

TO OUR SHAREHOLDERS

Our strategy is based on profitable growth, efficiency and values. We are strengthening our leading market positions and concentrating on attractive growth businesses and emerging markets. Innovations and external growth give us access to new growth areas. We are also continuously improving our cost base and technology position.

Report of the Supervisory Board



DR. WERNER MÜLLER

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Chairman of the Supervisory Board

Ladies and gentlemen,

In 2016, 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 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 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

We examined all issues of importance to the company at six meetings, on March 2, May 6, May 18, June 28, September 29 and December 9, 2016.

In 2016 the work of the Supervisory Board was again supported and prepared by its committees. The committees and their members in the year under review were as follows:

- Executive Committee: Dr. Werner Müller (Chairman), Edeltraud Glänzer (from May 19, 2016; Deputy Chairwoman), Michael Vassiliadis (until May 18, 2016; Deputy Chairman), Ralf Hermann, Dr. Volker Trautz.
- Audit Committee: Dr. Siegfried Luther (Chairman and financial expert within the meaning of Section 100 Paragraph 5 German Stock Corporation Act/AktG, and Section 5.3.2 of the German Corporate Governance Code), Karin Erhard (Deputy Chairwoman), Prof. Barbara Grunewald, Norbert Pohlmann, Dr. Wilfried Robers, Angela Titzrath (from May 19, 2016), Dr. Christian Wildmoser (until May 18, 2016).
- Finance and Investment Committee: Michael Rüdiger (Chairman), Ralf Hermann (from May 19, 2016 also Deputy Chairman), Michael Vassiliadis (until May 18, 2016; Deputy Chairman), Martin Albers, Stephan Gemkow, Edeltraud Glänzer (from May 19, 2016), Frank Löllgen, Dr. Werner Müller, Ulrich Weber (from May 19, 2016), Dr. Christian Wildmoser (until May 18, 2016).
- Nomination Committee: Dr. Werner Müller (Chairman), Steven Koltes (until May 18, 2016), Dr. Volker Trautz, Ulrich Weber (from May 19, 2016).
- Mediation Committee: Dr. Werner Müller (Chairman), Edeltraud Glänzer (from May 19, 2016; Deputy Chairwoman), Michael Vassiliadis (until May 18, 2016; Deputy Chairman), Ralf Hermann, Dr. Volker Trautz.

The tasks allocated to these committees are described in detail in the Corporate Governance Report on pages 36 to 45.

The Executive Committee held nine meetings in 2016. The Audit Committee met four times and the Finance and Investment Committee held five meetings. The Nomination Committee met twice in the reporting period. There was no need for the Mediation Committee to meet during the reporting period. The chairman or deputy chairperson of each committee reported regularly at the meetings of the Supervisory Board on the issues discussed and outcome of all committee meetings. The Supervisory Board therefore always received accurate and extensive information on all matters of significance in the Evonik Group.

At its meeting in March, the Supervisory Board focused on examining the annual financial statements, which had first been considered in detail by the Audit Committee, and preparing for the Annual Shareholders' Meeting. It also adopted the Corporate Governance Report for 2015, the bonus payments to the Executive Board for 2015, and their targets for 2016. At the meeting on May 6, the Supervisory Board approved the acquisition of the entire specialty additives business of Air Products for US\$ 3.8 billion. The meeting on May 18 was dedicated to supplementary information prior to the Annual Shareholders' Meeting. As well as business activities requiring their approval and the reports on the condition of the company and the Group, at the June meeting the Supervisory Board examined the report on the workforce. Alongside a report on corporate strategy, the meeting in September approved the construction and operation of a backwardly integrated methionine plant at the site on Jurong Island (Singapore). At its meeting in December the Supervisory Board approved the acquisition of the global silicas business of the US company J. M. Huber for US\$630 million, adopted the declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) and discussed the budget for 2017 and the mid-term planning up to 2019.

The Executive Committee primarily dealt with the following issues in the year under review: the agenda and proposals for resolutions for the Annual Shareholders' Meeting, specifically amendment of Section 15 Paragraph 1 of the Articles of Incorporation, the bonus payments to the members of the Executive Board for 2015 and their targets for 2016, the appointment of Christian Kullmann as Deputy Chairman of the Executive Board, acceptance and discussion of the reports of the Chairman of the Executive Board on the status of the acquisition of the Air Products' business and the silicas business of J. M. Huber Corporation, and discussion Evonik's business performance, current projects and share price.

At its meeting in February, the Audit Committee mainly examined the annual financial statements of Evonik Industries AG, the consolidated financial statements, the proposal for the election of the auditor for fiscal 2016, and the report on verification of the efficacy of the internal control system. The focal points at the May meeting were the quarterly statement as of March 31, 2016 and business performance, while the August meeting examined the interim financial statements as of June 30, 2016, the appointment of the auditor of the consolidated financial statements to perform a review of the quarterly financial statements as of September 30, 2016, and the changes resulting from the German Audit Reform Act (AReG). In November the main issues discussed by the Audit Committee, apart from the interim report on the third quarter, were the corporate governance report and the declaration of conformity, the consequences of the Audit Reform Act on the independence of auditors, and preparations for the efficiency review in 2017.

The attention of the Finance and Investment Committee in the reporting period was mainly concentrated on acquisitions and growth projects (see "Acquisitions and investments").

