolidated financial statements p. 151 f. 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. 155 f.

Calculation of OpEx for the EU taxonomy T36

in € million	2022	2023
Research and development expenses[a]	460	443
Maintenance and repair expenses[b]	366	343
Expenses for short-term leases[c]	17	13
Total OpEx for the EU taxonomy	**843**	**799**

[a] See income statement p. 128.
[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. 182 f. On materiality grounds, we have not undertaken further analysis of whether these items contain taxonomy-eligible economic activities.

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 indicator for the EU taxonomy differs from the internal key performance indicators capital expenditures and cash outflows for intangible assets, property plant and equipment. The calculations are presented in the tables T35 and T36. 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.

While turnover is determined and consolidated at product level using a system-supported process, direct assignment of the CapEx and OpEx KPIs to taxonomy-eligible economic activities is not always possible. 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. Our system compiles and consolidates the CapEx and OpEx indicators at least at the level of business lines. This method prevents double-counting of turnover, CapEx, and OpEx.

Evonik does not currently have any major investment plans (CapEx plans) for taxonomy-eligible activities that would transform a taxonomy-non-aligned activity into a taxonomy-aligned activity within the next five years and for which CapEx or OpEx as defined in the EU taxonomy definition was incurred in 2023 or 2022.

For the CapEx and OpEx indicators, we examined whether we purchased taxonomy-eligible or taxonomy-aligned activities for our own use. We could not identify any material contributions.

[1] See note 5.1 to the consolidated financial statements p. 142 ff.

Based on the definitions in the EU taxonomy[1], we have derived the following key performance indicators for our taxonomy-eligible and taxonomy-aligned activities:

EU taxonomy: overview of KPIs for 2023 T37

	Turnover		CapEx		OpEx	
	€ million	Share in %	€ million	Share in %	€ million	Share in %
Taxonomy-eligible and taxonomy-aligned activities	79	1	2	–	2	–
Taxonomy-eligible and taxonomy-non-aligned activities	2,478	16	128	12	110	14
Taxonomy-eligible activities that do not yet have to be screened for taxonomy alignment	95	1	11	1	6	1
Total taxonomy-eligible activities	**2,652**	**17**	**141**	**13**	**118**	**15**
Taxonomy-non-eligible activities	12,615	83	919	87	681	85
Evonik Group	**15,267**	**100**	**1,060**	**100**	**799**	**100**

Differences due to rounding.

EU taxonomy: overview of KPIs for 2022 T38

	Turnover		CapEx		OpEx	
	€ million	Share in %	€ million	Share in %	€ million	Share in %
Taxonomy-eligible and taxonomy-aligned activities	79	–	2	–	2	–
Taxonomy-eligible and taxonomy-non-aligned activities	2,725	15	230	17	109	13
Total taxonomy-eligible activities	**2,804**	**15**	**232**	**17**	**111**	**13**
Taxonomy-non-eligible activities	15,684	85	1,142	83	732	87
Evonik Group	**18,488**	**100**	**1,374**	**100**	**843**	**100**

In challenging economic conditions in 2023, the turnover of the taxonomy-eligible activities did not decline as fast as Group sales. Together with the initial disclosure of the activity PPC 1.1 Manufacture of active pharmaceutical ingredients as a taxonomy-eligible activity, the share of turnover increased from 15 percent to 17 percent. The CapEx of the taxonomy-eligible activities was lower than in the previous year, which contained expenditures for the construction of the gas and turbine power plants; the share of CapEx was 14 percent in 2023, which was below the prior-year level of 17 percent. OpEx for the taxonomy-eligible activities was slightly above the prior-year level; the share of Group OpEx increased from 13 percent to 15 percent.

The turnover of the taxonomy-aligned activities was on a level with the previous year at €79 million; the composition of this indicator was unchanged. Since Group sales were lower, the share of the taxonomy-aligned activities increased slightly, so it was rounded up from 0 percent to 1 percent. In absolute terms, CapEx and OpEx were also around the same level as in the previous year, and in both cases their share of the KPIs for the Group was less than 1 percent.
▲

[1] The full tables can be found in the annex to the combined management report p. 224 ff.

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 Responsible management 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 strive to prevent and eliminate compliance violations and breaches of human rights at Evonik. We also want to make sure that comparable standards of human rights are observed within our supply chain. Where this is not the case, we will work with our suppliers to establish such standards and remedy violations. We therefore see fulfilling statutory regulations, for example, on fair competition, fighting corruption and money laundering, and respecting protected human rights as a minimum requirement.

We are also committed to observing internationally recognized standards and our own more far-reaching guidelines and principles of conduct. The starting point for responsible corporate management at Evonik is our code of conduct[1], together with our policy statement on human rights, our global social policy, our policy on the environment, safety, health, quality, and energy (ESHQE), and our code of conduct for suppliers.

Voluntary commitments C31

Internal	External	
Code of Conduct for Evonik employees	econsense—Forum for Sustainable Development of German Business	Chemie[3]
Global Social Policy	ILO—International Labour Standards	Global Reporting Initiative
ESHQE Policy of Evonik Industries AG	OECD Guidelines for Multinational Enterprises	Responsible Care®
Policy Statement on Human Rights	Code of Responsible Conduct for Business	Together for Sustainability
Code of Conduct for Suppliers	World Business Council for Sustainable Development (WBCSD)	UN Global Compact

Our code of conduct sets out Evonik's most important principles and standards, which all employees must be aware of. It is valid throughout the Evonik Group and is an integral part of the employment contract between each individual employee and Evonik. Evonik has defined responsibility for the topics included in the code of conduct, along with key contacts. Violation of the code of conduct can damage Evonik's reputation and result in substantial financial loss. In view of this, violations can have far-reaching consequences for the employee involved. We do not tolerate violations of our code of conduct. We have issued a special code of conduct for suppliers, which sets out binding requirements.

In the policy statement on human rights, Evonik gives a commitment to respect human rights and also sets out what it expects of its employees, executives, suppliers, and other business partners. It highlights our general commitment to respecting human rights and to an intact environment, as reflected in other corporate policies and our membership of various organizations. Our global social policy sets out rules for social responsibility and business ethics in our relationship with our employees. As a member of the UN Global Compact, we have given an undertaking that, within our sphere of influence, we will actively respect and promote labor rights and human rights, avoid discrimination, protect people and the environment, and fight against corruption. In addition, we make a contribution to achieving the United Nations 17 Sustainable Development Goals (SDGs).

[1] The code of conduct applies to a) all employees of Evonik Industries AG, b) all employees of companies where Evonik Industries AG directly or indirectly holds more than 50 percent of the shares or is able to exert a controlling influence in any other way, and c) the executive board of Evonik Industries AG and all managing bodies of the companies referred to in b). At companies where Evonik holds a stake but does not exert a controlling influence, we work towards establishing comparable standards.

As a signatory to the chemical industry's Responsible Care® Global Charter, we have an obligation to continuously improve our performance in health protection, environmental protection, product stewardship, safety, and engagement with our stakeholders. Our ESHQE positions are predicated on the protection of people and the environment. Together with more detailed policies and procedures, they form Evonik's ESHQE regulations.

Evonik is involved in many national and international competency networks in the area of sustainability. These include econsense—Forum for Sustainable Development of German Business, and Chemie³, the sustainability initiative of the German chemical industry. We are also a member of the WBCSD and are committed to its Vision 2050. We regularly report our climate and water performance to CDP and our contribution to deforestation-free supply chains.

Human rights are part of our House of Compliance[1] and therefore integrated into the area of responsibility of the chief compliance officer. Group-wide training concepts are available for all aspects bundled in the House of Compliance, and we continuously review them. We pay special attention to training in the areas of antitrust law, fighting corruption, anti-money laundering, human rights, and the code of conduct.

Human rights compliance risk analysis

The annual group-wide risk analysis in the area of human rights covers both Evonik's own area of business and direct and indirect suppliers. The risks of breaches relating to protected legal positions are identified and prioritized. Risks are identified via an IT-based task management tool using a standardized questionnaire. More than 350 employees group-wide were sent this questionnaire in the reporting period. We identified this target group as employees with information on protected human rights positions. The questionnaire is followed up by risk-based interviews and workshops, where the risks identified are examined in more detail and appropriate mitigation measures are defined. As the next steps, the measures are implemented and updated, and effectiveness checks are defined. The entire process is documented in the IT tool.

This is supplemented by the identification and evaluation of the risks at direct suppliers by the Procurement function as part of the ongoing supplier-specific risk management process. The abstract human rights risk relating to the supplier is determined with the aid of the EcoVadis predictive risk tool. In the next step, a possible specific risk is determined via EcoVadis assessments and other tools, for example, by using digital platforms to screen business partners. Building on this, preventive measures such as corrective action plans and training are put in place to avoid specific risks. If actual breaches of human rights are identified in audits, via whistleblowers, or via external sources, action is taken to end such breaches by the suppliers. The task management tool is also used to document this process and monitor its effectiveness.

The risk analysis enables us to gain a good overview and a more detailed basic understanding of the relevant risks. Overall, Evonik's risk profile is in line with expectations for a global specialty chemicals corporation. The gross risks identified and prioritized can be brought to a reasonable, manageable net level through suitable measures, including standards and processes, so that the statutory requirements, especially those of the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG), are met.

Evonik's whistleblower system

Issues relating to all major aspects of compliance, including suspected cases of breaches of human rights, corruption, and bribery, can be reported via internal channels or an electronic whistleblower system operated by an external service provider. Both employees and external stakeholders such as business partners, suppliers, local inhabitants in the vicinity of Evonik sites, and NGOs can use this system, which is available in 20 languages, to report non-compliance or potential non-compliance to Evonik. The system is certified as conforming with European data protection legislation. Technical security measures mean that neither Evonik nor the provider can draw conclusions about the identity of the whistleblower if they prefer to submit their report anonymously. Reports submitted via the electronic whistleblower system are automatically routed to the relevant units at Evonik. Alongside the electronic whistleblower system, suspected violations of regulations can be reported to the responsible compliance officer by phone, email, or letter. Our employees are made aware of the various reporting channels via information in the intranet and in recurrent compliance training sessions.

[1] See declaration on corporate governance p. 111 ff.

5.6.2 Responsibility within the supply chain

Careful supplier selection

Evonik has a significant influence on the environment and society through its procurement volume. By working closely with our suppliers, we want to help prevent breaches of human rights and environmental violations. We strive to counter a lack of transparency and inadequate traceability in the supply 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 and renewable raw materials. We have established specific procurement strategies for these critical raw materials. The processes are integrated into a management system, where they are mapped. As well as monitoring suppliers of critical raw materials, we aim to examine all major raw material suppliers from sustainability perspectives by 2025. At year-end 2023, we had validated around 67 percent of major raw material suppliers[1] using the corresponding criteria.

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 2023, no issues relating to our suppliers were reported to us.

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. The code of conduct for suppliers was updated in the reporting period to give greater prominence to the importance of observance of human rights by direct and indirect suppliers and to draw attention to the risks and consequences of failure to comply.

Together for Sustainability

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 Together for Sustainability (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, the initiative does not simply make environmental and social standards in supply chains measurable; it also contributes to a direct improvement.

As a member of the TfS initiative, we are also subject to TfS assessments. In 2023, for the seventh time, the EcoVadis rating agency awarded us a status of at least gold. This places us among the top 5 percent of the companies evaluated by EcoVadis in both the chemical industry and other sectors.

Worldwide, the TfS[2] member companies initiated 492 audits and 1,296 assessments in 2023. Evonik initiated 17 of these audits and 91 of the assessments. About 80 percent of our direct and over 70 percent of our indirect procurement volume was covered by TfS assessments.

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. In the interests of a fair and reciprocal understanding of business, Evonik always endeavors to pay outstanding invoices by the agreed payment deadlines. Validation is the first step in every new supply relationship. For this purpose, we use a

[1] Annual procurement volume > €100 thousand.
[2] The results of the audits and assessments by EcoVadis and TfS were outside the scope of the auditor's limited assurance engagement.

validation process based on the values defined in 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. All details are entered online and evaluated using a validation matrix. The initial validation is a country-based process and does not include a separate review of the location of operations. The values and expectations set out in our code of conduct for suppliers are communicated to all suppliers in our general terms and conditions of purchase. In 2023, we evaluated 1,440 new suppliers. That was over 85 percent of new suppliers.

Successfully completed TfS assessments can also be used as evidence of validation. Overall, suppliers are evaluated using a method that identifies and quantifies risk factors as a basis for risk mitigation. This safeguards the supply of raw materials and technical goods to Evonik and enables us to gain access to new procurement markets and suppliers. In the reporting period, TfS assessments were performed on 116 new suppliers of raw materials, technical goods, and services.

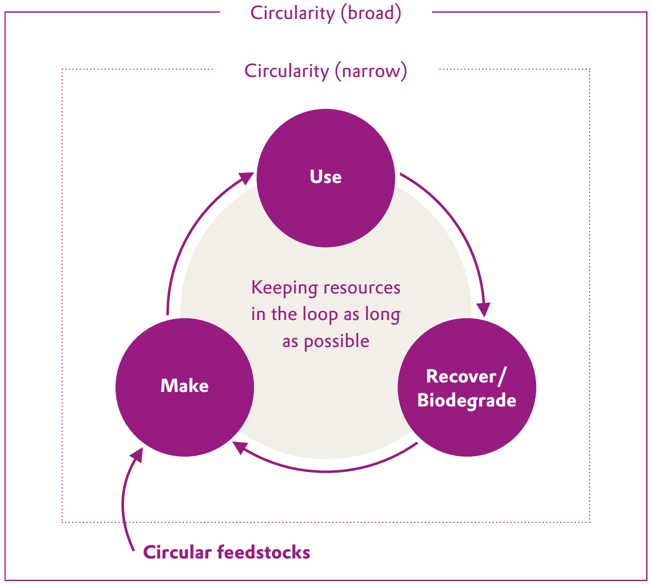
In 2023, we evaluated 1,548 new suppliers. That comprised audits, assessments, and supplier validations performed by TfS and directly by Evonik.

5.6.3 Circular economy

Circular economy is a system-oriented approach covering industrial processes and economic activities along the entire value chain. It aims to achieve a climate-neutral, resource-efficient economy, which preserves the value of products, materials, and resources for as long as possible. Circular economy means decoupling economic growth and the use of resources by returning valuable raw materials to the loop at the end of their useful life. Better use of resources and the circular economy are becoming increasingly important for Evonik in view of the limitations of our planet and the diversification of raw materials. As a specialty chemicals company, Evonik is an integral part of various value chains and has in-depth knowledge and expertise in the processes, technologies, opportunities, and risks of upstream and downstream elements. Our activities aim to mitigate the inadequate availability of resources in the supply chain and our production processes and to reduce their dependence on finite fossil-based and other non-circular resources. At the same time, circularity opens up new business opportunities and attractive growth potential for Evonik.

Circular economy involves looking at the entire life cycle of products. The focal areas are the production phase, the usage phase, and the recyclability of the products. In the production phase, recycled, bio-based, or CO_2-based resources are used as a substitute for fossil-based raw materials. During the usage phase, products are characterized by durability, reparability, and reuse. To close the loop, products have to be recyclable or biodegradable at the end of their life cycle. In this way, less material is sent to landfill or for incineration.

Circular economy C32



Evonik sees circularity as a fundamental transformation of economic activity. We support all business activities, technologies, and innovations that help to speed up ecologically and economically viable measures to promote circular value chains. Circular economy is one of Evonik's top 3 material topics. We drove forward our activities in this area in 2023. For example, we started to draft a circular economy policy. In this way, we are substantiating the status and importance of circularity for Evonik's business activities.

Ongoing development of the sustainability analysis of our business

Within the WBCSD[1], Evonik is involved in the ongoing development of portfolio sustainability assessments to improve the evaluation of product portfolios from the perspective of circularity. In view of this, we integrated our circular economy assessment into the sustainability analysis of our business in the reporting period. The aim is to determine the future opportunities and risks of our portfolio even earlier and more effectively, so that we can derive specific strategic recommendations on how to refine it. To determine the environmental impact of circular products, Evonik mainly uses life cycle assessments in accordance with ISO standards 14040 and 14044. In this context, we also examine which methods could be used for quantitative indicators in the future.

Global Circular Economy Program

In 2023, we extended our Global Circular Plastics Program into a Global Circular Economy Program. In this way, we are strengthening the continuous development of our business activities towards a circular economy by integrating all business lines at Evonik. Going beyond the previous focus on the circularity of plastics, we now look at the circularity of raw materials of all types and the value chains in all of Evonik's markets. In light of this, we have defined a target of generating more than €1 billion in additional sales p.a. with circular products and solutions from 2030.

The Global Circular Economy Program comprises short- to mid-term activities with a clear focus on business development. Here are some examples of our activities:

- the use of circular raw materials,
- the development of solutions for mechanical and chemical recycling technologies,
- the identification of business opportunities and the development of circular business models, and
- intensive examination and structuring of new value chains.

As a specialty chemicals company, Evonik is at the heart of various value chains. Therefore, refining our products and technologies and changing our raw material platforms are the basic preconditions for the circular economy. In addition to our own aspirations, major drivers are the self-commitments of our customers and other companies along the value chain, as they are defining increasingly ambitious plans to reduce CO_2 as well as targets for the use of circular materials.

Working with partners along the entire value chain is an important key for Evonik to play a successful role in the transformation to a circular economy. Evonik divides its circular economy activities into upstream, gate-to-gate, and downstream activities.

Upstream

The procurement of circular raw materials covers bio-based, recycled (bio-based and non-bio-based), and CO_2-based materials. Evonik's aim is to increase the use of circular raw materials to reduce the consumption of new or limited resources, reduce its own carbon footprint, and, in particular, reduce scope 3 emissions along the value chain. We are therefore examining technical, economic, ecological, and social aspects and developing new business models.

For example, Evonik introduced the ECOHANCE® product program in the reporting period. In this program, skincare products are produced from post-industrial plant-based residues. For instance, the raw material for ECOHANCE® Care PSC3 is a fatty acid-enriched olive oil that cannot be used in food production. Consequently, this process does not compete with food crops and plays a part in saving primary plant-based resources. Moreover, it supports the development of transparent supply chains and also includes smaller suppliers. In order to build up a circular system for sustainable recycling of polyurethane, Evonik has teamed up with REMONDIS, one of the world's leading recycling companies. Within the framework of this cooperation, REMONDIS supplies us with end-of-life mattress foams as a circular raw material.

One ongoing challenge is the limited availability of circular raw materials due to regional fluctuations in supply, the legal framework, and the fact that infrastructure is still at the ramp-up stage.

Gate-to-gate

Continuous process optimization and the efficient use of resources have always been very important in our production activities. We use a wide variety of measures to drive our activities towards circularity. These include:

- measuring and reporting on waste from our production plants in keeping with our goal of reducing production waste,
- increasing resource efficiency by continuously optimizing production processes,
- leveraging the benefits of integrated production sites and systems for systematic waste management in alignment with the waste hierarchy, and
- reducing, reusing, and recycling the packaging used for our products.

[1] WBCSD = World Business Council for Sustainable Development.

In our production operations, we prioritize avoiding waste in accordance with the waste hierarchy defined in EU law, mainly by continuously optimizing operating processes and utilizing the benefits of integrated production sites and systems. As the next step, waste has to be reprocessed or used to generate energy. Safe disposal is merely the third option. Evonik's goal is to reduce specific production waste relative to production volume by 10 percent between 2021 and 2030.

Our goals are to close the loop and design more sustainable packaging. In this way, we want to make a contribution to reducing our carbon footprint in the future.

Evonik already uses plastic packaging, including bulk packaging, containing a proportion of recyclate at various sites and is constantly endeavoring to increase the proportion of recycled materials in packaging.

Downstream

Evonik offers solutions that support customers' and consumers' circularity aspirations during the use of products and at the end of their life cycle. For example, our additives increase the durability of our customers' products and therefore make a contribution to saving resources. Furthermore, our additives improve mechanical and chemical recycling processes and recyclates. Evonik provides an extensive range of additives for **mechanical recycling.** In this way, we help our partners optimize the efficiency and quality of their circular processes and products. Durable products with good usability reduce the use of primary resources and waste. For example, our building protection additives enhance the stability and appearance of concrete structures that are exposed to weathering and environmental influences. Our surfactants enable printing inks to be washed out of used plastics faster, so they reduce the ink residues in recycled plastics. Moreover, after the washing process, less water remains on the plastic, saving time and energy in the drying process. Our additives also minimize odor and improve the processability and mechanical properties of recyclates. This allows higher yields of secondary materials with better quality recyclates. Furthermore, we are involved in a joint project with BMW and other companies along the value chain that aims to increase the proportion of recyclates that can be used in automotive components to enable circularity in the automotive sector.

Chemical recycling is a solution for waste streams that cannot be recycled eco-efficiently using mechanical or technical processes. That applies, for example, to mixed, heavily contaminated or colored thermoplastics and duroplasts that cannot be melted. To achieve this, Evonik makes additives, adsorbents, catalysts, and process know-how available to its partners. We therefore facilitate chemical recycling of plastics residues that would otherwise be incinerated or disposed of in landfills. We therefore help avoid the disposal of heavily blended or contaminated plastics by incineration or in landfills by enabling their use in the production of pyrolysis oils. In this technology, plastics streams are converted into pyrolysis oil at a high temperature without air. This can be used as a substitute for fossil naphtha in crackers, providing the basic ingredients for the synthesis of polymers. This technology is currently still in the pilot stage. To help meet the ecological and economic requirements on an industrial scale as well, we have increased our product offerings for the production of pyrolysis oils. We supply adsorbents and catalysts for the separation of contaminants and purification as well as additives that enable the processing of pyrolysis oils at low temperatures. Our SiYPro™ additives help our partners make reprocessing in crackers safer and more robust. Another way of ensuring the circularity of heavily contaminated or mixed plastics streams is the production of synthesis gas. For this too, we provide cleaning technologies such as adsorbents.

Similarly, our alkoxide catalysts and process technologies enable the recycling of PET packaging and colored PET plastics, which are not suitable for mechanical recycling, at the end of their life cycle. We assume that alkoxides will play an important role in chemical recycling of PET plastics in the future. Evonik is expanding its global alkoxides business with a new facility in Singapore.

Since a circular economy extends beyond recycling approaches and includes the production and usage phases of products, Evonik's technologies are also used in design for recycling and design for circularity. For example, our binder for heat-sealing applications allows the production of packaging materials such as yogurt pots from a single material, so they can be recycled. Other examples are a monomaterial prototype of a car seat produced by 3D printing and monomaterial toothbrushes. In these applications, polyamide 12 is substituted for all previous material blends, facilitating cost-efficient and eco-friendly mechanical recycling. The concept should inspire other product designers to reduce the range of materials used. Evonik complements this technical approach by using bio-based products; these are particularly significant for our Nutrition & Care division. One important technology platform that should be mentioned here comprises our biosurfactants, which are a relevant raw material base for various product ranges. Alternative circular solutions are needed for products and ingredients that are difficult or impossible to collect and recycle because of their properties or application. Evonik's answers include, for example, biosurfactants derived entirely from renewable raw materials. For instance, our rhamnolipids are used in cosmetic products and domestic cleaning agents. These sugar-based biological products are mild, highly efficient, and fully biodegradable, so they are returned to the biological cycle at the end of their useful life.

Efficient use of scarce resources

Evonik uses a wide range of raw materials in the production of its products. Like technical goods and services, they are sourced from a variety of suppliers. Production inputs decreased from 7.7 million metric tons in 2022 to 6.2 million metric tons in 2023. Production output was 7.5 million metric tons. Evonik replaces CO_2e-intensive raw materials with alternatives wherever this is possible and competitive.

In its fermentative production processes, Evonik uses dextrose and saccharose, mainly as substrates for the production of amino acids, rhamnolipids and sophorolipids. Natural fats and oils and their derivatives are used to produce precursors for the cosmetics, detergents, and cleaning agents industries and in technical processing aids. Renewable raw materials are classed as critical raw materials for procurement purposes, especially with a view to ecology and the reliability of supply. Consequently, they are subject to a special examination.

We are endeavoring to increase the proportion of renewable raw materials. That includes examining technical, economic, ecological, and social aspects. In 2023, the proportion of renewable raw materials increased to 12 percent of production inputs (2022: 11 percent).

5.6.4 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.

At Evonik, product stewardship includes 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). Going beyond statutory 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 (ICCA). The key elements of both aspects of product stewardship are defined in group-wide product stewardship standard, which defines how they are to be implemented and sets out control mechanisms to monitor their observance. In addition, the key elements of our product stewardship have also been defined in a product policy. Moreover, in 2023, Evonik started work on a product stewardship policy.

Responsible handling of chemicals

We examine the entire value chain 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. In light of global trade in chemicals and chemical products, it is important to encourage broad communication on their safe handling and use. We therefore have an extensive worldwide information system. This includes information portals, safety data sheets—not just for dangerous products—in more than 35 languages, technical data sheets, and extensive information on our website. We also have 24/7 emergency hotlines, including an interpreting service, and email addresses.

Our specialist departments provide advice for our customers at all stages in the product life cycle, from the selection of the raw materials through dealing with possible toxicological, ecotoxicological, and physical chemistry risks and the resulting exposure-based risks. Our advice also includes regulatory requirements relating to the planned application, right up to transportation and disposal. Where necessary, we give customers training in how to handle our products. We did not register any breaches of product labeling regulations in 2023.

Our chemicals management systems

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. Evonik evaluates its substances using its own chemicals management system (CMS). This system supports us in the global evaluation of our substances. The content of the CMS has been harmonized with the GPS requirements of the ICCA and the REACH requirements. As an extension of the CMS, our CMS^{PLUS} is used for products containing more than 0.1 percent substances of very high concern. Our aim is to reduce or replace these wherever possible. The precondition for this is a detailed analysis so that we can derive suitable action to bring about a further reduction in the possible negative effects on people and the environment. All products that were added to our

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

portfolio through acquisitions between 2017 and 2020 have already been included in CMS and CMS^{PLUS} and evaluated. We want to include and evaluate substances added through acquisitions between 2021 and 2023 by the end of 2026.

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 (CSS), which will have far-reaching consequences for the chemical industry and its value chain. Evonik supports the goals of the Green Deal. In this context, we are actively campaigning both at the level of industry associations and with the EU Commission for the proposed changes to be made circumspectly in order to safeguard planning reliability and for the retention of REACH as the central regulatory instrument for chemicals. We also take part in consultation procedures.

5.6.5 Cybersecurity

Evonik regards cybersecurity and information security as vital preconditions for successful digitalization. The challenges in cyberspace are increasing exponentially. This is attributable to the further professionalization of cyber blackmail, the serious effects of ransomware attacks, the increasing diversity of malware programs and their mutations, and critical weaknesses in widely used software products. To heighten cybersecurity, we are focusing on the risks of a loss of intellectual property, combined with a loss of business, inadequate observance of regulatory and compliance requirements, and inadequate robustness of critical IT and operational technology (OT) systems. We are also focusing on inadequate technical equipment and speed in order to keep pace with digital business projects, risks for third parties such as the loss of customer data, reputational risks, and emerging technological risks.

Cybersecurity affects IT throughout the Evonik Group, including both office systems and IT for operational technology (OT). The chief financial officer bears overall responsibility for cybersecurity. The chief information officer (CIO), who reports directly to the CFO, is responsible for cybersecurity at operational level. The CIO and chief IT security officer (CISO) report regularly to the CFO on the related tasks and risks, as well as the appropriateness and efficacy of the IT security management system. Our IT security organization includes a central cybersecurity operation center, which protects Evonik's digital territory and brings together the important operational IT security functions. The cybersecurity operation center includes the cyber defense team, which is based in Germany and is responsible for identifying and dealing with IT security incidents.

Evonik's cybersecurity framework comprises a binding group functional policy, group-wide standards, and standard operating procedures for IT and OT. To protect its information and IT systems, Evonik uses the international security management systems. These include ISO/IEC 27001—our central IT organization was certified as compliant with this standard for the first time in 2020—and IEC 62443 for OT. All Evonik locations with more than ten IT employees are certified as compliant with DIN ISO 27001.

We continuously review our extensive security measures to prevent attacks by third parties and invest in technical and organizational measures to identify and ward off such attacks. One example is our cybersecurity enforcement program, which classifies our employees in cyberattack protection (CAP) groups. The higher the CAP classification, the greater the level of protection required. More stringent security measures apply to particularly high-risk employees and applications, especially with regard to information requiring special protection, for example, information affecting Evonik's competitiveness or access to critical IT infrastructure. For risk-based checking and improvement of the security of IT systems, we carry out regular penetration tests and IT security audits.

We drive forward and monitor the implementation of our security measures for the operation and use of IT with the aid of an internal management system. In this way, we keep a constant eye on the present threats and align our security measures to them. Our cybersecurity performance is measured and evaluated by the external rating agencies BitSight and CyberVadis using their own parameters. Evonik's current rating positions it in the top third of the manufacturing industry peer group. Evonik increasingly uses digital networking in its collaboration with suppliers, partners, and customers and develops special cybersecurity measures for this purpose.

Increasingly, our production plants are networked with each other. Originally designed as stand-alone solutions in many cases, they are increasingly being connected to the Office network and the internet. To mitigate the associated cyber risks, we constantly adapt the protection level for our plants by implementing our EMPOS program (Evonik Management Platform for OT Security). We use our Cyber Security Resilience Program—known as CRISP for short—to protect the Evonik Group against increasingly aggressive, state-motivated cyberattacks.

We regularly train our employees and use posters, training modules, video formats, and interactive events such as the Evonik learning sessions to heighten awareness. Participation in cybersecurity training sessions was 95 percent in the reporting period. We also continued our phishing test initiatives: eight tests were conducted in 2023. Moreover, in the reporting period, 66 system administrators took online training modules, which are designed to further enhance the risk awareness of this mission-critical group of employees. Timely information on current threats is posted on the intranet and via an app for mobile devices. In the reporting period, Evonik was presented with the Outstanding Security Award for the best cyber awareness program.

5.6.6 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 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 attractiveness 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 around our sites worldwide. 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.

▲

6. OPPORTUNITY AND RISK REPORT

Patrick Glöckner works at the Marl site in Germany and leads Evonik's Circular Economy Program.

WE GO BEYOND TO CLOSE MATERIAL CYCLES

"The circular economy is about combining our expertise in specialty chemicals with the specific knowledge of our customers and partners. The focus is on collaboration, because it is only possible to close the loop by bringing together our combined expertise. As well as finding more sustainable solutions for our partners, that makes us all faster."

FIGURES

MATERIAL RISKS
(Expected value >€100 million)

- Reduction in the price and volume of C_4 chemicals
- Threat of cyberattacks
- Changes in exchange rates

MATERIAL OPPORTUNITIES
(Expected value >€100 million)

- Changes in exchange rates
- Increases in the price and volume of C_4 chemicals

6.1 Opportunity and risk management

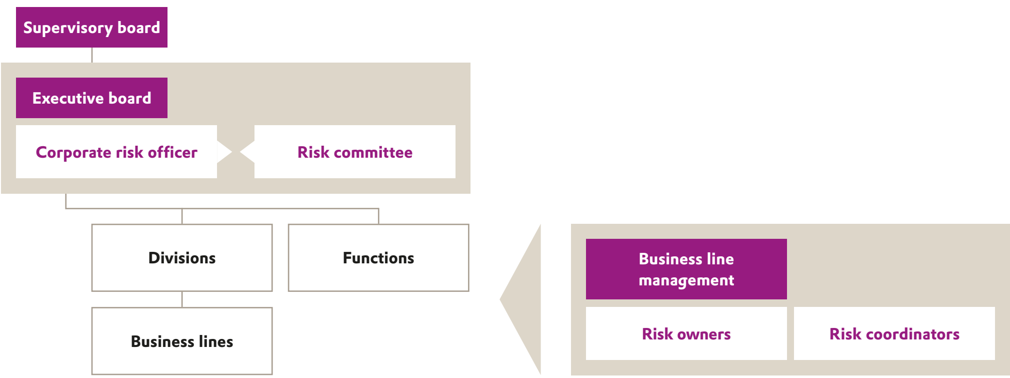
Risk strategy

Evonik's group-wide internal opportunity and risk management (subsequently referred to as risk management) is a central element in the management of the Evonik Group. The aim is to identify opportunities and risks as early as possible to ensure optimal utilization of opportunities and take action to minimize and mitigate risks. 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.

