

## SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Finance Framework

Evonik Industries AG  
21 December 2023

### VERIFICATION PARAMETERS

Type(s) of instruments contemplated

- Green Finance Instruments

Relevant standards

- Green Bond Principles, as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)
- Green Loan Principles, as administered by the Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA), Asia Pacific Loan Market Association (APLMA) (as of February 2023)

Scope of verification

- Evonik Green Finance Framework (as of December 19, 2023)
- Evonik Eligibility Criteria (as of December 19, 2023)

Lifecycle

- Pre-issuance verification

Validity

- Valid as long as the cited Framework remains unchanged

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## SCOPE OF WORK

Evonik Industries AG (“the Issuer”, “the Company”, or “Evonik”) commissioned ISS Corporate Solutions (ICS) to assist with its Green Finance Instruments by assessing three core elements to determine the sustainability quality of the instruments:

1. Evonik’s Green Finance Framework (as of December 19, 2023) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP) and Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA), Asia Pacific Loan Market Association (APLMA)’s Green Loan Principles (GLP).
2. The Eligibility Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Consistency of Green Finance Instruments with Evonik’s Sustainability Strategy – drawing on the key sustainability objectives and priorities defined by the Issuer.

## EVONIK BUSINESS OVERVIEW

Evonik Industries AG operates as a holding company, which engages in the manufacture of specialty chemical products. It operates through the following divisions: Specialty Additives, Nutrition & Care, Smart Materials, Performance Materials, and Technology & Infrastructure. The Specialty Additives division combines the businesses of additives and crosslinkers. The Nutrition & Care division provides products for human well-being and the quality of life. The Smart Materials division includes businesses with innovative materials that enable resource-saving solutions and replace conventional materials. The Performance Materials division brings together businesses with the same DNA and it focus on resource-saving production, new applications and specialties. The Technology & Infrastructure division provides services which are required across the asset lifecycle of chemical production plants. The company was founded in 2007 and is headquartered in Essen, Germany. Evonik is classified in the Chemicals industry, as per ISS ESG's sector classification.

### *ESG risks associated with the Issuer's Industry*



Evonik is classified in the Chemicals industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies<sup>1</sup> in this industry are: Worker safety and accident prevention, Facility and transport safety, Alternative raw materials, Climate protection and energy efficiency, Chemical and product safety.

This report focuses on the sustainability credentials of the issuance. Part III. of this report assesses the consistency between the issuance and the Issuer's overall sustainability strategy.

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<sup>1</sup> Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

## ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>2</sup>
<p><b>Part 1:</b> <b>Alignment with GBP/GLP</b></p>	<p>The Issuer has defined a formal concept for its Green Finance Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles (GBP) and Green Loan Principles (GLP).</p>	<p><b>Aligned</b></p>
<p><b>Part 2:</b> <b>Sustainability quality of the Eligibility Criteria</b></p>	<p>The Green Finance Instruments will (re)finance eligible asset categories which include:</p> <p>Eco-efficient products acting as low carbon transition enablers and sustainability enablers in various industries, Energy Efficiency and Renewable Energy</p> <p>Product and/or service-related use of proceeds categories<sup>3</sup> individually contribute to one or more of the following SDGs:</p>  <p>Process-related use of proceeds categories<sup>4</sup> individually improve (i) the Issuer's/Borrower's operational impacts and (ii) mitigate potential negative externalities of the Issuer's/Borrower's sector on one or more of the following SDGs:</p> 	<p><b>Positive</b></p>

<sup>2</sup> The evaluation is based on the Evonik's Green Finance Framework (December 19, 2023 version), on the analysed Eligibility Criteria as received on the December 19, 2023.

<sup>3</sup> Eco-efficient products acting as low carbon transition enablers and sustainability enablers in various industries, Energy Efficiency and Renewable Energy.

<sup>4</sup> Energy Efficiency and Renewable Energy.

