

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Green Finance Framework  
Evonik  
24 August 2021

### VERIFICATION PARAMETERS

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Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>• Green Finance instruments include green senior bonds, green hybrid bonds, green private placements, and green loans</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>• International Capital Market Association's (ICMA) Green Bond Principles (GBPs) and Loan Market Association (LMA) Green Loan Principles (GLPs)</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>• Evonik Green Finance Framework (as of August 2021)</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>• Pre-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>• As long as the Green Finance Framework does not change</li></ul>

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## Scope of work

Evonik (“the issuer”) commissioned ISS ESG to assist with its Green Finance Framework by assessing three core elements to determine the sustainability quality of the instrument:

1. Green Finance Instruments Link to Evonik sustainability strategy – drawing on Evonik overall sustainability profile and Green Finance Instruments Use of Proceeds categories.
2. Evonik Green Finance Framework (August 2021 version) – benchmarked against the GBPs and GLPs.
3. The Eligibility Criteria – whether the projects contribute positively to the United Nations (UN) Sustainable Development Goals (SDGs) and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 2).

## ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<p><b>Part 1:</b></p> <p><b>Green Finance Instruments link to issuer's sustainability strategy</b></p>	<p>According to the ISS ESG Corporate Rating published on 03.06.2021, the issuer shows a good sustainability performance against industry peer group on key ESG issues faced by the Chemicals sector. As of 10.06.2021, the company obtains a Decile Rank relative to industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10. The issuer ranks 1<sup>st</sup> out of 179 companies within its sector.</p> <p>The Use of Proceeds financed through this Framework are consistent with Evonik sustainability strategy and material ESG topics for the Chemicals sector. The rationale for issuing Green Finance Instruments is clearly described by the issuer.</p>	<p><b>Consistent with issuer's sustainability strategy</b></p>
<p><b>Part 2:</b></p> <p><b>Alignment with GBPs and GLPs</b></p>	<p>Evonik has defined a formal concept for its Green Finance Instruments regarding the Use of Proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBPs and GLPs.</p>	<p><b>Aligned</b></p>
<p><b>Part 3:</b></p> <p><b>Sustainability quality of the Framework</b></p>	<p>The overall sustainability quality of the Green Finance Framework in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. The Green Finance Framework will (re-)finance eligible asset categories which include Eco-efficient products, Energy Efficiency and Renewable Energy.</p> <p>Those Use of Proceeds categories have a positive contribution to SDGs 2 'Zero Hunger', 3 'Good Health and Well-Being', 6 'Clean Water and Sanitation', 7 'Affordable and Clean Energy', 9 'Industry Innovation and Infrastructure', 11 'Sustainable Cities and Communities', 12 'Responsible Consumption and Production', 13 'Climate action', 14 'Life Below Water', and 15 'Life on Land'. The environmental and social risks associated with those Use of Proceeds categories are well managed.</p>	<p><b>Positive</b></p>

<sup>1</sup> ISS ESG's evaluation is based on Evonik Green Finance Framework (August 2021 version) and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 03.06.2021).

## ISS ESG SPO ASSESSMENT

### PART I: GREEN FINANCE INSTRUMENTS LINK TO EVONIK'S SUSTAINABILITY STRATEGY

#### A. ASSESSMENT OF EVONIK ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

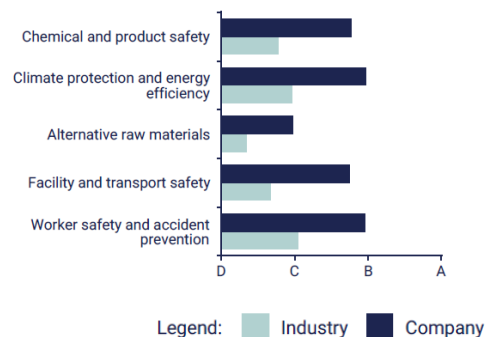
COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
<b>EVONIK</b>	<b>CHEMICALS</b>	<b>1</b>	<b>VERY HIGH</b>