Tools to implement the risk strategy

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 system** (RMS). The most recent revision took place in 2021: The risk landscape was extended to include extreme risks, and a risk-bearing capacity was defined. Risk management also includes safeguarding the functioning of all material business processes through **internal control systems** (ICS). These are principles, processes, and measures introduced by the management, comprising the control environment, risk assessment, control activities, information and communication, and oversight. As a further risk prevention and mitigation tool, we establish and maintain **compliance management systems** (CMS). These are based on the standards derived from IDW PS 980. We have CMS of this type for the areas we deem to be particularly relevant from a compliance risk perspective. The main purpose of the CMS is to systematically identify the corresponding risks, define suitable risk prevention measures, and continuously manage these processes. The CMS are therefore an integral part of risk management and the ICS. Information on material risks is taken into account in risk management through reporting. Further information on the appropriateness and efficacy of these systems can be found in the declaration on corporate governance p. 111 ff.

Structure of risk management C33



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 for risk management. 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.

In 2023, 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

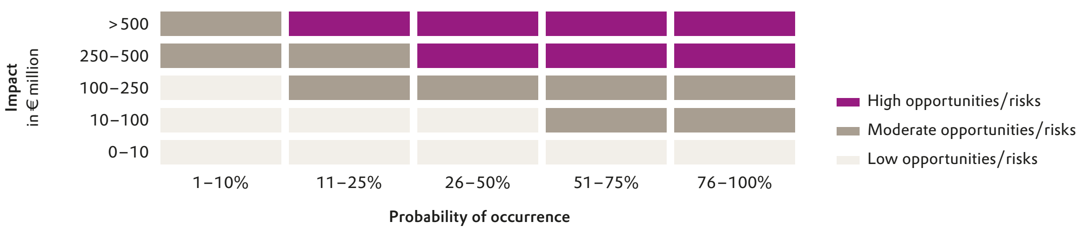
Audit function monitors risk management in our organizational units to make sure they comply with statutory and internal requirements and to ensure the continuous improvement of risk management. The risk detection system is included in the annual audit in compliance with the requirements for listed companies.

The RMS 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. The possible damage (potential impact) and probability of occurrence are evaluated and documented, together with their expected value (product of potential impact and probability of occurrence). 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. 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 opportunity and risk matrix C34). 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 expected risk exposure is below the calculated risk-bearing capacity.

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.

Opportunity/risk matrix C34



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 Group.

For **2023,** we expected more risks than opportunities. Given the weak demand and signs of an economic recession, the risk expectations increased significantly, while the opportunities were around the same level as in the previous year. In all the chemicals divisions, more risks than opportunities materialized in 2023. 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 the opportunities realized, and the risks that materialized resulted from the development of specific market and competitive situations. From the present standpoint, as in previous years, the risks for **2024** outweigh the potential opportunities. Compared with 2023, the risks for the Evonik Group have declined significantly, and the opportunities are around the same level.

Risk catalog C35

Material individual risks for the Evonik Group are a reduction in prices and volumes for C_4 chemicals, the threat of cyberattacks, and unfavorable changes in the exchange rates of the main currencies of relevance for Evonik. By contrast, favorable changes in exchange rates and increases in the price and volume of C_4 chemicals are **material opportunities.** Compared with the previous year, the opportunities relating to C_4 chemicals have 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. Sections 6.3 Markets and competition opportunities and risks p. 89 ff., 6.4 Legal/compliance opportunities and risks p. 95, and 6.5 Process/organization risks p. 97 present the material risks and material opportunities, along with further opportunities and risks in each of the main categories (see C35). Except where otherwise indicated, they apply to all divisions.

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 (see C36). The chart below 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.

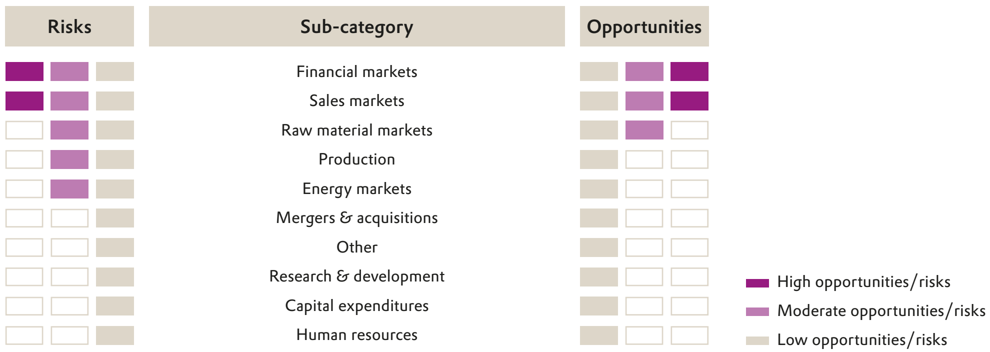
1. Financial markets

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 syndicated credit facility and bilateral credit facilities totaling €800 million as central sources of liquidity, and our solid investment grade rating. Overall, we believe that adequate financing instruments are available to ensure sufficient liquidity at all times.

Opportunity and risk classes within the market and competition category C36



[1] Further details of the financial derivatives and their recognition and measurement can be found in note 9.4 to the consolidated financial statements p. 186 ff.
[2] A detailed overview of liquidity risks and their management can be found in note 9.4 to the consolidated financial statements p. 186 ff. Details of the financing of the Evonik Group and action to protect liquidity can be found in section 2.8 Financial condition p. 38 ff.

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 is on the main foreign currencies of relevance for the Evonik Group, the US dollar and the Chinese renminbi yuan. 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 classified as hyperinflationary economies such as Argentina and Turkey. On principle, the related transaction risks are hedged. Economic risks also arise because exchange rates influence our competitiveness in global markets.

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, 85 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 are driven principally by the development of monetary and fiscal policy, geopolitical conflicts, and inflation. The present high inflation rates and restrictive monetary policy are holding back demand in the markets of relevance for Evonik. Further tightening of monetary policy would increase the risk of recession and a financial crisis.

Economic programs in the USA (Inflation Reduction Act, Chips Act, etc.), China, and Europe (Next Generation EU) supported the economy and thus demand in the markets of relevance for Evonik. An end to the geopolitical conflicts (war in Ukraine, conflict in the Middle East) would contribute to a further normalization of energy prices, greatly reduce inflationary pressure, and thus allow an upswing. By contrast, further escalation of these conflicts would increase the pressure on the global economy (in both the industrial and the service sectors).

[1] See note 6.10 to the consolidated financial statements p. 164 ff.

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. Here, material opportunities and risks come from price and volume developments for C_4 chemicals. Additional opportunities and risks come from the amino acids business. In our market segments, climate change could also result in both opportunities and risks for Evonik. The growing demand from our customers for resource-saving products could increase significantly, resulting in a correspondingly positive impact on our business. Additional regulations or weather-related incidents could put pressure on 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 and work closely with our customers on the development of sustainable solutions.

Competitors in emerging markets and developing countries, especially China, could increase competitive pressure through new capacities and aggressive pricing policies that could 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 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. Another 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 in impairment losses.

3. Raw material markets

For our business operations, we use a wide range of raw materials, from high-volume materials that are generally readily available to specialties of high strategic relevance for our business that can only be sourced from a few producers. 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 availability and price of strategic raw materials, especially petrochemical feedstocks obtained directly or indirectly from crude oil or natural gas. The price of renewable raw materials such as lauric oils is also 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 end-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. These range from site-specific to global. 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. Through continuous monitoring of the markets, market volatility can open up new opportunities, for example, as a result of declining production costs in some regions and value chains or a general weakness in demand in China.

In 2023, this procedure also proved helpful and effective in dealing with geopolitical events, such as the war in Ukraine and the resulting supply risks, and in identifying volatility-induced opportunities. We were able to overcome isolated supply bottlenecks quickly, so there were no significant production constraints. This concept will remain an important element to enable us to operate successfully in increasingly volatile market conditions. The following aspects are especially important in this context. Firstly, the market environment is influenced by political uncertainty and trade barriers. Secondly, the volatility is characterized by crisis-driven changes in end-markets and the related regional shifts. Thirdly, in Europe, in particular, the sharp hike in production costs, accompanied by different incentive programs around the world, are leading to local imbalances in individual supply chains, along with supply-related risks and opportunities.

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. Price and availability risks, which are mainly attributable to the political situation, predominantly affect inorganic materials and thus the Smart Materials division, especially the Silicas business line. Moreover, further risks relating to single sourcing and restricted short-term availability of raw materials affect the Nutrition & Care and Specialty Additives divisions.

Supply chain
Compliance with sustainability criteria and human rights in the supply chain is a central aspect of procurement. Failure to fulfill sustainability criteria entails reputational and business risks. On the other hand, there are opportunities if the minimum legal requirements are exceeded and proactive action is taken to increase sustainability in the supply chain. To realize these opportunities, 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. In light of the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG), which came into force in 2023, we will be extending our risk monitoring and preventive and remedial action in the area of human rights. A concept for this developed by a group-wide project has been approved. 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.

Logistics
In order to supply our products reliably to our customers, it is essential to procure and manage the necessary transportation capacities. Risks for global marine transportation result from localized, crisis-driven closure or partial closure of ports and from pronounced, short-term fluctuations in demand due to unforeseen economic dynamics that cause imbalances in global trade flows and thus temporary local shortages of ocean freight capacity. Within Germany, the main logistics challenges are weather-related restrictions on transportation, for example, by inland waterway due to low water levels in the Rhine river. In addition, present and planned infrastructure measures affecting the German railroad network result in delays and temporary disruption to transportation by rail in Europe.

4. Production
As a specialty chemicals company, Evonik is exposed to the risk of business interruptions, quality problems, and unexpected technical and IT malfunctions. Business operations could also be disrupted by pandemics or climate-related factors, for example, extreme weather events such as the extremely low water level in the river Rhine in 2022 as a result of the hot summer in Europe, or by geopolitical disruption such as the Russia-Ukraine conflict and the resulting threat of an energy shortage in Europe. Bottlenecks in the supply of electricity affecting our European sites cannot be entirely ruled out. Cold periods could result in temporary bottlenecks. All sites have emergency plans. With a view to the supply of natural gas, Evonik has set up scope to use other fuels at various sites. Moreover, in the event of shortages of natural gas, the German sites are dependent on decisions made by the Federal Network Agency. Capacity constraints could hold back organic growth. Evonik uses 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, site-specific emergency plans, 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 the financial consequences of potential production risks are largely insured. Nevertheless, there is a risk of unforeseeable individual incidents.

5. Energy markets and emissions trading
The operation of Evonik's chemical facilities and infrastructure requires considerable amounts of energy from a variety of sources. The main sources are natural gas, electricity, and currently still coal. At several sites, our power and steam requirements are fully or partially met by highly efficient co-generation plants. We

constantly monitor trends in the national and international energy markets, including the extended scope to use green energy from renewable resources, 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. The reporting period was still dominated by the effects of the Russia-Ukraine war, especially on the European energy markets, although the extreme distortion of 2022 was not repeated. Evonik expects that the related challenges will continue at least into 2026. The impact of the highly volatile development of fuel prices was mitigated by a multi-year procurement strategy. Depending on market developments, these procurement transactions could have a positive or negative influence on Evonik's cost situation. In Germany, Evonik has only made very limited use of state measures to check the cost trend in electricity, gas, and heat (price caps). These have only been used outside of the core business.

We estimate that the physical reliability of the supply of natural gas in Europe has improved significantly as a result of the systematic expansion of the infrastructure for importing LNG. Nevertheless, as in other regions of the world, extreme events could lead to shortages and production constraints. There are also residual risks with regard to the supply of electricity. We are therefore continuing the measures introduced last year to substitute other fuels for natural gas at various sites, where this is technically possible and economically feasible. We assume that we will continue to operate one block of our coal-fired power plant in Marl (Germany), which was originally due to be decommissioned as of October 31, 2022, until March 31, 2024. At the two highly efficient gas and steam turbine power plants that came into service in 2022, we are continuing to use the option of generating steam with LPG (liquefied petroleum gas) as a substitute for natural gas. The erection of the He Dreiht offshore wind farm in the German North Sea by our contractual partner EnBW is proceeding on schedule, and we will probably start sourcing green electricity from this installation in 2026 on the basis of our long-term power purchase agreements (PPA). In the reporting period, Evonik concluded further power purchase agreements with two partners, Vattenfall (photovoltaic sites in northern Germany) and RWE (Kaskasi offshore wind farm in the German North Sea). From 2026, the anticipated total power supplied under the PPAs with all three partners is expected to cover more than half of Evonik's current electricity requirements in Europe. Depending on the development of general conditions and the ongoing market trend, the overall energy supply situation could result in additional costs and risks, but also opportunities, for our operating units.

For those Evonik facilities that fall within the scope of the European emissions trading system (EU ETS 1), 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 emissions trading system (nETS) for the heating and transportation sectors (which are outside the scope of EU ETS 1). The related financial burden is only partially offset by the measures to prevent carbon leakage under the German Fuel Emissions Trading Act (BEHG) and the related carbon leakage ordinance. EU ETS 2 is expected to be introduced in all EU member states from 2027. Essentially, this will extend carbon pricing to heating and transportation (which are outside the scope of EU ETS 1). EU ETS 2 will replace the nETS and will implement a market pricing system, analogously to EU ETS 1. Carbon pricing regimes are to be sharpened or introduced in other jurisdictions as well in the foreseeable future, but the resulting costs will still be concentrated in Europe. More far-reaching regulatory measures, such as climate protection laws or tougher energy efficiency requirements, cannot be ruled out or are already being planned.

Furthermore, the Carbon Border Adjustment Mechanism (CBAM), a carbon levy on certain imported goods (aluminum, ammonia, iron, electricity, steel, hydrogen, cement), was introduced in October 2023. The aim of the CBAM is to strengthen the competitiveness of European industry and prevent it relocating outside the EU (carbon leakage). It is not yet possible to assess the actual impact in international competition. From 2026, it will be necessary to purchase and subsequently surrender CBAM certificates showing the CO_2 content of imported goods. The price will be based on the EU ETS 1 price. Initially, it will only be applied partially to imported goods, with full application starting in 2034. The direct impact on Evonik will be comparatively low in this phase because we only import a few of the goods affected. However, the EU intends to roll out the CBAM to further sectors.

In the broader regulatory context, how energy-related fees, taxes, and levies develop and whether the existing relief for industry is upheld or modified in Germany is of particular significance for Evonik. Allocation of the cost of renewables under the Renewable Energies Act (EEG) ended on July 1, 2022. Legal proceedings are still under way to clarify certain legal issues in connection with intersite supply of power from captive power generation. An appeal has been lodged against a judgment in favor of Evonik. Possible additional costs could arise from the increase in fees for electricity grids and the natural gas network resulting from the energy transition and the present energy crisis, including further state-driven cost components and possible fundamental changes to the grid fee system, energy taxes, or regulatory requirements for greater flexibilization of power consumption loads by industry. 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.

6. 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.

7. Other

Constant efforts are made to improve the efficiency of the organizational structure, production, procurement, and technology through the continuous improvement 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.

8. 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 mixture of short-, mid-, and long-term R&D 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 innovation growth fields and Next Generation Solutions, which have high sustainability benefits. Through our venture capital program, we take stakes in companies whose know-how can support us in joint developments. Digitalization-related topics are still very significant for us. Opportunities and risks in R&D relate to the viability of planned product and process developments and the timing of their implementation. In our view, the main additional potential arising from the introduction of new products that go beyond our present planning comes from our Next Generation Solutions.

9. 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 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. In this context, the strategic development and transformation of Evonik is supported, in particular, by steady investment in Next Generation Solutions, i.e., products with a positive sustainability profile that is superior to the market level.

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 with diversity. The aim is to make Evonik even more attractive to talented specialists and managers. Our regular strategic human resources planning identifies requirements for a five-year period, so timely steps can be taken to cover future personnel needs. In view of the current shortage of skilled workers on the labor market, specially tailored recruiting activities are used to counter a possible skills shortage. Opportunities and risks for the Evonik Group could also arise from the development of personnel expenses, for example, as a result of 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 respects human rights in its own business area and in the supply chain. To minimize the risk of breaches of human rights, we have established a compliance management system for this area. In particular, we require compliance with the principles set out in our code of conduct for suppliers and the principles outlined in our policy statement on human rights.

In its business operations, Evonik is exposed to normal 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, one risk of particular relevance here is the possible amendment of the European emissions trading regulations (see above). Further, Evonik may be liable for guarantee claims relating to divestments. 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

[1] See declaration on corporate governance p. 111 ff.

regard to employment law, there are risks relating, for example, to possible legislative changes and/or legal judgments on retirement pensions, which could require the recalculation of pension commitments entered into by companies in the Evonik Group and their legal predecessors. Moreover, breaches of the applicable data protection laws could result in fines, reputational damage, and individual claims for compensation. Countermeasures are addressed, in particular, through compliance reporting. 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: 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. In view of the increasing 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 the 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 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 Management functions.

Cybersecurity

IT-assisted business processes are key elements in Evonik's success. As well as offering opportunities, however, the use of artificial intelligence, the much-cited "Internet of Things," and opportunities for digital networking and control of complex processes or production plants also entails risks. The risk from cyberspace is higher than ever. As in previous years, a high threat from cybercrime was observed. Ransomware was again the main threat. Therefore, sustained protection of the availability, confidentiality, and integrity of IT-assisted business processes is 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 related knowledge within and outside of the Evonik Group from cybercrime (including digital industrial espionage and manipulation through cyberattacks) and ensure the secure use of information systems, Evonik has a cybersecurity strategy and binding group-wide policies and regulations. Organizational and technical measures and contingency plans are derived from them, for example, in cybersecurity programs, and are constantly updated. These are driven forward and monitored through an internal control system. Compliance is ensured by a cybersecurity organization.

In view of the considerable and continuously rising threat, we regularly review and test our security measures, implement risk-based countermeasures as required, and adapt them wherever necessary. Compulsory and advanced training, 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. In addition, those IT systems that are at particular risk are identified and appropriate protective measures are implemented. 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 and the German cybersecurity organization DCSO; 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.

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. 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 the organizational units did not identify any specific risks resulting from process weaknesses, given the efficacy of the current controls.

2. Internal control system for financial accounting

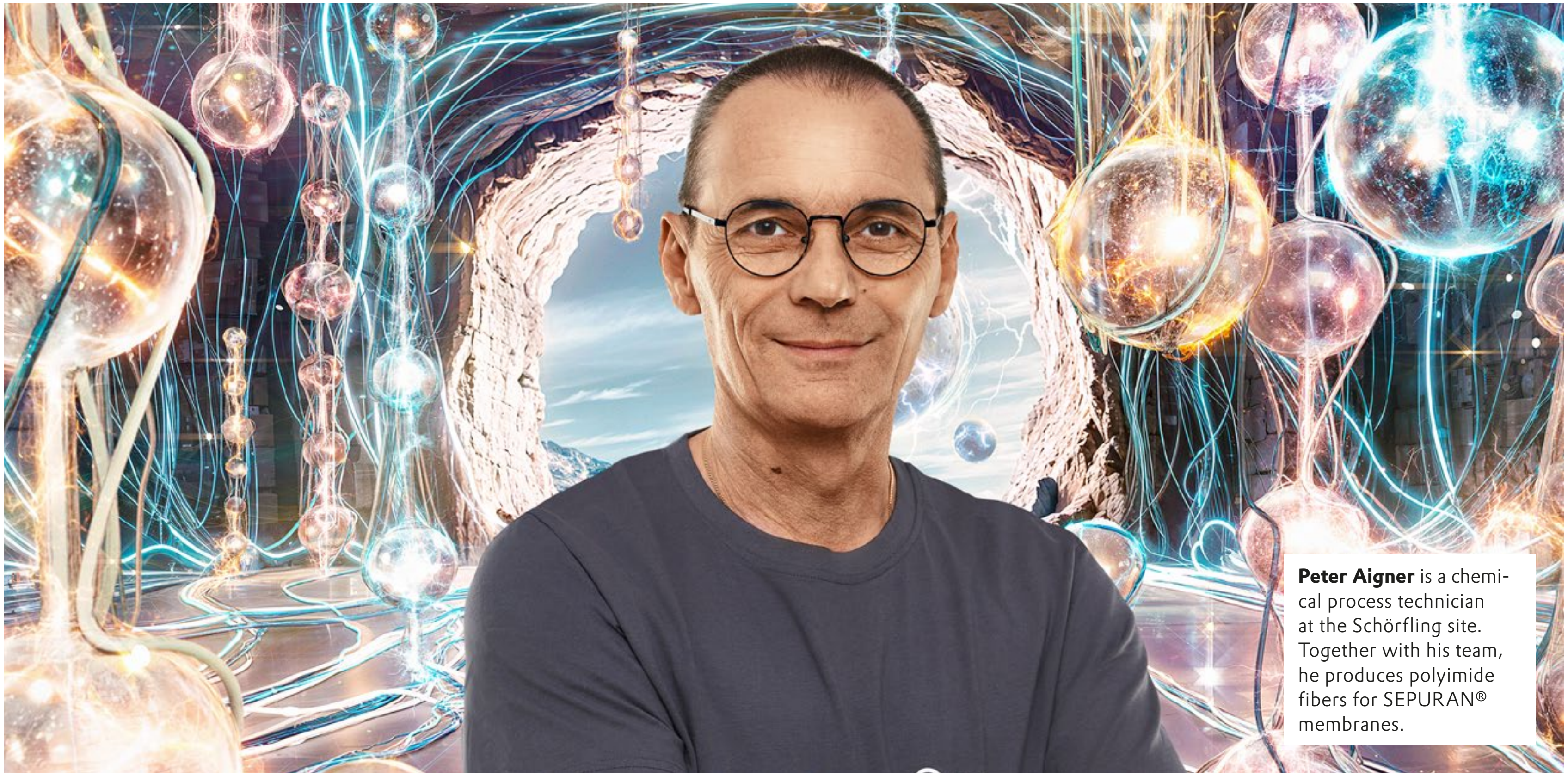
The main financial reporting risks are identified in the accounting-related ICS through a quantitative and a qualitative analysis. Controls are defined for each risk area of the accounting process. Their efficacy is reviewed at regular intervals and improved where necessary. All elements of the control process are verified by the internal audit function on the basis of random samples.

To ensure the quality of financial statements, we have a group-wide 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 & Financial Processes 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, Slovakia, and Russia; 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. We arrange for the annual financial statements of the majority of consolidated companies and joint operations to be audited.

All data are consolidated by the Accounting & Financial Processes 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 provides 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 with controlling and accounting processes.

[1] Especially water scarcity.

7. REPORT ON EXPECTED DEVELOPMENTS



Peter Aigner is a chemical process technician at the Schörfling site. Together with his team, he produces polyimide fibers for SEPURAN® membranes.

WE GO BEYOND TO PUSH RENEWABLE ENERGIES

“Our polyimide fibers are capable of separating gases. Bringing the liquid plastic into the required shape is very challenging. However, we have perfected our process so that we can reliably deliver SEPURAN® membranes to our customers and make an important contribution to the energy transition.“

FIGURES

BASIS FOR OUR FORECAST:

- Global growth: 2.3% (2023: 2.7%)
- Internal raw material index: unchanged from the prior year

7.1 Economic background

Global economic environment expected to remain challenging in 2024

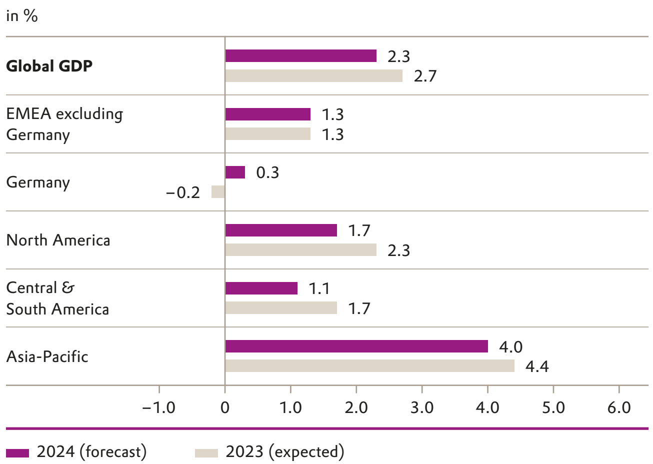
We assume that economic conditions will remain challenging in 2024[1]. Global economic momentum slowed significantly at the end of 2023, and this trend will probably continue, especially at the beginning of the year.

As in the past year, there are many developments hampering the economy. Persistently high inflation and the resulting restrictive monetary policy are dampening investment spending and consumption. Moreover, no major economic impetus is expected to come from the anticipated interest rate cuts by the Fed and ECB in 2024. In addition, there is an ongoing risk that inflation could pick up again. Second-round effects, for example, as a result of wage rises, could lead to renewed price rises and prevent the central banks achieving their inflation targets. In view of the high interest rates and challenging budget conditions, no significant economic impetus is expected from fiscal policy. The low consumer confidence will probably continue to hold back demand for services and, in particular, consumer durables. An improvement is expected at the earliest in the course of the year.

At the same time, some economic stimulus effects are expected in 2024 and could lead to a recovery in the global economy, especially in the second half of the year. Inflation has peaked and is now declining, principally as a result of lower energy and commodity prices. In Europe and the USA, the core inflation rate is now falling too and is approaching the central banks' inflation target. Alongside the renewed rise in real wages, the economy could be supported by the labor market, which remains very robust.

In all, we anticipate that the global economy will grow by 2.3 percent[2] in 2024.

GDP forecast for 2024 C37



We expect the higher cost of living, global economic weakness, and declining investment to hamper economic growth in Europe in the first half of the year. Given the weakness of the purchasing managers' indices, no growth impetus is to be expected from industry in the short term. A slight upturn in economic activity is anticipated for the second half of the year. This could be driven by rising real wages, with consumer spending picking up as a result. During the year, economic activity could also be stimulated by an improvement in financing conditions and a recovery in export demand, especially from China and the USA.

Economic momentum is also expected to be low in North America, affected by the poor sentiment in the corporate sector and a less dynamic labor market. By contrast, consumer spending could continue to support the economy, benefiting from rising real wages and the savings built up during the pandemic. As inflation is declining, the Fed could relax its restrictive monetary stance in 2024 and provide more positive economic momentum. The construction sector, in particular, should benefit from lower interest rates, albeit with a time lag.

[1] Based on data from S&P Global, Kiel Institute for the World Economy (IfW), Berenberg Bank, and Hamburg Commercial Bank as of December 2023/January 2024.
[2] Based on data from S&P Global as of January 15, 2024.

The growth prospects for the Asia-Pacific region in 2024 are again better than for the other regions. Unlike Europe and North America, low inflation is increasing the potential for growth in consumer spending. The Chinese economy should benefit from an improvement in consumer sentiment during the year and the resulting rise in domestic demand, as well as from fiscal policy measures. Nevertheless, economic growth in China could be held back by the ongoing crisis in the construction sector, high debt, and the anticipated weakness of export demand.

Central & South America faces a tougher environment in 2024: In all probability, the low commodity prices will reduce income in the commodity-driven countries. In addition, the economy could be hampered by weak global demand. Nevertheless, this region could benefit from the economic recovery in the USA and interest rate cuts by the Fed.

The forecast for the world economy still entails great uncertainty. A renewed rise in prices could prompt central banks to tighten monetary policy again, which would slow the global economic recovery considerably and increase the risk of stagflation. Moreover, various factors, such as the real estate crisis in China and delayed impacts of the rapid interest rate turnaround, could trigger a global financial crisis, which could have serious consequences given the high level of debt. Ultimately, the development of the global economy could differ from our expectations due to geopolitical conflicts, such as the war in Ukraine and the conflict in the Middle East, and disruption of trade routes. The conflict between China and the USA and the uncertainty arising from the US presidential elections also constitute a potential risk for the global economy.

We expect the 2024 prices of the specific raw materials used by Evonik to be similar to or at a slightly higher level than prices in 2023.

7.2 Outlook

Our forecast is based on the following assumptions:
- Global growth: 2.3 percent (2023: 2.7 percent)
- Internal raw material index: unchanged from the prior year

Sales and earnings

Our outlook for 2024 is based on the challenging macroeconomic situation described in section 7.1 Economic background p. 99 f. Global growth will again be lower than in previous years. In particular, high inflation around the world and the resulting weak consumer demand and restrictive momentary policy are weighing on the economy. Moreover, geopolitical conflicts will probably continue to have a negative effect on the global economy. We therefore assume that the low economic momentum and the continued weak demand registered in the past year will persist through 2024.

Evonik[1] anticipates that **sales** will be between €15 billion and €17 billion in 2024 (2023: €15.3 billion). Following significant price erosion in the high-volume Animal Nutrition and Performance Intermediates businesses in 2023, we expect the overall price trend to be more positive in 2024. This should be supported, above all, by a recovery in the Animal Nutrition business. By contrast, we anticipate stable or slightly lower selling prices in our specialty chemicals businesses. Thanks to less destocking by customers compared with the previous year, Evonik's sales volumes should recover slightly despite the ongoing low demand in our end-markets. Overall, we expect **adjusted EBITDA** to be between €1.7 billion and €2.0 billion (2023: €1,656 million). As in the past year, Evonik has a strong focus on cost discipline to support its earnings performance. In 2024, we will continue the short-term contingency measures implemented in 2023, which resulted in cost savings of €250 million. Based on our long-term hedging strategy, we anticipate that energy costs will be slightly lower than in the past year. Raw material costs are expected to be around the same level as in 2023.

In 2024, the **Specialty Additives** division will again benefit from its specific customer solutions, which are geared to improving product properties and sustainability profiles. In particular, applications for the paints and coatings industry should show first signs of recovery after a prolonged period of destocking. Nevertheless, we do not expect to see a broadly based upturn in demand and a resulting improvement in production volumes and

[1] Unchanged portfolio compared with year-end 2023 (Performance Materials including superabsorbents).

capacity utilization in our production plants. Furthermore, we assume that competitive intensity will remain high. Overall, we anticipate that earnings in this division will be around the prior-year level (2023: €673 million).

The expected positive development of the **Nutrition & Care** division will be driven primarily by a recovery in the Animal Nutrition business. We anticipate a sequential increase in amino acid prices, at least in the first two quarters, as a result of more balanced demand and supply. The market should also resume its solid long-term volume growth, as already visible at the end of last year. The adjustment of the operating model in the Animal Nutrition business, which started in 2023, will bring further cost reductions this year. The Health & Care business will deliver the first batches of our innovative rhamnolipids (biosurfactants) from the new production plant in Slovakia to our customers. Our system solutions for active cosmetic ingredients should continue their strong, above-average and profitable growth. Overall, we anticipate that this division's earnings will rise considerably year-on-year (2023: €389 million).

In the **Smart Materials** division, a slightly positive trend is expected for the Inorganics unit, driven by its environment-friendly hydrogen peroxide specialties and catalysts. Polymers will benefit above all from the new capacities for our high-performance polymers. Further, the costs incurred in 2023 for the shutdown of the PA12 facility in Marl (Germany) will not recur. In all, we expect therefore that earnings will rise slightly year-on-year, despite the persistently weak demand in our end-markets (2023: €540 million).

In the **Performance Materials** division, we expect to see an improvement in prices and margins in the Performance Intermediates business (C_4 derivatives) compared with the weak level in 2023. As a result, this division's earnings will be above the prior-year level (2023: €111 million).

For **Technology & Infrastructure and Others**[1], we assume that, in all, earnings will be only slightly negative in 2024 (2023: €57 million). Contingency measures will have a positive impact on Technology & Infrastructure and Others, but the anticipated increase in provisions for bonuses will have a negative effect on these two personnel-intensive units.

In 2024, **ROCE** is expected to be significantly higher than in the previous year (2023: 3.4 percent).

Financing and investments

We will continue our extremely disciplined approach **to cash outflows for investments in intangible assets, property, plant and equipment** in 2024. Since demand has not yet recovered, and we therefore have unutilized capacity at present, we have budgeted capital expenditures of around €750 million. That is a further reduction compared with the previous year (2023: €793 million).

Through its disciplined approach to capital expenditures and net working capital, Evonik consistently generates a high absolute free cash flow and thus an attractive **cash conversion rate.** We will continue this in 2024. We anticipate that the cash conversion rate will be around our target of 40 percent in 2024 (2023: 48 percent; absolute free cash flow: €801 million). We expect the improved operating result, lower capital expenditures, and lower bonus payments for 2023 to make a positive contribution to free cash flow. By contrast, in view of the anticipated slight increase in sales, we do not see any further potential to optimize net working capital.

Occupational and plant safety

Our aim is to avoid all accidents and incidents. Our goal is still to keep the **lost time injury rate (LTI-R)** below the upper limit of 0.26 defined for 2023. We anticipate that we can improve the **process safety incident rate (PSI-R)** (2023: 0.43), 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] Enabling functions, other activities, consolidation.

CORPORATE GOVERNANCE

Report of the supervisory board

BERND TÖNJES
Chairman of the Supervisory Board

Ladies and Gentlemen,

In 2023, 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 the Evonik Group 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 prior 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

The supervisory board discussed key issues relating to the company at six meetings in 2023. All meetings were in-person meetings. Members who were unable to attend a meeting in person were able to take part via videoconferencing. This option was utilized in a few individual cases. In addition, the supervisory board adopted one resolution in written form.