The Nomination Committee met in March to discuss and examine the proposed candidates for the vacancies on the Supervisory Board as Steven Koltes and Dr. Christian Wildmoser were stepping down with effect from the end of the Annual Shareholders' Meeting on May 18, 2016. The committee recommended that the Supervisory Board should nominate Angela Titzrath and Ulrich Weber at the Annual Shareholders' Meeting as candidates for election to the Supervisory Board. At its meeting in November the Nomination Committee examined further succession planning.

In addition—apart from the reports required by law—the Supervisory Board and its committees examined and discussed the following issues in detail:

Performance and situation of the Evonik Group

Evonik's operating business performed well although the overall economic environment remained challenging. Thanks to high global demand for its products, the Group posted satisfactory volume growth. However, selling prices declined considerably, partly because lower raw material prices were passed on to customers. Overall, sales were 6 percent lower than in the previous year at €12,732 million. Adjusted EBITDA slipped 12 percent year-on-year to €2,165 million.

Acquisitions and investments

The Supervisory Board and its committees were closely involved in the two central acquisitions—the acquisition of the Air Products' specialty additives business and of J. M. Huber Corporation's silicas business. These acquisitions strengthen the segments of the Evonik Group.

We also discussed the development of Evonik's sales, earnings and capacity utilization, the financial and earnings position, and the other main growth projects, including investment controlling for current projects. In addition to the acquisitions already mentioned, the projects considered in detail by the Supervisory Board and the Finance and Investment Committee included:

- Construction of a backwardly integrated methionine plant (Singapore)
- Construction of a production plant for silica (USA)
- Construction of an integrated silicone facility at the multi-user site in Shanghai (China)
- Acquisition of the food ingredients business of MedPalett AS (Norway)
- Acquisition of the L-methionine technology of Metabolic Explorer (France)
- Acquisition of Transferra Nanosciences, Inc. (Canada), which develops and manufactures liposomal pharmaceuticals
- Expansion of production capacity for hollow fiber membrane modules (Austria)
- Status report on a hydrogen peroxide plant (China)
- Status report on a joint venture for the production of superabsorbents (Saudi Arabia)

Other issues addressed by the Supervisory Board and its committees

In addition to the issues and developments outlined above, the main topics addressed by the Supervisory Board and its committees in 2016 were:

- Proposals for resolutions to be adopted at the Annual Shareholders' Meeting in May 2016, especially the proposal of the Supervisory Board to the Annual Shareholders' Meeting on the appointment of the auditor
- Changes to the Rules of Procedure of the Supervisory Board, including reducing the Executive Committee to four members
- Employee share program 2017
- The digitization strategy for the Evonik Group
- Appointment of Christian Kullmann as Deputy Chairman of the Executive Board (see also "Personnel issues relating to the Executive Board and the Supervisory Board" on page 35), and the associated reallocation of responsibilities of the Executive Board members
- Resolutions on the Declaration of Conformity in compliance with Section 161 of the German Stock Corporation Act (AktG) in December 2016, and the Supervisory Board's report to the Annual Shareholders' Meeting.

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 present version of May 5, 2015. This does not exclude the possibility of deviation from its 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 2016, the Executive Board and Supervisory Board issued a declaration of conformity, which is published on the company's website and in the Corporate Governance Report on page 36.

The Supervisory Board has set objectives for its composition, which are taken into account by the Shareholders' Meeting when electing members of the Supervisory Board. These targets were revised in December 2016 to comply with the amended version of the German Stock Corporation Act (AktG), which stipulates that the Supervisory Board as a whole must be familiar with the sector in which the company operates.

The present Supervisory Board satisfies the objectives for its composition.

The Supervisory Board comprises seven women and thirteen 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.

Individual disclosure of the attendance at meetings of the Supervisory Board and its committees

Supervisory Board member	Supervisory Board		Executive Committee		Finance & Investment Committee		Audit Committee		Nomination Committee		Mediation Committee	
	Presence	in %	Presence	in %	Presence	in %	Presence	in %	Presence	in %	Presence	in %
Dr. Werner Müller (Chairman)	6/6	100	9/9	100	5/5	100			2/2	100	0/0	
Edeltraud Glänzer (from May 19, 2016; Deputy Chairwoman)	3/3	100	5/5	100	3/3	100					0/0	
Michael Vassiliadis (until May 18, 2016; Deputy Chairman)	3/3	100	4/4	100	2/2	100					0/0	
Martin Albers	6/6	100			5/5	100						
Prof. Barbara Albert	6/6	100										
Karin Erhard	6/6	100					4/4	100				
Carmen Fuchs	6/6	100										
Stephan Gemkow	5/6	83.3			4/5	80						
Prof. Barbara Grunewald	6/6	100					4/4	100				
Ralf Hermann	6/6	100	8/9	88.9	5/5	100					0/0	
Prof. Wolfgang A. Herrmann	6/6	100										
Dieter Kleren (until May 18, 2016)	3/3	100										
Steven Koltès (until May 18, 2016)	1/3	33.3							0/1	0		
Frank Löllgen	6/6	100			5/5	100						
Dr. Siegfried Luther	6/6	100					4/4	100				
Norbert Pohlmann	6/6	100					4/4	100				
Dr. Wilfried Robers	6/6	100					4/4	100				
Michael Rüdiger	6/6	100			5/5	100						
Anke Strüber-Hummelt (from May 19, 2016)	3/3	100										
Ulrich Terbrack	6/6	100										
Angela Titzrath (from May 19, 2016)	2/3	66.7					2/2	100				
Dr. Volker Trautz	6/6	100	9/9	100					2/2	100	0/0	
Ulrich Weber (from May 19, 2016)	3/3	100			2/3	66.7			1/1	100		
Dr. Christian Wildmoser (until May 18, 2016)	3/3	100			2/2	100	2/2	100				

At least five members of the Supervisory Board should be independent within the meaning of Section 5.4.2 of the German Corporate Governance Code. To ensure this, a Supervisory Board member should not have any personal or business relations with the company, its executive bodies, a controlling shareholder or an enterprise associated with the latter which may cause a substantial and not merely temporary conflict of interests. The Supervisory Board considers all current members to be independent, namely because, in its view, election as an employee representative does not conflict with such independence.