	The environmental and social risks associated with those use of proceeds categories are managed.	
<b>Part 3: Consistency of Green Bonds with Evonik's Sustainability Strategy</b>	<p>The key sustainability objectives and the rationale for issuing Green Bonds are clearly described by the Issuer. All of the project categories financed are in line with the sustainability objectives of the Issuer.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.</p>	<b>Consistent with Issuer's sustainability strategy</b>

## SPO ASSESSMENT

### PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES (GBP) AND GREEN LOAN PRINCIPLES (GLP)

This section evaluates the alignment of the Evonik’s Green Finance Framework (as of December 19, 2023) with the Green Bond Principles (GBP) and Green Loan Principles (GLP).

GREEN BOND PRINCIPLES (GBP) AND GREEN LOAN PRINCIPLES (GLP)	ALIGNMENT	OPINION
<p><b>1. Use of Proceeds</b></p>	<p>✓</p>	<p>The Use of Proceeds description provided by Evonik’s Green Finance Framework is <b>aligned</b> with the Green Bond Principles (GBP) and Green Loan Principles (GLP).</p> <p>The Issuer’s green categories align with the project categories as proposed by the Green Bond Principles (GBP) and Green Loan Principles (GLP), criteria are defined in a clear and transparent manner. Disclosure of an allocation period and commitment to report by project category has been provided and environmental benefits are described.</p> <p>The Issuer defines a look-back period of 3 years, in line with best market practice.</p>
<p><b>2. Process for Project Evaluation and Selection</b></p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by Evonik’s Green Finance Framework is <b>aligned</b> with the Green Bond Principles (GBP) and Green Loan Principles (GLP).</p> <p>The project selection process is defined. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer involves various stakeholders in this process, in line with best marked practice.</p>

<p><b>3. Management of Proceeds</b></p>	<p>✓</p>	<p>The Management of Proceeds provided by Evonik’s Green Finance Framework is <b>aligned</b> with the Green Bond Principles (GBP) and Green Loan Principles (GLP).</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner. The net proceeds are managed per bond (bond-by-bond approach)). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>The Issuer has defined an expected allocation period of 3 years and discloses ESG criteria and/or the nature of temporary investments, in line with best market practice.</p>
<p><b>4. Reporting</b></p>	<p>✓</p>	<p>The allocation and impact reporting provided by Evonik’s Green Finance Framework is <b>aligned</b> with the Green Bond Principles (GBP) and Green Loan Principles (GLP).</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. Evonik explains that the level of expected reporting will be at eligible project category level and the type of information that will be reported. Moreover, the Issuer commits to report annually, until full allocation.</p> <p>The Issuer is transparent on the level of impact reporting as well as on the information being reported in the impact report, in line with best market practice. The Issuer defines the reporting frequency, scope, and duration of the impact reporting, in line with best market practice. Additionally, the Issuer commits to get the allocation report assured by an external auditor, in line with best market practices.</p>



## PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

### A. CONTRIBUTION OF THE GREEN FINANCE INSTRUMENTS TO THE UN SDGs<sup>5</sup>

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.

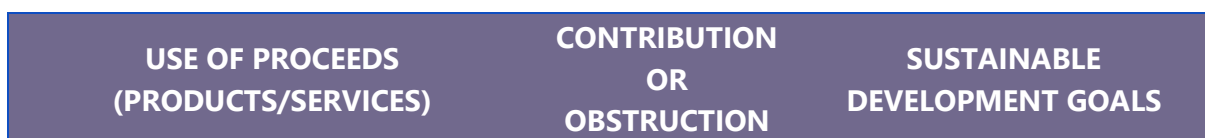
#### 1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



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



<sup>5</sup> The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

**Eco-efficient products acting as low carbon transition enablers and sustainability enablers in various industries<sup>6</sup>**

*Capital expenditure related to the manufacturing of "Next Generation Solutions"<sup>7</sup>.*

**Contribution<sup>8</sup>**



<sup>6</sup> More details of Evonik’s Sustainability Analysis based on this approach can be found in section 2.2 of the Framework.