The work of the supervisory board was again prepared and supported by its committees in 2023.

- **Executive committee:** Bernd Tönjes (chairman), Alexander Bercht (from September 1, 2023, deputy chairman), Karin Erhard (until August 31, 2023, deputy chairwoman), Martin Albers, Prof. Aldo Belloni (from May 31, 2023), Dr. Volker Trautz (until May 31, 2023).
- **Audit committee:** Michael Rüdiger (chairman and financial expert with specialist knowledge of accounting within the meaning of section 100 paragraph 5 of the German Stock Corporation Act [AktG] and recommendation D.3 of the German Corporate Governance Code), Alexandra Krieger (deputy chairwoman), Alexandra Boy (from September 1, 2023), Prof. Barbara Grunewald (until May 31, 2023), Cedrik Neike (from May 31, 2023), Dr. Thomas Sauer (until August 31, 2023), Gerd Schlengermann, Angela Titzrath (financial expert with specialist knowledge of auditing within the meaning of section 100 paragraph 5 AktG and recommendation D.3 of the German Corporate Governance Code).
- **Finance and investment committee:** Werner Fuhrmann (from May 31, 2023, chairman), Prof. Aldo Belloni (until May 31, 2023, chairman), Alexander Bercht (from September 1, 2023, deputy chairman), Karin Erhard (until August 31, 2023, deputy chairwoman), Martin Albers, Dr. Cornelius Baur (from May 31, 2023), Thomas Meiers (from September 1, 2023), Gerhard Ribbeheger, Michael Rüdiger, Harald Sikorski (until August 31, 2023), Bernd Tönjes, Ulrich Weber (until February 20, 2023).
- **Innovation and research committee:** Prof. Barbara Albert (chairwoman), Thomas Meiers (from September 1, 2023, deputy chairman), Harald Sikorski (until August 31, 2023, deputy chairman), Prof. Aldo Belloni, Hussin El Moussaoui, Dr. Ariane Reinhart (from May 31, 2023), Martina Reisch, Gerhard Ribbeheger, Bernd Tönjes, Dr. Volker Trautz (until May 31, 2023).
- **Nomination committee:** Bernd Tönjes (chairman), Prof. Aldo Belloni (from May 31, 2023), Dr. Ariane Reinhart (from May 31, 2023), Dr. Volker Trautz (until May 31, 2023), Ulrich Weber (until February 20, 2023).
- **Mediation committee:** Bernd Tönjes (chairman), Alexander Bercht (from September 1, 2023, deputy chairman), Karin Erhard (until August 31, 2023, deputy chairwoman), Martin Albers, Prof. Aldo Belloni (from May 31, 2023), Dr. Volker Trautz (until May 31, 2023).

The tasks assigned to the committees are described in detail in subsection 2.3 p. 114 ff. of the declaration on corporate governance.

The executive committee held five meetings in the reporting period, and the audit committee and the finance and investment committee each held four meetings. The innovation and research committee met twice in the reporting period. The nomination committee held six meetings. 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.

With the exception of one meeting of the nomination committee, which was held as a conference call, all committee meetings were in-person meetings. Members who were unable to attend a meeting in person were able to take part via videoconferencing. This option was utilized in a few individual cases.

At its meeting in March, the supervisory board focused on examining the annual financial statements of Evonik Industries AG and the consolidated financial statements fiscal 2022, following an initial, detailed examination by the audit committee. This meeting was also used to prepare for the annual shareholders' meeting 2023. The supervisory board decided on the proposals for resolutions of the annual shareholders' meeting and accepted the recommendations of the nomination committee for the election of supervisory board members. Furthermore, the supervisory board discussed the planning, the bonus payments for the executive board members for the preceding fiscal year, set the targets for the executive board for 2023, and considered the appropriateness of the remuneration of the supervisory board. It adopted the remuneration report and the amendment of the declaration of conformity 2022.

The meeting of the supervisory board prior to the annual shareholders' meeting on May 31, 2023 was used for supplementary information and preparation for the annual shareholders' meeting. In addition, Dr. Volker Trautz, who was stepping down from the supervisory board at the end of the annual shareholders' meeting, was elected an honorary member of the supervisory board. The meeting immediately after the annual shareholders' meeting was a constitutive meeting for the new term of office of the supervisory board, at which it elected the chairman and deputy chairman of the supervisory board and the committee members.

The meeting in June was mainly dedicated to reporting. The supervisory board received reports from the committees and the report on the workforce and held a detailed discussion of the executive board's report on Evonik's business situation.

As a consequence of changes in the employee representatives, in August 2023 the supervisory board elected a new deputy chairman and modified the membership of the committees using a written format.

In September 2023, the supervisory board looked in detail at Evonik's current situation and strategy. The supervisory board decided to conduct an efficiency review of its work in 2024 and defined the framework for this review in line with the recommendation of the audit committee.

At the meeting in December, the supervisory board adopted a resolution on the content of the proposed efficiency review in 2024, as recommended by the audit committee. Furthermore, the supervisory board discussed aspects of corporate governance and acknowledged the audit committee's report on corporate governance. The supervisory board adopted the declaration of conformity 2023 and a resolution on a voluntary review of the content of the remuneration report. The rules of procedure of the supervisory board were amended to modify the deadlines for the submission of the financial statement documents, and the finance and investment committee was renamed the investment and sustainability committee effective 2024. In addition, the supervisory board discussed the corporate planning and execution of the employee share program Share.2024.

The main topics addressed by the **executive committee** in the reporting period were: the bonus payments to the executive board members and the agreements on their targets; the appropriateness of the remuneration of the supervisory board; discussion of the business situation; the reorganization of the Technology & Infrastructure division; the Evonik Tailor Made program to improve structures, processes and organization; and Evonik's current projects.

In February 2023, the **audit committee** focused principally on the annual financial statements and the consolidated financial statements for fiscal 2022. It also examined the remuneration report 2022; the appropriateness and efficiency of opportunity and risk management (risk management system), the internal control system, and the compliance management system; the amendment of the declaration of conformity 2022; the annual compliance report 2022; and the proposal for the election of the auditor for fiscal 2023.

The central items on the agenda for the meeting in May were the business performance and the quarterly financial statement as of March 31, 2023. In addition to this, the committee discussed the planned implementation of the European Sustainability Reporting Standards (ESRS) to comply with the Corporate Sustainability Reporting Directive (CSRD) from 2024; the outcome of the audit of the EMIR system pursuant to section 32 of the German Securities Trading Act (WpHG); how the hedging of exchange rates, interest rates, and energy prices is managed; and the measures to mitigate geopolitical risks. Furthermore, the audit committee reached the conclusion that the quality of the auditing for fiscal 2022 was appropriate.

At its meeting in August 2023, the audit committee considered in detail the development of business in the first six months of 2023 and the half year financial report as of June 30, 2023. Other topics addressed were the implementation of the global minimum taxation rules (pillar 2) in Germany; cybersecurity and IT security at Evonik; and the efficiency review of the supervisory board in 2024.

One of the main items discussed at the meeting in November 2023 was the business performance in the third quarter of 2023, together with the quarterly financial statement as of September 30, 2023. Furthermore, the audit committee considered the planning of the annual financial statements of Evonik Industries AG and the consolidated financial statements of the Evonik Group and the focus of the audit of fiscal 2023; corporate governance; the efficiency review of the supervisory board in 2024; the future sustainability statement in accordance with the ESRS; tax compliance; internal auditing and the effectiveness of the internal control system; IT security; reports on Environment, Safety, Health & Quality and Group Security. In addition to this, the audit committee recommended to the supervisory board that it should commission a voluntary review of the content of the remuneration report.

Furthermore, at all meetings in the reporting period, the audit committee considered the non-audit services performed by the external auditor. The audit committee also regularly met with the auditor without the executive board.

In the reporting period, the **finance and investment committee** concentrated intensively on growth projects and the integration of acquisitions into the Evonik Group (see "Investments, acquisitions, divestments"). Other topics included corporate planning; the macroeconomic environment; safeguarding the energy supply; how the capital markets viewed Evonik; and status reports on projects and topical issues. To reflect the committee's intensive focus on sustainability, it was renamed the investment and sustainability committee from the beginning of 2024.

At its meetings in April and October, the **innovation and research committee** discussed new technologies and their business relevance.

In 2023, the agenda for the **nomination committee** comprised preparing proposals for the election of the shareholder representatives to the supervisory board at the annual shareholders' meeting 2023. The committee selected possible candidates to succeed Prof. Barbara Grunewald, Dr. Volker Trautz, and Ulrich Weber. Its proposal to the supervisory board for their successors comprised Dr. Cornelius Baur, Dr. Christian Kohlpaintner, and Dr. Ariane Reinhart. All other shareholder representatives would stand for election for a further term of office. The supervisory board accepted these proposals and put forward the candidates selected by the nomination committee for election at the annual shareholders' meeting.

In addition to the standard reporting required by law, the supervisory board and its committees made a thorough examination of the situation and development of the Evonik Group and examined and discussed its investments, acquisitions, and divestments.

Performance and situation of the Evonik Group

Fiscal 2023 was adversely affected by geopolitical crises, high energy prices, and global inflation. Regrettably, the global economic upturn predicted for the second half of the year did not occur. In this challenging environment, the Evonik Group registered considerably lower demand, partly due to significant destocking by customers. The Evonik Group's sales fell 17 percent to €15.3 billion as a result of lower volumes, a slight drop in selling prices, and negative currency effects. Adjusted EBITDA decreased by 33 percent to €1.7 billion. As a consequence of the weak business performance, impairment losses on assets totaling €736 million had to be recognized in 2023. The Group therefore made a net income of –€465 million, compared with net income of €540 million in the previous year. Thanks to the clear focus on safeguarding liquidity, the Evonik Group generated a free cash flow of €801 million.

Investments, acquisitions, divestments

The discussions held by the supervisory board and the finance and investment committee focused on the main growth projects, including investment controlling for ongoing projects, and one divestment. The projects considered in particular detail by the supervisory board and the finance and investment committee included:

- Sale of the Lülsdorf site in Germany and the related cyanuric chloride business in Wesseling (Germany)
- Construction and operation of the Lipid Innovation Center in Tippecanoe (Indiana, USA)
- Construction and operation of the gas and steam turbine power plant (power plant VII) in Marl (Germany)
- Acquisition of the Porocel Group, Houston (Texas, USA)
- Construction and operation of a production facility for methionine on Jurong Island (Singapore)
- Construction and operation of a new polyamide 12 production line in Marl (Germany)
- The joint venture with the Wynca Group in China to build a new production facility for fumed silicas in Zhenjiang (China)
- Acquisition of Infinitec Activos SL, Barcelona (Spain)
- Modernization of the production of ROHACELL® in Darmstadt (Germany)
- Expansion of production capacity for hollow fiber membranes at the site in Schörfling (Austria)

Individual disclosure of the attendance at meetings of the supervisory board and its committees T39

	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)	6/6	100	5/5	100	4/4	100			6/6	100	0/0		2/2	100
Alexander Bercht (deputy chairman, from September 1, 2023)	2/2	100	3/3	100	2/2	100					0/0			
Karin Erhard (deputy chairwoman, until August 31, 2023)	1/4	25	1/2	50	2/2	100					0/0			
Martin Albers	6/6	100	5/5	100	4/4	100					0/0			
Prof. Barbara Albert	6/6	100											2/2	100
Dr. Cornelius Baur (from May 31, 2023)	4/4	100			2/2	100								
Prof. Aldo Belloni	6/6	100	4/4	100	2/2	100			1/1	100	0/0		2/2	100
Alexandra Boy (from September 1, 2023)	2/2	100					1/1	100						
Hussin El Moussaoui	6/6	100											2/2	100
Werner Fuhrmann	6/6	100			2/2	100								
Prof. Barbara Grunewald (until May 31, 2023)	2/2	100					2/2	100						
Dr. Christian Kohlpaintner (from May 31, 2023)	4/4	100												
Alexandra Krieger	5/6	83					4/4	100						
Martin Kubessa	6/6	100												
Thomas Meiers (from September 1, 2023)	2/2	100			2/2	100							1/1	100
Cedrik Neike	5/6	83					2/2	100						
Dr. Ariane Reinhart (from May 31, 2023)	4/4	100							1/1	100			1/1	100
Martina Reisch	6/6	100											2/2	100
Gerhard Ribbeheger	6/6	100			4/4	100							1/2	50
Michael Rüdiger	6/6	100			3/4	75	4/4	100						
Dr. Thomas Sauer (until August 31, 2023)	4/4	100					3/3	100						
Gerd Schlengermann	6/6	100					4/4	100						
Harald Sikorski (until August 31, 2023)	4/4	100			2/2	100							1/1	100
Angela Titzrath	5/6	83					4/4	100						
Dr. Volker Trautz (until May 31, 2023)	2/2	100	1/1	100					5/5	100	0/0		1/1	100
Ulrich Weber (until February 20, 2023)	0/0				0/1	0			1/5	20				

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 April 28, 2022. 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 2023, the executive board and supervisory board issued a declaration of conformity, which is published on the company's website at **www.evonik.finance/declaration-on-corporate-governance** and in the declaration on corporate governance **p. 111 ff.**

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. 111 ff.**

The company supports new members of the supervisory board in the performance of their duties. It also 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 the reporting period, the supervisory board members were offered an internal training session lasting several hours on "Digitalization—Process automation as key to the digital transformation," on a choice of three dates in May, June, and November. Owing to the elections for the supervisory board, a total of 21 members took part. Further, an internal training session lasting several hours on sustainability was held for supervisory board members. Here, too, they were offered a choice of two dates, in September and October 2023. This was attended by 19 members of the supervisory board.

In addition to attendance fees, the members of the supervisory board received only fixed remuneration for their work on the supervisory board in the past fiscal year and any membership of committees (see subsection 2 of the remuneration report **www.evonik.finance/remuneration-report**).

There were no consultancy, service, or similar contracts with any members of the company's supervisory board in 2023. 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 (KPMG), Berlin (Germany) has audited the financial statements of Evonik Industries AG as of December 31, 2023, prepared in accordance with the German Commercial Code (HGB), the consolidated financial statements for the Evonik Group based on the International Financial Reporting Standards (IFRS) applicable for use in the EU and the supplementary legal provisions applicable in Germany in accordance with 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 2023, 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 May 31, 2023. 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 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 a limited assurance review 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 combined 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 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 1, 2024.

At its meeting on February 27, 2024, 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. Further, the audit committee requested the auditor to report on its collaboration with Group Audit and the other units involved in risk management, as well as on the effectiveness of the risk identification system with respect to accounting.

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 2023, including the non-financial statement 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 1, 2024.

The auditor took part in the meeting on March 1, 2024 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 agreed with the opinion of the auditor and the audit committee 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 that this system is suitable for timely identification of developments that could represent a threat to the continued existence of the company.

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 of the audit committee, at its meeting on March 1, 2023, the supervisory board accepted the audit findings and approved the annual financial statements of Evonik Industries AG and the consolidated financial statements for the Evonik Group. The annual financial statements for 2023 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 executive board's proposal to the annual shareholders' meeting is that a dividend of €1.17 per share should be paid out of the distributable profit of Evonik Industries AG. The supervisory board considered the executive board's proposal, in particular with a view to the company's expected business performance, the dividend policy, the impact on liquidity and investment plans, including the policy of retaining earnings at subordinated Group companies, and the interests of the shareholders. 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 2023. 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 1, 2024.

The audit committee conducted a thorough examination of these documents at its meeting on February 27, 2024 to prepare for the examination by the full supervisory board and its resolution. The members of the executive board provided detailed explanations of the report on relations with affiliated companies and answered questions about 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 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 1, 2024. 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 ascertained 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 examined the completeness and correctness of the report on relations with affiliated companies. There were no grounds for objection.

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

Ute Wolf stepped down from the executive board at the end of March 31, 2023. She was succeeded by Maike Schuh, who was appointed as a member of the executive board and chief financial officer effective April 1, 2023.

There were changes in both the shareholder representatives and the employee representatives on the supervisory board in 2023. Ulrich Weber, a founding member of the executive board of RAG-Stiftung, who was also a member of the executive board and labor director of RAG Aktiengesellschaft and Evonik Industries AG for many years, passed away on February 20, 2023.

The previous term of office of the supervisory board ended on May 31, 2023. Elections were therefore held for both the shareholder representatives and the employee representatives, resulting in some changes to the composition of the supervisory board.

At the delegates' assembly on March 15, 2023, Martin Albers, Hussin El Moussaoui, Martin Kubessa, Martina Reisch, Gerhard Ribbeheger, and Gerd Schlengermann were elected as representatives of the employees (excluding executives), Dr. Thomas Sauer was elected as the representative of executives, and Karin Erhard, Alexandra Krieger, and Harald Sikorski were elected as representatives of the industrial union.

At the annual shareholders' meeting on May 31, 2023, Prof. Barbara Albert, Dr. Cornelius Baur, Prof. Aldo Belloni, Werner Fuhrmann, Dr. Christian Kohlpaintner, Cedrik Neike, Dr. Ariane Reinhart, Michael Rüdiger, Angela Titzrath, and Bernd Tönjes were elected to the supervisory board as shareholder representatives.

The term of office of the newly elected supervisory board members started at the end of the annual shareholders' meeting on May 31, 2023. At the constitutive meeting of the supervisory board on May 31, 2023, following the annual shareholders meeting, Bernd Tönjes was elected chairman of the supervisory board, Karin Erhard was elected deputy chairwoman, and the committee members were elected.

Karin Erhard, Harald Sikorski, and Dr. Thomas Sauer stepped down from the supervisory board at the end of August 31, 2023. At the company's request, Essen District Court appointed Alexander Bercht and Thomas Meiers to the supervisory board as successors to Karin Erhard and Harald Sikorski, with effect in both cases from September 1, 2023. Alexandra Boy, who had been elected by the delegates' assembly as a substitute member, took over from Dr. Thomas Sauer on the supervisory board effective September 1, 2023. The supervisory board elected Alexander Bercht as deputy chairman, and the membership of the committees was altered.

The supervisory board would like to thank the members who have left for their long-standing and committed work 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 during the past year.

The supervisory board adopted this report at its meeting on March 1, 2024, in accordance with section 171 paragraph 2 of the German Stock Corporation Act (AktG).

Essen, March 1, 2024

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 23 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 April 28, 2022. 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 2022 and the update of March 2023, the company has complied with the recommendations of the German Corporate Governance Code in the version dated April 28, 2022, which was published in the Federal Gazette on June 27, 2022, with the following exceptions, and will continue to do so in the future.

According to recommendation B.3, the first-time appointment of management board members should be for a period of not more than three years. The company's supervisory board does not consider this fixed limit to be expedient; rather, within the legally defined limits, the appropriate term for first-time appointments should be based on the circumstances of the individual case. In particular, the individual qualifications and experience of the person to be appointed to the executive board should be taken into account, including, for example, those acquired through long-term management positions at the company.

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

[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.

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.

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, has also been chairman of the supervisory board of Borussia Dortmund GmbH & Co. KGaA since September 25, 2021. He 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 exercising 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 2023

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. 111 f.

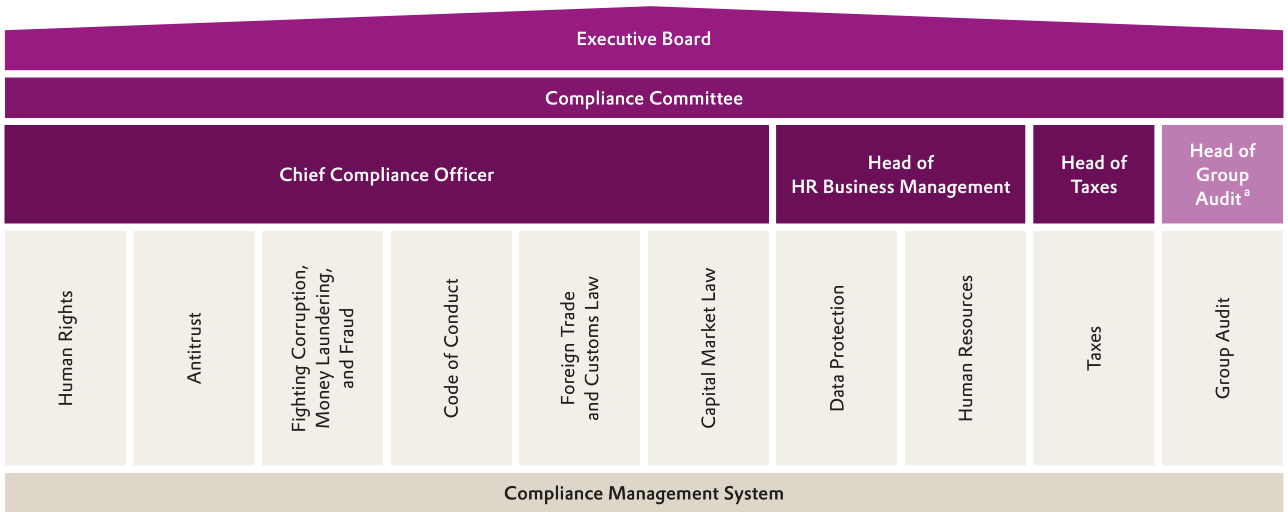
Compliance

Evonik understands compliance as all activities to ensure that the conduct of the company by its governance bodies and its employees respects 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. Failure to observe the applicable laws and regulations in these areas leads to substantial risks for the company, its legal representatives, and holders of protected legal positions. To ensure a risk-based

House of Compliance C38



[a] Advisory role.

approach and take account of similarities between topics, the areas covered by the House of Compliance therefore comprise antitrust law, fighting corruption, money laundering, and fraud, as well as the code of conduct, foreign trade and customs law, capital market law, data protection, taxes, human resources, and, since 2022, human rights. Group Audit has an advisory role. Environment, safety, health, and quality, including compliance-related aspects, are also very important topics and 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 (CMS) 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, efficacy, and continuous improvement of the CMS for the compliance topics allocated to them.

For information relating to principle 5 of the German Corporate Governance Code on the fundamental aspects of the CMS and its topics, please refer to the above presentation. There are no indications that the CMS for the compliance issues bundled in the House of Compliance are not appropriate or effective in all key respects. The necessary elements of the CMS are structured and implemented throughout the Evonik Group on a risk-oriented basis, reflecting the content required by the standards for the respective issue. By and large, the established standards and processes are put into practice in the company. Regular efficacy checks identify individual weak points relating to specific aspects, and suitable measures to remedy them are integrated into a continuous improvement process. In the same way, the CMS is adapted and aligned to changes in the basic framework (for example, due to changes in the relevant legislation or internal

Compliance management system (CMS) C39

requirements or policies) and the actual circumstances (for example, due to changes in (corporate) structures or business models).

The establishment of the CMS for human rights has largely been completed. The standards, processes, and measures are being implemented in the company's own area of business and by its suppliers. The efficacy checks are being performed successively on the established CMS elements but do not yet fully cover all aspects.

The compliance issues and the appropriateness and efficacy of the relevant CMS are examined at regular intervals through internal and external audits. Here are some examples:

- External audit of fighting corruption based on audit standard IDW PS 980 (KPMG, 2020)
- Internal audit of the anti-money laundering measures (Group Audit, 2022)
- Internal audit of antitrust law (Group Audit)
- External readiness check in the area of data protection based on IDW PS 980 (Luther law firm, 2022)
- External readiness check on the German supply chain legislation (KPMG, 2022)
- External audit of the tax CMS of Evonik Industries AG and other Group companies in Germany covering the areas of income tax, wage tax, value-added tax, transfer pricing, and withholding tax pursuant to IDW PS 980 (KPMG, 2023/2024)
- Internal audit of the tax CMS (Group Audit, 2021)
- Regular internal audits of internal export controls
- Official audits of customs and export control processes in connection with export permit processes, customs and foreign trade audits, and certification as an "Authorized Economic Operator" (AEO)
- Inspection of chemical weapons controls by the Organisation for the Prohibition of Chemical Weapons (OPCW)

The above comments on the CMS are based on self-assessments by the relevant functional areas, which are prepared in good faith on the basis, in particular, of the references cited.

Further information on Evonik's CMS 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.media/sustainability-report**

Sustainability

During the year, the executive board and supervisory board examine aspects of economic, ecological, and social sustainability from various perspectives. These include, for example, aspects relating to portfolio transformation, the environment, and safety. Sustainability was also one of the main topics at the supervisory board's strategy meeting in September 2023. For many years, the development of accident frequency and severity has been reflected in the executive board's short-term variable remuneration as a performance-related component. Since 2023, the remuneration system has included further sustainability targets in the areas of strategy/portfolio, the efficiency of cost structures, and corporate culture. Extensive information on sustainability can be found in the sustainability section of the combined management report **p. 50 ff.** and the sustainability report.
www.evonik.media/sustainability-report

Transparency

Evonik regards timely and equal public disclosure of information as a key basis of good corporate governance. Evonik provides extensive information in German and English on its website. This includes our financial calendar, which provides a convenient overview of important dates. **www.evonik.finance/investor-relations**

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.finance/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.finance/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. 111 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 (CMS) 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 2023, 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 p. 103 ff. contains details of the relevant transactions in the reporting period.

The composition of the executive board and membership of supervisory boards and similar governance bodies are outlined in the further information on corporate officers p. 121 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.

No former executive board members have seats on 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 2023.

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 making 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 in 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 Mr. Tönjes' position as chairman of the executive board of RAG-Stiftung does not constitute a conflict of interests with regard to the work of the supervisory board that would counteract his 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 by the supervisory board as independent members are: Bernd Tönjes, Prof. Barbara Albert, Dr. Cornelius Baur, Prof. Aldo Belloni, Werner Fuhrmann, Dr. Christian Kohlpaintner, Cedrik Neike, Dr. Ariane Reinhart, Michael Rüdiger, and Angela Titzrath.

The financial experts within the meaning of section 100 paragraph 5 of the German Stock Corporation Act (AktG) and recommendation D.3 of the German Corporate Governance Code are Ms. Angela Titzrath (auditing expertise) and Mr. Michael Rüdiger (accounting expertise). In addition to their academic qualifications, both have acquired the necessary knowledge and experience for this through their professional careers, especially as members of executive boards of large companies and their work on a variety of supervisory bodies. As a former executive board member at large companies and chairwoman of the executive board of a listed company, Ms. Angela Titzrath has extensive experience in the area of auditing. For a number of years, she has also been intensively engaged in the preparation and review of sustainability reports. Through his former role in the area of internal auditing, Mr. Michael Rüdiger has many years' experience in the field of finance and special knowledge

[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).

and experience in the application of accounting policies and of internal control and risk management systems. As a member of the audit committee at another listed company, Mr. Michael Rüdiger is intensively involved in auditing, including the auditing of sustainability reporting. Moreover, as members of the audit committee of Evonik Industries AG, Ms. Angela Titzrath and Mr. Michael Rüdiger are continuously involved in these fields. Furthermore, as chairman of this committee, outside of its meetings, Mr. Michael Rüdiger is in contact with the external auditors, the executive board, and the heads of the relevant functions.

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. Proposals for the election of supervisory board members are 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. 119.

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

Profile of skills and expertise required of the supervisory board T40

	International experience	Knowledge of business administration	Experience in human resources and social issues	Scientific knowledge (especially of the chemical sector)	Experience in corporate management	Experience in ecological and social sustainability	Technological knowledge (including digitalization and information technology)
Bernd Tönjes		x	x		x	x	x
Alexander Bercht		x	x		x		
Martin Albers		x	x				
Prof. Barbara Albert	x			x	x	x	x
Dr. Cornelius Baur	x	x	x		x	x	x
Prof. Aldo Belloni	x	x	x	x	x	x	
Alexandra Boy		x	x		x		
Hussin El Moussaoui			x				
Werner Fuhrmann	x	x	x	x	x	x	
Dr. Christian Kohlpaintner	x	x	x	x	x	x	
Alexandra Krieger		x	x				
Martin Kubessa			x	x			
Thomas Meiers		x	x		x		x
Cedrik Neike	x	x	x		x	x	x
Dr. Ariane Reinhart	x	x	x		x	x	x
Martina Reisch		x	x		x		x
Gerhard Ribbeheger			x				x
Michael Rüdiger	x	x	x		x	x	
Gerd Schlengermann			x				
Angela Titzrath	x	x	x		x	x	x

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 makes 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 makes 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), Alexander Bercht (deputy chairman), Martin Albers, Prof. Aldo Belloni.

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 makes 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 year financial 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), Alexandra Krieger (deputy chairwoman), Alexandra Boy, Cedrik Neike, Gerd Schlengermann, Angela Titzrath.

The **finance and investment committee** has eight members. In 2023, the supervisory board resolved that this committee should also address aspects of sustainability. Effective January 1, 2024, it was therefore renamed the investment and sustainability committee. The committee's work covers aspects of corporate finance, investment planning, and sustainability. 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 makes decisions on the assumption of guarantees and sureties for credits exceeding €50 million and on investments in companies of more than €100 million. **Members:** Werner Fuhrmann (chairman), Alexander Bercht (deputy chairman), Martin Albers, Dr. Cornelius Baur, Thomas Meiers, Gerhard Ribbeheger, Michael Rüdiger, Bernd Tönjes.

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), Thomas Meiers (deputy chairman), Prof. Aldo Belloni, Hussin El Moussaoui, Dr. Ariane Reinhart, Martina Reisch, Gerhard Ribbeheger, Bernd Tönjes.

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), Prof. Aldo Belloni, Dr. Ariane Reinhart.

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), Alexander Bercht (deputy chairman), Martin Albers, Prof. Aldo Belloni.

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. 103 ff. The report of the supervisory board also outlines the composition of the various committees and the meetings attended by members of the supervisory board. The composition of the supervisory board and membership of supervisory boards and similar governance bodies are outlined in the further information on corporate officers p. 121 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 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.finance/investor-relations (Corporate Governance/Directors' Dealings)**

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 of whom represent the shareholders, and three of whom represent the workforce. For the proportion of women on the executive board, the supervisory board has set a target of at least 25 percent (which is equivalent to one woman as the executive board currently has four members), with a deadline for achieving this of June 30, 2027. The executive board comprises one woman and three men. The executive board therefore also meets the 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 2023, the proportion of female managers was 38.5 percent at the first management level and 33.3 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 provisions 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. 114 ff. Most of the requirements contained in 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 chairman of 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 of 68 years 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 May 31, 2023 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 2023. 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 May 31, 2023, KPMG also reviewed the half year financial report in fiscal 2023.

5. Internal control system and risk management

Evonik's internal control system (ICS) covers the entire organization and is designed to safeguard the functioning and cost-efficiency of business processes, the reliability of business information, protect assets, and ensure compliance with regulations (COSO). The individual controls are based on the principles of transparency (in other words, comparison with the target process), double-checking, separation of functions, and the need-to-know basis. The ICS for each process is defined centrally using a uniform process classification and applied on a decentralized basis throughout the Evonik Group. A defined procedure involving the heads of the process design groups (PDG) or process expert groups (PEG), the process/function owners, and the risk coordinators ensures that process and organizational risks can be ruled out in all organizational units. In close alignment with risk management, all units within the Evonik Group conduct a self-assessment to evaluate whether there are any process and organizational risks and estimate whether these could impact the effectiveness of Evonik's ICS. Experts regularly update and optimize the ICS. Oversight is based on three elements: risk management, Group Audit, and external auditors. Group Audit uses randomized audits to assess the appropriateness and effectiveness of the ICS and the risk management system (RMS). The Evonik Group's RMS, including the ICS relating to the accounting process, is described in the opportunity and risk report p. 86 ff. in the combined management report. The randomized audits performed by Group Audit in 2023 did not identify any systematic weaknesses in the ICS or RMS, nor are there any indications that the ICS and RMS are not, in all material respects, appropriate and effective.

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.finance/remuneration-report.** To meet the 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.finance/remunerationsystem-executiveboard** and **www.evonik.finance/remunerationsystem-supervisoryboard.** In addition, the remuneration report and the auditor's report can be viewed at **www.evonik.finance/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)
b) • DEKRA e. V.