This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by the 'Chemicals' Sector and obtains a Decile Rank relative to industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

#### ESG performance

As of 10.06.2021, this rating places Evonik 1<sup>st</sup> out of 179 companies rated by ISS ESG in the 'Chemicals' sector. Key Challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

#### Key Issue Performance



#### Sustainability Opportunities

Evonik is a specialty chemicals company operating in the main segments Nutrition & Care (25% of sales in 2020), Smart Materials (27%), Specialty Additives (26%), Performance Materials 16% and Services (6%). Companies in the sector can contribute to a sustainable development through the use of alternative raw materials to generate feedstock for chemical synthesis and products used by downstream industries. Evonik aims to further increase the share of alternative raw materials (approx. 10% of all raw materials) but does not yet present a comprehensive strategy to shift to alternative and sustainably sourced feedstocks. Further, the company's policies and mechanisms to ensure responsible sourcing of alternative or bio-based materials are not yet fully developed. Some company products contribute to, e.g., resource efficiency and renewable energy generation and there are promising R&D initiatives aimed at promoting sustainable practices in downstream industries (e.g. aquaculture). However, overall, the company's diverse product portfolio does not yet offer a clear

environmental (or social) benefit<sup>2</sup>. Yet, this may change should Evonik further align its portfolio to meet global sustainability challenges.

### *Sustainability Risks*

From an environmental perspective, chemical companies are exposed to various risks related to, e.g., employee and product safety, greenhouse gas intensity of production processes, and the product portfolio. Evonik has implemented various measures to ensure facility, process, and transport safety. Further, the company presents a clear climate strategy including an emission reduction target and comprehensive greenhouse gas emissions inventories. It manages product safety risks, e.g., by informing and training customers as well as through substance risk assessments. In the social dimension, Evonik has implemented a health and safety management system across its operations to ensure employee health and safety. In addition, there has been no employee fatality at Evonik's operations in the last years. However, the management systems are externally certified to an international standard only at a few locations. Regarding further social issues, the company presents a good approach to manage community outreach and consultation. Yet, as some environmental and social measures do not have a group-wide scope, some minor risks remain.

### *Governance Opinion*

Evonik's governance structure is exposed to risks relating to insufficient independence of the supervisory board as the board of directors is led by Mr. Bernd Toenjes, a representative of Rag Stiftung, the largest shareholder of the company. To balance the influence of the largest shareholder, the majority of the board of directors are considered independent. Moreover, the company has established an audit committee with half of the members being independent. The majority of nomination committee members, however, do not meet independence requirements while none of the members of the remuneration committee meet the independence criteria (all information as at May 15, 2021). The company discloses its remuneration policy for executives, including long-term components that integrate sustainability performance objectives to some extent.

With regard to the governance of sustainability, the company has not yet introduced comprehensive measures. As such, there is no evidence of a board committee tasked with the supervision of sustainability at Evonik. Despite this, sustainability performance of the company is somehow integrated to the remuneration of the management team. Regarding business ethics, the company has established a group-wide code of ethics covering issues such as corruption, antitrust, and conflicts of interest, often in great detail. Various measures to ensure compliance with the code are implemented, e.g., compliance risk assessments and audits as well as regular employee training on the topic of business ethics.

### *Sustainability impact of products and services portfolio*

Using a proprietary methodology, ISS ESG assessed the contribution of Evonik's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along Evonik's production process.

Various products and services, such as amino acids for animal nutrition and omega 3-fatty acids for aquaculture, pharmaceutical products, insulation materials, and key components for water filtration and for renewable energy systems, contribute to SDGs 2 'Zero Hunger', 3 'Good Health and Well-

<sup>2</sup> The sentence refers to Evonik as a group, rather than the specific "Next Generation Solutions" financed through Evonik's Green Finance Framework.

Being', 6 'Clean Water and Sanitation', 7 'Affordable and Clean Energy', 9 'Industry Innovation and Infrastructure', 11 'Sustainable Cities and Communities', 12 'Responsible Consumption and Production', 13 'Climate action', 14 'Life Below Water', and 15 'Life on Land'. A small share of Evonik revenues (around 1%) related to Nitrogen and Phosphate-based fertilizers obstruct SDGs 2 'Zero Hunger', 6 'Clean Water and Sanitation', and 15 'Life on Land'.