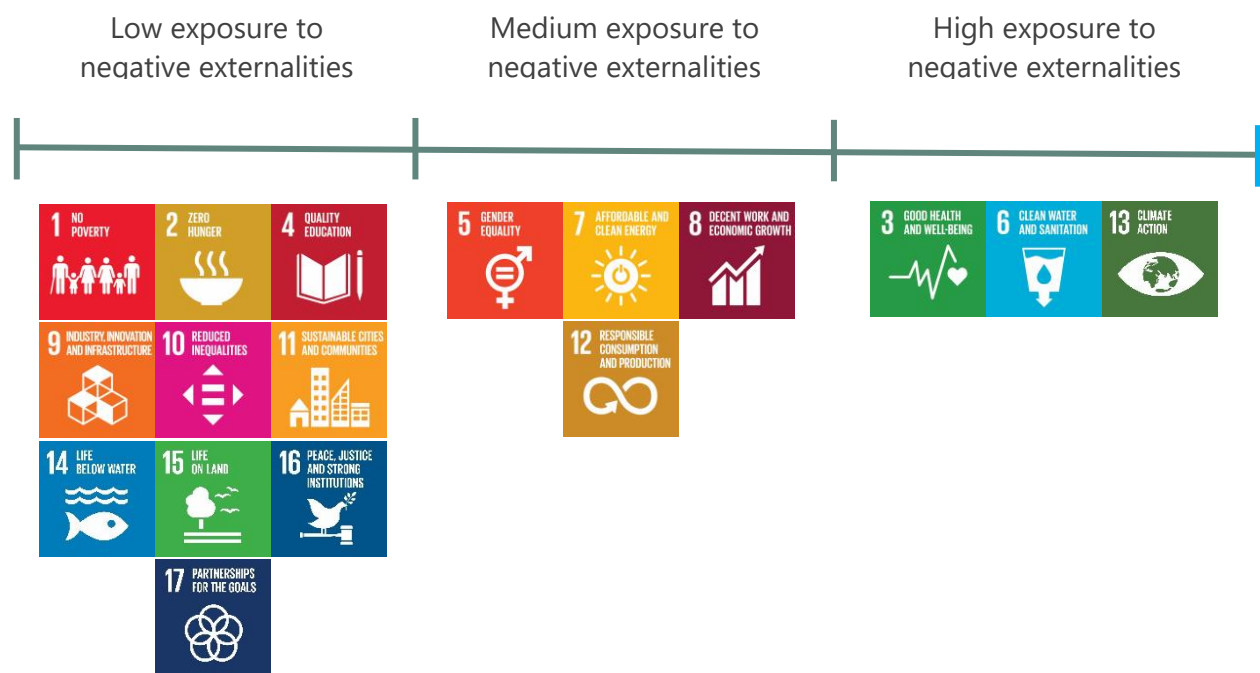
<sup>7</sup> Only the highest level of sustainable products (solutions referred to as “Next Generation Solutions”) is eligible. These products have a substantial sustainability contribution in the value chain and include “Leader” (A++) and “Driver” (A+) products and solutions, based on the WBCSD sector standard approach for Portfolio Sustainability Assessments

<sup>8</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.

**2. Improvements of operational performance (processes)**


The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer.

According to ISS ESG SDG Impact Rating methodology, potential impacts on the SDGs related to negative operational externalities<sup>9</sup> in the Chemicals Industry (to which Evonik belongs) are the following:



The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

<sup>9</sup> Please, note that the impact of the Issuer’s products and services resulting from operations and processes is displayed in section 3 of the SPO.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Eco-efficient products acting as low carbon transition enablers and sustainability enablers in various industries<sup>11</sup></b></p> <p><i>Expenditure related to research, development and innovation (RD&amp;I) specifically aimed at further developing and enhancing the sustainability impact of “Next Generation Solutions”</i></p>	<p>✓<sup>12</sup></p>	

**Energy Efficiency**

*Capital expenditure related to “Next Generation Technologies”<sup>13</sup>*

*Expenditure related to additional measures to increase energy efficiency in Evonik’s production processes 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,*



<sup>10</sup> Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

<sup>11</sup> More details of Evonik’s Sustainability Analysis based on this approach can be found in section 2.2 of the Framework.

<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.

<sup>13</sup> These investments focus on ongoing development of production processes and infrastructure to reduce GHG emissions including heat integration, energy saving measures and electrification.