Alexander Bercht, Berlin
(since September 1, 2023)

Deputy Chairman of the Supervisory Board

Member of the Central Board of Executive Directors of the IGBCE

a) • Vivawest GmbH
• Vivawest Wohnen GmbH
• Sandoz Deutschland GmbH

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

Chairman of the Works Council of the jointly operated Essen campus

b) • Board of Trustees of RAG-Stiftung

Prof. Barbara Albert, Darmstadt
Rector of the University of Duisburg-Essen

a) • Schunk GmbH
• Essen University Hospital

Dr. Cornelius Baur, Munich
(since May 31, 2023)

Chief Executive Officer of European Healthcare Acquisition and Growth Company B.V.

a) • CTS Eventim AG & Co. KGaA
• Eventim Management AG

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

b) • AviComp Controls GmbH

Alexandra Boy, Solingen
(since September 1, 2023)

Head of Site Communications Marl Chemical Park, Herne, Witten

Chairwoman of the Executive Staff Council of the Evonik Group

Chairwoman of the Executive Staff Council of the site in Marl

Hussin El Moussaoui, Arnstein
Deputy Chairman of the General Works Council of Evonik Industries AG

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

Werner Fuhrmann, Gronau
Former member of the Executive Committee of Akzo Nobel N.V.

b) • Kemira Oyj, Helsinki (Finland)
• Ten Brinke B.V., Varsseveld (Netherlands)

Dr. Christian Kohlpaintner, Ingelheim
(since May 31, 2023)

Chief Executive Officer of Brenntag SE

Alexandra Krieger, Langenhagen
Secretary to the Board of Executive Directors and Head of Controlling at the IGBCE

a) • AbbVie Komplementär GmbH

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

Thomas Meiers, Cologne
(since September 1, 2023)

District Director, IGBCE Westfalen

a) • Ineos Deutschland Holding GmbH
• Ineos Köln GmbH
• Currenta GmbH & Co. OHG
b) • Ruhrfestspiele Recklinghausen GmbH (since September 1, 2023)

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

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

Dr. Ariane Reinhart, Glücksburg
(since May 31, 2023)

Member of the Executive Board and Director of Labor Relations of Continental Aktiengesellschaft

a) • Vonovia SE

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

Gerhard Ribbeheger, Haltern am See
Deputy Chairman of the General Works Council of Evonik Industries AG

b) • PEAG Holding GmbH

Michael Rüdiger, Utting am Ammersee
Independent management consultant

a) • BlackRock Asset Management Deutschland AG (Chair)
• Deutsche Börse AG

b) • BlackRock Asset Management Schweiz AG, Zurich (Switzerland)

Gerd Schlengermann, Bornheim
Chairman of the Works Council of the jointly operated Wesseling site and member of the General Works Council of Evonik Industries AG

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

a) • Deutsche Lufthansa AG
• HDI Haftpflichtverband der Deutschen Industrie VVaG
• Talanx AG

b) • Metrans a.s., Prague (Czech Republic)

The following members left the supervisory board in 2023:

Karin Erhard, Hanover
(until August 31, 2023)

Deputy Chairwoman of the Supervisory Board (until August 31, 2023)

Member of the Central Board of Executive Directors of the IGBCE (until August 31, 2023)

a) • 50Hertz Transmission GmbH (until August 31, 2023)

Prof. Barbara Grunewald, Bonn
(until May 31, 2023)

Emeritus Professor of Civil Law and Commercial Law at the University of Cologne

Dr. Thomas Sauer, Bad Homburg
(until August 31, 2023)

Chairman of the Executive Staff Council of the Evonik Group

Harald Sikorski, Munich
(until August 31, 2023)

District Director, IGBCE Westfalen (until February 28, 2023)

a) • RAG Aktiengesellschaft
• Vivawest GmbH
• Vivawest Wohnen GmbH

b) • Gesellschaft zur Sicherung von Bergmannswohnungen mbH
• Ruhrfestspiele Recklinghausen GmbH (until August 31, 2023)

Dr. Volker Trautz, Munich
(until May 31, 2023)

Former Chairman of the Executive Board of LyondellBasell Industries

b) • CERONA Companhia de Energia Renovável, São Paulo (Brazil)

Ulrich Weber, Krefeld
(† February 20, 2023)

Former member of the Executive Board, Human Resources & Law, Deutsche Bahn AG

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)

Dr. Harald Schwager, Speyer
Deputy Chairman of the Executive Board
a) • Evonik Operations GmbH (Chair)
• Currenta Geschäftsführungs-GmbH
b) • DEKRA e. V.
• KSB Management SE

Maike Schuh, Krefeld
(since April 1, 2023)
Chief Financial Officer
a) • Pensionskasse Degussa VVaG

Thomas Wessel, Recklinghausen
Chief Human Resources Officer and Labor Relations Director
a) • Evonik Operations GmbH
• Pensionskasse Degussa VVaG (Chair since June 14, 2023)
• Vivawest GmbH
• Vivawest Wohnen GmbH
b) • Gesellschaft zur Sicherung von Bergmannswohnungen mbH

The following member left the executive board in 2023:

Ute Wolf, Düsseldorf
(until March 31, 2023)
Former Chief Financial Officer
a) • DWS Group GmbH & Co. KGaA
• Klöckner & Co. SE
• Pensionskasse Degussa VVaG (until March 31, 2023)
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, 2023, 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. 210,316 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 to 10 percent of the company's capital stock. Together with other

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

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 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 25, 2022 adopted an amendment to section 4 paragraph 6 of the articles of incorporation authorizing the executive board until May 24, 2027, subject to the approval of the supervisory board, to increase the company's capital stock by up to €116,500,000 (authorized capital 2022). 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 25, 2022 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 from the authorized capital 2022. The authorized capital has not yet been utilized.

In connection with the authorization of May 25, 2022 to issue convertible and/or warrant bonds with a nominal value of up to €1.25 billion up to May 24, 2027, the capital stock is conditionally increased by a further €37,280,000 (conditional capital 2022). 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 25, 2022, 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. This 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 within the meaning of section 30 paragraph 2 of the German Securities Acquisition and Takeover Act (WpÜG) directly or indirectly acquire(s) more than 50 percent of the voting rights in Evonik Industries AG.

- In 2022, the company agreed on a €1.75 billion syndicated credit facility with its core banks; this had not been drawn as of December 31, 2023. In the event of a change of control resulting from a takeover bid, these banks could withdraw the credit facility.
- The company has bilateral credit facilities totaling €800 million with five core banks (“the lenders”) for general funding of working capital, which had not been drawn as of December 31, 2023. In the event of a change of control resulting from a takeover bid, these banks could withdraw the credit facility.
- The company has a debt issuance program to place bonds with a total volume of up to €5 billion. By December 31, 2023, 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.
- 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.

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.

CONSOLIDATED FINANCIAL STATEMENTS

Income statement

T41

in € million	Note	2022	2023
Sales	5.1	18,488	15,267
Cost of sales	5.2	−14,257	−12,567
Gross profit on sales		**4,231**	**2,700**
Selling expenses	5.2	−2,035	−1,836
Research and development expenses	5.2	−460	−443
General administrative expenses	5.2	−554	−488
Other operating income	5.3	358	226
Other operating expense	5.3	−610	−412
Result from investments recognized at equity	5.4	12	10
Income before financial result and income taxes, continuing operations (EBIT)	5.5	**942**	**−243**
Interest income		144	117
Interest expense		−122	−244
Other financial income/expense		−41	19
Financial result	5.6	**−19**	**−108**
Income before income taxes, continuing operations		**923**	**−351**
Income taxes	5.7	−369	−101
Income after taxes, continuing operations		**554**	**−452**
Income after taxes, discontinued operations		1	–
Income after taxes	5.8	**555**	**−452**
thereof attributable to non-controlling interests		15	13
thereof attributable to shareholders of Evonik Industries AG (net income)		540	−465
Earnings per share in € (basic and diluted)	5.9	**1.16**	**−1.00**
thereof continuing operations		1.16	−1.00
thereof discontinued operations		0.00	0.00

Statement of comprehensive income

T42

in € million	Note	2022	2023
Income after taxes		**555**	**−452**
Unrealized amounts from hedging instruments: designated risk components	9.4.3	−89	−168
Realized amounts from hedging instruments reclassified to profit or loss: designated risk components	9.4.3	87	−23
Deferred taxes on hedging instruments: designated risk components	9.4.3	1	41
Unrealized amounts from hedging components: cost of hedging	9.4.3	−15	3
Realized amounts from hedging instruments reclassified to profit or loss: cost of hedging	9.4.3	13	9
Deferred taxes on hedging instruments: cost of hedging	9.4.3	1	−2
Other comprehensive income from currency translation	6.4	291	−243
Other comprehensive income from currency translation of investments recognized at equity	6.4	2	−4
Other comprehensive income that can be reclassified		**291**	**−387**
Other comprehensive income from the remeasurement of the net defined benefit liability	6.10	2,426	−536
Deferred taxes from the remeasurement of the net defined benefit liability	6.10	−838	−244
Other comprehensive income from equity instruments measured at fair value through OCI	9.4.1, 9.4.2	−200	50
Other comprehensive income that cannot be reclassified		**1,388**	**−730**
Other comprehensive income after taxes		**1,679**	**−1,117**
Total comprehensive income		**2,234**	**−1,569**
thereof attributable to non-controlling interests		14	7
thereof attributable to shareholders of Evonik Industries AG		2,220	−1,576

Balance sheet

T43

in € million	Note	Dec. 31, 2022	Dec. 31, 2023
Goodwill	6.1, 6.5	4,568	4,581
Other intangible assets	6.1, 6.5	1,142	944
Property, plant and equipment	6.2, 6.5	6,962	6,294
Right-of-use assets	6.3	972	965
Investments recognized at equity	6.4, 6.5	88	52
Other financial assets	6.6	441	460
Deferred taxes	6.14	890	642
Other income tax assets	6.14	19	20
Other non-financial assets	6.8	64	78
Non-current assets		**15,146**	**14,036**
Inventories	6.7	2,820	2,349
Trade accounts receivable	6.6	1,898	1,607
Other financial assets	6.6	610	381
Other income tax assets	6.14	98	209
Other non-financial assets	6.8	517	373
Cash and cash equivalents	6.6, 7	645	749
		6,588	**5,668**
Assets held for sale	4.3	76	236
Current assets		**6,664**	**5,904**
Total assets		**21,810**	**19,940**

Prior-year figures restated.

in € million	Note	Dec. 31, 2022	Dec. 31, 2023
Issued capital		466	466
Capital reserve		1,168	1,168
Retained earnings		9,345	7,555
Other equity components		–5	–279
Equity attributable to shareholders of Evonik Industries AG		**10,974**	**8,910**
Equity attributable to non-controlling interests		82	76
Equity	6.9	**11,056**	**8,986**
Provisions for pensions and other post-employment benefits	6.10	1,359	1,858
Other provisions	6.11	542	517
Other financial liabilities	6.12	4,117	3,502
Deferred taxes	6.14	661	608
Other income tax liabilities	6.14	246	268
Other non-financial liabilities	6.13	182	153
Non-current liabilities		**7,107**	**6,906**
Other provisions	6.11	732	606
Trade accounts payable	6.12	1,735	1,521
Other financial liabilities	6.12	447	1,153
Other income tax liabilities	6.14	189	124
Other non-financial liabilities	6.13	483	457
		3,586	**3,861**
Liabilities associated with assets held for sale	4.3	61	187
Current liabilities		**3,647**	**4,048**
Total equity and liabilities		**21,810**	**19,940**

Prior-year figures restated.

Statement of changes in equity

Note 6.9

T44

in € million	Issued capital	Capital reserve	Retained earnings	Other equity components: Equity instruments at fair value through OCI	Other equity components: Hedging instruments: designated risk components	Other equity components: Hedging instruments: cost of hedging	Other equity components: Currency translation	**Equity attributable to shareholders of Evonik Industries AG**	Equity attributable to non-controlling interests	**Total equity**
As of January 1, 2022	**466**	**1,168**	**7,767**	**38**	**–34**	**–**	**–116**	**9,289**	**83**	**9,372**
Capital increases/decreases	–	–	–	–	–	–	–	–	–	–
Dividend distribution	–	–	–545	–	–	–	–	–545	–12	–557
Changes in ownership interests in subsidiaries without loss of control	–	–	–2	–	–	–	–	–2	–3	–5
Income after taxes	–	–	540	–	–	–	–	540	15	555
Other comprehensive income after taxes	–	–	1,588	–200	–1	–1	294	1,680	–1	1,679
Total comprehensive income	–	–	2,128	–200	–1	–1	294	2,220	14	2,234
Offset against the cost of acquisition (cash flow hedges)	–	–	–	–	15	–	–	15	–	15
Other changes	–	–	–3	–	–	–	–	–3	–	–3
As of December 31, 2022	**466**	**1,168**	**9,345**	**–162**	**–20**	**–1**	**178**	**10,974**	**82**	**11,056**
Capital increases/decreases	–	–	–	–	–	–	–	–	–	–
Dividend distribution	–	–	–545	–	–	–	–	–545	–10	–555
Changes in ownership interests in subsidiaries without loss of control	–	–	–	–	–	–	–	–	–	–
Income after taxes	–	–	–465	–	–	–	–	–465	13	–452
Other comprehensive income after taxes	–	–	–780	50	–150	10	–241	–1,111	–6	–1,117
Total comprehensive income	–	–	–1,245	50	–150	10	–241	–1,576	7	–1,569
Offset against the cost of acquisition (cash flow hedges)	–	–	–	–	57	–	–	57	–	57
Other changes	–	–	–	–	–	–	–	–	–3	–3
As of December 31, 2023	**466**	**1,168**	**7,555**	**–112**	**–113**	**9**	**–63**	**8,910**	**76**	**8,986**

Cash flow statement

Note 7

T45

in € million	2022	2023
Income before financial result and income taxes, continuing operations (EBIT)	942	–243
Depreciation, amortization, impairment losses/reversal of impairment losses on non-current assets	1,568	1,841
Result from investments recognized at equity	–12	–10
Gains/losses on the disposal of non-current assets	–50	–1
Change in inventories	–270	310
Change in trade accounts receivable	42	105
Change in trade accounts payable	–257	–157
Change in provisions for pensions and other post-employment benefits	–19	–55
Change in other provisions	–149	–141
Change in miscellaneous assets/liabilities	10	152
Cash inflows from dividends	19	25
Cash outflows for income taxes	–353	–292
Cash inflows from income taxes	179	60
Cash flow from operating activities, continuing operations	**1,650**	**1,594**
Cash outflows for investments in intangible assets, property, plant and equipment	–865	–793
Cash outflows to obtain control of businesses	–1	–76
Cash outflows relating to the loss of control over businesses	–	–32
Cash outflows for investments in other shareholdings	–26	–5
Cash inflows from divestments of intangible assets, property, plant and equipment	5	15
Cash inflows relating to the loss of control over businesses	97	43
Cash inflows from divestment of other shareholdings	–	2
Cash inflows/outflows relating to securities, deposits, and loans	–3	161
Cash inflows from interest	16	32
Cash flow from investing activities, continuing operations	**–777**	**–653**
Cash outflows for dividends to shareholders of Evonik Industries AG	–545	–545
Cash outflows for dividends to non-controlling interests	–13	–10
Cash outflows due to changes in ownership interests in subsidiaries	–5	–
Cash outflows for the purchase of treasury shares	–16	–16
Cash inflows from the sale of treasury shares	12	12
Cash inflows from the addition of financial liabilities	1,649	716
Cash outflows for repayment of financial liabilities	–1,577	–893
Cash inflows/outflows in connection with financial transactions	–104	12
Cash outflows for interest	–73	–99
Cash flow from financing activities, continuing operations	**–672**	**–823**
Change in cash and cash equivalents	**201**	**118**
Cash and cash equivalents as of January 1	**456**	**645**
Change in cash and cash equivalents	201	118
Changes in exchange rates and other changes in cash and cash equivalents	–12	–14
Cash and cash equivalents as on the balance sheet as of December 31	**645**	**749**

Notes to the consolidated financial statements

1. Segment report

Segment report by operating segments Note 8.1

T46

	Specialty Additives		Nutrition & Care		Smart Materials		Performance Materials		Technology & Infrastructure		Enabling functions, other activities, consolidation		**Total Group (continuing operations)**	
in € million	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**
External sales	4,184	3,520	4,237	3,611	5,240	4,461	3,253	2,549	1,508	1,073	66	53	18,488	15,267
Internal sales	7	4	11	9	89	103	201	317	1,709	1,926	−2,017	−2,359	–	–
Total sales	4,191	3,524	4,248	3,620	5,329	4,564	3,454	2,866	3,217	2,999	−1,951	−2,306	18,488	15,267
Result from investments recognized at equity	2	2	–	–	7	6	–	–	3	2	–	–	12	10
Adjusted EBITDA	946	673	677	389	743	540	350	111	86	217	−312	−274	2,490	1,656
Adjusted EBITDA margin in %	22.6	19.1	16.0	10.8	14.2	12.1	10.8	4.4	5.7	20.2	–	–	13.5	10.8
Adjusted EBIT	753	489	405	147	416	181	225	4	−53	52	−396	−352	1,350	521
Capital employed (annual average)	4,631	4,403	4,286	3,970	5,109	5,010	1,158	741	926	1,087	82	195	16,192	15,406
ROCE in %	16.3	11.1	9.4	3.7	8.1	3.6	19.4	0.5	−5.7	4.8	–	–	8.3	3.4
Depreciation and amortization[a]	−190	−183	−266	−235	−316	−353	−125	−102	−121	−147	−82	−79	−1,100	−1,099
Impairment losses/reversal of impairment losses pursuant to IAS 36	−4	−2	−42	−315	−14	−138	−371	−1	−20	−17	−2	–	−453	−473
Capital expenditures[b]	106	124	243	311	266	236	60	35	120	101	61	53	856	860
Financial investments	–	–	3	30	17	50	–	–	–	–	28	9	48	89
No. of employees as of December 31	3,824	3,492	5,690	5,630	8,011	8,103	1,951	1,738	8,367	8,197	6,186	6,249	34,029	33,409

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

T47

	Europe, Middle East & Africa		North America		Central & South America		Asia-Pacific		Total Group (continuing operations)	
in € million	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
External sales[a]	9,360	7,497	4,392	3,845	952	760	3,784	3,165	18,488	15,267
Non-current assets in accordance with IFRS 8 as of December 31	7,520	7,113	4,374	4,121	141	158	1,761	1,521	13,796	12,913
Capital expenditures	569	474	203	242	9	7	75	137	856	860
No. of employees as of December 31	23,040	22,480	4,987	5,039	725	768	5,277	5,122	34,029	33,409

[a] External sales Europe, Middle East & Africa: thereof Germany €2,591 million (2022: €2,904 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 accounting policies

The consolidated financial statements cover the period from January 1 to December 31, 2023 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. 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.

The accounting policies applied 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 p. 135 or in the relevant notes.

3.3 Estimation uncertainties and use of judgment

The preparation of the consolidated financial statements involves making judgments as well as the use of assumptions and estimates about the future. The subsequent circumstances may differ from these estimates. Adjustments to estimates are recognized prospectively in income as soon as better information is available. We regularly review our assumptions and estimates to identify any need for adjustment.

The decisions involving judgments about the application of accounting standards that have a material impact on the amounts recognized in the financial statements are as follows:

Material decisions involving judgment T48

Topic	Note	Use of judgment
Scope of consolidation	3.7	Determination of whether control is exercised, even if less than half of the voting rights are held
Assets held for sale and discontinued operations	4.3	Determination of when a non-current asset or a disposal group meets the criteria for classification as held for sale
Impairment testing	6.5	Identification and definition of cash-generating units, especially as there may be integrated structures comprising various, possibly cross-regional, production facilities and sites
Leases	9.2	Determination of whether it is reasonably certain that extension options will be exercised when determining lease terms
Financial instruments	9.4	Application of classification and derecognition criteria for financial liabilities

The assumptions and estimation uncertainties that may entail a considerable risk that a material adjustment of the carrying amounts of assets and liabilities could be necessary within the next fiscal year are as follows:

Estimation uncertainties and the use of judgment T49

Topic	Note	Assumptions and estimation uncertainties
Impairment testing	6.5	Material assumptions used in impairment testing to determine the recoverable amount of goodwill, other intangible assets, property, plant and equipment, and right-of-use assets
Provisions for pensions and other post-employment benefits	6.10	Definition of the material actuarial assumptions for the valuation of defined benefit obligations
Other provisions and contingent liabilities	6.11 and 9.6	Material assumptions on the probability and extent of an outflow of resources in the recognition and measurement of provisions and contingent liabilities
Financial instruments	9.4	Determination of the fair value of unlisted equity instruments based on material non-observable inputs

3.4 Accounting standards to be applied for the first time

Accounting standards to be applied for the first time T50

Standard/ Interpretation	Title of the standard/interpretation or amendment	Mandatory application as per IASB	Mandatory application as per EU
IFRS 17	Insurance Contracts (initial application, various amendments, and IFRS 9—comparative information)	Jan. 1, 2023	Jan. 1, 2023
IAS 1 und IFRS Practice Statement 2	Presentation of Financial Statements (amendments relating to disclosure of accounting policies)	Jan. 1, 2023	Jan. 1, 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (amendments relating to accounting estimates)	Jan. 1, 2023	Jan. 1, 2023
IAS 12	Income Taxes (amendments relating to deferred taxes on leases and decommissioning obligations)	Jan. 1, 2023	Jan. 1, 2023
IAS 12	Income Taxes (International Tax Reform—Pillar Two Model Rules)	Jan. 1, 2023	May 23, 2023 and Jan. 1, 2023

These accounting standards, which have to be applied for the first time, have no material impact on the assets, liabilities, financial position, or results of operations of the Evonik Group or on the scope of the notes to the consolidated financial statements.

3.5 Restatement of prior-year figures

Restatement on the balance sheet

Certain **customer and supplier relationships** were restated retrospectively as of December 31, 2023 to improve the transparency of the financial position. The changes relate to supplier credit receivables and customer credit liabilities, which were previously recognized in other non-financial assets and liabilities and are now recognized in other financial assets and liabilities.

Retrospective restatement of customer credit receivables and supplier credit liabilities—fiscal 2022 T51

in € million	Restatement
Other financial assets—current	29
Other non-financial assets—current	–29
Other financial liabilities—current	18
Other non-financial liabilities—current	–18

As a result of a corresponding change in the definition of net financial debt (see section 2.8 p. 38 ff. in the combined management report), this indicator was not affected by this change.

Restatement in the segment report

As of January 1, 2023, the executive board integrated the **alkoxides business,** which had previously been part of the Performance Materials division, into the Smart Materials division. Alkoxides are mainly used as homogeneous catalysts in the production of biodiesel. They are also used in syntheses in the pharmaceutical and agrochemicals industry. They complement the division's portfolio of catalysts. The prior-year figures have been restated.

Retrospective reclassification of the alkoxides business—fiscal 2022 T52

in € million	Smart Materials	Performance Materials
External sales	407	–407
Internal sales	7	–7
Total sales	414	–414
Adjusted EBITDA	59	–59
Adjusted EBIT	49	–49

Changes in the notes to the income statement

To provide a better insight into the earnings position, as of December 31, 2023, the presentation of **restructuring-related income and expenses** within income before financial result and income taxes was revised. A narrower definition has been applied, so impairment losses/reversal of impairment losses are no longer included in income and expenses relating to restructuring measures, even if they relate to a restructuring project. This affects the disclosures in notes 5.3 p. 145 f. and 5.5 p. 147 f.

The change does not affect the total amount of the function costs or other operating income and expense. The prior-year figures have been restated. These changes correlate with the retrospective change in the definition of the adjustment categories used in the combined management report. The aim was to reduce overlaps between the categories and avoid confusion with terms used in the notes to the IFRS statements that are similar but defined differently. This affects the disclosures in note 8.3 p. 178 ff.

Within other operating income, this increased **income from government grants** by €3 million and reduced other operating income by the same amount. The prior-year figures have been restated.

Changes in the notes to the balance sheet

Furthermore, a change was made to the presentation of **non-financial assets and liabilities relating to other taxes and to employees.** This increased receivables from other taxes by €29 million and decreased receivables from employees by €1 million. The countereffect was a decrease of €28 million in miscellaneous other non-financial assets. Liabilities relating to other taxes decreased by €22 million, and liabilities to employees increased by €68 million; the countereffect was a reduction of €46 million in the miscellaneous other non-financial liabilities. The prior-year figures have been restated.

Within other financial liabilities, the **interest accrual** of €8 million **for the payment of coupons on bonds,** which was previously presented in loans from non-banks, is now presented in current bonds. 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 2023 or have not yet been officially adopted by the European Union.

Accounting standards that are not yet mandatory T53

Standard/ Interpretation	Title of the standard/interpretation or amendment	Mandatory application as per IASB	Mandatory application as per EU
Officially adopted by the EU			
IFRS 16	Leases (clarification of the subsequent recognition of sale-and-leaseback transactions by a seller-lessee)	Jan. 1, 2024	Jan. 1, 2024
IAS 1	Presentation of Financial Statements (clarification of the classification of liabilities as current or non-current)	Jan. 1, 2024	Jan. 1, 2024
IAS 1	Presentation of Financial Statements (clarification of the classification of liabilities as current or non-current)—deferral of the effective date	Jan. 1, 2024	Jan. 1, 2024
IAS 1	Presentation of Financial Statements (clarification of the classification of liabilities with covenants)	Jan. 1, 2024	Jan. 1, 2024
Not yet officially adopted by the EU			
IAS 7 and IFRS 7	Statement of Cash Flows, Financial Instruments: Disclosures (reverse factoring arrangements)	Jan. 1, 2024	–
IAS 21	The Effects of Changes in Foreign Exchange Rates (clarification of determination of the exchange rate in the event of long-term lack of exchangeability into another currency)	Jan. 1, 2025	–

The other new provisions are not expected to have a material impact on current or future reporting periods or on foreseeable future transactions but are also being 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. The determination of a joint operation and the amount of the pro rata inclusion in the consolidated financial statements involves management judgments. In joint operations, each partner has rights to the assets and bears joint and several liability for the obligations of the joint operation. The partners decide jointly on all relevant activities. Consequently, these companies are classified as joint operations.

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.140.

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 the income statement or expense 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 the ownership interest 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 ownership interests 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 and financial reporting in hyperinflationary economies

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.

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, i.e., to profit or loss, when the foreign subsidiary is divested. The equity of foreign companies **recognized using the equity method** is translated in the same way.

In principle, **exchange rates** are determined on the basis of the ECB reference rates. Please also refer to the disclosure in notes 9.4.3 p. 193 ff. and 9.4.4.1 p. 197 ff.

The historical cost approach pursuant to IAS 29 Financial Reporting in Hyperinflationary Economies is applied to the **financial statements of foreign subsidiaries in hyperinflationary economies.** This requires the financial statements of subsidiaries whose functional currency is the currency of a hyperinflationary economy to be restated before they are included in the consolidated financial statements. As a consequence, the operations of these subsidiaries are no longer presented on the basis of historical cost of production or acquisition; instead, they are presented using the monetary unit current as of the reporting date. For this purpose, the carrying amounts of non-monetary assets and liabilities are converted to the monetary unit current as of the reporting date using an index. Further specific adjustments relate to equity, the statement of comprehensive income, income taxes, deferred taxes, and the cash flow statement. Restatement of monetary assets and liabilities is not necessary because they are already expressed in the monetary unit current as of the reporting date.

The functional currency of the following subsidiaries is a currency of a hyperinflationary economy:

Companies with a hyperinflationary currency T54

Company name	Registered office	Applied since
Evonik Argentina S.A.	Buenos Aires (Argentina)	July 1, 2018
Evonik Metilatos S.A.	Rosario (Argentina)	July 1, 2018
Novachem S.R.L.[a]	Buenos Aires (Argentina)	June 30, 2023
Egesil Kimya Sanayi ve Ticaret A.S.	Istanbul (Turkey)	June 30, 2022
Evonik Ticaret Ltd. Sirketi	Tuzla/Istanbul (Turkey)	June 30, 2022

[a] Initial consolidation at the date of acquisition.

The inflation rate for the Argentinian companies 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. The inflation rate for the Turkish companies is determined on the basis of the cumulative consumer goods index of the Turkish Statistical Institute (Turkstat).

Effects of accounting for hyperinflationary economies T55

	Consumer price index			Effect of net monetary items (miscellaneous financial income and expenses)	
	2022	2023	Change in %	2022	2023
Argentina	1,135.00	3,533.00	211	–23	29
Turkey	1,128.00	1,859.00	65	7	5
Total	**–**	**–**	**–**	**–16**	**34**

As a consequence of the development of the Argentinean currency, together with a high level of foreign currency liabilities as a result of exchange controls, the translation of operating monetary items also led to the recognition of significant expenses in other operating income; see note 5.3 p. 145 f.

4. Changes in the Evonik Group

4.1 Scope of consolidation

Changes in the scope of consolidation T56

No. of companies	Germany	Other countries	Total
Evonik Industries AG and consolidated subsidiaries			
As of December 31, 2022	**29**	**119**	**148**
Acquisitions	–	2	2
Other companies consolidated for the first time	–	1	1
Divestments	–2	–1	–3
Intragroup mergers	–2	–4	–6
Other companies deconsolidated	–	–2	–2
As of December 31, 2023	**25**	**115**	**140**
Joint operations			
As of December 31, 2022	**1**	**2**	**3**
As of December 31, 2023	**1**	**2**	**3**
Investments recognized at equity			
As of December 31, 2022	**4**	**8**	**12**
Divestments	–	–1	–1
Other companies deconsolidated	–	–1	–1
As of December 31, 2023	**4**	**6**	**10**
Total	**30**	**123**	**153**

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

An 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) can be found in the list of shareholdings, which is formally part of these notes. The list of shareholdings is published with the consolidated annual financial statements in the electronic Federal Gazette and can be viewed on Evonik's website **www.evonik.finance/list-of-shareholdings.**

4.2 Divestments

As part of the strategic concentration on specialty chemicals, on April 6, 2023, Evonik signed an agreement to **sell the Lülsdorf site** in Germany to International Chemical Investors Group, Luxembourg (Luxembourg). This site mainly produces alkoxides, potassium derivatives, and—together with plants at the nearby site in Wesseling—cyanuric chlorides. The transaction was closed on June 30, 2023. It comprised both an asset deal and a share deal, whereby 100 percent of the shares in Evonik Functional Solutions GmbH, Essen (Germany) and Evonik CYC GmbH, Essen (Germany) were transferred. This business, which belonged to the Performance Materials division, was classified as held for sale from December 31, 2022 until the closing of the transaction, see note 4.3 p. 141 f.

Together with the disposal of a further subsidiary, the divestment of the Lülsdorf site impacts the balance sheet as follows:

Assets and liabilities disposed of through divestments T57

in € million	
Non-current assets	6
Current assets	102
thereof cash and cash equivalents	47
Total assets	**108**
Non-current liabilities	36
Current liabilities	37
Total liabilities	**73**
Net assets	**35**

The result from the deconsolidation of subsidiaries was –€10 million (2022: €18 million). It is recognized in other operating expense (2022: other operating income) and contained in the adjustments.

4.3 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** in accordance with IFRS 5 Non-current Assets Held For Sale and Discontinued Operations 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. The assessment as to when a non-current asset or a disposal group meets the criteria for classification as held for sale is subject to management judgment.

The **Lülsdorf site** was classified as held for sale from December 31, 2022 until the closing of the transaction on June 30, 2023. As a result of measurement of the disposal group on the basis of the selling price less costs to sell, impairment losses of €27 million were recognized in 2023, mainly on property, plant and equipment.

As part of the strategic concentration on specialty chemicals, Evonik intends to sell the Performance Materials division's **Superabsorbents business.** Superabsorbents are powder polymers that are used, among other things, in diapers. The assets and liabilities of this disposal group were classified as held for sale for the first time as of June 30, 2023. The accumulated other comprehensive income from currency translation of the Superabsorbents business was €6 million. This disposal group was measured on the basis of a provisional purchase price less costs to sell. In accordance with IFRS 13 Fair Value Measurement, the fair value is allocated to level 2 of the fair value hierarchy. Measurement resulted in impairment losses of €236 million on property, plant and equipment and right-of-use assets in the second half of 2023.

Assets held for sale T58

in € million	Dec. 31, 2022	**Dec. 31, 2023**
Lülsdorf site	24	–
Superabsorbents business	–	9
Property, plant and equipment	**24**	**9**
Lülsdorf site	2	–
Superabsorbents business	–	10
Deferred taxes	**2**	**10**
Lülsdorf site	25	–
Superabsorbents business	–	91
Inventories	**25**	**91**
Lülsdorf site	23	–
Superabsorbents business	–	122
Trade accounts receivable	**23**	**122**
Lülsdorf site	2	–
Superabsorbents business	–	4
Other non-financial assets	**2**	**4**
Lülsdorf site	76	–
Superabsorbents business	–	236
Assets held for sale	**76**	**236**

Liabilities associated with assets held for sale T59

in € million	Dec. 31, 2022	Dec. 31, 2023
Lülsdorf site	17	–
Superabsorbents business	–	23
Provisions for pensions and other post-employment benefits	**17**	**23**
Lülsdorf site	13	–
Superabsorbents business	–	16
Other provisions	**13**	**16**
Lülsdorf site	2	–
Superabsorbents business	–	17
Other financial liabilities	**2**	**17**
Lülsdorf site	–	–
Superabsorbents business	–	27
Deferred taxes	**–**	**27**
Lülsdorf site	–	–
Superabsorbents business	–	2
Other income tax liabilities	**–**	**2**
Lülsdorf site	25	–
Superabsorbents business	–	96
Trade accounts payable	**25**	**96**
Lülsdorf site	4	–
Superabsorbents business	–	6
Other non-financial liabilities	**4**	**6**
Lülsdorf site	61	–
Superabsorbents business	–	187
Liabilities associated with assets held for sale	**61**	**187**

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 the 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 the 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 the 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 for holding or building up customer-specific production capacity is recognized as revenue on a straight-line basis over the contractually agreed performance period.