The SDG contribution assessment of the "Next Generation Solutions" category (accounting for around 35% of Evonik's revenues) has been conducted by Evonik based on the results of its "Sustainability Analysis" methodology which has been reviewed by an external assurance provider<sup>3</sup>. ISS ESG assessed the Evonik's SDG contribution assessment as credible and robust. For all other products/services, ISS ESG used its proprietary methodology to assess the contribution to the UN SDGs.

### *Breaches of international norms and ESG controversies*

The company is not facing any controversy.

<sup>3</sup> The conclusion of the Evonik assessment are not displayed on the ISS ESG Corporate Rating of Evonik, which solely use the proprietary SDG Assessment methodology from ISS ESG.

## B. CONSISTENCY OF GREEN FINANCE FRAMEWORK WITH EVONIK' SUSTAINABILITY STRATEGY

### *Key sustainability objectives and priorities defined by the issuer*

Main elements of Evonik's Sustainability Strategy 2020+ are the integration of sustainability into its Strategic Management Process, focus on the impact of its business activities along the value chain and on the SDGs, ambitious environmental targets as well as continuous improvement of its sustainability reporting.

Evonik's Sustainability Analysis provides insight into:

- its contribution and leverage to reduce the ecological footprint and maximize positive effects along the value chain,
- the development of resource-saving products and solutions for its customers, and
- the exposure of its business to issues that are critical for their reputation.

Life cycle assessments are a major tool used in Evonik Sustainability Analysis. The Evonik Sustainability Analysis is used to characterize the portfolio according to the PARCs<sup>4</sup> sustainability performance, using the following performance categories: "Leader" (A++), "Driver" (A+), "Performer" (B), "Transitioner" (C-), or "Challenged" (C--). In 2020, for the first time the Sustainability Analysis covered Evonik's entire portfolio based on the data for FY 2019. The principal conclusions from the analysis of 326 PARCs are:

- Evonik generates 90% of sales with products and solutions whose sustainability performance is at least in line with the market reference ("Leader", "Driver", or "Performer" category).
- Evonik generates 35% of sales with products and solutions with a clearly positive sustainability profile that is above or even well above the market reference level ("Leader" and "Driver" categories). These products, called "Next Generation Solutions" show attractive growth rates and stand out positively in their markets because of their clear sustainability benefits.
- Evonik's goal for the coming years is to further increase the share of Next Generation Solutions in its portfolio – despite a challenging competitive environment where markets and technologies are subject to change. For "Challenged" products and solutions, Evonik intends to perform an evaluation of strategic options such as transformation, exit or divestment.

Evonik's sustainability strategy aims at a 50% reduction in absolute scope 1 and 2 emissions by 2025, compared with the level in 2008 – the first full year after the establishment of Evonik (2020: -44%).

Evonik uses internal carbon pricing for major investments as a basis for managing its CO<sub>2</sub> reduction target. Including carbon pricing in investment calculations assumes that the present market prices, where available, are inadequate price indicators for the mid to long term. Evonik assumes that, in ten years at latest, relevant market prices or regulatory pricing systems of at least €50 per metric ton CO<sub>2</sub> will be established in all regions of relevance to Evonik.

<sup>4</sup> PARC - product-application-region combinations; a PARC comprises a product or group of products used for a defined application in a specific region.



Since 2008, Evonik is publishing the “Evonik Carbon Footprint”<sup>5</sup>, a comprehensive greenhouse gas (GHG) emissions balance along the value chain – from the extraction of raw materials through production to the disposal of products (excluding the use phase). Evonik produces a variety of products whose use makes a positive contribution to reducing green-house gas emissions compared to conventional alternatives. An analysis showing the avoidance of green-house gases resulting over the life cycle of selected applications is also included within the “Evonik Carbon Footprint” publication.<sup>6</sup>

In addition, Evonik intends to reduce its absolute as well as its relative energy consumption<sup>7</sup> each by 5% by 2025 (reference base: 2020).