- *building refurbishment and any other sustainability-oriented construction materials*

**Renewable Energy**

*Expenditure related to sourcing of renewable energy, i.e. through long-term Power Purchase Agreements, guarantees of origin for green electricity and biomethane certificates<sup>14</sup>*



<sup>14</sup> This category is limited to bundled certificates.

**B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE ELIGIBILITY CRITERIA**

The table below evaluates the Eligibility Criteria against issuance-specific KPIs. All of the assets are/will be located Germany, Belgium, the USA, China, Singapore, Canada, Brazil, Argentina, South Africa, Turkey, Spain, France, UK, Norway, Finland, Netherlands, Slovakia, Swiss, Austria, Italy, Luxembourg, India, Thailand, Indonesia, Japan, Korea, New Zealand.

**ASSESSMENT AGAINST KPIs**

**All Categories**

**Labor Rights**



Evonik has a Code of Conduct<sup>15</sup> in place which systematically ensures that assets financed under this framework provide for high labor standards for its own employees and volunteers. The Issuer’s Code of Conduct ensures adherence to the ten principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the labor and social standards of the International Labor Organization (ILO).

**Health, and Safety**



Evonik has a Health and Safety management in place that systematically ensures the assets financed under this framework provide high health and safety standards for its own employees and volunteers. Evonik confirms an integrated Environmental, Safety, Health, Sustainability, Quality, and Energy (ESHQE) management system is in place that covers the aspects of occupational health and safety systems such as leadership commitment, worker participation, hazard identification, risk assessment, legal and regulatory compliance, emergency planning, incident investigation, continual improvement, auditing, and review. Furthermore, the Issuer has a group policy that covers the requirements for identifying hazards associated with their activities, assessing associated risks, and implementing measures to protect people and the environment.

**User Safety**



Evonik has certified ISO 9001:2015 in place systematically ensuring that all assets financed under this framework have product safety measures. Additionally, the Issuer has a group standard document that describes the process for product stewardship and ensuring the implementation of the requirements of worldwide chemical regulations. In addition, Evonik ensures

<sup>15</sup> Code of Conduct, page 10, <https://files.evonik.com/shared-files/code-of-conduct-2409.pdf>

the creation of, update, and distribution of safety data sheets and other instructions, and/or recommendations for safe product handling. Additionally, Evonik informs the potential risks and protective measures to the customers and all persons who handle substances or products.

**On-site Safety**



Evonik systematically ensures high operational safety standards for the assets financed under the framework. Additionally, Evonik confirms an integrated Environmental, Safety, Health, Sustainability, Quality, and Energy (ESHQE) management system in place that covers the aspects of occupational health and safety systems such as leadership commitment, worker participation, hazard identification, risk assessment, legal and regulatory compliance, emergency planning, incident investigation, continual improvement, auditing, and review. Furthermore, the Issuer has a group policy that covers risk assessments and mitigation measures related to process and plant safety. The mitigation measures include such as having standard operating procedures (SOPs), personal protective equipment, regular safety inspection, and an emergency response plan. In addition, Evonik provides training to contractors on on-site health and safety procedures and regularly monitors their health and safety performance.

**Water**



Evonik has water use reduction measures to systematically ensure the assets that are financed under this framework will reduce water usage. Additionally, the Issuer has a specific water use reduction target for the year 2030 of 3% in place.

**Environmental aspects of construction (or production) and operation**



Evonik has a group policy systematically ensuring that assets financed under this framework have an emergency response plan in place (e.g. emergency training, emergency drills, and incident Coordination). Additionally, the Issuer has an incident reporting procedure that covers the management of incidents, keeping a record of all relevant incidents, and ensuring that in the event of a major incident, every affected Group level will be reliably and promptly informed.



Evonik has an Energy Management System (EnMS), (i.e ISO 50001) in place systematically ensuring that assets financed under this framework for which energy efficiency during operation is optimized. The Energy Management System (EnMS) is part of the global Integrated Management System (IMS) of Evonik, covering the ISO 9001, ISO 14001, and ISO 50001. Evonik has energy

targets that track the performance of the ISO 50001 system and ensure the overall Energy Efficiency of their processes. For individual sites, the ISO 50001 is audited externally and takes place every three years.