Further details of the diversity requirements and the list of objectives are set out in the corporate governance report on page 44.

For 2016, the members of the Supervisory Board will receive attendance fees and purely fixed remuneration for their work on the Supervisory Board and any membership of committees (see page 113).

Members of the Supervisory Board of Evonik Industries AG had no conflicts of interest in 2016.

Moreover, there were no consultancy, service or similar contracts with any members of the company's Supervisory Board in 2016. 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

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf (Germany) has audited the financial statements of Evonik Industries AG as of December 31, 2016 prepared in accordance with the German Commercial Code (HGB), the consolidated financial statements for the Evonik Group prepared using the International Financial Reporting Standards (IFRS), as permitted by Section 315 a Paragraph 1 of the German Commercial Code (HGB), and the combined management report for Evonik Industries AG and the Evonik Group, 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 18, 2016. 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 has 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.

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, 2017. At its meeting on February 23, 2017, the Audit Committee discussed the annual financial statements, auditor's reports, and proposal for the distribution of the profit in the presence of the auditor 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 the internal audit department and other units involved in risk management, and on the effectiveness of the risk identification system with respect to accounting. The auditor reported 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 to ensure timely identification of developments that could represent a threat to the continued existence of the company.

The Supervisory Board conducted a thorough examination of the annual financial statements of Evonik Industries AG, the consolidated financial statements for the Evonik Group, the combined management report for fiscal 2016 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, 2017. The auditor was also present at this meeting and reported on the main findings of the audit. He also answered questions from the Supervisory Board about the type and extent of the audit and the audit findings. The discussion included the audit of the risk identification system. The Supervisory Board shares the Audit Committee's assessment of the effectiveness of this system.

In this way, the Supervisory Board convinced itself that the audit had been conducted properly by the auditor and that both the audit and the audit reports comply with the statutory requirements. Following its thorough examination of the annual financial statements of Evonik Industries AG, the consolidated annual financial statements and the combined management report (including the declaration on corporate governance), the Supervisory Board declares that, based on the outcome of its examination, it has no objections to raise to the annual financial statements of Evonik Industries AG, the consolidated annual financial statements and the combined management report. In line with the recommendation made by the Audit Committee, the Supervisory Board has therefore accepted the audit findings. At its meeting on March 1, 2017, the Supervisory Board therefore endorsed the annual financial statements of Evonik Industries AG and the consolidated annual financial statements. The annual financial statements for 2016 are thus ratified. The Supervisory Board concurs with the Executive Board's assessment of the situation of the company and the Group as expressed in the combined management report. The Supervisory Board considered the Executive Board's proposal for the distribution of the profit, in particular with a view to the dividend policy, the impact on liquidity and its regard for shareholders' interests. This also included an explanation by the Executive Board and a discussion with the auditor. The Supervisory Board then voted in favor of the proposal put forward by the Executive Board for the distribution of the profit.

Examination of the report by the Executive Board on relations with affiliated companies

The Executive Board has prepared a report on relations with affiliated companies in 2016. 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
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, 2017.

The Audit Committee conducted a thorough examination of these documents at its meeting on February 23, 2017 to prepare for the examination and resolution by the full Supervisory Board. The members of the Executive Board provided detailed explanations of the report on relations with affiliated companies and answered questions on it. The auditor, who was present at 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 was able to convince itself of the orderly nature of the audit and audit report and, in particular, came to the conclusion that both the audit report and the audit conducted by the auditor comply with the statutory requirements. The Audit Committee recommended that the Supervisory Board should approve the results of the audit and, since it was of the opinion that there were no objections to the Executive Board’s declaration on the report on relations with affiliated companies, should adopt a corresponding resolution.

The Supervisory Board discussed the report on relations with affiliated companies at its meeting on March 1, 2017. At this meeting too, the members of the Executive Board provided detailed explanations of the report on relations with affiliated companies and answered questions on it. Moreover, the auditor was present at 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. On this basis, 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 was able to convince itself of the orderly nature of the audit and audit report and came to the conclusion, in particular, that both the audit report and the audit itself meet the statutory requirements.

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

The Supervisory Board thus has no objection to raise to the final declaration made by the Executive Board in its report on relations with affiliated companies and concurs with the auditors’ findings.

Personnel issues relating to the Executive Board and Supervisory Board

At its meeting on May 6, 2016 the Supervisory Board appointed Christian Kullmann as Deputy Chairman of the Executive Board with immediate effect, for the remaining term of his period of office, in other words, until June 30, 2019.