Sales totaled €15,267 million (2022: €18,488 million). In all divisions, they consist principally of revenue from the sale of products and services. Revenue from the sale of products amounted to €14,580 million (2022: €17,817 million), and revenue from the sale of services totaled €680 million (2022: €657 million).

All divisions generate sales revenues from the **sale of products.** Revenue is generally recognized at a point in time. All divisions sell products on the basis of multi-year master agreements with an annual adjustment in 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 mainly provided by the Technology & Infrastructure division, which offers a variety of services for the four chemical divisions and for external customers at our sites. Technical services and logistics services are generally recognized at a point in time. Revenue recognition over time mainly relates to services in connection with site management, utilities, waste management, process technology, and engineering. To a small extent, services are also provided by the chemicals divisions (for example, toll manufacturing of certain chemical products). Revenue is generally recognized at a point in time. This mainly relates to the Nutrition & Care division.

Sales by segments and regions 2023 T60

in € million	Europe, Middle East & Africa	North America	Central & South America	Asia-Pacific	**Total Group**
Specialty Additives	1,418	1,019	114	969	3,520
Nutrition & Care	1,114	1,176	440	881	3,611
Smart Materials	2,032	1,223	188	1,018	4,461
Performance Materials	1,901	385	17	246	2,549
Technology & Infrastructure	992	41	–	40	1,073
Enabling functions, other activities	40	1	1	11	53
Total Group	**7,497**	**3,845**	**760**	**3,165**	**15,267**
thereof sales outside the scope of IFRS 15	12	6	–	12	30

Sales by segments and regions 2022 T61

in € million	Europe, Middle East & Africa	North America	Central & South America	Asia-Pacific	**Total Group**
Specialty Additives	1,694	1,200	137	1,153	4,184
Nutrition & Care	1,284	1,365	545	1,043	4,237
Smart Materials	2,592	1,274	165	1,209	5,240
Performance Materials	2,331	502	102	318	3,253
Technology & Infrastructure	1,415	49	1	43	1,508
Enabling functions, other activities	44	2	2	18	66
Total Group	**9,360**	**4,392**	**952**	**3,784**	**18,488**
thereof sales outside the scope of IFRS 15	13	−78	–	−20	−85

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 are reclassified from other equity components to sales when the sales revenues are recognized, and revenues from operating leases.

Sales from **performance obligations satisfied in prior periods** amounted to €2 million (2022: €8 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 in subsequent years. 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, 2023 T62

	Revenue recognition in			
in € million	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	923	654	581	2,158

Transaction prices of unsatisfied performance obligations as of December 31, 2022 T63

	Revenue recognition in			
in € million	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	1,383	1,243	1,644	4,270

Further information on contract assets from contracts with customers can be found in note 6.8 p. 161, while further information on contract liabilities from contracts with customers can be found in note 6.13 p. 171 f.

5.2 Function costs

In the cost-of-sales method, function costs for the relevant functional areas are derived from cost accounting. Evonik distinguishes between the following functional areas: cost of sales, selling expenses, research and development expenses, and general administrative expenses. In addition to all directly attributable costs such as material expenses, personnel expenses, energy costs, and depreciation and amortization, the **cost of sales** includes overheads that can be attributed to the production process and impairment losses/reversals of impairment losses on inventories. **Selling expenses** mainly comprise marketing, logistics, and packaging expenses and materials management costs. **Research and development expenses** contain the cost of all research and development activities in the chemicals divisions and at the strategic research unit, Creavis. **Administrative expenses** contain costs for the management of business entities, management boards, the executive board, and the supervisory board. They also include support function 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 IFRS 5 and the amounts included in other operating income are explained in note 5.5 p. 147 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. 157 ff.

5.3 Other operating income/expense

Other operating income is all income that, by nature, is not attributable to either sales or financial income. Government grants related to income are normally accrued in other liabilities and released to other operating income in the periods in which the expenses that the grants are intended to compensate for are incurred. **Other operating expense** is all expense that cannot be allocated meaningfully to either a function cost type or financial expense.

Other operating income/expense T64

	Other operating income		Other operating expense	
in € million	2022	**2023**	2022	**2023**
Reversal of/additions to other provisions[a]	22	8	–	–21
Recultivation and environmental protection measures[a]	1	–	–18	–15
Disposal of assets[a]	57	28	–14	–47
Impairment losses/reversal of impairment losses pursuant to IAS 36[a]	–	–	–347	–30
Impairment losses/reversal of impairment losses pursuant to IFRS 9 (net presentation)[b]	3	–	–	–14
Currency translation of operating monetary assets and liabilities (net presentation)[b]	–	–	–22	–73
Operational currency hedging (net presentation)[b]	–	–	–4	–18
Non-core businesses	55	66	–	–
Government grants	22	30	–	–
Business insurance[a]	67	17	–27	–9
REACH regulation	2	2	–12	–10
Other	129	75	–166	–175
Other operating income/expense	**358**	**226**	**–610**	**–412**

Prior-year figures restated.

[a] Excluding amounts disclosed in the function costs.
[b] 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. 147 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. 157 ff.

In 2023, **impairments/reversal of impairments for expected credit losses pursuant to IFRS 9** Financial Instruments comprised net expense (2022: net income) relating entirely to trade accounts receivable.

The net expense from the **currency translation of operating monetary assets** and **operational currency hedging** mainly comprises 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. 196 ff. The net expenses increased significantly year-on-year. The substantial depreciation of the Argentinian peso in December 2023, combined with a high level of foreign currency liabilities as a result of exchange controls, led to higher net expenses in Argentina.

The **government grants** mainly relate to projects in connection with the energy transition.

As well as income from the recognition of claims on insurance companies, **business insurance** includes income from the payment of premiums by insurance companies to Evonik's internal reinsurance company, Evonik Re S.A., Luxembourg, and expenses of Evonik Re for insurance obligations to insurance companies. The expenses for business insurance include premiums paid by Evonik Re for stop-loss insurance. Claims under the stop-loss insurance are offset against Evonik Re's expense for obligations to insurers. By contrast, expenses for premiums paid by the Evonik Group to insurers are not recognized in other operating expense; they are recognized in the functional costs.

The **other income** contains €6 million (2022: €7 million) relating to value-added tax on fringe benefits for employees refunded in the payroll accounting process, €11 million (2022: expenses of €4 million) for adjustments to provisions for employees' time accounts, and a large number of very different items managed on a decentralized basis, where the individual amounts are immaterial for the Evonik Group.

The **other expense** comprises expenses totaling €14 million (2022: €12 million) in connection with the acquisition of PeroxyChem and Porocel and the reorganization of the Superabsorbents business. It contains other taxes of €14 million (2022: €16 million) and costs of €9 million (2022: €7 million) relating to payroll accounting in connection with fringe benefits for employees. In addition, this item contains a large number of different transactions and individual projects that are reflected, in particular, in the cost types outsourcing, commission payments, and legal and consultancy fees.

5.4 Result from investments recognized at equity

Result from investments recognized at equity T65

in € million	2022	2023
Income from measurement at equity	13	13
Expenses for measurement at equity	–1	–3
Result from investments recognized at equity	**12**	**10**

The expenses for measurement at equity include impairment losses of €1 million (2022: none) on one investment recognized at equity. Note 6.5 p. 157 ff. contains details of segmentation and additional information on the impairment losses/reversal of impairment losses determined in accordance with IAS 36.

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, recultivation and environmental protection measures, gains/losses from the disposal of assets, and impairment losses/reversal of impairment losses pursuant to IAS 36 and IFRS 5, which are divided among the following line items in the income statement:

Additional information on income before financial result and income taxes in 2023 T66

in € million	Cost of sales	Selling expenses	Research and development expenses	Administrative expenses	Other operating income	Other operating expense	Result from investments recognized at equity	**Total**
Restructuring measures	3	–	–	1	–	–	–	4
Reversal of/additions to other provisions	–	−8	–	–	8	−21	–	−21
Recultivation and environmental protection measures	1	–	–	–	–	−15	–	−14
Result from the disposal of assets	–	–	–	–	28	−47	–	−19
Impairment losses/reversal of impairment losses pursuant to IAS 36	−432	–	−10	–	–	−30	−1	−473
Impairment losses/reversal of impairment losses pursuant to IFRS 5	−263	–	–	–	–	–	–	−263

Additional information on income before financial result and income taxes in 2022 T67

in € million	Cost of sales	Selling expenses	Research and development expenses	Administrative expenses	Other operating income	Other operating expense	Result from investments recognized at equity	**Total**
Restructuring measures	6	1	–	−23	–	–	–	−16
Reversal of/additions to other provisions	–	–	–	–	22	–	–	22
Recultivation and environmental protection measures	–	–	–	–	1	−18	–	−17
Result from the disposal of assets	–	–	–	–	57	−14	–	43
Impairment losses/reversal of impairment losses pursuant to IAS 36	−106	–	–	–	–	−347	–	−453
Impairment losses/reversal of impairment losses pursuant to IFRS 5	−15	–	–	–	–	–	–	−15

Prior-year figures restated.

The income from **restructuring measures** in 2023 includes income from the reversal of restructuring provisions relating to the cost of sales in connection with the shutdown of a production plant in the Nutrition & Care division and, in addition, administrative expenses for the program to reduce selling and administrative expenses. In the previous year, restructuring provisions were established for a new group-wide project to optimize the administrative functions and a new estimate of the liabilities relating to the program to reduce selling and administrative expenses, following a change regarding the employees affected.

Disposal of assets T68

	Gains		Losses	
in € million	2022	2023	2022	2023
Property, plant and equipment	2	6	–5	–11
Right-of-use assets	1	1	–2	–
Investments and businesses	54	21	–	–19
Trade accounts receivable	–	–	–4	–17
Other non-financial assets	–	–	–3	–
Total	**57**	**28**	**–14**	**–47**

Following the acquisition of the remaining shares in Thai Peroxide Company, Bangkok (Thailand), this company was consolidated. It had previously been recognized at equity.The related remeasurement of the shares previously held at fair value and their subsequent derecognition led to a **gain from the disposal of investments and businesses.** The losses on the disposal of investments and businesses arose in connection with the sale of the Lülsdorf site and post-transaction effects relating to the divestment of the TAA derivatives business. In 2022, the gains from the disposal of investments and businesses comprised €29 million from the sale of the TAA derivatives business, €23 million from the sale of a business by the Nutrition & Care division in North America, and €2 million from post-transaction disposals relating to the acquisition of PeroxyChem.

Note 6.5 p. 157 ff. contains details of segmentation and additional information on the **impairment losses/reversal of impairment losses determined in accordance with IAS 36.**

The impairment losses pursuant to IFRS 5 related to the planned sale of the Superabsorbents business and the sale of the Lülsdorf site in Germany, see note 4.3 p. 141 f.

5.6 Financial result

Financial result T69

in € million	2022	2023
Income from securities and loans	17	28
Interest and similar income from derivatives	–	3
Interest income from other provisions[a]	96	51
Other interest-type income	31	35
Interest income	**144**	**117**
Interest expense on financial liabilities	–41	–61
Interest and similar expenses for derivatives	–1	–19
Interest expense for other provisions[a]	–9	–70
Net interest expense for pensions	–50	–54
Interest expense for leases	–17	–31
Other interest-type expense	–4	–9
Interest expense	**–122**	**–244**
Result from currency translation of financing-related assets and liabilities	48	–43
Income from financing-related currency hedging	–67	24
Miscellaneous financial income and expenses	–22	38
Other financial income/expense	**–41**	**19**
Financial result	**–19**	**–108**

[a] These items contain income/expense from the unwinding of discounting and from changes in interest rates for other provisions.

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 (2022: €25 million) relating to taxes in connection with income from plan assets and income from the reversal of provisions for interest on income taxes.

Interest and similar expenses for derivatives and the corresponding income item comprise accrued and realized interest from cross-currency interest rate swaps used for currency hedging of an intra-group 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;** see note 9.4.4 p. 196 ff. The **miscellaneous financial income and expenses** mainly comprises income of €34 million in connection with accounting for hyperinflation (2022: expense of €16 million); see note 3.8 p. 138 f. This item also includes the result from other investments and measurement effects relating to the investment funds used for venture capital investments.

5.7 Income taxes

Income taxes shown in the income statement T70

in € million	2022	2023
Other income taxes	325	92
thereof relating to other periods	–8	–95
Deferred taxes	44	9
thereof relating to temporary differences	46	70
thereof relating to loss carryforwards and tax credits	–3	–54
thereof from changes in tax rates and tax legislation	1	–7
Income taxes	**369**	**101**

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 T71

in € million	2022		2023	
Income before income taxes, continuing operations	**923**		**–351**	
Expected income taxes based on domestic tax rate	**295**	**32.0%**	**–112**	**32.0%**
Different local/foreign tax charges	–69		–	
Average nominal group taxation	**226**	**24.5%**	**–112**	**32.0%**
Changes in the valuation of deferred taxes	7		36	
Losses without the establishment of deferred taxes	126		235	
Utilization of loss carryforwards	–4		–9	
Changes in tax rates and tax legislation	1		–7	
Non-deductible expenses	17		6	
Tax-free income	–35		–26	
Result from investments recognized at equity	–4		–5	
Other	35		–17	
Effective income taxes (current income taxes and deferred taxes)	**369**	**40.0%**	**101**	**–28.9%**

The changes in the valuation of deferred taxes comprise the revaluation of previously non-recognized deferred taxes on temporary differences. “Other” contains, among other things, other income taxes totaling –€95million (2022: –€8 million) relating to other periods, deferred income taxes totaling €48 million (2022: –€11 million) relating to other periods, non-deductible withholding taxes, and foreign taxes.

On October 8, 2021, the member states of the OECD’s initiative Inclusive Framework on Base Erosion and Profit Shifting (BEPS) agreed on the introduction of a global minimum tax of 15 percent, known as “Pillar Two.” The **German legislation implementing the global minimum tax** of 15 percent was published in the Federal Gazette on December 27, 2023 and came into force on December 28, 2023. Therefore, this legislation is initially applicable from 2024. Consequently, it had no relevant tax effects on the financial statements as of December 31, 2023.

Evonik is carefully monitoring the developments in connection with the amendments to IAS 12 Income Taxes with regard to the Pillar Two model rules. The IASB has published amendments to IAS 12, which provide for a temporary exception from the recognition of deferred taxes in connection with the application of Pillar Two. In its assessment, Evonik is therefore concentrating on the possible effects of the global minimum taxation on current income taxes.

If the global minimum tax had already come into effect in 2023, the simplified calculation of the global minimum tax for Evonik's activities in Brazil and on the Philippines would have increased the effective income tax rate by around 1 percent. Evonik is, however, continuing to examine the impact of the new global minimum tax on its activities from 2024. The disclosures for 2023 do not provide any information that could be used to forecast the impact of the global minimum tax from 2024, because earnings in 2023 were influenced by special items, including impairment losses on assets, which could differ in 2024.

Based on the present status, Evonik assumes that in 2024, as well, a complete calculation of the Pillar Two minimum tax will only have to be performed in a few countries and that in most countries Evonik will not be subject to the minimum tax. Based on the present economic situation, it is anticipated that the future impact of Pillar Two on Evonik's effective income tax rate will be around 1 percent.

5.8 Income after taxes

Income after taxes T72

in € million	2022	2023
Income after taxes, continuing operations	**554**	**–452**
thereof attributable to non-controlling interests	15	13
thereof attributable to shareholders of Evonik Industries AG	539	–465
Income after taxes, discontinued operations	**1**	**–**
thereof attributable to non-controlling interests	–	–
thereof attributable to shareholders of Evonik Industries AG	1	–

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 2022 or 2023, diluted earnings per share are identical to basic earnings per share.

Earnings per share T73

			Earnings per share in € (basic and diluted)	
in € million	2022	2023	2022	2023
Income after taxes, continuing operations	554	–452	1.19	–0.97
Income after taxes, discontinued operations	1	–	0.00	–
Less income after taxes attributable to non-controlling interests	–15	–13	–0.03	–0.03
Income after taxes attributable to shareholders of Evonik Industries AG (net income)	**540**	**–465**	**1.16**	**–1.00**

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 possible impairment and at least once a year on goodwill. 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.

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 T74

		Other intangible assets				
in € million	Goodwill	Franchises, trademarks, and licenses	Capitalized development costs	Miscellaneous other intangible assets	**Total**	**Total goodwill and other intangible assets**
Cost of acquisition/production						
As of January 1, 2022	**4,883**	**1,482**	**26**	**1,084**	**2,592**	**7,475**
Currency translation	116	4	–	42	46	162
Other additions	–	3	–	5	8	8
Reclassification pursuant to IFRS 5	−22	−3	–	–	−3	−25
Disposal	−7	−33	–	−2	−35	−42
Reclassification	−5	9	–	2	11	6
As of December 31, 2022	**4,965**	**1,462**	**26**	**1,131**	**2,619**	**7,584**
Currency translation	−98	−5	–	−28	−33	−131
Additions from business combinations	106	–	–	–	–	106
Other additions	–	3	–	1	4	4
Reclassification pursuant to IFRS 5	−23	−4	–	–	−4	−27
Disposal	−2	−11	–	−1	−12	−14
Reclassification	−1	9	–	−4	5	4
As of December 31, 2023	**4,947**	**1,454**	**26**	**1,099**	**2,579**	**7,526**

Change in intangible assets T74

in € million	Goodwill	Other intangible assets: Franchises, trademarks, and licenses	Capitalized development costs	Miscellaneous other intangible assets	Total	Total goodwill and other intangible assets
Amortization and impairment losses						
As of January 1, 2022	**98**	**957**	**6**	**369**	**1,332**	**1,430**
Currency translation	−2	1	–	11	12	10
Amortization	–	86	2	76	164	164
Impairment losses	301	4	–	–	4	305
Reclassification pursuant to IFRS 5	–	−2	–	–	−2	−2
Disposal	–	−34	–	–	−34	−34
Reclassification	–	2	–	−1	1	1
As of December 31, 2022	**397**	**1,014**	**8**	**455**	**1,477**	**1,874**
Currency translation	−5	−4	1	−12	−15	−20
Amortization	–	79	2	71	152	152
Impairment losses	–	24	–	11	35	35
Reclassification pursuant to IFRS 5	−23	−4	–	–	−4	−27
Disposal	−3	−11	–	–	−11	−14
Reclassification	–	1	–	–	1	1
As of December 31, 2023	**366**	**1,099**	**11**	**525**	**1,635**	**2,001**
Carrying amounts as of December 31, 2022	**4,568**	**448**	**18**	**676**	**1,142**	**5,710**
Carrying amounts as of December 31, 2023	**4,581**	**355**	**15**	**574**	**944**	**5,525**

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 T75

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, 2022	**3,805**	**14,015**	**1,087**	**1,332**	**20,239**
Currency translation	78	231	8	7	324
Other additions	19	249	42	538	848
Reclassification pursuant to IFRS 5	−91	−540	−20	−12	−663
Disposal	−38	−157	−68	−5	−268
Reclassification	63	932	22	−990	27
As of December 31, 2022	**3,836**	**14,730**	**1,071**	**870**	**20,507**
Currency translation	−66	−186	−11	−16	−279
Additions from business combinations	–	11	–	2	13
Other additions	46	229	33	548	856
Reclassification pursuant to IFRS 5	−119	−818	−36	−19	−992
Disposal	−24	−93	−36	−8	−161
Reclassification	65	325	19	−411	−2
As of December 31, 2023	**3,738**	**14,198**	**1,040**	**966**	**19,942**

Change in property, plant and equipment T75

in € million	Land, land rights, and buildings	Plant and machinery	Other plant, office furniture, and equipment	Advance payments and construction in progress	**Total**
Depreciation and impairment losses					
As of January 1, 2022	**1,864**	**10,449**	**919**	**44**	**13,276**
Currency translation	30	140	6	–	176
Depreciation	103	622	60	–	785
Impairment losses	40	108	–	–	148
Reclassification pursuant to IFRS 5	−71	−503	−18	–	−592
Disposal	−38	−147	−67	–	−252
Reclassification	–	5	−1	–	4
As of December 31, 2022	**1,928**	**10,674**	**899**	**44**	**13,545**
Currency translation	−29	−132	−8	−2	−171
Depreciation	96	615	57	–	768
Impairment losses	139	283	2	15	439
Reversal of impairment losses	−2	–	–	–	−2
Reclassification pursuant to IFRS 5	−90	−646	−34	−2	−772
Disposal	−23	−103	−35	–	−161
Reclassification	2	–	–	–	2
As of December 31, 2023	**2,021**	**10,691**	**881**	**55**	**13,648**
Carrying amounts as of December 31, 2022	**1,908**	**4,056**	**172**	**826**	**6,962**
Carrying amounts as of December 31, 2023	**1,717**	**3,507**	**159**	**911**	**6,294**

The carrying amount of property, plant and equipment used as **collateral for liabilities of Evonik** is €22 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 T76

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, 2022	**339**	**340**	**265**	**944**
Currency translation	6	2	7	15
Other additions	70	372	76	518
Reclassification pursuant to IFRS 5	–4	–	–11	–15
Disposal	–16	–16	–33	–65
Reclassification	1	–	1	2
As of December 31, 2022	**396**	**698**	**305**	**1,399**
Currency translation	–5	–5	–3	–13
Other additions	63	70	54	187
Reclassification pursuant to IFRS 5	–4	–	–16	–20
Disposal	–27	–1	–57	–85
Reclassification	–	9	–9	–
As of December 31, 2023	**423**	**771**	**274**	**1,468**

Development of right-of-use assets T76

in € million	Land, land rights, and buildings	Plant and machinery	Other plant, office furniture, and equipment	**Total**
Depreciation and impairment losses				
As of January 1, 2022	**92**	**109**	**135**	**336**
Currency translation	1	1	3	5
Depreciation	39	46	66	151
Reclassification pursuant to IFRS 5	−1	–	−8	−9
Disposal	−10	−15	−32	−57
Reclassification	1	–	–	1
As of December 31, 2022	**122**	**141**	**164**	**427**
Currency translation	−2	−5	−3	−10
Depreciation	41	68	69	178
Reclassification pursuant to IFRS 5	−3	–	−7	−10
Disposal	−25	−1	−56	−82
Reclassification	–	1	−1	–
As of December 31, 2023	**133**	**204**	**166**	**503**
Carrying amounts as of December 31, 2022	**274**	**557**	**141**	**972**
Carrying amounts as of December 31, 2023	**290**	**567**	**108**	**965**

Further information on right-of-use assets and leasing can be found in note 9.2 p. 182 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 the 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 T77

in € million	Dec. 31, 2022	**Dec. 31, 2023**
Carrying amount of individually non-material associates	15	13
Carrying amount of individually non-material joint ventures	73	39
Investments recognized at equity	**88**	**52**

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 T78

	Associates		Joint ventures	
in € million	2022	**2023**	2022	**2023**
Income after taxes, continuing operations	5	1	7	9
Total comprehensive income	**5**	**1**	**7**	**9**

In addition, there was other comprehensive income of –€7 million (2022: €2 million) from the currency translation of the carrying amounts of investments recognized at equity. This mainly related to joint ventures. Furthermore, other comprehensive income from currency translation of investments recognized at equity contains income from reclassification in connection with the disposal of a joint venture.

For further information on contingent liabilities to associates and joint ventures, see note 9.5 p. 206 f.

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 is tested for impairment at least once a year.

The **recoverable amount** of the cash-generating unit (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 loss no longer applies.

The impairment test on **intangible assets (except goodwill), property, plant and equipment, and right-of-use assets** is conducted for a CGU. The identification of CGUs involves making judgments, especially as there could possibly be various cross-region integrated production facilities and sites. The recoverable amount is generally determined as the value in use of the CGU using a valuation model based on the present value of future cash flows from the CGU using a valuation model, and thus on the basis of non-observable inputs (level 3 of the fair value hierarchy defined in IFRS 13). This model is based on the remaining useful life of the assets in the CGU to be tested. A specific cost of capital is used for each CGU.

The impairment test on **goodwill** is conducted for a group of CGUs, which corresponds to the segment. The recoverable amount 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). This model is based on the three-year mid-term plan, supplemented by two transitional years and a terminal growth rate. 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). 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.

The **impairment test on goodwill** involves assumptions and estimates that may be subject to change and could result in impairment losses in the future. The material estimates include the determination of the expected cash flows. Other key parameters are the terminal growth rate and the weighted average cost of capital after taxes. 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 gross domestic product (GDP), exchange rates, the development of climate-related regulations, and market changes in connection with climate change. To derive the development of adjusted EBITDA, we also take account of raw material and energy prices, the future energy mix, country-specific CO_2 emission prices, and increases in wages and salaries. In the Evonik Group, the regular date for the testing of goodwill is September 30.

Disclosures on the impairment test on segment goodwill as of September 30 T79

	WACC after taxes (in %)		Terminal growth rate (in %)	
	2022	**2023**	2022	**2023**
Specialty Additives	7.32	7.82	1.50	1.50
Nutrition & Care	7.83	8.17	1.50	1.50
Smart Materials	7.21	7.82	1.50	1.50

The future cash flows projected in the mid-term planning are used in the regular impairment testing of goodwill as of September 30. The future cash flow estimate for the detailed planning period was based on assumptions about the development of sales that could reflect the segment-specific average annual growth rates of 2.1 percent for the Specialty Additives division, 4.6 percent for the Nutrition & Care division, and 2.7 percent for the Smart Materials division. It was assumed that adjusted EBITDA would develop in line with sales growth in the Specialty Additives division, while it would be significantly above sales growth in the Nutrition & Care division and considerably above sales growth in the Smart Materials division. The regular impairment test on goodwill as of September 30 did not result in impairment losses in any segment.

Segment goodwill T80

in € million	Dec. 31, 2022	**Dec. 31, 2023**
Specialty Additives	2,046	1,994
Nutrition & Care	1,186	1,190
Smart Materials	1,336	1,397
Total	**4,568**	**4,581**

Impairment tests are performed on **other intangible assets, property, plant and equipment, right-of-use assets, investments recognized at equity, and certain other non-financial assets** if there are internal or external indications of possible impairment. For the purpose of deriving the forecast cash flows of the CGUs, the material assumptions are essentially the same as those used in the impairment tests on goodwill.

Impairment tests on assets were triggered in 2023 because the economic upswing failed to materialize, demand remained very weak, without any prospect of a recovery in the second half of the year, and the market capitalization of Evonik Industries AG was below the carrying amount of equity. The impairment tests were initially conducted at the level of the lowest cash-generating units and subsequently for goodwill at divisional level. In some cases, these impairment tests resulted in impairment losses. The impairment losses were recognized on the respective value in use; in all cases, this was above the fair value less costs of disposal. The results of the impairment tests are outlined below:

Impairment tests pursuant to IAS 36 by segments and asset classes T81

	Goodwill		Other intangible assets		Property, plant and equipment		Investments recognized at equity		Total	
in € million	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Specialty Additives	–	–	–	–	4	2	–	–	4	2
Nutrition & Care	–	–	4	10	38	307	–	–	42	317
Smart Materials	–	–	–	25	14	112	–	1	14	138
Performance Materials	301	–	–	–	70	1	–	–	371	1
Technology & Infrastructure	–	–	–	–	20	17	–	–	20	17
Enabling functions, other activities	–	–	–	–	2	–	–	–	2	–
Total Group	**301**	**–**	**4**	**35**	**148**	**439**	**–**	**1**	**453**	**475**

The impairment losses in the Nutrition & Care division comprise €305 million for the global integrated methionine facilities and relate to buildings and to plant and machinery. The impairment was due to the present change in market conditions in the methionine business as a result of increased global production capacities and a deterioration in the cost position within the integrated structures. The cost of capital applied was 8.07 percent. As of June 30, 2023, the recoverable amount of the CGU was €753 million.

The impairment loss in the Smart Materials division comprises €56 million for an integrated production facility for precipitated silicas in Europe. The impairment loss was recognized on miscellaneous other intangible assets and property, plant and equipment, especially plant and machinery. The impairment resulted from weaker demand, accompanied by a rise in production costs. The cost of capital applied was 7.97 percent. As of June 30, 2023, the recoverable amount of the CGU was €97 million. Further impairment losses of €27 million relate to integrated production facilities for fumed silicas in North America, which were fully impaired as of June 30, 2023. These impairment losses mainly related to plant and machinery and resulted from overcapacity in the market combined with weak demand. The cost of capital applied was 7.62 percent. Furthermore, in view of the weaker demand, the integrated production network for products for the coatings and adhesives industry was written down to almost zero in Germany and China as of September 30, 2023. This impairment loss of €37 million mainly related to plant and machinery and construction in progress. The cost of capital applied was 8.15 percent.

In 2023, the Nutrition & Care division recorded the **reversal of an impairment loss** in the amount of €2 million (2022: none) in connection with the sale of land.

6.6 Financial assets

Financial assets T82

in € million	Dec. 31, 2022 Total	Dec. 31, 2022 thereof non-current	Dec. 31, 2023 Total	Dec. 31, 2023 thereof non-current
Trade accounts receivable	**1,898**	**–**	**1,607**	**–**
Cash and cash equivalents	**645**	**–**	**749**	**–**
Other investments	347	347	396	396
Loans	57	21	39	18
Securities and similar claims	462	49	304	43
Receivables from derivatives	89	19	63	2
Supplier credit receivables	29	–	15	–
Miscellaneous other financial assets	67	5	24	1
Other financial assets	**1,051**	**441**	**841**	**460**
Financial assets	**3,594**	**441**	**3,197**	**460**

Prior-year figures restated.

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. 187 ff.

The **loans** contain convertible bonds totaling €1 million (2022: €6 million). Information on their valuation is presented in note 9.4.1 p. 187 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 T83

in € million	Dec. 31, 2022	Dec. 31, 2023
Receivables from forward exchange contracts, currency options, and currency swaps	68	45
Receivables from commodity derivatives	21	18
Total	**89**	**63**

The **miscellaneous other financial assets** comprise time deposits at banks and claims relating to the termination of contracts.

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. Emission allowances are also recognized at cost. Emission allowances allocated free of charge by the German emissions trading authority (DEHSt) or comparable authorities in other countries are recognized in the balance sheet with a value of zero.

Inventories T84

in € million	Dec. 31, 2022	Dec. 31, 2023
Raw materials and supplies	779	656
Work in progress	73	74
Finished goods and merchandise	1,968	1,619
Total	**2,820**	**2,349**

Raw materials and supplies include emission allowances intended for use totaling €18 million (2022: €30 million).

Impairment losses of €56 million were recognized on **inventories** in the reporting period (2022: €65 million), while reversals of impairment losses amounted to €53 million (2022: €44 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 €11,510 million (2022: €13,455 million).

6.8 Other non-financial assets

Other non-financial assets T85

in € million	Dec. 31, 2022 Total	Dec. 31, 2022 thereof non-current	Dec. 31, 2023 Total	Dec. 31, 2023 thereof non-current
Assets from overfunded pension plans[a]	1	1	5	5
Advance payments made	50	–	35	–
Deferred expenses	51	10	58	14
Contract assets from contracts with customers	7	4	4	3
Receivables from other taxes	344	30	262	38
Receivables from employees	14	2	13	–
Receivables from insurance refunds	53	–	20	–
Miscellaneous other non-financial assets	61	17	54	18
Total	**581**	**64**	**451**	**78**

Prior-year figures restated.

[a] See note 6.10 p. 164 ff.

Contract assets from contracts with customers arise principally 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. 196 ff.

Development of contract assets from contracts with customers T86

in € million	2022	2023
As of January 1	**12**	**7**
Currency translation	2	–
Additions	2	–
Reclassification to receivables	–2	–3
Other reclassifications	–6	–
Other disposals	–1	–
As of December 31	**7**	**4**

The **miscellaneous other non-financial assets** mainly comprise receivables from the public sector.

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.

Authorized and conditional capital as of December 31, 2023 T87

	Amount in €	Purpose
Authorized capital 2022 (annual shareholders' meeting of May 25, 2022)	116,500,000	Increase the capital stock by issuing new registered no-par shares (authorization runs to May 24, 2027)
Conditional capital 2022 (annual shareholders' meeting of May 25, 2022)	37,280,000	Issue of new registered no-par shares for the issuance of convertible or warrant bonds

Under the **authorized capital 2022,** the executive board is authorized, subject to the approval of the supervisory board, to increase the company's capital stock through one or more issuances in return for cash and/or contributions in kind. Subject to the approval of the supervisory board, it may 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 25, 2022 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 2022. The authorized capital has not yet been utilized.