**Energy Efficiency, Renewable Energy-PPAs**

**Labor Rights in the Supply Chain**



Evonik has a Supplier’s Code of Conduct<sup>16</sup> in place systematically ensuring that assets financed under this framework provide for high labor standards in the supply chain. Evonik’s Supplier’s Code of Conduct ensures adherence to recognized minimum standards as developed and established by the United Nations Global Compact, the Organization for Economic Co-operation and Development (OECD) guidelines, and the standards of the International Labor Organization (ILO). Additionally, the policy covers the freedom of association, collective bargaining, prohibition of forced labor, human trafficking, and child labor.

**Health, and Safety in the Supply Chain**



There is an integrated management system which covers occupational health and safety management that systematically ensures that assets financed under this framework provide high health and safety standards in the supply chain. Additionally, the Issuer has a Supplier Code of Conduct<sup>17</sup> which ensures the supplier’s safe, and healthy working environment and health protection.

**Environmental aspects of construction (or production) and operation**



Evonik has a Supplier’s Code of Conduct in place systematically ensuring that assets financed under this framework meet high environmental standards and requirements in the supply chain. The Supplier’s Code of Conduct ensures that their suppliers comply with the following conventions in addition to applicable environmental regulations: Minamata Convention on Mercury, Basel Convention on Hazardous Wastes, and Stockholm Convention on Persistent Organic Pollutants (POPs). Furthermore, the Issuer expects suppliers to develop and manufacture their products safely and in an environmentally friendly manner, as well as their packaging, transport, and disposal. Additionally, Evonik has an environmental management system certified to ISO 14001.

<sup>16</sup> Supplier’s Code of Conduct, page 7, <https://corporate.evonik.com/en/company/procurement/download-center/attachment/174908?rev=5d4258b017c9e4145da4e805ff2e369c#:~:text=We%20expect%20suppliers%20to%20treat,or%20verbal%20harassment%20or%20abuse>

<sup>17</sup> Supplier’s Code of Conduct, page 7, <https://corporate.evonik.com/en/company/procurement/download-center/attachment/174908?rev=5d4258b017c9e4145da4e805ff2e369c#:~:text=We%20expect%20suppliers%20to%20treat,or%20verbal%20harassment%20or%20abuse>



**Energy Efficiency**

**Environmental aspects of construction (or production) and operation**



Evonik has a Group Standard for Product Stewardship in place, systematically ensuring that assets financed under this framework fulfill the threshold defined by the European Directive on the Restriction of the Use of Certain Hazardous Substances. The Issuer's Group Standard covers adherence to Regulation (EC) No 1907/2006 - Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) and the Regulation on Classification, Labelling and Packaging (CLP) in the European Union. Additionally, the Issuer uses the Chemicals Management System (CMS) to ensure a single Evonik standard in the various countries in which it operates. This includes a risk assessment based on gathering and scientifically evaluating intrinsic substance properties and exposure. Evonik products shall be reviewed continuously to improve risk management and reduce hazardous properties for human health and the environment.



Evonik has measures in place that systematically ensure the assets financed under the framework feature take back and recycling at end-of-life. The Issuer has a waste management plan for production waste. Additionally, the Issuer states that waste treatment is based on the Act to Promote the Circular Economy and ensure the Environmentally Sound Management of Waste. Moreover, as per the Sustainability Report<sup>18</sup>, Evonik's priority is to avoid waste through continuous process improvements and by extending integrated production systems, otherwise, waste is recycled or used to generate energy. Furthermore, Evonik reprocesses waste such as building, and demolition rubble.

**Eco-efficient products**

**Environmental and social benefits**



The Issuer has committed that projects linked to a challenged or disputed societal issue (e.g. fossil fuels and combustibles, tobacco and armament) are excluded under this framework.