In fiscal 2016 there were changes in both shareholder and employee representatives on the Supervisory Board. The shareholder representatives Steven Koltjes and Dr. Christian Wildmoser stepped down with effect from the end of the Annual Shareholders' Meeting on May 18, 2016. Through a resolution of the Annual Shareholders' Meeting, Angela Titzrath was elected to the Supervisory Board as successor to Steven Koltjes with effect from May 19, 2016. The Annual Shareholders' Meeting elected Ulrich Weber to replace Dr. Christian Wildmoser, also with effect from May 19, 2016. On the employee side, Michael Vassiliadis and Dieter Kleren stepped down from the Supervisory Board with effect from the end of the Annual Shareholders' Meeting on May 18, 2016. Edeltraud Glänzer was appointed to the Supervisory Board effective May 19, 2016 through a decision taken by the District Court of Essen on April 11, 2016 in accordance with Section 104 of the German Stock Corporation Act (AktG). Anke Strüber-Hummelt was appointed to the Supervisory Board to replace Dieter Kleren effective May 19, 2016 through a decision taken by the District Court of Essen on May 11, 2016 in accordance with Section 104 of the German Stock Corporation Act (AktG).

The changes in the members of the Supervisory Board also led to changes on the committees. The Supervisory Board appointed Edeltraud Glänzer as Deputy Chairwoman and a member of the Finance and Investment Committee. It also appointed Ralf Hermann as Deputy Chairman of the Finance and Investment Committee, Angela Titzrath as a member of the Audit Committee, and Ulrich Weber as a member of the Nomination Committee. These appointments took effect on May 19, 2016. In her function as Deputy Chairwoman of the Supervisory Board, Edeltraud Glänzer is also a member and Deputy Chairperson of the Executive Committee and the Mediation Committee.

The Supervisory Board would like to thank those members who have left for their dedicated commitment to the good of the company and its workforce over the years.

Concluding remark

The Supervisory Board would also like to thank the Executive Board, Works Councils and Executive Staff Councils, and all employees of Evonik Industries AG and its affiliated companies, for their successful work over the past year.

The Supervisory Board adopted this report at its meeting on March 1, 2017, in accordance with Section 171 Paragraph 2 of the German Stock Corporation Act (AktG).

Essen, March 1, 2017



On behalf of the Supervisory Board
Dr. Werner Müller, Chairman

Joint report of the Executive Board and Supervisory Board of Evonik Industries AG on Corporate Governance

(Corporate Governance Report)

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. Its shares have been listed on the stock exchange since April 25, 2013.

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 May 5, 2015. 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 deviate from the recommendations set out in the code if this is necessary to reflect enterprise-specific requirements.

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 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 hereby submit the following declaration pursuant to Section 161 of the German Stock Corporation Act:

Since submitting its last declaration of conformity in December 2015, the company has fully complied with all recommendations of the German Corporate Governance Code in the version dated May 5, 2015, as published in the Federal Gazette on June 12, 2015, and will continue to do so.

Further, nearly all suggestions contained in the aforementioned version of the German Corporate Governance Code were applied, with the following exceptions:

The suggestion set forth in Section 2.3.3 of the German Corporate Governance Code (the company should make it possible to follow the general meeting using modern communication media) was not and will not be applied. Instead, for organizational reasons, only the speeches by the Chairman of the Supervisory Board and the Chairman of the Executive Board will be transmitted. This procedure also correlates with widespread practice. Moreover, it cannot be excluded that a more extensive transmission could infringe the personal rights of shareholders, which are to be protected.

Further, Section 2.3.2 Sentence 2, second half-sentence of the German Corporate Governance Code (the representative appointed to exercise shareholders' voting rights in accordance with instructions should also be reachable during the general meeting) was not and will not be applied. Application of this suggestion would only be appropriate in the event of transmission of the general shareholders' meeting in full via modern communication media. Furthermore, the availability of the representatives nominated by the company via electronic media during the meeting as put forward by this suggestion involves technical uncertainties. These and the associated risks for the efficacy of resolutions are to be avoided.

Essen, December 2016

The Executive Board

The Supervisory Board

2.2 Relevant information on corporate management practices

Corporate governance

The company complies with the recommendations and—with two exceptions (detailed in section 2.1 above)—the suggestions set forth in the German Corporate Governance Code.

Compliance

Evonik understands compliance as all activities to ensure that the conduct of the company, its governance bodies and its employees respect all applicable mandatory standards such as legal provisions, statutory requirements and prohibitions, in-house directives and voluntary undertakings. The basis for this understanding and for compliance with these binding standards is set out in Evonik's Code of Conduct.

Code of Conduct

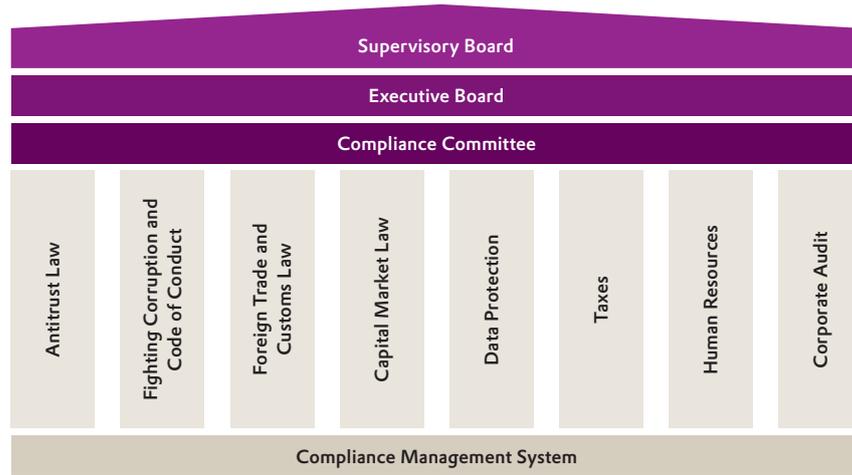
Evonik's binding Group-wide Code of Conduct contains the most important external and internal principles and rules, and governs the conduct of Evonik, its legal representatives and its employees both internally, in the treatment of one another, and externally in contact with the company's shareholders and 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. All employees receive training in the Code of Conduct and systematic action is taken to deal with any breach of its rules.