### *Rationale for issuance*

The objective of issuing Green Finance Instruments is to assist in financing Evonik’s initiatives to lower its own carbon footprint as well as to grow its contribution as an enabler of sustainable solutions in other industries. The issuance of Green Finance Instruments will also enable Evonik to engage with those investors who are committed to allocating capital in support of this effort. In this sense, the issuance is in line with Evonik overall sustainability strategy.

### *Contribution of Use of Proceeds categories to sustainability objectives and priorities*

ISS ESG mapped the Use of Proceeds categories financed under this Green Finance Framework with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Chemicals sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
<b>Eco-efficient products</b>	✓	✓	Contribution to a material objective
<b>Energy Efficiency</b>	✓	✓	Contribution to a material objective
<b>Renewable energy</b>	✓	✓	Contribution to a material objective

<sup>5</sup> <https://corporate.evonik.com/en/responsibility>

<sup>6</sup> Based on data compiled using the methodology recommended for reporting avoided emissions in the guidance jointly published by the World Business Council for Sustainable Development (WBCSD) and the International Council of Chemical Associations (ICCA)

<sup>7</sup> kW/h per metric ton of product of the Evonik Group.

**Opinion:** *ISS ESG finds that the Use of Proceeds financed through the bonds are consistent with Evonik sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Green Finance Instruments is clearly described by Evonik.*

## PART II: ALIGNMENT WITH GREEN BOND PRINCIPLES

### 1. Use of Proceeds

Green Finance instruments include green senior bonds, green hybrid bonds, green private placements, green loans and any other financial instrument where the proceeds can be exclusively allocated to finance or re-finance in part or in full new and / or existing eligible green projects and / or assets as defined in this Framework.

An amount equivalent to the net proceeds from Evonik’s Green Finance Instruments will be used to finance or refinance, in whole or in part, existing and/or future eligible green projects that meet the Eligibility Criteria as defined below and are financed by Evonik through operating and/or capital expenditure (collectively referred to as ‘Expenditure’).

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

ELIGIBLE CATEGORY	ELIGIBILITY CRITERIA
<b>Eco-efficient products</b>	<p>Capital expenditure related to:</p> <ul style="list-style-type: none"> <li>• Manufacturing of “Next Generation Solutions” <ul style="list-style-type: none"> <li>- Products and solutions with a clearly positive sustainability profile that is above or even well above the market reference level (“Leader” and “Driver” categories<sup>8</sup>)</li> </ul> </li> </ul> <p>Expenditure related to:</p> <ul style="list-style-type: none"> <li>• Research, development and innovation (RD&amp;I) specifically aimed at further developing and enhancing the sustainability impact of “Next Generation Solutions”</li> </ul>
<b>Energy Efficiency</b>	<p>Expenditure related to:</p> <ul style="list-style-type: none"> <li>• Measures to increase energy efficiency in Evonik’s production process including energy monitoring systems, lighting upgrades, smart devices to optimize energy consumption, switching to more energy-efficient units (ventilation, compressors, engines etc.), thermal energy storage systems, building</li> </ul>

<sup>8</sup> These products have a substantial sustainability contribution in the value chain and include “Leader” (A++) and “Driver” (A+) products and solutions, based on the WBCSD sector standard approach for Portfolio Sustainability Assessments.

	refurbishment and any other sustainability-oriented construction materials
<b>Renewable energy</b>	<p>Expenditure and financial investments<sup>9</sup> related to:</p> <ul style="list-style-type: none"> <li>• Production and transmission of electricity and heat from renewable sources (e.g., solar and wind power), and</li> <li>• Sourcing of renewable energy, e.g. through long-term Power Purchase Agreements</li> </ul>

In order to define Next Generation Solutions, Evonik uses a method called Sustainability Analysis 2.0<sup>10</sup> which has been assured by an external auditor. The methodology is based on the World Business Council for Sustainable Development (WBCSD)'s framework for portfolio sustainability assessments (PSA)<sup>11</sup>, which Evonik was involved in developing from the outset. The objective of Sustainability Analysis 2.0 is to proactively steer Evonik's product portfolio towards improved sustainability performance and to identify strengths and weaknesses of Evonik businesses. The Sustainability Analysis is used to assess its businesses and innovations and is a key component of the Evonik sustainability strategy.