<sup>18</sup> Sustainability Report 2022, page 93, <https://files.evonik.com/shared-files/sustainability-report-2022-8618.pdf>

## PART III: CONSISTENCY OF GREEN FINANCE INSTRUMENTS WITH EVONIK'S SUSTAINABILITY STRATEGY

*Key sustainability objectives and priorities defined by the Issuer*

TOPIC	ISSUER APPROACH
<p><b>Strategic ESG topics</b></p>	<p>Evonik’s commitment to sustainability is executed through 4 key focus strategic areas: (i) Fighting Climate Change, (ii) Driving Circularity, (iii) Safeguarding Ecosystems, and (iv) Ensuring Health and Wellbeing. To effectively develop their green transformation, Evonik plans to invest over EUR 3 billion in Capex investments towards Next Generation Solutions, and EUR 700 million in Capex investments towards Next Generation Technologies, by 2030.</p>
<p><b>ESG goals/targets</b></p>	<p>Evonik’s sustainability strategy has led them to adopt SBTi’s in 2022. In this regard, Evonik is committed to the SBTi target “well below 2°C” and aims to reduce their absolute scope 1 and 2 emissions by 25% between 2021 and 2030. Similarly, Evonik aims to reduce scope 3 emissions in all upstream categories and the category “downstream transportation and distribution” by 11 percent between 2021 and 2030. Evonik plans to increase the proportion of sales generated with Next Generation Solutions to over 50% as well as obtaining over EUR 350 million in additional sales from solutions for the circular plastics economy by 2030. By 2023, Evonik aims to increase the proportion of women in top/senior management to 23% at each level and increase the intercultural mix at executive level to 20%.</p>
<p><b>Action plan</b></p>	<p>Evonik has set multiple measures in place to guarantee that it reaches its targets. A significant portion of their efforts lies in efforts in innovation, with efforts to improve both their handprint and footprint. Evonik hopes that through innovation they can open up opportunities in the following six growth fields: Sustainable Nutrition, Healthcare Solutions, Advanced Food Ingredients, Membranes, Cosmetic Solutions, and Additive Manufacturing. Evonik expects that their efforts in innovation in these fields will help them meet their targets of increasing the proportion of sales generated</p>

	<p>with Next Generation Solutions and from solutions for the circular plastics economy. To reduce emissions, Evonik has designed an action plan called the Global Circular Plastics Program and they are also members of the European Circular Plastics Alliance. The program comprises short-to-medium-term projects with a clear focus on commercialization, addressing aspects such as the use of circular raw materials, the development of solutions for mechanical and chemical recycling technologies and the development of innovative business models that take account of the requirements of the circular economy. The majority of Evonik's scope 3 emissions reductions fall under this plan, specifically in the upstream process.</p>
<p><b>Climate Transition Strategy</b></p>	<p>Evonik has committed to the Science Based Targets initiative (SBTi) to guide target setting and progress reporting. It has also committed to deliver shorter-term targets for different portions of the investment portfolio. Furthermore, Evonik is a signatory to the UN Global Compact Alliance and maintains ambitious environmental targets with Next Generation Technologies as key drivers. Life cycle assessments are a major tool used in Evonik Sustainability Analysis.</p> <p>Evonik's main focus areas are mitigating climate change, green energy, water management, and biodiversity. To meet the SBTi target of well below 2°C, Evonik plans on reducing Scope 1 and 2 emissions by 25% between 2021 and 2030 and Scope 3 emissions by 11% by 2030. Evonik's measures to meet Scope 1 and 2 targets include exiting coal-fired power generation in their site in Marl (Germany), ongoing global development of production processes and infrastructure (Next Generation Technologies) and switching to renewable energy. To meet their target of reducing Scope 3 emissions by 11% by 2030, Evonik is analyzing which raw materials and suppliers offer the greatest potential for reduction. The measures will be tackled on a case-by-case basis, considering what approach is the best for reducing</p>