House of Compliance

The compliance areas identified as being of specific relevance to our company are bundled in a House of Compliance. They include antitrust law, fighting corruption, the Code of Conduct, foreign trade and customs law, capital market law, data protection, taxes and human resources. Environment, safety, health and quality are bundled in a separate corporate division.

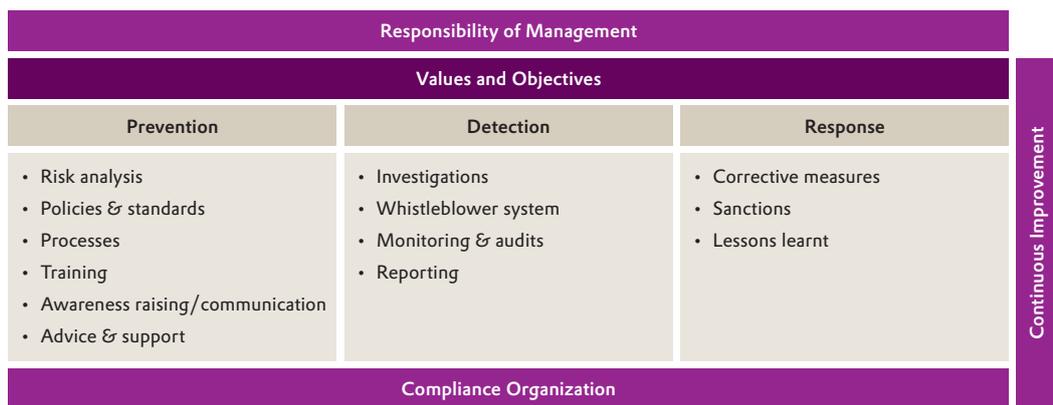
The role of the House of Compliance is to define minimum Group-wide standards for the compliance management systems for these areas and ensure that they are implemented. The process of forming a consensus, sharing experience and coordinating joint activities takes place in the Compliance Committee, which is composed of the heads of the respective units, who have independent responsibility for their areas, and the Head of Corporate Audit. The Compliance Committee is chaired by the Head of Compliance and Antitrust Law.

House of Compliance



The compliance management system to be implemented by each area of compliance on the basis of the defined values and specific targets has to implement the tools shown in the next chart. Measures must be put in place to avoid compliance risks and systematic misconduct, identify cases of misconduct, apply appropriate sanctions, and correct process weaknesses.

Compliance Management System (CMS)



Further information on Evonik’s compliance management system and the corresponding areas of focus and action taken in the year under review can be found in the Sustainability Report.¹

¹ Sustainability Report 2015 (the Sustainability Report 2016 will be published in April 2017).

Corporate Responsibility

Companies that strive for lasting success on the market need social acceptance as well as reliable and responsible corporate governance. At Evonik, the framework for this is provided by the Global Social Policy (GSP), together with the Code of Conduct and our Environment, Safety, Health and Quality (ESHQ) Values. The GSP makes it clear that our corporate success is based to a large extent on the professionalism and commitment of all employees. It contains the principles of how we treat one another and how we affirm our social responsibility to our employees. That includes an undertaking to observe internationally recognized standards of conduct such as the Guidelines for Multinational Enterprises issued by the Organisation for Economic Cooperation and Development (OECD), and the International Labor Standards of the International Labour Organisation (ILO).

By joining the United Nations' Global Compact (UN Global Compact), Evonik gave an undertaking that, within its sphere of influence, it would respect and promote labor rights and human rights, avoid discrimination, protect people and the environment and fight against corruption. We want to make a contribution to achieving the United Nations' 17 sustainable development goals. Our commitment to protecting human rights is underpinned by the Policy Statement on Human Rights adopted by the Executive Board in summer 2016.

Evonik is committed to the Code of Responsible Conduct for Business initiated by the Wittenberg Center for Global Ethics, which includes fair competition, social partnership, the merit principle and sustainability.

As a signatory to the chemical industry's Responsible Care® Global Charter, we aim to continuously improve our performance in health protection, environmental protection, product stewardship and safety. Our ESHQ Values define protecting people and the environment as core elements of our actions. They outline Evonik's understanding of ESHQ. Together with more detailed guidelines and procedures, they form a binding set of regulations. Evonik regularly reports on its climate performance as part of the world's largest climate initiative, the Carbon Disclosure Project (CDP).

We expect our suppliers to share our principles and to accept their responsibility towards their employees, business partners, society and the environment. Our requirements in this respect are set out in our Supplier Code of Conduct.

Our sustainability reporting complies with the Global Reporting Initiative (GRI G4, core).