**Opinion:** ISS ESG considers the Use of Proceeds description provided by Evonik's Green Finance Framework as aligned with the GBPs and GLPs. The project categories set clear environmental benefits that align with the ICMA principles. Moreover, the categories described show alignment with the sustainability strategy of Evonik.

## 2. Process for Project Evaluation and Selection

Evonik has established a Green Finance Committee with responsibility for governing selection and monitoring of the eligible green projects. The Green Finance Committee consists of senior members of the following functions: Finance, Sustainability, Controlling, Investor Relations.

The Committee will screen and assess that the projects meet the eligibility criteria laid out above as well as Evonik's Sustainability Policies and Procedures, which include Evonik's environmental management system (certified in accordance with ISO 14001) and are based on Evonik's values for environment, safety, health and quality (ESHQ).

Once screened, the Finance and Controlling functions will track actual expenditure on the eligible green projects using internal systems. The Green Finance Committee will annually review the list of eligible green projects against the eligibility criteria. If a project no longer meets the eligibility criteria set forth in this Framework the project will be removed from the register.

<sup>9</sup> Such as, for instance, investments in renewable energy generation assets.

<sup>10</sup> <https://corporate.evonik.com/en/responsibility/value-chain-products/sustainability-analysis>

<sup>11</sup> World Business Council for Sustainable Development: Portfolio Sustainability Assessment (<https://www.wbcd.org/Programs/Circular-Economy/Factor-10/Sector-Deep-Dives/Resources/Chemical-Industry-Methodology-for-Portfolio-Sustainability-Assessments>)

**Opinion:** ISS ESG considers the Process for Project Evaluation and Selection description provided by Evonik's Green Finance Framework as aligned with the GBPs and GLPs. The issuer has set a clear and detailed process for project evaluation and selection. Evonik also established a Green Finance Committee responsible for the tracking of the proceeds, reflecting best market practices. The issuer has a process in place to identify ESG risks.

### **3. Management of Proceeds**

Evonik's Finance and Controlling functions will manage the allocation of an amount equivalent to the net proceeds of its Green Finance Instruments to expenditures related to eligible green projects. Evonik will strive to achieve a level of allocation to the eligible green project portfolio that matches or exceeds the balance of net proceeds of its outstanding Green Finance Instruments within 3 years of issuance of each Green Finance Instrument.

Pending full allocation of an amount equal to the net proceeds of outstanding Green Finance Instruments, the proceeds will be held in temporary investments such as cash, cash equivalents and/or other liquid marketable investments in line with Evonik's treasury management policies or used to repay portions of outstanding indebtedness.

If any eligible green projects are removed from the eligible green project Portfolio, Evonik will strive to substitute those projects with replacement eligible green projects, as soon as possible.

**Opinion:** ISS ESG finds that Management of Proceeds proposed by Evonik's Green Finance Framework is well aligned with the GBPs and GLPs. Moreover, Evonik has defined an expected allocation period of three years under this Framework.

### **4. Reporting**

For each Green Finance Instrument, Evonik commits to publish an allocation and impact report annually, and until full allocation of the proceeds, and in the event of any material changes until the relevant maturity date. The allocation and impact report will be available on Evonik's website.

#### **Allocation Report**

Evonik will provide information on the allocation of the net proceeds of its Green Finance Instruments on its website. The information will contain at least the following details:

- a) Net proceeds of outstanding Green Finance Instruments
- b) Amount of net proceeds allocated to eligible green project Categories as defined in the Use of Proceeds section
- c) The proportional allocation of proceeds between existing projects (refinancing) and new projects
- d) The remaining balance of unallocated proceeds, if any.