	emissions from their suppliers (renewable energies, improved processes, or alternative raw materials). <sup>19</sup>
<b>ESG Risk and Sustainability Strategy Management</b>	Evonik has identified the following risks: Climate change risks include transition risks, such as potential positive and negative impacts of climate-related litigation, technological change, and environmental regulatory regimes; and physical risks, such as disruption resulting from extreme weather conditions, with both contributing to increased market risk. Evonik’s internal policies and guidelines provide enterprise-wide protocols for managing environmental risks, including climate change, following the Task Force on Climate-related Financial Disclosures (TCFD). Business and functional units are responsible for observing protocols and exercising due diligence to identify and manage environmental risks in accordance with these policies, extending the assessment to water and nature related risks and opportunities along the value-chain, as recommended by the LEAP (Locate, Evaluate, Assess, and Prepare) framework.
<b>Top three areas of breaches of international norms and ESG controversies in the Chemicals industry<sup>20</sup></b>	Failure to prevent water pollution, failure to respect the right to health, and failure to respect consumer health and safety.
<b>Breaches of international norms and ESG controversies by the Issuer/Borrower</b>	At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.
<b>Sustainability Reporting</b>	Evonik provides transparent reporting of their sustainability activities. In 2022, Evonik specifically enhanced their sustainability reporting, including addressing elements of the upcoming EU reporting standard at an early stage. For instance, the process used for their new materiality analysis already included the content of the EFRAG working papers and exposure drafts and the GRI Sustainability Reporting Standards, which were revised in 2021. Furthermore, Evonik’s

<sup>19</sup> Sustainability Report (2022) Evonik, Available at: [Evonik Sustainability Report 2022](#)

<sup>20</sup> Based on a review of controversies identified by ISS ESG over a 2-year period, the top three issues that have been reported against companies within the Chemicals industry are displayed above. Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

	reporting is aligned with the Sustainability Accounting Standards Board (SASB) and TCFD. Additionally, in keeping with participation with CDP Climate Change and CDP Water Security, in 2022 Evonik published detailed strategies, data, and development paths on climate change.
<b>Industry associations, Collective commitments</b>	The Issuer/Borrower is a signatory to the UN Global Compact Alliance. <sup>21</sup>
<b>Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework</b>	Evonik has issued two green bonds. In 2021, the Issuer issued a Green Hybrid Bond amounting to EUR 500 million with a duration of 60 years. In 2022, the Issuer issued a Green Bond amounting to EUR 750 million with a duration of 5 years.

*Rationale for issuance*

Evonik’s objective in issuing Green Finance Instruments is to lower their own carbon footprint and to grow their contribution as an enabler of sustainable solutions in the value chain. The issuance of Green Finance Instruments will also enable Evonik to engage with investors who are committed to allocating capital in support of this effort. Furthermore, Evonik has defined new climate targets in line with the Science Based Targets initiative (SBTi), to which some of the use of proceeds categories present in the framework can contribute.

**Opinion:** *The key sustainability objectives and the rationale for issuing Green Bonds are clearly described by the Issuer. All of the project categories financed are in line with the sustainability objectives of the Issuer.*

<sup>21</sup> Evonik, UN Global Compact, <https://unglobalcompact.org/what-is-gc/participants/3571-Evonik-Industries-AG>

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1. Validity of the Second Party Opinion ("SPO"): Valid as long as the cited Framework remains unchanged.
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## ANNEX 1: Methodology

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology. For more information, please visit:

<https://www.issgovernance.com/file/publications/SPO-Use-of-Proceeds-Bonds-and-Loans.pdf>

## ANNEX 2: Quality Management Processes

### SCOPE

Evonik commissioned ICS to compile a Green Finance Instruments SPO. The Second Party Opinion process includes verifying whether the Green Finance Framework aligns with the Green Bond Principles (GBP) and Green Loan Principles (GLP) and to assess the sustainability credentials of its Green Finance Instruments, as well as the Issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion:

- Green Bond Principles (GBP) and Green Loan Principles (GLP)

### ISSUER'S RESPONSIBILITY

Evonik's responsibility was to provide information and documentation on:

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

### ICS' VERIFICATION PROCESS

Since 2014, ISS Group, of which ICS is part, 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.

This independent Second Party Opinion of the Green Finance Instruments to be issued by Evonik has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles (GBP) and Green Loan Principles (GLP).

The engagement with Evonik took place from September to December 2023.

### ICS' BUSINESS PRACTICES

ICS has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior 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 this SPO

Companies turn to ISS Corporate Solutions (ISS-Corporate) for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

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.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>

For more information on SPO services, please contact: [SPOsales@iss-corporate.com](mailto:SPOsales@iss-corporate.com)

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