The conditional capital increase **(conditional capital 2022),** divided into up to 37,280,000 registered shares with no par value, 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 25, 2022, 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 2, 2023, 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 €113,360,000 thousand by March 31, 2023 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 T88

	Treasury shares (in € million)		No. of ordinary shares		Average price (in €)	
	2022	2023	2022	2023	2022	2023
As of January 1	–	–	–	–	–	–
Purchase of treasury shares	16	16	659,015	814,090	24.54	19.65
Sale of treasury shares to employees	–14	–14	579,240	703,529	25.18	19.08
thereof bonus shares	–4	–4	148,253	184,644	25.18	19.08
Sale of treasury shares on the stock exchange	–2	–2	79,775	110,561	24.39	19.23
As of December 31	–	–	–	–	–	–

Through this share buyback program, by March 27, 2023 Evonik Industries AG purchased 814,090 shares in the company, corresponding to 0.2 percent of the capital stock. The purchases were made from March 6, 2023 at an average daily volume of around 51,000 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. On March 31, 2023, shares in the company were transferred to participating employees on the basis of the share price on March 30, 2023 and the exchange rates prevailing on the same date. The remaining ordinary shares were sold to third parties via the stock exchange by April 14, 2023.

Retained earnings amounted to €7,555 million (2022: €9,345 million) and comprised Group earnings from 2023 and previous years, as well as other comprehensive income from the remeasurement of the net defined benefit liability. Evonik Industries AG reported net income of €651 million for fiscal 2023. After allocating €5,943,118.23 to other retained earnings, the distributable profit is €645,220,000.00. A proposal will be put to the annual shareholders' meeting that €545,220,000 of the distributable profit should be used to pay a dividend of €1.17 per share. The remaining €100,000,000 will be carried forward to fiscal 2024.

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, €14 million (2022: –€100 million) was reclassified from other equity components for designated risk components and for the cost of hedging to sales. 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. 193 ff.

Non-controlling interests amounting to €76 million (2022: €82 million) comprise shares in the issued capital and reserves of consolidated subsidiaries that are not attributable to the shareholders of Evonik Industries AG. Other changes totaling –€3 million in the reporting period resulted from the sale of a subsidiary in which there were non-controlling interests. Changes in ownership interests 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 T89

in € million	2022	2023
As of January 1	**–8**	**–9**
Currency translation	–1	–6
Other comprehensive income as in the statement of comprehensive income	**–1**	**–6**
As of December 31	**–9**	**–15**

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). 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, 2023 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 T90

	2022		2023	
in € million	Defined benefit obligation	Plan assets	Defined benefit obligation	Plan assets
Germany	7,514	6,355	8,188	6,464
thereof pension fund/reinsured support fund	3,543	3,585	3,977	3,725
thereof funded through CTA	3,759	2,770	3,979	2,737
USA	327	199	311	205
UK	337	338	341	343
Other	166	139	164	143
Total Group	**8,344**	**7,031**	**9,004**	**7,155**

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. The last of these has been closed to new entrants since 2023. The fund 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 also covers pension adjustments for the last plan that was closed. 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. The pension plan for senior executives was closed to new entrants in 2023. In this plan, 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. There are open plans comprising a unit-linked direct commitment for all newly hired employees and a defined contribution benefit commitment for voluntary deferred compensation applicable to all employees. 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. In the case of unit-linked direct commitments, income-related employer and employee contributions are made to the plan on the basis of various contribution options; the plan is funded via an external contractual trust arrangement. The employees participate in the development of the value as defined in the capital investment concept. In principle, a lump-sum payment is provided, but beneficiaries may also choose an annuity or a combination of a lump-sum payment and an annuity. For the annuity, a fixed increase of 1 percent p.a. is set.

Description of 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, Evonik Pensionstreuhand e.V., or the unit-linked pension plan, 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 unit-linked direct commitment plan has term-matched reinsurance; the employer guarantees a portion of the contributions.

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.

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.

The table shows the weighted average **assumptions** used for the actuarial valuation of the obligations:

Assumptions used in the actuarial valuation of pension obligations T91

	Evonik Group		Germany	
in %	2022	**2023**	2022	**2023**
Discount rate as of December 31	4.17	3.60	4.10	3.50
Future salary increases	2.53	2.53	2.50	2.50
Future pension increases	2.16	2.08	2.10	2.00
Healthcare cost trend	7.35	6.89	–	–

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, 2023, the discount rate was 5.16 percent for the USA (2022: 5.50 percent) and 4.48 percent for the UK (2022: 4.81 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-2023 mortality projection scales are used.

Change in the net defined benefit liability

T92

in € million	Present value of the defined benefit obligation		Fair value of pension assets		Asset ceiling		Net defined benefit liability	
	2022	2023	2022	2023	2022	2023	2022	2023
As of January 1	**12,162**	**8,344**	**8,399**	**7,031**	**3**	**45**	**3,766**	**1,358**
Current service cost	192	89	–	–	–	–	192	89
Past service cost	1	–	–	–	–	–	1	–
Gain/loss from settlement	–	–	–	–	–	–	–	–
Net interest cost	165	340	115	288	–	2	50	54
Other administrative expense	–	–	–5	–5	–	–	5	5
Employee contributions	41	41	8	7	–	–	33	34
Income/expense recognized in the income statement	**399**	**470**	**118**	**290**	**–**	**2**	**281**	**182**
Actuarial gains (–)/losses (+) on pension obligations	–3,602	725	–	–	–	–	–3,602	725
of which based on financial assumptions	–3,874	588	–	–	–	–	–3,874	588
of which based on demographic assumptions	–3	–4	–	–	–	–	–3	–4
of which changes in the past fiscal year	275	141	–	–	–	–	275	141
Income (+)/expense (–) from plan assets, excluding interest income from plan assets	–	–	–1,132	164	–	–	1,132	–164
Change in the asset ceiling excluding interest cost	–	–	–	–	44	–43	44	–43
Changes recognized in OCI (remeasurement)	**–3,602**	**725**	**–1,132**	**164**	**44**	**–43**	**–2,426**	**518**
Employer contributions	–	–	157	154	–	–	–157	–154
Benefits paid	–497	–435	–404	–407	–	–	–93	–28
Payments for settlement of plans	–	–	–	–	–	–	–	–
Changes at the companies	–7	9	–5	1	–	–	–2	8
Reclassification pursuant to IFRS 5	–118	–103	–100	–76	–2	–	–20	–27
Currency translation	7	–6	–2	–2	–	–	9	–4
As of December 31	**8,344**	**9,004**	**7,031**	**7,155**	**45**	**4**	**1,358**	**1,853**
of which assets from overfunded plans (recognized in other non-financial assets)	–	–	–	–	–	–	–1	–5
of which provisions for pensions and other post-employment benefits	–	–	–	–	–	–	1,359	1,858

The weighted term of the **defined benefit obligation** is 13.7 years (2022: 13.4 years).

Breakdown of the present value of the defined benefit obligation T93

in € million	2022	2023
Unfunded plans	238	255
Partially or fully funded plans	8,034	8,683
Healthcare benefit obligations	72	66
Present value of the defined benefit obligation as of December 31	**8,344**	**9,004**

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 T94

	Reduction of 1 percentage point		Increase of 1 percentage point	
in € million	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023
Group-wide discount rate	1,214	1,350	−965	−1,067
Future salary increases	−41	−34	41	34
Future pension increases	−535	−577	632	680
Healthcare cost trend	−5	−5	6	5

Assuming all other parameters remain unchanged, a reduction of 20 percent in mortality in the retirement phase would increase the defined benefit obligation by €602 million (2022: €559 million).

The **plan assets** are divided among various asset classes. As a consequence of the infrastructure investments by the pension fund, the portfolio of alternative investments has increasingly shifted into the area where there is no active market. In 2023, as in 2022, none of the other assets included in the plan assets were used by the company.

Breakdown of the fair value of plan assets T95

	Dec. 31, 2022		Dec. 31, 2023	
	in € million	in %	in € million	in %
Cash/balances with banks	309	4.4	114	1.6
Shares—active market	1,005	14.3	923	12.9
Government bonds—active market	204	2.9	487	6.8
Corporate bonds—active market	1,478	21.0	1,760	24.6
Corporate bonds—no active market	337	4.8	351	4.9
Other bonds—active market	668	9.5	537	7.5
Real estate (direct and indirect investments)—active market	28	0.4	29	0.4
Real estate (direct and indirect investments)—no active market	942	13.4	880	12.3
Alternative investments (infrastructure/ hedge funds/commodities)—active market	281	4.0	157	2.2
Alternative investments (infrastructure/ hedge funds/commodities)—no active market	1,322	18.8	1,452	20.3
Other—active market	42	0.6	36	0.5
Other—no active market	415	5.9	422	5.9
Total	**7,031**	**100.0**	**7,155**	**100.0**

The change in the **asset ceiling for plan assets** is due to overfunding at the pension fund in Germany.

The **assets from overfunded plans** come from various pension plans outside Germany. They are recognized on the balance sheet under other non-financial assets; see note 6.8 p. 161.

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

Expected change in net benefit payments T96

in € million	Prior year	Reporting period
2023	262	–
2024	271	271
2025	273	280
2026	274	287
2027	278	287
2028	–	290

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 €157 million are expected to be incurred for the following year (2022: €152 million).

The **net interest cost** is included in the financial result; see note 5.6 p.148 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.209. Foreign subsidiaries paid a total of €36 million (2022: €34 million) into defined contribution plans, which are also included in personnel expense (pension expenses). Further, €142 million (2022: €138 million) was 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.172 ff., 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 T97

	Dec. 31, 2022		Dec. 31, 2023	
in € million	**Total**	thereof non-current	**Total**	thereof non-current
Personnel-related	586	203	434	183
Recultivation and environmental protection	264	216	269	229
Restructuring	51	35	45	22
Sales and procurement	30	1	22	1
Other taxes and interest on taxes	43	27	33	27
Other obligations	300	60	320	55
Other provisions	**1,274**	**542**	**1,123**	**517**

Overall, the other provisions were €151 million lower than in 2022. 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 2024.

Change in other provisions T98

in € million	Personnel-related	Recultivation, environmental protection	Restructuring	Sales, procurement	Other taxes, interest on taxes	Other obligations	Total
As of January 1, 2023	**586**	**264**	**51**	**30**	**43**	**300**	**1,274**
Additions	201	26	7	10	13	150	407
Utilization	–314	–26	–10	–14	–6	–107	–477
Reversal	–16	–4	–2	–9	–17	–14	–62
Unwinding of discounting/interest rate changes	7	10	–	–	–	2	19
Reclassification pursuant to IFRS 5	–12	–	–2	–	–	–2	–16
Other	–18	–1	1	5	–	–9	–22
As of December 31, 2023	**434**	**269**	**45**	**22**	**33**	**320**	**1,123**

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 (see note 9.3 p. 184 f.). Further personnel-related provisions are established for statutory and in-house early retirement arrangements, lifetime working arrangements, and anniversary bonuses. Just under half of non-current personnel-related provisions will result in payments after the end of 2028.

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 two-thirds of the non-current provisions will result in payments after the end of 2028.

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 non-current portion of all restructuring provisions will be utilized by the end of 2028.

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 2028.

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 2028.

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. The provisions for other obligations contain €72 million (2022: €45 million) for the obligation to surrender emission allowances. Around one-third of the non-current provisions for other obligations will result in payments after the end of 2028. Expected reimbursements of €18 million (2022: €21 million), where receipt is virtually certain when the obligation is settled, are disclosed in miscellaneous other non-financial assets.

As in the previous year, there were no **provisions relating to relevant legal risks,** which would be allocated to the various categories of provisions based on type.

6.12 Financial liabilities

Financial liabilities T99

in € million	Dec. 31, 2022 Total	Dec. 31, 2022 thereof non-current	Dec. 31, 2023 Total	Dec. 31, 2023 thereof non-current
Trade accounts payable	**1,735**	**–**	**1,521**	**–**
Bonds	2,955	2,947	2,976	2,218
Liabilities to banks	71	33	80	41
Schuldschein loans	252	250	254	250
Lease liabilities	947	811	937	786
Liabilities from derivatives	172	43	221	182
Liabilities from rebate and bonus agreements	57	–	54	–
Customer credit liabilities	18	–	54	–
Miscellaneous other financial liabilities	92	33	79	25
Other financial liabilities	**4,564**	**4,117**	**4,655**	**3,502**
Financial liabilities	**6,299**	**4,117**	**6,176**	**3,502**

Prior-year figures restated.

Bonds issued by Evonik Industries AG T100

in € million	Interest coupon in %	Nominal value	Carrying amount[b] Dec. 31, 2022	Carrying amount[b] Dec. 31, 2023	Stock market value Dec. 31, 2022	Stock market value Dec. 31, 2023
Bond 2016/2024	0.375	750	751	751	715	733
Bond 2020/2025	0.625	500	457	477	461	478
Green bond 2022/2027	2.250	750	749	749	699	726
Bond 2016/2028	0.750	500	501	501	426	460
Green hybrid bond 2021/2081[a]	1.375	500	497	498	408	445
Total		**3,000**	**2,955**	**2,976**	**2,709**	**2,842**

[a] The formal tenor of the bond is 60 years, and Evonik has an initial redemption right in 2026.
[b] Prior-year figures restated.

The **lease liabilities** contain the present value of future lease payments. Further information on lease liabilities can be found in notes 9.2 p. 182 f. and 9.4 p. 186 ff.

Liabilities from derivatives T101

in € million	Dec. 31, 2022	Dec. 31, 2023
Liabilities from interest rate swaps	42	23
Liabilities from forward exchange contracts, currency options, and currency swaps	85	25
Liabilities from commodity derivatives	45	173
Total	**172**	**221**

The **miscellaneous other financial liabilities** contain liabilities to partners in joint operations totaling €39 million (2022: €48 million).

6.13 Other non-financial liabilities

Other non-financial liabilities T102

in € million	Dec. 31, 2022 Total	Dec. 31, 2022 thereof non-current	Dec. 31, 2023 Total	Dec. 31, 2023 thereof non-current
Contract liabilities from contracts with customers	213	111	236	101
Deferred income	47	35	51	33
Liabilities relating to other taxes	247	36	199	–
Liabilities to employees	94	–	55	–
Miscellaneous other non-financial liabilities	64	–	69	19
Other non-financial liabilities	**665**	**182**	**610**	**153**

Prior-year figures restated.

Contract liabilities from contracts with customers mainly result from prepayments received from customers 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 –€549 million (2022: –€194 million) includes contract liabilities of €27 million (2022: €70 million) established in prior years and contract liabilities of €522 million (2022: €124 million) recognized in 2023.

Development of contract liabilities from contracts with customers T103

in € million	2022	2023
As of January 1	**210**	**211**
Currency translation	2	–4
Additions	203	577
Reclassification	–1	–
Refunds	–7	–
Revenue recognition	–194	–549
Other disposals	–	–1
As of December 31	**213**	**236**

The **miscellaneous other non-financial liabilities** mainly comprise liabilities to the public sector, liabilities from insurance contracts, and liabilities to social security institutions.

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 current planning calculations, which are normally for a five-year period, and 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 T104

	Dec. 31, 2022		Dec. 31, 2023	
in € million	**Total**	thereof non-current	**Total**	thereof non-current
Deferred tax assets	890	890	642	642
Other income tax assets	117	19	229	20
Deferred tax liabilities	661	661	608	608
Other income tax liabilities	435	246	392	268

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 T105

	Dec. 31, 2022			Dec. 31, 2023		
in € million	Deferred tax assets	Deferred tax liabilities	thereof recognized in profit or loss	Deferred tax assets	Deferred tax liabilities	thereof recognized in profit or loss
Intangible assets	178	286	–108	172	302	–131
Property, plant and equipment	35	327	–291	66	249	–183
Right-of-use assets	–	254	–254	–	246	–246
Financial assets	921	71	759	827	30	665
Inventories	100	2	99	81	11	70
Other assets	62	38	23	60	47	12
Provisions	606	971	–744	333	961	–751
Other liabilities	338	60	275	336	55	284
Special tax allowance reserves (based on local law)	–	33	–33	–	29	–29
Loss carryforwards	41	–	41	88	–	88
Tax credits	1	–	1	1	–	1
Other	2	13	–11	1	1	–1
Deferred taxes (gross)	**2,284**	**2,055**	**–243**	**1,965**	**1,931**	**–221**
Netting	–1,394	–1,394	–	–1,323	–1,323	–
Deferred taxes (net)	**890**	**661**	**–243**	**642**	**608**	**–221**

Deferred tax assets of €643 million (2022: €459 million) relate to pension provisions recognized on the balance sheet before impairment losses. Other liabilities of €235 million (2022: €247 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 €1,547 million (2022: €80 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 €279 million (2022: €322 million). Evonik is in a position to manage the timing of the reversal of temporary differences, and reversal is not expected in the foreseeable future. Deferred tax assets of €232 million were recognized for companies that made a loss. The deferred tax assets are only recognized if it is highly probable that forecast earnings will enable them to be utilized. To this end, the corporate planning and, additionally, the established opportunity and risk management were evaluated. The outcome of this evaluation was that, taking into account all risks, including those where the probability of occurrence is considered to be low, the earnings forecast is robust, and the convincing evidence of future taxable income required for the recognition of deferred tax assets are met.

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 T106

	Corporation taxes (German and foreign)		Local taxes (German and foreign)		Tax credits (foreign)	
in € million	2022	**2023**	2022	**2023**	2022	**2023**
Up to 1 year	–	–	–	–	–	–
More than 1 and up to 5 years	9	20	–	–	–	–
More than 5 and up to 10 years	–	–	–	–	–	–
Unlimited	271	649	128	361	7	7
Total	**280**	**669**	**128**	**361**	**7**	**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 investing 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.

In 2023, the **cash outflows to obtain control of businesses** included, among other things, the gross purchase prices for ownership interests in subsidiaries consolidated for the first time. The acquisitions made in 2023 included cash and cash equivalents of €4 million (2022: none). The cash outflows to obtain control of businesses recognized in 2022 relate to acquisitions in prior periods.

The **cash inflows relating to the loss of control over businesses** comprise gross selling prices of €15 million (2022: none) less the transfer of cash and cash equivalents of €47 million (2022: none) relating to the divestment of the Lülsdorf site and the TAA derivatives business, as well as other, smaller disposals.

The **cash inflows relating to the loss of control over businesses** contain gross selling prices of €43 million (2022: €109 million), without the transfer of cash and cash equivalents (2022: €12 million), relating to the divestment of the TAA derivatives business.

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 table presents a reconciliation of the **change in liabilities from financing activities** to the cash flows from financing activities, continuing operations presented in the cash flow statement. In addition to financial debt (financial liabilities excluding derivatives, excluding liabilities for rebate and bonus agreements, and excluding customer credit liabilities), the table includes liabilities associated with assets held for sale and those derivatives that relate to financing.

The column headed “Other cash flows from financing activities” contains cash outflows for interest and other amounts that are contained in the line item “Cash inflows/outflows in connection with financial transactions” in the cash flow statement. The line item “Cash outflows for interest” in the cash flow statement also contains interest payments that are not related to financial debt or derivatives relating to financing.

The column headed “Other” contains both changes in cash flows outside the cash flow from financing activities and other changes in financial debt that have no impact on cash flows, mainly the unwinding of discounting and the capitalization of assets.

Reconciliation to financial debt 2023 T107

		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 cash flows from financing activities	Changes in the scope of consolidation	Currency translation	Reclassification pursuant to IFRS 5	Additions and disposals of lease liabilities	Recognized at fair value	Other	**As of Dec. 31**
Bonds	2,955	–	–	–33	–	–	–	–	18	36	2,976
Commercial paper	–	602	–601	–5	–	–	–	–	–	4	–
Liabilities to banks	71	89	–73	–5	–	–11	–	–	–	9	80
Schuldschein loans	252	–	–	–6	–	–	–	–	–	8	254
Lease liabilities	947	–	–180	–24	–	–7	–13	183	–	31	937
Miscellaneous other financial liabilities	92	25	–34	–6	–	–2	–	–	–	5	80
Financial liabilities associated with assets held for sale	2	–	–5	–	–1	–	13	6	–	1	16
Financial debt	**4,319**	**716**	**–893**	**–79**	**–1**	**–20**	**–**	**189**	**18**	**94**	**4,343**
Receivables/liabilities from financing-related derivatives	47	–	–	–7	–	–	–	–	–79	18	–21
Total	**4,366**	**716**	**–893**	**–86**	**–1**	**–20**	**–**	**189**	**–61**	**112**	**4,322**

Reconciliation to financial debt 2022 T108

		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 cash flows from financing activities	Changes in the scope of consolidation	Currency translation	Reclassification pursuant to IFRS 5	Additions and disposals of lease liabilities	Recognized at fair value	Other	**As of Dec. 31**
Bonds	3,003	744	–743	–42	–	–	–	–	–42	35	2,955
Commercial paper	–	555	–555	–	–	–	–	–	–	–	–
Liabilities to banks	46	84	–83	–8	–	–	–	–	–	32	71
Schuldschein loans	–	250	–	–	–	–	–	–	–	2	252
Lease liabilities	590	–	–167	–18	–1	8	–2	516	–	21	947
Miscellaneous other financial liabilities	120	16	–29	–3	–	2	–	–	–	–14	92
Financial liabilities associated with assets held for sale	–	–	–	–	–	–	2	–	–	–	2
Financial debt	**3,759**	**1,649**	**–1,577**	**–71**	**–1**	**10**	**–**	**516**	**–42**	**76**	**4,317**
Receivables/liabilities from financing-related derivatives	41	–	–	–100	–	–	–	–	105	1	47
Total	**3,800**	**1,649**	**–1,577**	**–171**	**–1**	**10**	**–**	**516**	**63**	**77**	**4,364**

Prior-year figures restated.

8. Notes to the segment report

8.1 Reporting based on operating segments

The reporting based on operating segments reflects the internal reporting and management structure of the Evonik Group (management approach). The external financial reporting standards are applied, see note 3 p. 134 ff., 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.

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 following products and applications form the basis for the sales recognized for our reporting segments:

Reporting segments T109

Division	Products and applications
The **Specialty Additives** division combines the business with high-performance additives based on versatile silicones and the crosslinkers business.	• **Additives for polyurethane foams** (rigid/flexible foam), for example, for mattresses, car seats, and insulating materials • **Additives, matting agents, fumed silicas, and specialty resins** for paints, coatings, and printing inks • **Isophorone** and **epoxy curing agents,** for example, for coatings, adhesives, and composites • **Pour point depressants and viscosity index improvers** for oil and other lubricants for construction machinery and the automotive sector
The **Nutrition & Care** division markets sustainable solutions that improve health and the quality of life.	• **D-/L-methionine and lysine** as essential amino acids for the animal nutrition industry • **Pharmaceutical active ingredients:** exclusive synthesis of active ingredients, pharmaceutical polymers for drug delivery systems • **Medical products:** biocompatible and bioresorbable materials for orthopedic and medical applications • **Cell culture:** pharmaceutical amino acids and peptides • **System solutions for the cosmetics and detergents industries**
The **Smart Materials** division includes business with innovative materials that enable resource-saving solutions and replace conventional materials.	• **Fumed and precipitated silicas and silanes,** for example, for the automotive, tire, electronics, and cosmetics industries • **Peroxides** as sterilizing agents, for cleaning silicon wafers, and as environment-friendly bleaching agents for the paper and textile industries • **Specialty catalysts** for synthesis • **Polyamide 12** for sports shoe soles, sunglasses, gas and oil pipelines, and many safety-critical automotive components • **Polymer foams** for lightweight structures, **specialty polybutadiene and polyester, membranes** for efficient treatment of biogas, natural gas, and hydrogen • **Alkoxides** for use as catalysts in the production of biodiesel
The **Performance Materials** division has efficient technology platforms for the production of high-volume intermediates.	• **C_4 derivatives:** butadiene, MTBE, butene-1, isononanol, DINP for use, for instance, in the automotive industry, for example, as plasticizers, synthetic rubber for tires, fuel additives • **Superabsorbents** for diapers and hygiene products
The **Technology & Infrastructure** division bundles expertise in chemical production and production-focused digitalization, and site management.	• Energy management • Integrated plant support and maintenance • Process engineering, process safety • Pipelines, transport management, logistics safety • Digital solutions for chemical production • Strategic site development

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 T110

	Other activities		Enabling functions, consolidation		**Total enabling functions, other activities, consolidation**	
in € million	2022	**2023**	2022	**2023**	2022	**2023**
External sales	21	12	45	41	66	53
Internal sales	4	3	−2,021	−2,362	−2,017	−2,359
Total sales	25	15	−1,976	−2,321	−1,951	−2,306
Adjusted EBITDA	−43	−118	−269	−156	−312	−274
Adjusted EBIT	−57	−128	−339	−224	−396	−352
Capital employed (annual average)	−76	−17	158	212	82	195
Depreciation and amortization	−13	−11	−69	−68	−82	−79
Impairment losses/reversal of impairment losses pursuant to IAS 36	–	–	−2	–	−2	–
Capital expenditures	1	1	60	52	61	53
Financial investments	1	–	27	9	28	9
No. of employees as of December 31	–	–	6,186	6,249	6,186	6,249

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 p. 178 ff.

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 T111

in € million	2022	**2023**
Sales, reporting segments	20,439	17,573
Total sales, other activities	25	15
Enabling functions, consolidation, less discontinued operations	−1,976	−2,321
External sales of the Evonik Group	**18,488**	**15,267**

External sales by country (location of customer) T112

in € million	2022	**2023**
USA	3,800	3,338
Germany	2,904	2,591
China	1,397	1,177
Switzerland	798	694
Netherlands	772	684
Brazil	594	498
France	500	444
Japan	524	423
Italy	451	371
India	409	369
Other countries	6,339	4,678
External sales of the Evonik Group	**18,488**	**15,267**

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. 146.

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 T113

in € million	2022	2023
Adjusted EBITDA, reporting segments	2,802	1,930
Adjusted EBITDA, other activities	–43	–118
Adjusted EBITDA, enabling functions, consolidation, less discontinued operations	–269	–156
Adjusted EBITDA	**2,490**	**1,656**
Depreciation and amortization	–1,100	–1,099
Impairment losses/reversal of impairment losses	–465	–752
Depreciation, amortization, impairment losses/reversal of impairment losses included in adjustments	425	716
Adjusted depreciation, amortization, and impairment losses	–1,140	–1,135
Adjusted EBIT	**1,350**	**521**
Adjustments	–408	–764
Financial result	–19	–108
Income before income taxes, continuing operations	**923**	**–351**

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. As well as structural measures relating to restructuring and the structural realignment of business entities, they include planned and completed acquisitions and divestments and further special items. In the reporting period, the other special items mainly comprised impairment losses of €435 million identified in an impairment test pursuant to IAS 36 triggered by indications of impairment. These impairment losses related to the integrated global methionine facilities in the Nutrition & Care division and production facilities in the Smart Materials division in Europe, North America, and China. The prior-year figure contains impairment losses of €301 million on goodwill in the Performance Materials division.

Adjustments 2023 T114

in € million	Cost of sales	Selling expenses	Research and development expenses	Administrative expenses	Other operating income	Other operating expense	Total
Structural measures	–19	–9	–10	1	1	–28	–64
Acquisitions and divestments	–236	–	–	–	21	–22	–237
Other special items	–436	–	–	–	1	–28	–463
Adjustments	**–691**	**–9**	**–10**	**1**	**23**	**–78**	**–764**

Adjustments 2022 T115

in € million	Cost of sales	Selling expenses	Research and development expenses	Administrative expenses	Other operating income	Other operating expense	Total
Structural measures	–82	1	–	–24	–	–16	–121
Acquisitions and divestments	–2	–	–	–	54	–12	40
Other special items	–11	–	–	–	5	–321	–327
Adjustments	**–95**	**1**	**–**	**–24**	**59**	**–349**	**–408**

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 T116

	Amounts recognized on the balance sheet	Capital employed		Amounts recognized on the balance sheet	Capital employed	
in € million	Dec. 31, 2022	Dec. 31, 2022	Average 2022	**Dec. 31, 2023**	**Dec. 31, 2023**	**Average 2023**
Goodwill	4,568	4,568	4,847	4,581	4,581	4,564
Other intangible assets	1,142	1,142	1,223	944	944	1,044
Property, plant and equipment	6,962	6,962	7,042	6,294	6,294	6,539
Right-of-use assets	972	972	768	965	965	972
Investments recognized at equity	88	88	83	52	52	79
Other financial assets	1,051	137	110	841	73	75
Deferred taxes	890	–	–	642	–	–
Other income tax assets	117	–	–	229	–	–
Other non-financial assets	581	579	581	451	446	585
Inventories	2,820	2,820	2,992	2,349	2,349	2,780
Trade accounts receivable	1,898	1,898	2,201	1,607	1,607	1,840
Cash and cash equivalents	645	–	–	749	–	–
Assets held for sale	76	74	32	236	225	217
Total assets	**21,810**	**19,240**	**19,879**	**19,940**	**17,536**	**18,695**
Provisions for pensions and other post-employment benefits	−1,359	–	–	−1,858	–	–
Other provisions	−1,274	−732	−801	−1,123	−606	−654
Other financial liabilities	−4,564	−155	−214	−4,655	−232	−185
Deferred taxes	−661	–	–	−608	–	–
Other income tax liabilities	−435	–	–	−392	–	–
Other non-financial liabilities	−665	−665	−646	−610	−610	−690
Trade accounts payable	−1,735	−1,735	−2,017	−1,521	−1,521	−1,674
Liabilities associated with assets held for sale	−61	−37	−9	−187	−110	−86
Total liabilities	**−10,754**	**−3,324**	**−3,687**	**−10,954**	**−3,079**	**−3,289**
Capital employed		**15,916**	**16,192**		**14,457**	**15,406**

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 T117

in € million	Dec. 31, 2022	Dec. 31, 2023
Germany	5,749	5,418
USA	4,214	3,965
Singapore	969	706
Belgium	667	621
China	476	409
Other countries	1,721	1,794
Non-current assets	**13,796**	**12,913**

9. Other disclosures

9.1 Capitalized borrowing costs

Borrowing costs of €7 million (2022: €10 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 1.7 percent (2022: 1.2 percent).

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. 155 f.).

IFRS 16 Leases 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 using the straight-line method, and the carrying amount of the lease liability is valued at amortized cost using the effective interest method. 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 discount rates, taking into account the contract currency, lease term, the creditworthiness of the lessee, and, depending on the classification of the right-of-use asset, a deduction for collateral. 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 T118

in € million	2022	2023
Right-of-use assets as of December 31[a]	972	965
Lease liabilities as of December 31[b]	947	937
Depreciation and impairment losses[a]	151	178
Interest expense	17	31
Expenses for short-term leases	17	13
Expenses for leases for assets of low value	3	4
Expenses for variable lease payments based on use	3	1
Revenue from subleasing	9	10
Total cash outflows for leases	204	225

[a] See note 6.3 p. 155 f.
[b] See notes 6.12 p. 171 and 9.4 p. 186 ff.

As **lessee,** 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 material right-of-use assets relate to land and land rights (14 percent), buildings (16 percent), power plants (34 percent), and storage tanks (20 percent). For information on lease terms, see note 6.3 p. 155 f.

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 based on use are not material.

As of December 31, 2023, Evonik did not have any material pending lease contracts that had already been signed but will only be recognized for the first time after the reporting date.

Some leases contain extension and/or termination options. These give Evonik the flexibility to adjust its lease portfolio to changing business requirements. There is considerable judgment 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. 196 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 T119

in € million	2022	2023
Assets under operating leases	16	16
Receivables from finance leases[a]	–	–
Revenue (operating leases)	16	16
thereof revenue from variable lease payments that are based on usage of the leased asset	1	1

[a] See notes 6.6 p. 160 and 9.4 p. 186 ff.

Maturity structure of future lease payments (lessor; operating leases) T120

in € million	2022	2023
Due within 1 year	12	14
Due in more than 1 and up to 2 years	7	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	5
Due in more than 5 years	119	122
Total	**153**	**159**

9.3 Share-based payment

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.

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.

Since 2019, the intrinsic value of the LTI has no longer been 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.

The LTI system was revised again as from 2023: 80 percent of the intrinsic value is now determined by the performance of Evonik shares and 20 percent by the attainment of one or more sustainability targets. As in the past, for the share-based portion, the intrinsic value of the LTI is measured at the end of each year in the four-year performance period as described above. However, the relative performance may range between 0 percentage points and 200 percentage points. If the relative performance is below 0 percentage points, the relative performance factor is deemed to be zero. If the relative performance is greater than 200 percentage points, the relative performance factor is set at 200. The amount to be paid out is calculated at the end of the performance period as an average of the performance in each year. The sustainability component is determined separately on the basis of between one and three measurable ESG (environmental, social, governance) targets for Evonik. Before the allocation of each tranche, the supervisory board defines the exact annual targets, their relative weighting, and the target amounts for the calculation of 100 percent target attainment. Target attainment may range from 0 to 200 percent. The specific sustainability targets are disclosed in the remuneration report in which the granting of the respective LTI tranche to the executive board members is reported. The upper limit for these payments is set at 200 percent of the individual target amount.