The above documents on our responsible conduct can be found on the internet:

- **Global Social Policy** www.evonik.com/gsp
- **Code of Conduct** www.evonik.com/coc
- **ESHQ Values** www.evonik.com/esh
- **OECD Guidelines for Multinational Enterprises** www.evonik.com/oecd-guidelines
- **International Labor Standards of the International Labour Organisation** www.ilo.org/global/standards/lang--en/index.htm
- **UN Global Compact** www.unglobalcompact.org/what-is-gc/mission/principles
- **Policy Statement on Human Rights** www.evonik.com/policy-statement
- **Code of Responsible Conduct for Business** www.wcge.org/images/dialog/leitbild/140918_leitbild-eng_Unterschriften_o.pdf
- **Responsible Care® Global Charter** www.icca-chem.org/responsible-care/
- **Supplier Code of Conduct** www.evonik.com/coc-supplier

Transparency

Evonik regards timely and equal public disclosure of information as a key basis of good corporate governance. The Investor Relations division provides extensive information in German and English on the company's website.

This includes our financial calendar, which provides a convenient overview of important dates.¹

¹ www.evonik.com/investor-relations

Evonik's business performance is outlined principally in our quarterly reports, annual report 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.¹

Mandatory publications such as ad-hoc announcements, voting rights announcements and information on directors' dealings are also published immediately on our Investor Relations site.²

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.³

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 section 2.1 above).

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 is responsible for complying with statutory provisions and internal directives, and exerts its influence to ensure that they are observed by Group companies (compliance). Its tasks also include ensuring appropriate risk management and risk controlling 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 currently has five members. 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 of the Executive Board is not available to perform these tasks, they are assumed by the Deputy Chairman. 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 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.

¹ www.evonik.com/investor-relations, News & Reports, Share and Bonds & Ratings. For details of the shareholder structure see "Evonik on the capital markets" on page 47 of this annual report.

² www.evonik.com/investor-relations, News & Reports/Ad-hoc announcements, Share/Voting rights, and Corporate Governance/Directors' Dealings

³ www.evonik.com/investor-relations, Sustainable Investments (SRI) and Corporate Governance

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 for the Supervisory Board, including the annual budget for the Group. 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, nor may they 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. Where such posts are assumed with the consent of the Supervisory Board, 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 company's Executive Board. Every member of the Executive Board is required to disclose any conflict of interests to the Chairman of the Supervisory Board without delay and to inform the other members of the Executive Board.

In fiscal 2016 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. No such transactions took place in the reporting period.

The composition of the Executive Board and membership of supervisory boards and similar governance bodies are outlined on page 199.

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 €25 million
- the assumption of loans and the issuance of bonds exceeding €300 million 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 Group and the combined management report. 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) 1976. In accordance with these statutory provisions, the Supervisory Board comprises twenty 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 overall its members have the knowledge, ability and professional experience required to perform their duties. The members of the Supervisory Board may not undertake any duties as officers or advisors to the company's major competitors.

The Supervisory Board should not include more than two former members of the Executive Board. A former member of the Executive Board has been elected to the Supervisory Board. His term of office on the Executive Board ended more than two years before the date of his election to the Supervisory Board. All members of the Supervisory Board shall ensure that they have sufficient time to perform their tasks as a member of the Supervisory Board. Members of the Supervisory Board who are also members of the Executive Board of a publicly listed stock corporation should not hold more than three seats on the Supervisory Boards of listed companies outside their group of companies or Supervisory Boards of companies where comparable demands are made on them.

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 2016, nor were there any conflicts of interest relating to members of the Supervisory Board of Evonik Industries AG. The Supervisory Board has adopted Rules of Procedure, which also govern the formation and tasks of the committees. At least two regular meetings of the Supervisory Board are held in each calendar half-year. In addition, meetings may be convened as required and the Supervisory Board may adopt resolutions outside meetings. If an equal number of votes is cast when taking a decision, and a second vote does not alter this situation, the Chairman of the Supervisory Board has the casting vote.

The Supervisory Board has set 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 sound knowledge and experience of regions which 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 and experience of business administration and of finance/accounting or auditing.
- The members of the Supervisory Board as a whole should be familiar with the chemical sector.
- At least two members should have experience of managing or supervising a major company.
- The Supervisory Board should comprise at least 30 percent women and at least 30 percent men.
- The members of the Supervisory Board should not hold consulting or governance positions with customers, suppliers, creditors or other business partners that could lead to a conflict of interests. Deviations from this rule are permitted in legitimate individual cases.
- Members of the Supervisory Board should not normally be over 70 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.
- At least five members of the Supervisory Board should be independent within the meaning of Section 5.4.2 of the German Corporate Governance Code.

These targets were revised in December 2016 to comply with the amended version of the German Stock Corporation Act (AktG), which stipulates that the Supervisory Board as a whole must be familiar with the sector in which the company operates.

The Supervisory Board currently comprises seven women and thirteen 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.

To ensure independence within the meaning of Section 5.4.2 of the German Corporate Governance Code, a Supervisory Board member should not have any personal or business relations with the company, its executive bodies, a controlling shareholder or an enterprise associated with the latter which may cause a substantial and not merely temporary conflict of interests. The Supervisory Board considers all current members to be independent specifically because, in its view, election as an employee representative does not conflict with such independence.

The present Supervisory Board satisfies the objectives for its composition.

In the past fiscal year, the Supervisory Board had the following committees:

The **Executive Committee** comprises the Chairman of the Supervisory Board, his deputy and two further members. It undertakes the regular business of the Supervisory Board and advises the Executive Board on fundamental issues relating to the ongoing strategic development of the company. Insofar as is permitted by law, it takes decisions in place of the full Supervisory Board on matters which cannot be deferred until the necessary resolution is passed by the full Supervisory Board without detrimental effects for the company. It also takes decisions on the use of authorized capital. It prepares meetings of the Supervisory Board and, in particular, personnel decisions and resolutions on the remuneration of the Executive Board, including the main contractual elements and the overall remuneration of individual members of the Executive Board. It is also responsible for concluding, amending and terminating employment contracts with the members of the Executive Board, where this does not involve altering or setting remuneration, and represents the company in other transactions of a legal nature with present and former members of the Executive Board and certain related parties.