#### **Impact Report**

Evonik will provide impact reporting at the level of each eligible green project category which may include the following estimated Impact Reporting Metrics:

Eco-efficient products:

- Amount or percentage of sales of Next Generation Solutions
- CO<sub>2</sub> (or other greenhouse gas) emissions avoided/reduced (tons of CO<sub>2</sub>e) through the use of Evonik's products
- Other environmental and social benefits generated by Evonik's Next Generation Solutions, as appropriate
- Case studies of Next Generation Solutions and related RD&I projects

Energy Efficiency:

- CO<sub>2</sub> (or other greenhouse gas) emissions avoided/reduced (tons of CO<sub>2</sub>e)
- Annual energy savings (MWh)

Renewable Energy:

- CO<sub>2</sub> (or other greenhouse gas) emissions avoided/reduced (tons of CO<sub>2</sub>e)

**Opinion:** *ISS ESG finds that the reporting proposed by Evonik's Green Finance Framework is aligned with the GBPs and GLPs. The issuer commits to annually report on allocation and impact in a clear, detailed and transparent manner. Furthermore, the issuer has defined a set of metrics to include in its impact reporting, in line with best market practices.*

### External review

Evonik will request on an annual basis, starting one year after issuance and until full allocation, an assurance report on the allocation of the Green Finance Instrument proceeds to eligible green projects, provided by an external auditor.

## PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

### A. CONTRIBUTION OF THE GREEN FINANCE FRAMEWORK TO THE UN SDGs

Based on the assessment of the sustainability quality of the Green Finance Framework Eligibility Criteria and using a proprietary methodology, ISS ESG assessed the contribution of Evonik’s Green Finance Framework to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):



Each of the Green Finance Framework’s Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<b>Eco-efficient products</b>		
Manufacturing and RD&I of “Next Generation Solutions <sup>12</sup> ”	Significant contribution	
<b>Energy Efficiency</b>		
Technical and organizational measures (e.g., energy monitoring systems, lighting upgrades)	Limited contribution	
Thermal energy storage systems	Significant contribution	
<b>Renewable energy</b>		
Energy production from renewable sources (e.g., wind and solar power), and	Significant contribution	

<sup>12</sup> The SDG contribution assessment of the “Next Generation solutions” category has been conducted by Evonik based on the results of its “Sustainability Analysis” methodology which has been reviewed by an external assurance provider. ISS ESG assessed the Evonik’s SDG contribution assessment as credible and robust. For all other Use of Proceed categories, ISS ESG used its proprietary methodology to assess the contribution of the assets and expenditures to be (re-)financed to the UN SDGs.

sourcing of  
renewable energy<sup>13</sup>



<sup>13</sup> Renewable energy is purchased under guarantees of origin (GoO) and/or Renewable Energy Certificates (RECs).



## B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE USE OF PROCEEDS CATEGORIES

The table below presents the findings of an ISS ESG assessment of the Use of Proceeds categories against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI
<b>All categories</b>
<b>Biodiversity</b>
<ul style="list-style-type: none"> <li>✓ All Evonik assets are covered by a certified environmental management system in line with relevant international standards (ISO 14001).</li> <li>✓ There is a clear policy on conducting Environmental Impact Assessments (EIAs) during the planning phase of all relevant projects (e.g. as part of eligibility criteria, general financing policies or company policy in case of corporate issuances).</li> </ul>
<b>Labour, Health &amp; Safety</b>
<ul style="list-style-type: none"> <li>✓ Evonik adheres to the UN Global Compact (UNGC) covering for labour standards. Labour issues are also partially addressed by the integrated management system through guidelines and procedural instructions.</li> <li>✓ Evonik has put in place a Health and Safety Management system that includes a formal policy, structure and responsibilities, targets, objectives, action plans, and covers 100% of relevant employees. A part of Evonik activities is also covered by a certified Occupational Health and Safety Management System (OHSAS 18001 or ISO 45001 standard).</li> </ul>
<b>Waste Management &amp; Pollution Prevention</b>
<ul style="list-style-type: none"> <li>✓ All assets are expected to be covered by a certified environmental management system in line with relevant international standards (ISO 14001).</li> <li>✓ Specialized treatment processes are implemented, and treatment results are disclosed (e.g. recycling ratio, incineration output and landfill rate).</li> </ul>
<b>Dialogue with local communities</b>
<ul style="list-style-type: none"> <li>✓ There is a clear policy on conducting Environmental Impact Assessments (EIAs) during the planning phase of all relevant projects (e.g. as part of eligibility criteria, general financing policies or company policy in case of corporate issuances). The EIA includes stakeholder engagement action plans when deemed relevant.</li> </ul>
<b>Eco-efficient products</b>
<b>Environmental and social benefits</b>
<ul style="list-style-type: none"> <li>✓ The financing of solutions linked to a challenged or disputed societal issue (e.g. fossil fuels and combustibles, tobacco and armament) is excluded under this framework.</li> </ul>