LTI plan for executive board members—Tranches 2018 through 2023

T121

		2018 tranche	2019 tranche	2020 tranche	2021 tranche	2022 tranche	2023 tranche
Grant date		May 15, 2018	July 2, 2019	May 27, 2020	May 10, 2021	May 16, 2022	May 12, 2023
No. of virtual shares granted		119,846	181,784	184,232	192,627	167,266	221,498
No. of virtual shares forfeited		–	–	–	–	–	–
No. of virtual shares exercised		119,846	181,784	–	–	–	–
No. of virtual shares as of December 31, 2023		–	–	184,232	192,627	167,266	221,498
Grant value of sustainability component (as of December 31, 2023)	in €'000	–	–	–	–	–	1,020
Performance period	From—to	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	Jan. 1, 2022—Dec. 31, 2025	Jan. 1, 2023—Dec. 31, 2026
Expense (+)/income (–) for the period	in €'000	2	1	730	739	554	1,089
Carrying amount of provision	in €'000	–	–	2,959	2,288	1,107	1,089

[a] Extension option utilized.

LTI plan for executives—Tranches 2018 through 2023

T122

		2018 tranche	2019 tranche	2020 tranche	2021 tranche	2022 tranche	2023 tranche
Grant date		May 11, 2018	July 2, 2019	May 25, 2020	May 6, 2021	May 11, 2022	May 12, 2023
No. of virtual shares granted		460,694	532,476	476,182	489,032	420,342	495,673
No. of virtual shares forfeited		76,488	53,559	14,065	13,324	6,474	3,909
No. of virtual shares exercised		384,206	478,917	–	–	–	–
No. of virtual shares as of December 31, 2023		–	–	462,117	475,708	413,868	491,764
Grant value of sustainability component (as of December 31, 2023)	in €'000	–	–	–	–	–	2,264
Performance period	From—to	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	Jan. 1, 2022—Dec. 31, 2025	Jan. 1, 2023—Dec. 31, 2026
Expense (+)/income (–) for the period	in €'000	–17	–55	1,721	1,750	1,350	2,418
Carrying amount of provision	in €'000	–	–	7,422	5,651	2,740	2,418

[a] Extension option utilized.

As of December 31, 2023, total provisions for share-based payment amounted to €25.7 million (2022: €31.2 million). In 2023, the total expense for share-based payment was €10.3 million (2022: €14.5 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. 196 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. If there are indications on initial recognition of a financial instrument that the fair value does not correspond to the transaction price and, for subsequent measurement, not all input factors are observable, the day one gain or loss between fair value and the transaction price for the financial instrument is accrued because it does not form part of the fair value. The accrued amount is released to profit or loss over the contract term. The day one gain or loss is recognized on the balance sheet together with the associated financial instrument.

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.

If the business model for financial assets is altered, they are **reclassified** prospectively to the appropriate valuation category. The effect of reclassification on the balance sheet and statement of comprehensive income depends on the valuation categories affected.

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 valuation 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 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. Also outside the scope of IFRS 9 are liabilities from rebate and bonus agreements, which have to be measured in accordance with IFRS 15 and recognized in other financial liabilities, and ownership interests in non-consolidated subsidiaries that are—individually and in aggregate—immaterial and are measured at cost.

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, 2023 T123

	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	**–**	**1,607**	**–**	**–**	**–**	**1,607**	**1,607**
Cash and cash equivalents	**–**	**749**	**–**	**–**	**–**	**749**	**749**
Other investments	384	–	–	–	12	396	384
Loans	–	38	1	–	–	39	39
Securities and similar claims	–	–	304	–	–	304	304
Receivables from derivatives	–	–	41	22	–	63	63
Supplier credit receivables	–	15	–	–	–	15	15
Miscellaneous other financial assets	–	24	–	–	–	24	24
Other financial assets	**384**	**77**	**346**	**22**	**12**	**841**	**829**
Financial assets	**384**	**2,433**	**346**	**22**	**12**	**3,197**	**3,185**

Carrying amounts and fair values of financial assets as of December 31, 2022 T124

	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	**–**	**1,898**	**–**	**–**	**–**	**1,898**	**1,898**
Cash and cash equivalents	**–**	**645**	**–**	**–**	**–**	**645**	**645**
Other investments	326	–	–	–	21	347	326
Loans	–	51	6	–	–	57	57
Securities and similar claims	–	–	462	–	–	462	462
Receivables from derivatives	–	–	126	22	–59	89	148
Supplier credit receivables	–	29	–	–	–	29	29
Miscellaneous other financial assets	–	67	–	–	–	67	67
Other financial assets	**326**	**147**	**594**	**22**	**–38**	**1,051**	**1,089**
Financial assets	**326**	**2,690**	**594**	**22**	**–38**	**3,594**	**3,632**

Prior-year figures restated.

The column "at fair value through OCI" contains equity instruments, where the amounts recognized in OCI are subsequently not reclassified.

As of the date of conclusion of a power purchase agreement, its fair value determined using a valuation model (level 3) was €59 million above the transaction value. This day one gain is recognized on the balance sheet, together with the fair value of the derivative, in financial assets/liabilities. The day one gain is released to other operating income on a straight-line basis over the term of the agreement. The derivative is measured at fair value in accordance with the valuation model; the effective portion is recognized in other comprehensive income and the ineffective portion is recognized in either other operating income or other operating expense. The carrying amount of the day one gain (€55 million) is recognized under liabilities from derivatives in the category "not measured in accordance with IFRS 9."

Carrying amounts and fair values of financial liabilities as of December 31, 2023 T125

in € million	Carrying amounts by IFRS 9 valuation category: At fair value through profit or loss	At amortized cost	Not allocated to any category	Not measured in accordance with IFRS 9	**Carrying amount**	Fair value IFRS 9 categories
Trade accounts payable	**–**	**1,521**	**–**	**–**	**1,521**	**1,521**
Bonds	–	2,976	–	–	2,976	2,842
Liabilities to banks	–	80	–	–	80	81
Schuldschein loans	–	254	–	–	254	252
Lease liabilities	–	–	–	937	937	–
Liabilities from derivatives	37	–	129	55	221	166
Liabilities from rebate and bonus agreements	–	–	–	54	54	–
Customer credit liabilities	–	54	–	–	54	54
Miscellaneous other financial liabilities	–	79	–	–	79	78
Other financial liabilities	**37**	**3,443**	**129**	**1,046**	**4,655**	**3,473**
Financial liabilities	**37**	**4,964**	**129**	**1,046**	**6,176**	**4,994**

Carrying amounts and fair values of financial liabilities as of December 31, 2022 T126

in € million	Carrying amounts by IFRS 9 valuation category: At fair value through profit or loss	At amortized cost	Not allocated to any category	Not measured in accordance with IFRS 9	**Carrying amount**	Fair value IFRS 9 categories
Trade accounts payable	**–**	**1,735**	**–**	**–**	**1,735**	**1,735**
Bonds	–	2,955	–	–	2,955	2,717
Liabilities to banks	–	71	–	–	71	67
Schuldschein loans	–	252	–	–	252	247
Lease liabilities	–	–	–	947	947	–
Liabilities from derivatives	64	–	108	–	172	172
Liabilities from rebate and bonus agreements	–	–	–	57	57	–
Customer credit liabilities	–	18	–	–	18	18
Miscellaneous other financial liabilities	–	92	–	–	92	92
Other financial liabilities	**64**	**3,388**	**108**	**1,004**	**4,564**	**3,313**
Financial liabilities	**64**	**5,123**	**108**	**1,004**	**6,299**	**5,048**

Prior-year figures restated.

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

Financial instruments recognized at fair value T127

in € million	Level	Description	Valuation method	Material non-observable inputs	2022	2023
Other investments	Level 1	Borussia Dortmund GmbH & Co. KGaA	Present stock market price	–	34	33
	Level 1	Other listed equity instruments	Present stock market price	–	2	–
	Level 3	Vivawest GmbH	Discounted cash flow method (see below)	Cost of capital and growth	219	277
	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	71	74
Loans	Level 3	Convertible bonds	Nominal value of the bonds; where material, a conversion right is taken into account	Quoted market price	6	1
Securities and similar claims	Level 1	Short-term money market instruments	Present stock market price	–	413	261
	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	49	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	–	74	63
	Level 3	Commodity derivatives	Discounted cash flow method based on future commodity price trends	Development of energy prices Volume assessments Quality factors	74	–
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	–	−172	−63
	Level 3	Commodity derivatives	Discounted cash flow method based on future commodity price trends	Development of energy prices Volume assessments Quality factors	–	−103

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 €3 million (2022: €3 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 €161 million (2022: €168 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 €243 million (2022: €250 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 €9 million. €66 million of this amount (2022: €65 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.

In 2022, the stock market listing of an investment resulted in the transfer of the fair value from level 3 to level 1.

Fair value of level 3: Reconciliation from the opening to the closing balances T128

in € million	Other investments	Loans	Securities and similar claims	Trade accounts receivable	Receivables from derivatives	Total
As of January 1, 2022	**463**	**12**	**43**	**29**	**–**	**547**
Additions/disposals	20	–6	6	–29	59	50
Recognized in other comprehensive income for the period	–191	–	–	–	–	–191
Recognized in other financial income/expense for the period	–	–	–	–	–	–
Recognized in cost of production for the period	–	–	–	–	15	15
Transfer from level 3 to level 1	–2	–	–	–	–	–2
As of December 31, 2022	**290**	**6**	**49**	**–**	**74**	**419**
Additions/disposals	12	–5	–	–	–	7
Recognized in other comprehensive income for the period	49	–	–	–	–177	–128
Recognized in other financial income/expense for the period	–	–	–6	–	–	–6
Recognized in cost of production for the period	–	–	–	–	–	–
Transfer from level 3 to level 1	–	–	–	–	–	–
As of December 31, 2023	**351**	**1**	**43**	**–**	**–103**	**292**

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 2023 T129

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	−16	–	–	–	−16
Result from measurement at fair value	–	–	–	2	2
Result from currency hedging	–	–	–	6	6
Result from currency translation of monetary assets and liabilities	−116	–	–	–	−116
Impairment losses/reversal of impairment losses	−14	–	–	–	−14
Interest income	24	–	–	7	31
Interest expense	–	−61	–	−19	−80
Result from securities and other investments[a]	–	–	11	–	11
Total	**−122**	**−61**	**11**	**−4**	**−176**

[a] In 2023, dividends of €11 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 2022 T130

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	–	–	–	19	19
Result from currency hedging	–	–	–	−71	−71
Result from currency translation of monetary assets and liabilities	26	–	–	–	26
Impairment losses/reversal of impairment losses	3	–	–	–	3
Interest income	13	–	–	4	17
Interest expense	–	−41	–	−1	−42
Result from securities and other investments[a]	–	–	12	−6	6
Total	**38**	**−41**	**12**	**−55**	**−46**

[a] In 2022, dividends of €12 million were received from other investments. They do not contain any dividends received from other investments divested during the fiscal year.

The result from currency hedging and the result from currency translation of operating monetary assets and liabilities do not contain the results from financial derivatives for which hedge accounting is applied. As in 2022, net interest income/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/expense if they relate to intra-group 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, currency options, 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. The following weighted average hedging rates for the major currency pairs are derived from hedging of the currency risk:

Hedging of currency risk T131

	Average hedging rate		Average exchange rate	Closing rates
	Maturing in 2024	Maturing in 2025	2023	Dec. 31, 2023
EUR/USD	1.08	1.09	1.08	1.11
EUR/CNH[a]	7.38	7.73	7.66	7.85

[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. An interest rate swap, which matures in 2025, was concluded in the reporting period to swap a fixed interest rate for a variable rate.

The **price risk relating to forecast purchases of raw materials** is hedged using gas commodity swaps recognized as cash flow hedges.

Derivative financial instruments as of December 31, 2023 T132

	Notional value, total		Carrying amount	
in € million	**Total**	thereof non-current	Receivables from derivatives	Liabilities from derivatives
Currency risks				
Forward exchange contracts, currency options, and currency swaps	5,141	193	45	25
thereof cash flow hedges	1,377	193	22	2
thereof hedges of a net investment	75	–	–	–
Total	**5,141**	**193**	**45**	**25**
Interest rate risks				
Interest rate swaps	500	500	–	23
thereof fair value hedges	500	500	–	23
Total	**500**	**500**	**–**	**23**
Commodity price risks				
Power derivatives[a,b]	610	546	18	103
thereof cash flow hedges	546	546	–	103
Gas derivatives[c]	67	1	–	15
thereof cash flow hedges	4	1	–	1
Coal derivatives	–	–	–	–
thereof cash flow hedges	–	–	–	–
Total	**677**	**547**	**18**	**118**

[a] The liabilities from power derivatives do not include the day one gain on a power purchase agreement.
[b] Hedged volume of power derivatives 7,092 thousand MWh (of which non-current: 6,582 thousand MWh), some of which are not included in hedge accounting.
[c] Hedged volume of gas derivatives 56 million m^3 (of which non-current: 17 million m^3).

Derivative financial instruments as of December 31, 2022 T133

	Notional value, total		Carrying amount	
in € million	Total	thereof non-current	Receivables from derivatives	Liabilities from derivatives
Currency risks				
Forward exchange contracts, currency options, and currency swaps	5,818	302	68	85
thereof cash flow hedges	1,629	292	20	29
thereof hedges of a net investment	74	–	1	–
Total	**5,818**	**302**	**68**	**85**
Interest rate risks				
Interest rate swaps	500	500	–	42
thereof fair value hedges	500	500	–	42
Total	**500**	**500**	**–**	**42**
Commodity price risks				
Power derivatives [a,b]	685	676	79	8
Gas derivatives [c]	8	2	1	1
thereof cash flow hedges	8	2	1	1
Coal derivatives [d]	93	–	–	36
thereof cash flow hedges	93	–	–	36
Total	**786**	**678**	**80**	**45**

[a] The receivables from power derivatives do not include the day one gain on a power purchase agreement.
[b] Hedged volume of power derivatives 6,679 thousand MWh (of which non-current: 6,582 thousand MWh) not included in hedge accounting.
[c] Hedged volume of gas derivatives 55 million m^3 (of which non-current: 26 million m^3).
[d] Hedged volume of coal derivatives 318 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 2022 and 2023, 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 T134

	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, 2022	**–42**	**1**	**–41**	**–6**	**–6**
Gains/losses from effective hedging relationships recognized in OCI	–35	–58	–93	–15	–15
Reclassification to the income statement due to realization of the hedged item	87	–	87	13	13
Offset against cost of acquisition	–6	21	15	–	–
As of December 31, 2022	**4**	**–36**	**–32**	**–8**	**–8**
Gains/losses from effective hedging relationships recognized in OCI	27	–193	–166	3	3
Reclassification to the income statement due to realization of the hedged item	–23	–	–23	9	9
Offset against cost of acquisition	5	52	57	–	–
As of December 31, 2023	**13**	**–177**	**–164**	**4**	**4**

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 T135

in € million	Designated risk components
As of January 1, 2022	**–6**
Gains/losses from effective hedging relationships recognized in OCI	4
As of December 31, 2022	**–2**
Gains/losses from effective hedging relationships recognized in OCI	–2
As of December 31, 2023	**–4**

€3 million (2022: €3 million) of the other equity components from net investment hedges relate to the early termination of hedging relationships.

An interest rate swap with a notional value of €500 million is used to hedge the interest rate risk of a fair value hedge. The hedged item is the fair value of the fixed interest on a bond.

Fair value hedges recognized on the balance sheet T136

	Interest rate hedges	
in € million	2022	2023
Carrying amount of the hedged items on the balance sheet	42	23
Cumulative fair value adjustment of active hedging relationships	–42	–23

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 2023 T137

in € million	Currency hedges	Interest rate hedges	Commodity price hedges
Change in the value of the hedged item	–27	–	193
Change in the designated value of the hedging instrument	27	–	–193
Cash flow hedges	**–**	**–**	**–**
Change in the value of the hedged item	2	–	–
Change in the designated value of the hedging instrument	–2	–	–
Hedge of a net investment	**–**	**–**	**–**
Change in the value of the hedged item	–	–19	–
Change in the designated value of the hedging instrument	–	19	–
Fair value hedges	**–**	**–**	**–**

Effectiveness of the hedging relationships 2022 T138

in € million	Currency hedges	Interest rate hedges	Commodity price hedges
Change in the value of the hedged item	–52	–	58
Change in the designated value of the hedging instrument	52	–	–58
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	**–**	**–**	**–**
Change in the value of the hedged item	–	42	–
Change in the designated value of the hedging instrument	–	–42	–
Fair value hedges	**–**	**–**	**–**

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 hedged item. 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 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 T139

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 the 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. 161 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, 100 percent (2022: 100 percent) of the instruments recognized as financial assets were variable-interest instruments. At year-end 2023, 85 percent (2022: 88 percent) of financial instruments recognized in other financial liabilities 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, 2023. 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, 2023 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 2023 was 7.7 percent for the USD (2022: 10.2 percent) and 6.3 percent for the CNY/CNH (2022: 8.4 percent). The exposure is the net nominal amount of derivative and non-derivative financial instruments subject to exchange rate risks. Counter items within a currency are netted.

Exchange rate sensitivity analysis T140

	Dec. 31, 2022					Dec. 31, 2023				
		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	458	–4	–8	–36	–72	679	3	6	–37	–74
CNY	141	–2	–4	–13	–26	89	–1	–2	–3	–7

Several scenario analyses were carried out to measure interest rate risk as of December 31, 2023. These analyzed shifts of 50 and 100 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 T141

	Dec. 31, 2022					Dec. 31, 2023				
		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	412	–2	–4	–	–	266	–1	–2	–	–

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. Moreover, procuring electricity through power purchase agreements to minimize price risks is an important risk management tool.

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 and power requirements. These agreements relate exclusively to use by Evonik and, with one exception, are not recognized in the financial statements, in accordance with the exception for own usage set forth in IFRS 9. In view of the fluctuations in output, the restrictive requirements for the own-usage exception cannot be fully ensured in the case of one power purchase agreement. Therefore, this agreement is accounted for as a cash flow hedge. The power purchase agreements run for a maximum of 15 years. The amounts to be recognized in the corresponding balance sheet items were determined principally by the development of electricity prices in 2023. If the price had been 10 percent higher or lower, this would have resulted in a corresponding reduction or increase in other equity components from hedging instruments of €27 million (2022: €0 million). There would not have been any impact on income before income taxes (2022: €48 million).

Financial derivatives were also used to hedge the procurement price risks relating to natural gas. As of the reporting date, the average hedging rate for natural gas was €0.11 per cubic meter. If the price of natural gas had been 10 percent higher or lower, the valuation of the commodity derivatives held on the reporting date would have resulted in a corresponding increase or reduction in other equity components from hedging instruments of €0 million (2022: €5 million). As in 2022, 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 its solid investment rating, the resulting liquidity risk for Evonik is deemed to be very low.

As of December 31, 2023, Evonik had cash and cash equivalents amounting to €749 million and current securities totaling €261 million. In addition, Evonik has a €1.75 billion syndicated credit facility as a central source of liquidity. This credit facility was agreed in November 2022. Following utilization of the first extension option in 2023, it now runs until November 2028. There is a further option to extend it by one year, in which case it would end in November 2029 at the latest. The syndicated credit facility represents a long-term liquidity reserve for the Evonik Group and was not drawn at any time in fiscal 2023. It does not contain any covenants requiring Evonik to meet certain financial ratios. In addition, Evonik still has bilateral credit facilities of €800 million. These had not been drawn as of December 31, 2023. They are available alongside the syndicated credit facility as an additional liquidity reserve.

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, 2023 T142

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	**1,521**	**–**	**–**	**–**	**1,521**
Bonds	783	1,058	1,274	–	3,115
Liabilities to banks	40	21	2	19	82
Schuldschein loans	9	183	91	–	283
Lease liabilities	193	250	183	534	1,160
Liabilities from rebate and bonus agreements	54	–	–	–	54
Customer credit liabilities	54	–	–	–	54
Miscellaneous other financial liabilities	54	26	–	–	80
Other financial liabilities	**1,187**	**1,538**	**1,550**	**553**	**4,828**

Payments for non-derivative financial instruments by residual maturity as of December 31, 2022 T143

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	**1,735**	**–**	**–**	**–**	**1,735**
Bonds	33	1,314	1,298	504	3,149
Liabilities to banks	38	19	–	19	76
Schuldschein loans	5	85	100	84	274
Lease liabilities	177	267	176	543	1,163
Liabilities from rebate and bonus agreements	57	–	–	–	57
Customer credit liabilities	18	–	–	–	18
Miscellaneous other financial liabilities	60	33	–	–	93
Other financial liabilities	**388**	**1,718**	**1,574**	**1,150**	**4,830**

Prior-year figures restated.

A disclosure on the maturity of existing financial guarantees can be found in note 9.4.4.3 p. 202 ff. 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, 2023 T144

in € million	Up to 1 year	More than 1 and up to 3 years	More than 3 years	Total
Forward exchange contracts, currency options, and currency swaps	40	1	–	41
thereof cash inflows	2,243	65	–	2,308
thereof cash outflows	−2,203	−64	–	−2,267
Commodity derivatives	18	–	–	18
Receivables from derivatives	**58**	**1**	**–**	**59**
Interest rate swaps	−17	−7	–	−24
Forward exchange contracts, currency options, and currency swaps	−25	–	–	−25
thereof cash inflows	2,010	11	–	2,021
thereof cash outflows	−2,035	−11	–	−2,046
Commodity derivatives	−15	–	−103	−118
Liabilities from derivatives	**−57**	**−7**	**−103**	**−167**

Payments relating to derivative financial instruments by remaining maturity as of December 31, 2022 T145

in € million	Up to 1 year	More than 1 and up to 3 years	More than 3 years	Total
Forward exchange contracts, currency options, and currency swaps	58	2	–	60
thereof cash inflows	2,359	83	–	2,442
thereof cash outflows	−2,301	−81	–	−2,382
Commodity derivatives	6	–	74	80
Receivables from derivatives	**64**	**2**	**74**	**140**
Interest rate swaps	−15	−28	–	−43
Forward exchange contracts, currency options, and currency swaps	−81	–	–	−81
thereof cash inflows	2,633	57	–	2,690
thereof cash outflows	−2,714	−57	–	−2,771
Commodity derivatives	−45	–	–	−45
Liabilities from derivatives	**−141**	**−28**	**–**	**−169**

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 issued 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 a CDS (credit default swap) 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 risk default T146

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 loans recognized at amortized cost and miscellaneous other financial assets, the general impairment model is applied. For trade accounts receivable, receivables from finance leases, and contract assets (with and without a financing component), the simplified approach is applied using an impairment matrix.

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. 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. The matrix takes account of all components of receivables that are exposed to a risk of credit losses, except where they are subject to an individual loss allowance. It has a two-step structure. 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, 2023, the **general approach** was applied for loans amounting to €37 million (2022: €51 million) and miscellaneous other financial assets of €16 million (2022: €61 million), which are measured at amortized cost. Of these, loans amounting to €20 million and miscellaneous other financial assets totaling €13 million have an investment grade rating. Miscellaneous other financial assets totaling €3 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 2023. As of December 31, 2023, 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. There were no overdue items.

As of December 31, 2023, the **simplified approach** was used for trade accounts receivable totaling €1,607 million (2022: €1,898 million) and contract assets totaling €4 million (2022: €7 million). 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) T147

in € million	Trade accounts receivable
As of January 1, 2022	**7**
Change	–3
As of December 31, 2022	**4**
Change	1
As of December 31, 2023	**5**

Credit loss matrix for trade accounts receivable as of December 31, 2023 T148

	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 %	–	–	–	1.3	–
Gross carrying amount[a]	45	364	286	392	1,087
Expected credit losses (risk provisioning)	–	–	–	5	5
thereof based on credit risk attributes	–	–	–	2	2
thereof 1–180 days past-due	–	–	–	1	1
thereof 181–365 days past-due	–	–	–	–	–
thereof >365 days past-due	–	–	–	2	2

For receivables in categories 1–3, the lifetime expected credit losses based on credit risk criteria were negligible. Therefore, they are not shown separately in the table.
[a] The gross carrying amount only applies to non-credit-insured receivables and receivables that are not examined individually for impairment.

Credit loss matrix for trade accounts receivable as of December 31, 2022 T149

	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[a]	91	382	432	412	1,317
Expected credit losses (risk provisioning)	–	–	–	4	4
thereof based on credit risk attributes	–	–	–	2	2
thereof 1–180 days past-due	–	–	–	1	1
thereof 181–365 days past-due	–	–	–	–	–
thereof >365 days past-due	–	–	–	1	1

For receivables in categories 1–3, the lifetime expected credit losses based on credit risk criteria were negligible. Therefore, they are not shown separately in the table.
[a] The gross carrying amount only applies to non-credit-insured receivables and receivables that are not examined individually for impairment.

Loss allowances for financial assets that have to be tested individually for impairment T150

in € million	Trade accounts receivable
As of January 1, 2022	**8**
Additions	2
Utilization	–3
Reversal	–2
As of December 31, 2022	**5**
Additions	5
Utilization	–1
Reversal	–2
As of December 31, 2023	**7**

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 2023, trade accounts receivable totaling €337 million (2022: €400 million) were covered by credit insurance (after factoring out the deductible). The maximum default risk at year-end from items for which the simplified model was applied was €1,263 million (2022: €1,498 million).

As of the reporting date, no collateral had been received for any further financial assets subject to the scope of the general 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, 2023 T151

	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	45	–	45	30	–	15
Liabilities from derivatives	48	–	48	30	–	18

Offsetting rights for financial assets and liabilities as of December 31, 2022 T152

	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	68	–	68	50	–	18
Liabilities from derivatives	127	–	127	50	–	77

Further, there is a default risk relating to the granting of financial guarantees, see note 9.5 p. 206 f.
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 the RAG-Stiftung Group, including associates in the RAG-Stiftung Group, and associates and joint ventures of Evonik. Furthermore, subsidiaries of Evonik that are not consolidated on materiality grounds also constitute related parties. Post-employment benefit plans for employees are also regarded as related parties. Transactions with these post-employment benefit plans relate to occupational pension plans. For further information, see note 6.10 p. 164 ff. In addition, the Evonik Group provides services for these plans. These transactions are presented in the table below.

The dividend for fiscal 2022 was paid following the resolution adopted by the annual shareholders' meeting on May 31, 2023. RAG-Stiftung, Essen (Germany) received €297 million (2022: €307 million). In 2023, Evonik received dividends of €24 million (2022: €17 million) from fellow subsidiaries, associates and joint ventures.

The divestment of a subsidiary in December 2023 also included the sale of the shares in the joint venture Saudi Acrylic Polymers Company, Ltd., Jubail (Saudi Arabia). Therefore, this joint venture was no longer a related party of the Evonik Group as of December 31, 2023. As a result, liabilities and contingent liabilities relating to this joint venture are no longer presented under business relations with related parties as of December 31, 2023. For information on the ongoing contingent liabilities, see note 9.6 p. 207 f.

In 2023, the Evonik Group received goods and services from an associate that was classified as a joint venture in the previous year.

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. Further, customary business relationships were maintained with the Deutsche Bahn Group and the Deutsche Telekom Group, as well as immaterial business relationships with the Duisport Group. Evonik concludes forward electricity and natural gas transactions with public-sector utilities.

Individuals defined as related parties include members of the management who are directly or indirectly responsible for corporate planning, management, and oversight of the Evonik Group or its parent company, 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 and at RAG-Stiftung.

Business relations with related parties T153

	RAG-Stiftung		Fellow subsidiaries		Subsidiaries		Joint ventures		Associates		Post-employment benefit plans	
in € million	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Goods and services supplied	2	2	2	2	20	18	28	36	4	9	7	7
Goods and services received	–	–	–1	–2	–	–1	–8	–9	–1	–17	–	–
Other income	–	–	11	11	–	–	3	12	3	4	–	–
Receivables as of December 31	–	–	–	–	9	12	4	2	1	1	–	–
Liabilities as of December 31	–	–	–	–	–	–	–36	–1	–	–2	–	–
Contingent liabilities as of December 31	–	–	–	–	–2	–	–30	–	–	–	–	–

Prior-year figures restated.

Short-term remuneration comprises both amounts not related to performance and short-term performance-related payments. As of December 31, 2023, there were provisions of €1,200 thousand (2022: €3,043 thousand) for short-term performance-related remuneration of members of the executive board and €691 thousand (2022: €1,804 thousand) for other management members.

As of December 31, 2023, provisions for share-based payments amounted to €6,069 thousand (2022: €8,504 thousand) for members of the executive board and €1,415 thousand (2022: €1,424 thousand) for other management members. The share-based payments are expenses incurred in 2023 for LTI tranches from 2018 to 2023.

The present value of pension obligations (defined benefit obligations) was €25,211 thousand (2022: €20,705 thousand) for the executive board and €6,371 thousand (2022: €12,013 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.

Apart from the relationships stated above, Evonik did not have any other significant business relationships with related parties.

Remuneration paid to related parties T154

	Executive Board of Evonik Industries AG		Supervisory Board of Evonik Industries AG		Other management members		**Total**	
in €'000	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**
Short-term remuneration	7,239	5,215	3,446	3,432	4,246	3,167	14,931	11,814
Share-based payment	3,861	3,114	–	–	701	521	4,562	3,635
Current service cost for pensions and other post-employment benefits	2,735	1,676	–	–	439	353	3,174	2,029
Termination benefits	–	724	–	–	–	–	–	724

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 T155

in € million	2022	**2023**
Guarantee and warranty obligations	58	35
Obligations to make contributions to the fund assets of corporate venture capital investments	20	29
Total	**78**	**64**

The **guarantee and warranty obligations** include guarantees of €29 million in favor of the joint venture Saudi Acrylic Polymers Company, Ltd., Jubail (Saudi Arabia), which was sold in December 2023. The maximum default risk is the full amount of the guarantees. In the previous year, guarantee and warranty obligations included indemnification obligations of €7 million relating to divestments.

Through its corporate venture capital activities, the Evonik Group also invests indirectly in specialized technology funds. Evonik holds between 0.66 percent and 24.98 percent of the respective (sub-)fund assets and recognizes them in financial assets as securities and similar claims with a total carrying amount of €42 million (2022: €49 million). As a result of contractual agreements, the **corporate venture capital activities have obligations to make payments into the fund assets** 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. As in 2022, it was €71 million. There is no intention of providing further financial or other support.

There were no **contingent receivables** as of December 31, 2023.

Other financial obligations 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.

Other financial obligations T156

in € million	2022	2023
Obligations to acquire property, plant and equipment	242	210
Miscellaneous other financial obligations	2,206	2,186
Total	**2,448**	**2,396**

Prior-year figures restated.

The **miscellaneous other financial obligations** mainly result from long-term agreements for the sourcing of energy and raw materials. The long-term power purchase agreements are a material component of these obligations. For further information, see note 9.4 p. 186 ff.

9.7 Events after the reporting date

The negotiations in connection with the planned sale of the **Superabsorbents business** (see note 4.3 p. 141 f.) are at an advanced stage, and it is expected that they will be completed shortly.

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 **www.evonik.finance/list-of-shareholdings.**

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) T157

	Shareholding in %		Income after taxes		Equity	
in € million	2022	2023	2022	2023	2022	2023
Borussia Dortmund GmbH & Co. KGaA, Dortmund (Germany)	8.19	8.19	–35	9	309	318
Vivawest GmbH, Essen (Germany)[a]	15.00	15.00	102	86	1,813	1,720

[a] Based on their nature as plan assets, shares amounting to 7.5 percent of this shareholding (2022: 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 T158

in € million	2022	2023
Wages and salaries	2,745	2,605
Social security contributions	451	465
Pension expenses	227	125
Other personnel expense	64	59
Total	**3,487**	**3,254**

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. 148 f.

Headcount by divisions (annual average) T159

No. of employees	2022	2023
Specialty Additives	3,764	3,538
Nutrition & Care	5,609	5,724
Smart Materials	7,955	8,084
Performance Materials	1,917	1,924
Technology & Infrastructure	8,130	8,089
Enabling functions, other activities	6,080	6,258
Total	**33,455**	**33,617**

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

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 2023 amounted to €9,811 thousand (2022: €10,896 thousand). In the reporting period, provisions of €321 thousand for bonus payments to the executive board for the previous year were reversed. Further details, including an individual breakdown of remuneration, can be found in the remuneration report. **www.evonik.finance/remuneration-report**

Total remuneration of **former members of the executive board and their surviving dependents** was €3,244 thousand in 2023 (2022: €3,141 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 €63,091 thousand (2022: €59,999 thousand).