The **Audit Committee** has six members and is familiar as a whole with the chemical sector. The 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 process, the efficacy 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, and 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 choice of auditor, and takes decisions on the appointment of the auditor, the focal points of the audit and the agreement on audit fees. Further, it authorizes the Chairman of the Supervisory Board to issue the contract to the auditor. 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 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 Group, the management report for the Group and the Executive Board's proposal for the distribution of the profit. The Audit Committee also examines the auditor's report. The auditor of the financial statements must attend these meetings of the Audit Committee.

The Audit Committee reviews the interim reports, especially the half-yearly report, discusses the audit review report with the auditor—if an auditor is engaged to conduct a review—and decides whether to raise any objections. Further, it examines issues relating to corporate governance and reports to the Supervisory Board at least once a year on the status, effectiveness and scope to implement any improvements to corporate governance, and on new requirements and new developments in this field.

The **Finance and Investment Committee** has eight members. Its work covers aspects of corporate finance and investment planning. For example, it takes decisions on behalf of the Supervisory Board involving approval for the establishment, acquisition and divestment of businesses, capital measures at other Group companies and real estate transactions with a value of more than €25 million and up to €50 million. If the value of such measures or transactions exceeds the above limit, it prepares for a resolution by the Supervisory Board. The Finance and Investment Committee also takes decisions on the assumption of guarantees and sureties for credits exceeding €50 million and on investments in companies of more than €100 million.

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.

Finally, there is a **Mediation Committee** established in accordance with Section 27 Paragraph 3 of the German Codetermination Act 1976. This mandatory committee is composed of the Chairman and Deputy Chairman of the Supervisory Board, 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.

It 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 on page 28. The report of the Supervisory Board also outlines the composition of the various committees and the meetings attended by members of the Supervisory Board. For details of the composition of the Supervisory Board and membership of other supervisory and governance bodies see pages 197 and 198.

The Supervisory Board regularly examines the efficiency of its work. Further details can be found in the report of the Supervisory Board on page 28.

Directors' Dealings

In accordance with the EU market abuse regulation (Article 19 Paragraph 1 MAR), which came into force on July 3, 2016, 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 €5,000 has been reached. Until July 1, 2016, the duty of notification was governed by a similar provision in the German Securities Trading Act (Section 15a Paragraph 1 WpHG, old version). The transactions notified are disclosed on the website of Evonik Industries AG.

Total holdings of shares in Evonik Industries AG and related financial instruments by members of the Executive Board and Supervisory Board on the reporting date amounted to less than 1 percent of the issued shares.

2.4 Information on statutory diversity requirements

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 German Corporate Governance Code apply.

In view of this, the Supervisory Board has defined a target composition of at least 30 percent women and at least 30 percent men. In addition to thirteen men, the Supervisory Board of Evonik Industries AG currently includes seven women, three of whom represent the shareholders while four represent the workforce. The Supervisory Board therefore meets its target at present.

For the proportion of women on the Executive Board, the Supervisory Board has set a target of at least 20 percent. The deadline for achieving this is June 30, 2017. The Executive Board satisfies this requirement as it comprises one woman and four men. For the period from July 1, 2017 to June 30, 2022, the Supervisory Board has raised the target for the proportion of women on the Executive Board to 25 percent.

Further, the Executive Board of Evonik Industries AG set a target of 8.0 percent female managers at the first management level below the Executive Board and 18.8 percent women at the second management level, with both targets to be met by December 31, 2016. These targets have been achieved as women currently account for 16.7 percent of managers at the first management level and 19.5 percent of managers at the second management level.

For the period from January 1, 2017 to December 31, 2019, the Executive Board of Evonik Industries AG has set the target for female managers at both the first and the second management level below the Executive Board at 20 percent.

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 315 a Paragraph 1 of the German Commercial Code (HGB) are taken into account.

As proposed by the Supervisory Board, the Annual Shareholders' Meeting on May 18, 2016 elected PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf, 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 2016. 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 Mr. Lutz Granderath (since fiscal 2012) and Ms. Antje Schlotter (since fiscal 2014). In addition to the accounting, the audit covered the system to identify emerging risks and the accounting-related internal control system. Further, PwC conducted a review of the interim financial statements for the first half of 2016 and the quarterly financial statements as of September 30, 2016. These reviews were also based on the resolution adopted on May 18, 2016.

5. Risk management and internal control system (ICS)

Risk management in the Evonik Group, including the ICS relating to the accounting process, is described in the opportunity and risk report, which forms part of the management report. Details can be found on page 93.

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, which forms part of the management report. Details can be found on page 106.

Evonik on the capital markets

- Further diversification of shareholder structure and rise in trading volume
- Continuation of the attractive dividend policy
- Inclusion in important sustainability indices

Performance of the share

Evonik shares were unable to escape the downward trend in stock market prices that started at the beginning of the year and the share price softened from €30.62 at the start of the year, in parallel with the MDAX and DJ STOXX 600 ChemicalsSM benchmark indices.