### **Environmental and social aspects**

- ✓ Regulatory and product stewardship related requirements are ensured through Evonik's product policy<sup>14</sup>.
- ✓ Health and environmental risk management measures are in place either on site or forwarded to customers as a recommendation via safety data sheets.

### **Energy efficiency of production facilities and processes**

- ✓ 80% of Evonik's assets have high energy efficiency standards in place (e.g., ISO 50001).

<sup>14</sup> Evonik's product policy can be retrieved at the following link:

<https://corporate.evonik.de/Downloads/Product%20Policy%20Version%201.0%20final%20en.pdf>

More information on Evonik's product stewardship can also be found on its Sustainability Report from page 51 onwards:

[https://corporate.evonik.com/Downloads/Corporate%20Responsibility/Evonik\\_Sustainability%20Report.pdf#page=67](https://corporate.evonik.com/Downloads/Corporate%20Responsibility/Evonik_Sustainability%20Report.pdf#page=67)

## DISCLAIMER

1. Validity of the SPO: As long as the Green Finance Framework does not change.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
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## ANNEX 1: Methodology

### ISS ESG Green KPIs

The ISS ESG Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the Use of Proceeds of Evonik’s Green Finance Framework.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

### Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Evonik (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

### Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which Evonik’s Green Finance Framework contributes to related SDGs.

## ANNEX 2: ISS ESG Corporate Rating Methodology

### Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

**ESG Corporate Rating** - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

**Analyst Opinion** - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

**Norm-Based Research - Severity Indicator** - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

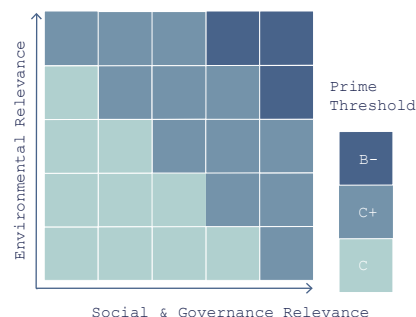
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

**Decile Rank** - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

**Distribution of Ratings** - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

**Industry Classification** - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



**Industry Leaders** - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

**Key Issue Performance** - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

**Performance Score** - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

**Rating History** - Development of the company's rating over time and comparison to the average rating in the industry.

**Rating Scale** - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

**Sources of Information** - A selection of sources used for this report is illustrated in the annex.

**Status & Prime Threshold** - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

**Transparency Level** - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

## ANNEX 3: Quality management processes

### SCOPE

Evonik commissioned ISS ESG to compile a Green Finance Framework SPO. The Second Party Opinion process includes verifying whether the Green Finance Framework aligns with the GBPs and GLPs and to assess the sustainability credentials of its Green Finance Framework, as well as the issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA GBPs and GLPs
- ISS ESG KPI set: Eco-efficient Products, Energy Efficiency and Renewable Energy

### ISSUER'S RESPONSIBILITY

Evonik responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the asset level

### ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Finance Framework to be issued by Evonik based on ISS ESG methodology and in line with the ICMA GBPs and LMA GLPs.

The engagement with Evonik took place in May, June and August 2021.

### ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

## About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For Information about SPO services, contact:

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