The remuneration of the **supervisory board** for 2023 totaled €3,432 thousand (2022: €3,466 thousand).

10.4 Declaration of conformity with the German Corporate Governance Code

In December 2023, 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**

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 2023 and 2022:

Auditor's fees T160

	Germany		Other countries		Total fees	
in € million	2022	**2023**	2022	**2023**	2022	**2023**
Auditing of financial statements	3.6	4.2	2.9	2.8	6.5	7.0
Other audit-related services	1.6	2.3	0.3	0.4	1.9	2.7
Other services	0.1	0.1	–	–	0.1	0.1
Total	**5.3**	**6.6**	**3.2**	**3.2**	**8.5**	**9.8**

The fees charged for auditing financial statements mainly comprise 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 the auditing of combined financial statements in connection with changes in the group, 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 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 on February 26, 2024 and approved them for publication. The consolidated financial statements will be submitted to the audit committee at its meeting on February 27, 2024 for a preliminary examination and to the supervisory board for approval at its meeting on March 1, 2024.

Essen, February 26, 2024

Evonik Industries AG
The Executive Board

Kullmann Dr. Schwager

Schuh Wessel

SUPPLEMENTARY INFORMATION

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 Evonik 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 26, 2024

Evonik Industries AG
The Executive Board

Kullmann	Dr. Schwager
Schuh	Wessel

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 2023, 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 2023, 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 2023.

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 31 December 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, 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 2023. 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

Information on the accounting and valuation principles applied, the assumptions used and the amount of goodwill is provided in section 6.5 of the notes.

THE FINANCIAL STATEMENT RISK

Goodwill amounted to EUR 4,581 million as of 31 December 2023, and at 23 % 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. The cut-off date for the impairment test independent of event is 30 September 2023.

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, future investments and the discount rate used.

Due to the decline in economic business development in the 2023 financial year and the market capitalisation below the net assets of Evonik Industries AG, goodwill impairment tests were carried out during the year. As a result of the impairment tests carried out, no need for impairment was identified.

There is the risk for the consolidated financial statements that impairment existing as of the reporting date 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 future investments with those responsible for planning. We also reconciled this information with the 2024 budget prepared by management and approved by the Supervisory Board as well as the medium-term planning up to and including 2026. 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 honor the computational accuracy of the 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.

Impairment of property, plant and equipment

Please refer to note 6.5 in the notes to the financial statements for information on the accounting policies applied and the assumptions used. Disclosures on the value of property, plant and equipment can be found under note 6.2.

THE FINANCIAL STATEMENT RISK

Property, plant and equipment amounted to EUR 6,294 million as of 31 December 2023, and at 32% of total assets accounts for a considerable share of the assets.

If there is objective evidence of impairment of property, plant and equipment, the Company determines the recoverable amount and compares this amount with the respective carrying amount. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized. The recoverable amount is determined using the discounted cash flow method. The calculation of the recoverable amount is carried out regularly on the level of cash-generating units.

Impairment testing of property, plant and equipment is complex and based on a range of assumptions that require judgment. This is particularly the case for estimated future cash flows and the discount rates used.

Due to the decline in economic business development in the 2023 financial year and the market capitalization below the net assets of Evonik Industries AG, the value of property, plant and equipment was checked during the year on an ad hoc basis. As a result of the impairment tests, an impairment loss of EUR 452 million was recognized. Impairment losses totalling EUR 475 million were recognized in the financial year.

There is the risk for the consolidated financial statements that the existing impairment loss is not recognized in the amount required. There is also the risk that the related disclosures in the notes are not appropriate.

OUR AUDIT APPROACH

We obtained an understanding of the Company's process for the identification of indications of impairment as well as for the determination of recoverable amounts based on explanations provided by accounting staff as well as an assessment of the in-house policies.

With the involvement of our valuation experts, we assessed the computational accuracy and IFRS compliance of the Company's valuation methods and the appropriateness of significant assumptions made therein. In addition, we also discussed the expected cash inflows with those responsible for planning. Through reconciliation of the 2024 budget prepared by management and approved by the Supervisory Board and medium-term planning up to and including 2026, we ensured their internal consistency.

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 honor the computational accuracy of the method used, we verified the Company's calculations on the basis of selected risk-based elements.

In order to take account of forecast uncertainty, we also assessed the impact of reasonably possible changes in [the discount rate] and [the expected cash flows] on the recoverable amount (sensitivity analysis) by calculating alternative scenarios and comparing these with the Company's measurements.

Finally, we assessed whether the disclosures in the notes on the impairment of property, plant and equipment are appropriate.

OUR OPINIONS

The valuation method on which the impairment test for property, plant and equipment is based is in line with the valuation principles. The assumptions and data used by the company are appropriate. The related disclosures in the notes 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 2023, the provisions for employee benefits and similar obligations amounted to EUR 1,858 million. This is the net balance of the present value of pension obligations of EUR 9,004 million and the fair value of plan assets of EUR 7,155 million after taking into account the effects of the asset ceiling of EUR 9 million. The majority of this is attributable to pension commitments in Germany, the USA and the United Kingdom (UK).

Pension obligations (defined benefit obligations) are measured using the projected unit credit method in accordance with IAS 19. The actuarial calculation of pension obligations is complex and is based on judgemental assumptions. 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.

With the involvement of our actuaries, we assessed the actuarial reports obtained by Evonik as well as the professional qualifications 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 deliberate selection 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 interest-bearing investments, we made 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. For non-interest-bearing investments, we verified whether the unit prices determined by the investment management companies are appropriate. For the audit of the fair values of unlisted interest-bearing investments, we made our own calculations with the involvement of our valuation specialists for a risk-oriented, conscious selection and compared them 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 assessed whether the unit prices determined by the capital management companies were appropriate. For the audit of the fair value of the share in Vivawest GmbH included in the plan assets, we assessed, among other things, the appropriateness of the calculation method and the plausibility of the key planning assumptions based on industry-specific market expectations with the involvement of our valuation specialists. With regard to the discount rate determined, we performed both a substantive assessment of the individual assumptions and data based on available market data and a critical overall assessment in comparison to other companies in the property 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 combined non-financial statement of the company and the Group, included in the subsections 5.1, 5.2, 5.5 und 5.6 of section 5 "Sustainability" of the combined management report, and
- the combined corporate governance statement of the company and the Group included in the corresponding section of the combined management report, and
- the information contained in the combined management report that is not part of the management report and is marked as unaudited.

The other information also includes the parts of the financial report. 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 combined non-financial statements. With regard to the nature, scope and results of this audit, we refer to our audit opinion dated 27 February 2024.

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 (i.e., fraudulent financial reporting and misappropriation of assets) 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 the risk of not detecting a material misstatement 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 actions taken or safeguards applied to eliminate independence threats.

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-2023-12-31.zip" (SHA256-Hashwert: 583aa866e5ccbfeb8c74055ae497edd3b15f9de0377fe43d2e00bf15868d8364) 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 2023 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 (06.2022)) 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: Requirements for Quality Management in Audit Firms (IDW QMS 1 (09.2022)).

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 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 31 May 2023. We were engaged by the supervisory board on 15 June 2023. 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 entered in the company register – 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, 27 February 2024
KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Hain
Wirtschaftsprüfer
[German Public Auditor]

Dr. Ackermann
Wirtschaftsprüferin
[German Public Auditor]

Independent assurance practitioner's report[1]

To the Executive Board of Evonik Industries AG, Essen

We have performed a limited assurance engagement on the combined non-financial statement (hereinafter, "NFS") of Evonik Industries AG, Essen (hereinafter, "Company") and the Evonik Group, including chapters 5.1, 5.2, 5.5 and 5.6 of the combined group management report for the period from January 1, 2023 to December 31, 2023.

In addition, we have performed reasonable assurance procedures on the following non-financial disclosures, which also qualify as components of the NFS:
- Disclosures in Chapter 5.3 – Employees
- Disclosures in Chapter 5.4 – Safety

Responsibilities of Management

Management of the Company is responsible for the preparation of the NFS in accordance with Sections 315c in conjunction with 289c to 289e HGB ["Handelsgesetzbuch": German Commercial Code] and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as set out in section 5.5.5 of the consolidated non-financial statement.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures by the group that are reasonable in the circumstances. Furthermore, management is responsible for such internal control as they consider necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, management has disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section 5.5.5 of the NFS. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Practitioner Responsibilities

It is our responsibility to express, based on our work performed, a conclusion with limited assurance on the NFS, including the Chapters 5.1, 5.2, 5.5 and 5.6 of the Management Report qualified as components of the NFS, and a conclusion 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.

Engagement to Obtain Limited Assurance

We conducted our 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" issued by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's NFS, including the Chapters 5.1, 5.2, 5.5 and 5.6 of the Management Report qualified as components of the NFS has not been prepared, in all material respects, in accordance with Sections 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by management disclosed in section 5.5.5 of the NFS.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the assurance practitioner.

[1] The English language text below is a translation provided for information purposes only. The original German text shall prevail in the event of any discrepancies between the English translation and the German original. We do not accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may arise from the translation.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- 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 the Company
- 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
- Identification of likely risks of material misstatement in the consolidated NFS
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures, on environmental, employee and social matters, respect for human rights, and combating corruption and bribery, including the consolidation of data
- 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 and taxonomy-aligned 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 at seven 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 and taxonomy-aligned economic activities and the corresponding disclosures in the report
- Assessment of the overall presentation of the disclosures

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, management is required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

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". This standard requires 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:

- 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 relevant subject areas
- 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 of the Assurance Practitioner's firm

We have complied with the independence and quality assurance requirements set out in the national legal provisions and professional pronouncements, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QMS 1 (09.2022)).

Assurance Opinion

Based on the assurance 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 Industries AG, Essen, and the Evonik Group, including chapters 5.1, 5.2, 5.5 and 5.6 of the combined group management report for the period from January 1, 2023 to December 31, 2023 has not been prepared, in all material respects, in accordance with Sections 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by management as disclosed in section 5.5.5 of the combined non-financial statement.

According to our evaluation, Chapters 5.3 and 5.4 of the combined Management Report, which also qualify as components of the combined non-financial statement of Evonik Industries AG, Essen, for the period from January 1, 2023 to December 31, 2023, have been prepared, in all material aspects, in accordance with Sections 315c in conjunction with 289c to 289e HGB.

Restriction of Use/General Engagement Terms

This assurance report is solely addressed to the Executive Board of Evonik Industries AG, Essen.

Our assignment for Executive Board of Evonik Industries AG, Essen, is governed by the General Engagement Terms for Wirtschaftsprüfer (German Public Auditors) and Wirtschaftsprüfungsgesellschaften (German Public Audit Firms) (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (**www.kpmg.de/bescheinigungen/lib/aab_english.pdf**). By reading and using the information contained in this assurance report, each recipient confirms having taken note of provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 million as stipulated in No. 9) and accepts the validity of the attached General Engagement Terms with respect to us.

Düsseldorf, February 27, 2024
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Brandt
Wirtschaftsprüferin
[German Public Auditor]

ppa. Dietrich

Annex to the combined management report: EU taxonomy tables

Proportion of turnover from products or services associated with taxonomy-aligned economic activities—disclosure covering 2023 T161

				Substantial contribution criteria						DNSH criteria ("Do No Significant Harm")									
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Economic activities	Code(s)[c]	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular economy	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular economy	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned (A.1) or taxonomy-eligible (A.2) proportion of turnover, 2022	Category enabling activity	Category transitional activity
		in € million	in %	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	in %	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Taxonomy-aligned activities																			
Manufacture of energy efficiency equipment for buildings	CCM 3.5	75	–	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	–	E	
Manufacture of plastics in primary form	CCM 3.17	4	–	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	–		T
Turnover of taxonomy-aligned activities (A.1)		**79**	**1**	**1**	**–**	**–**	**–**	**–**	**–**		**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**–**		
of which enabling		75	–	–	–	–	–	–	–		Y	Y	Y	Y	Y	Y	–	E	
of which transitional		4	–	–							Y	Y	Y	Y	Y	Y	–		T
A.2. Taxonomy-eligible but not taxonomy-aligned activities				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of energy efficiency equipment for buildings[a]	CCM 3.5	33	–	EL	N/EL	N/EL	N/EL	N/EL	N/EL								–		
Manufacture of organic basic chemicals	CCM 3.14	76	–	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1		
Manufacture of plastics in primary form	CCM 3.17	2,245	15	EL	N/EL	N/EL	N/EL	N/EL	N/EL								13		
High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	CCM 4.30	124	1	EL	N/EL	N/EL	N/EL	N/EL	N/EL								–		
Manufacture of active pharmaceutical ingredients[b]	PPC 1.1	95	1	N/EL	N/EL	N/EL	EL	N/EL	N/EL										
Turnover of taxonomy-eligible but not taxonomy-aligned activities (A.2)		**2,573**	**17**	16	–	–	1	–	–								**15**		
Total (A.1 + A.2)		**2,652**	**17**	17	–	–	1	–	–								**15**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of taxonomy-non-eligible activities (B)		**12,615**	**83**																
Total (A + B)		**15,267**	**100**																

[a] For this activity, several smaller units of evaluation with aggregate turnover of less than €5 million were not examined for taxonomy alignment on materiality grounds and due to the disproportionate amount of work involved.
[b] For 2023, only taxonomy eligibility has to be reported. Taxonomy alignment has not yet been examined.
[c] The code is the abbreviation for the environmental objective to which the economic activity can make a substantial contribution, i.e., climate change mitigation (CCA); climate change adaptation (CCA); water and marine resources (WTR); circular economy (CE); pollution prevention and control (PPC); biodiversity and ecosystems (BIO).

Y – yes: activity is taxonomy-eligible and taxonomy-aligned with the relevant environmental objective; N – no: activity is taxonomy-eligible but not taxonomy-aligned with the relevant objective.
EL – eligible: activity is taxonomy-eligible for the environmental objective; N/EL – not eligible: activity is not taxonomy-eligible for the environmental objective.

Proportion of CapEx from products or services associated with taxonomy-aligned economic activities—disclosure covering 2023

T162

				Substantial contribution criteria						DNSH criteria ("Do No Significant Harm")									
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Economic activities	Code(s)[c]	Absolute CapEx	Proportion of CapEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular economy	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular economy	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned (A.1) or taxonomy-eligible (A.2) proportion of CapEx, 2022	Category enabling activity	Category transitional activity
		in € million	in %	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	in %	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Taxonomy-aligned activities																			
Manufacture of energy efficiency equipment for buildings	CCM 3.5	2	–	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	–	E	
Manufacture of plastics in primary form	CCM 3.17	–	–	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	–		T
CapEx of taxonomy-aligned activities (A.1)		**2**	**–**	**–**	**–**	**–**	**–**	**–**	**–**		**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**–**		
of which enabling		2	–	–	–	–	–	–	–		Y	Y	Y	Y	Y	Y	–	E	
of which transitional		–	–	–							Y	Y	Y	Y	Y	Y	–		T
A.2. Taxonomy-eligible but not taxonomy-aligned activities				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of energy efficiency equipment for buildings[a]	CCM 3.5	1	–	EL	N/EL	N/EL	N/EL	N/EL	N/EL								–		
Manufacture of organic basic chemicals	CCM 3.14	2	–	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1		
Manufacture of plastics in primary form	CCM 3.17	121	11	EL	N/EL	N/EL	N/EL	N/EL	N/EL								9		
High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	CCM 4.30	4	–	EL	N/EL	N/EL	N/EL	N/EL	N/EL								7		
Manufacture of active pharmaceutical ingredients[b]	PPC 1.1	11	1	N/EL	N/EL	N/EL	EL	N/EL	N/EL										
CapEx of taxonomy-eligible but not taxonomy-aligned activities (A.2)		**140**	**13**	12	–	–	1	–	–								**17**		
Total (A.1 + A.2)		**142**	**13**	12	–	–	1	–	–								**17**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of taxonomy-non-eligible activities (B)		**918**	**87**																
Total (A + B)		**1,060**	**100**																

[a] For this activity, several smaller units of evaluation with aggregate turnover of less than €5 million were not examined for taxonomy alignment on materiality grounds and due to the disproportionate amount of work involved.
[b] For 2023, only taxonomy eligibility has to be reported. Taxonomy alignment has not yet been examined.
[c] The code is the abbreviation for the environmental objective to which the economic activity can make a substantial contribution, i.e., climate change mitigation (CCA); climate change adaptation (CCA); water and marine resources (WTR); circular economy (CE); pollution prevention and control (PPC); biodiversity and ecosystems (BIO).

Y – yes: activity is taxonomy-eligible and taxonomy-aligned with the relevant environmental objective; N – no: activity is taxonomy-eligible but not taxonomy-aligned with the relevant objective.
EL – eligible: activity is taxonomy-eligible for the environmental objective; N/EL – not eligible: activity is not taxonomy-eligible for the environmental objective.

Proportion of OpEx from products or services associated with taxonomy-aligned economic activities—disclosure covering 2023

T163

(1) Economic activities	(2) Code(s)[c]	(3) Absolute OpEx	(4) Proportion of OpEx	(5) Substantial contribution criteria: Climate change mitigation	(6) Substantial contribution criteria: Climate change adaptation	(7) Substantial contribution criteria: Water and marine resources	(8) Substantial contribution criteria: Pollution	(9) Substantial contribution criteria: Circular economy	(10) Substantial contribution criteria: Biodiversity and ecosystems	(11) DNSH criteria ("Do No Significant Harm"): Climate change mitigation	(12) DNSH criteria: Climate change adaptation	(13) DNSH criteria: Water and marine resources	(14) DNSH criteria: Pollution	(15) DNSH criteria: Circular economy	(16) DNSH criteria: Biodiversity and ecosystems	(17) Minimum safeguards	(18) Taxonomy-aligned (A.1) or taxonomy-eligible (A.2) proportion of OpEx, 2022	(19) Category enabling activity	(20) Category transitional activity
		in € million	in %	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	in %	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Taxonomy-aligned activities																			
Manufacture of energy efficiency equipment for buildings	CCM 3.5	2	–	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	–	E	
Manufacture of plastics in primary form	CCM 3.17	–	–	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	–		T
OpEx of taxonomy-aligned activities (A.1)		**2**	**–**	**–**	**–**	**–**	**–**	**–**	**–**		**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**–**		
of which enabling		2	–	–	–	–	–	–	–		Y	Y	Y	Y	Y	Y	–	E	
of which transitional		–	–	–							Y	Y	Y	Y	Y	Y	–		T
A.2. Taxonomy-eligible but not taxonomy-aligned activities				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of energy efficiency equipment for buildings[a]	CCM 3.5	1	–	EL	N/EL	N/EL	N/EL	N/EL	N/EL								–		
Manufacture of organic basic chemicals	CCM 3.14	1	–	EL	N/EL	N/EL	N/EL	N/EL	N/EL								–		
Manufacture of plastics in primary form	CCM 3.17	107	13	EL	N/EL	N/EL	N/EL	N/EL	N/EL								13		
High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	CCM 4.30	–	–	EL	N/EL	N/EL	N/EL	N/EL	N/EL								–		
Manufacture of active pharmaceutical ingredients[b]	PPC 1.1	6	1	N/EL	N/EL	N/EL	EL	N/EL	N/EL										
OpEx of taxonomy-eligible but not taxonomy-aligned activities (A.2)		**116**	**15**	14	–	–	1	–	–								**13**		
Total (A.1 + A.2)		**118**	**15**	14	–	–	1	–	–								**13**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of taxonomy-non-eligible activities (B)		**681**	**85**																
Total (A + B)		**799**	**100**																

[a] For this activity, several smaller units of evaluation with aggregate turnover of less than €5 million were not examined for taxonomy alignment on materiality grounds and due to the disproportionate amount of work involved.
[b] For 2023, only taxonomy eligibility has to be reported. Taxonomy alignment has not yet been examined.
[c] The code is the abbreviation for the environmental objective to which the economic activity can make a substantial contribution, i.e., climate change mitigation (CCA); climate change adaptation (CCA); water and marine resources (WTR); circular economy (CE); pollution prevention and control (PPC); biodiversity and ecosystems (BIO).

Y – yes: activity is taxonomy-eligible and taxonomy-aligned with the relevant environmental objective; N – no: activity is taxonomy-eligible but not taxonomy-aligned with the relevant objective.
EL – eligible: activity is taxonomy-eligible for the environmental objective; N/EL – not eligible: activity is not taxonomy-eligible for the environmental objective.

Overview taxonomy-eligible and -aligned proportion per environmental objectives 2023 T164

	Proportion of turnover/absolute turnover		Proportion of CapEx/absolute CapEx		Proportion of OpEx/absolute OpEx	
Environmental objectives	Taxonomy-aligned per objective in %	Taxonomy-eligible per objective in %	Taxonomy-aligned per objective in %	Taxonomy-eligible per objective in %	Taxonomy-aligned per objective in %	Taxonomy-eligible per objective in %
Climate change mitigation (CCM)	1	17	–	12	–	14
Climate change adaptation (CCA)	–	–	–	–	–	–
Water and marine resources (WTR)	–	–	–	–	–	–
Circular economy (CE)	–	–	–	–	–	–
Pollution prevention and control (PPC)	–	1	–	1	–	1
Biodiversity and ecosystems (BIO)	–	–	–	–	–	–

Annex to the combined management report: EU taxonomy templates

Templates for nuclear energy related and fossil gas related activities

Template 1 Nuclear and fossil gas related activities T165

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Template 2 Taxonomy-aligned economic activities (denominator)

T166

		Proportion of turnover						Proportion of CapEx						Proportion of OpEx					
		(CCM + CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)		(CCM + CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)		(CCM + CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	**Economic activities**	Amount in € million	in %	Amount in € million	in %	Amount in € million	in %	Amount in € million	in %	Amount in € million	in %	Amount in € million	in %	Amount in € million	in %	Amount in € million	in %	Amount in € million	in %
1.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
5.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
7.	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**79**	**1**	**79**	**1**	**–**	**–**	**2**	**–**	**2**	**–**	**–**	**–**	**2**	**–**	**2**	**–**	**–**	**–**
8.	**Total applicable KPI**	**15,267**	**100**	**15,267**	**100**	**15,267**	**100**	**1,060**	**100**	**1,060**	**100**	**1,060**	**100**	**799**	**100**	**799**	**100**	**799**	**100**

Template 3 Taxonomy-aligned economic activities (numerator)

T167

		Proportion of turnover						Proportion of CapEx						Proportion of OpEx					
		(CCM + CCA)		Climate change mitigation		Climate change adaptation		(CCM + CCA)		Climate change mitigation		Climate change adaptation		(CCM + CCA)		Climate change mitigation		Climate change adaptation	
Row	**Economic activities**	Amount in € million	in %	Amount in € million	in %	Amount in € million	in %	Amount in € million	in %	Amount in € million	in %	Amount in € million	in %	Amount in € million	in %	Amount in € million	in %	Amount in € million	in %
1.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
5.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
7.	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI**	**79**	**1**	**79**	**1**	**–**	**–**	**2**	**–**	**2**	**–**	**–**	**–**	**2**	**–**	**2**	**–**	**–**	**–**
8.	**Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI**	**79**	**1**	**79**	**1**	**–**	**–**	**2**	**–**	**2**	**–**	**–**	**–**	**2**	**–**	**2**	**–**	**–**	**–**

Template 4 Taxonomy-eligible but not taxonomy-aligned economic activities

T168

		Proportion of turnover						Proportion of CapEx						Proportion of OpEx					
		(CCM + CCA)		Climate change mitigation		Climate change adaptation		(CCM + CCA)		Climate change mitigation		Climate change adaptation		(CCM + CCA)		Climate change mitigation		Climate change adaptation	
Row	**Economic activities**	Amount in € million	in %	Amount in € million	in %	Amount in € million	in %	Amount in € million	in %	Amount in € million	in %	Amount in € million	in %	Amount in € million	in %	Amount in € million	in %	Amount in € million	in %
1.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
5.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	124	1	124	1	–	–	4	–	4	–	–	–	–	–	–	–	–	–
6.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
7.	**Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**2,354**	**15**	**2,354**	**15**	**–**	**–**	**125**	**12**	**125**	**12**	**–**	**–**	**110**	**14**	**110**	**14**	**–**	**–**
8.	**Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI**	**2,478**	**16**	**2,478**	**16**	**–**	**–**	**129**	**12**	**129**	**12**	**–**	**–**	**110**	**14**	**110**	**14**	**–**	**–**

Template 5 Taxonomy non-eligible economic activities

T169

Row	Economic activities	Proportion of turnover		Proportion of CapEx		Proportion of OpEx	
		Amount in € million	in %	Amount in € million	in %	Amount in € million	in %
1.	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a
2.	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a
3.	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a
4.	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a
5.	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	–	–	8	1	1	–
6.	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	n/a	n/a	n/a	n/a	n/a	n/a
7.	**Amount and proportion of other taxonomy-non-eligible[a] economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**12,615**	**83**	**910**	**86**	**680**	**85**
8.	**Total amount and proportion of taxonomy-non-eligible[a] economic activities in the denominator of the applicable KPI**	**12,615**	**83**	**918**	**87**	**681**	**85**

[a] Refers to all six environmental objectives.

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.

Alkoxides
Evonik produces alkoxides, which are used as catalysts for efficient high-yield production of biodiesel. Using these catalysts, biodiesel can be manufactured from renewable raw materials in a water-free process. 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 with 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 not 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
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, CDP collects information on companies' CO_2 emissions, climate risks, reduction targets, and strategies on behalf of investors on a voluntary basis using standardized questionnaires. Evonik's ratings in the CPD categories in 2022 were as follows: Climate Change: A-; Water Security: B; and Forests: B. The 2023 ratings will be available in early 2024.

Circular economy
Circular economy is a system-oriented approach covering industrial processes and economic activities along the entire value chain. It aims to achieve a climate-neutral, resource-efficient economy, which preserves the value of products, materials, and resources for as long as possible. Better use of resources and the circular economy are becoming increasingly important for Evonik in view of the limitations of our planet and the diversification of raw materials. As a specialty chemicals company, Evonik is an integral part of various value chains and has in-depth knowledge and expertise in the processes, technologies, opportunities, and risks of upstream and downstream elements. We see the circular economy as a fundamental transformation of economic activity and support all business activities, technologies, and innovations that help to speed up ecologically and economically viable measures to promote circular value chains.

CO_2 emissions
Since 2008, we have reported an extensive overview of greenhouse gas emissions—from the extraction of raw materials through production to the 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 relevant up- and downstream emissions (scope 3). These include emissions from the production of purchased raw materials, services, and capital goods, energy-related emissions not included in scope 1 and scope 2, emissions from inbound and outbound shipments, from the disposal of waste, emissions caused by business trips and employee commuting, energy requirements for administrative buildings, and emissions from the use, disposal, and recycling of sold 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.

Footprint
The footprint is a complex sustainability indicator that describes how much resource a person or a product consumes. It thus represents negative ecological impacts. The best-known definition is the carbon footprint, which measures the CO_2 emissions associated with the manufacture of a product.

Global Reporting Initiative
The Global Reporting Initiative (GRI) is an independent international standards organization that provides the most commonly used standards for sustainability reporting, the GRI Universal Standards 2021. 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 the classification of our CO_2e[1] emissions in scopes 1 to 3.

Handprint
We define handprint as the positive impacts of our products along the value chain compared with other established products and applications on the market, especially in customers' applications.

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, and in medical and industrial applications. Depending on where they are used, such materials have to withstand high temperatures, aggressive chemicals, and significant mechanical strain.

[1] CO_2 equivalents.

Hydrogen peroxide
Hydrogen peroxide (H_2O_2) is an environmentally friendly chemical, as its decomposition yields only oxygen and water. The versatility of hydrogen peroxide makes it valuable in a wide variety of areas: It serves, for example, as a bleaching agent in the pulp and textile industries, as an essential purifying ingredient in semiconductor manufacture, and as an oxidizing agent in active pharmaceutical ingredients and cosmetic applications. Hydrogen peroxide is also used as a sterilization and disinfection agent in industrial cleaning and in aseptic packaging for food and beverages. It is applied in important industrial processes like wastewater treatment and chemical synthesis. For example, together with thyssenkrupp Uhde, Evonik has developed a cost-efficient, more eco-friendly process for synthesizing propylene oxide directly from hydrogen peroxide known as hydrogen-peroxide-to-propylene oxide (HPPO) technology. Evonik has also developed the HYPROSYN® method for producing propylene glycol from propylene and hydrogen peroxide. An exclusive technology partnership between Evonik and Dow Chemical Company is working to bring this unique hydrogen-peroxide-to-propylene-glycol (HPPG) technology to market maturity.

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. In 2022, Evonik launched the world's first sustainable isophorone-based products made from renewable acetone.

Lost Time Injury Rate (LTI-R)
All work-related accidents (excluding traffic accidents) resulting in absences of at least one full shift per 200,000 working hours.

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 membranes are based on high-performance polymers that can withstand extreme pressure and temperatures. Evonik is also developing an anion exchange membrane for alkaline membrane water electrolysis. This membrane is characterized by its chemical stability, mechanical integrity, and ionic conductivity.

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.

Next Generation Technologies
Technologies for the ongoing development of production processes and infrastructure with the aim of reducing scope 1 and 2 emissions.

Oil additives
As a leading global supplier of oil additives and synthetic base stocks, 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.

Peracetic acid
Peracetic acid is a versatile oxidizing agent. It is a colorless, liquid mixture of hydrogen peroxide and acetic acid (vinegar) with the chemical formula $C_2H_4O_3$. It dissolves easily in water and decomposes into biodegradable substances. Depending on the application, peracetic acid is used in concentrations ranging from 5 percent to 40 percent in equilibrium solution. These different concentrations are used for processes like bleaching, sanitization, disinfection, hygiene, and sterilization across a variety of industries, including food and beverage processing, industrial cleaning and wastewater treatment.

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 (macromolecules) 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.

Portfolio Sustainability Assessments (PSA)
PSA is a sustainability analysis framework published by the World Business Council for Sustainable Development (WBCSD). It is designed to support recent global agreements such as the Paris Agreement on Climate Change and the United Nations Sustainable Development Goals. Companies are increasingly using PSA to proactively align their entire product portfolio with improved sustainability performance. Evonik aligns the sustainability analysis of its business with this framework. 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. The sustainability analysis of our business is integrated into the strategic management process.

Process Safety Incident Rate (PSI-R)
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).

Product-application-region combinations (PARC)
PARC is a term from the Portfolio Sustainability Assessment. It designates a product/product line (P) in a specific application (A) and regional context (R), for example, silanes (P) for car tires (A) in the USA (R). PARCs enable a differentiated assessment of the sustainability profile of products, as they are not considered in isolation. They are defined by the company dividing its portfolio into PARCs.

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 income and expenses in connection with structural measures, acquisitions and divestments, and impairment losses/reversals of impairment losses, as well as 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 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. 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. For fiscal 2023, reporting on taxonomy eligibility was required for the first time for all six environmental objectives. In contrast, reporting on taxonomy alignment is so far only required for the climate change mitigation and climate change adaptation objectives.

EVA®
Abbreviation for economic value added. This indicator is used for the 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.

Taxonomy alignment
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 also meet minimum social safeguards.

Taxonomy eligibility
Taxonomy-eligible economic activities are activities within the scope of the EU taxonomy that are listed in the delegated regulation for the relevant environmental objectives.

Venture capital
Venture capital is risk capital that is made available to fund innovative concepts and ideas, generally at early-stage, high-growth companies. Through its venture capital activities, Evonik has been investing in promising start-ups and leading specialized venture capital funds since 2012. In 2022, Evonik set up the Sustainability Tech Fund with a volume of €150 million; this third fund supports the Evonik Group's sustainability strategy. In the mid-term, a total of up to €400 million is to be invested. 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 T170

	For definition and calculation see page
Adjusted EBITDA	21, 26, 132, 180
Adjusted EBITDA margin	21, 26, 132, 180
Adjusted EBIT	21, 26, 132, 180
Adjustments	21, 26, 180
Adjusted net income	27
Adjusted earnings per share	27
Capital employed	28, 132, 181
Economic value added (EVA®)	28
Free cash flow	21, 38
Net financial debt	39
ROCE	21, 28, 132, 182

Financial calendar

Financial calendar 2024 T171

Event	Date
Interim report Q1 2024	May 8, 2024
Annual shareholders’ meeting 2024	June 4, 2024
Interim report Q2 2024	August 1, 2024
Interim report Q3 2024	November 6, 2024

Credits

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Concept, Design, and Realization
HGB Hamburger Geschäftsberichte GmbH & Co. KG,
www.hgb.de

Printing
Linsen Druckcenter GmbH

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