At the start of March Evonik published its outlook for 2016. In particular, given the normalization of prices for feed additives, Evonik expected earnings to be below the exceptionally high prior-year level. The share price initially fell after this announcement but rebounded towards the benchmark indices during the remainder of the first half. It also rose in response to the announcement of the acquisition of the Air Products specialty additives business on May 6. At the end of June the markets came under considerable pressure in the wake of the unexpected outcome of the referendum in the UK on leaving the European Union. Shares in Evonik weakened with the market as a whole. Following publication of better-than-expected second-quarter results on August 5, accompanied by specification of the outlook, the share price picked up. At the start of October 2016, shares in Evonik rose to a high for the year of €30.92.

This was followed by a weaker performance ahead of the financial reporting on the third quarter, especially in view of expectations of a continued downward price trend on the market for feed additives in 2017.

Following announcement of the acquisition of silica producer Huber Silica in December the share price recovered further. Shares in Evonik ended the year at €28.38 on December 30, down 7.3 percent compared with the start of the year. The DJ STOXX 600 ChemicalsSM rose 3.9 percent over the same period, while the more broadly based MDAX rose 6.8 percent.

Further diversification of shareholder structure

RAG-Stiftung remains Evonik's largest shareholder with a stake of around 68 percent of the capital stock. The complete exit by CVC Capital Partners, formerly the company's second biggest shareholder, led to further diversification of the shareholder structure in 2016. The free float is around 32 percent.

Considerable rise in trading volume

One consequence of the broader shareholder base was a considerable rise in average daily trading to 837,000 shares or €23.3 million (2015: 648,000 shares or €20.9 million). Evonik therefore now ranks fifth in the MDAX. Market capitalization was €13.23 billion on December 31, 2016. Based on the market capitalization of the free float, at year-end the share ranked fourteenth in the MDAX.

Performance of Evonik shares January 1 – December 31, 2016

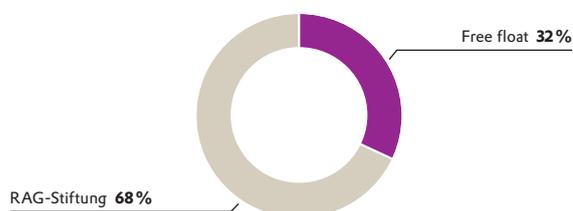
in €



Annual Shareholders' Meeting resolves to raise the dividend to €1.15 per share

Evonik has a long-term dividend policy aligned to continuity and reliability. At the Annual Shareholders' Meeting on May 18, 2016, the shareholders adopted the proposal put forward by the Executive Board and Supervisory Board to increase the dividend by 15 percent to €1.15 per share in view of the substantial improvement in earnings in 2015. The total dividend payment of €536 million was made on May 19, 2016. The dividend yield of around 4.1 percent¹ positions Evonik among the leaders in the chemical industry.

Shareholder structure



Intensive dialogue with the capital markets

We continued to extend our intensive dialogue with equity and bond investors in 2016. The Executive Board and the Investor Relations team outlined Evonik's business and the underlying growth strategy at 21 conferences and 15 roadshows. They also talked about the latest developments and drivers. Most of the roadshows and conferences were held in Europe, for example in London, Frankfurt, Paris, Dublin, Edinburgh, Copenhagen, and Zurich. Trips were also made to New York and Boston, the most important financial centers in North America.

Alongside conventional capital market communication, we offer investors the opportunity to participate in field trips to our production sites to gain a direct insight into our products and how they are produced and marketed. Last year, we organized five field trips. Overall, we registered around 700 contacts with investors during the year.

¹ Year-end 2016.

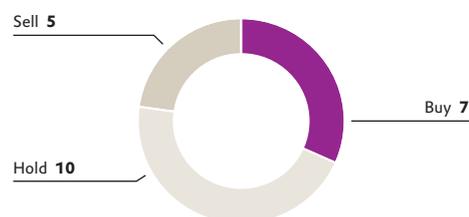
Analysts' evaluations of Evonik

At year-end 2016 Evonik was covered by 22 analysts. Seven of them rated the share as a buy, five as a sell, and ten issued neutral recommendations. Their price targets ranged from €21 to €34, giving a median of €28.

Moody's raises rating to Baa1

Immediately after the announcement of the acquisition of the Air Products specialty additives business, Moody's raised Evonik's rating from Baa2 with a positive outlook to Baa1 with a stable outlook. This was attributable to the expected diversification of Evonik's business profile, confirming the strategic rationale of the acquisition from the viewpoint of the rating agencies. Together with a BBB+ rating with a stable outlook from Standard & Poor's, Evonik therefore has a solid investment-grade credit rating.

Analysts' ratings



Successful issuance of bonds totaling €1.9 billion

To finance the acquisition of the Air Products specialty additives business, in September 2016 Evonik issued three bonds with a total value of €1.9 billion. The bonds have a tenor of between 4.5 and 12 years and coupons of between 0 and 0.75 percent a year. The bonds were strongly oversubscribed and attracted considerable attention from a wide range of institutional investors. Evonik benefited from its solid investment-grade rating and the favorable market conditions for corporate bonds.

Inclusion in important sustainability indices

Since Evonik's free float was higher than in 2015, the company was invited to participate in the Dow Jones Sustainability Index (DJSI) World for the first time in 2016. Evonik immediately gained a place in both the DJSI World and the DJSI Europe, with particularly high scores for all environmentally related criteria.

Key data

	Jan. 1 – Dec. 31, 2016
Highest share price ^a in €	30.92
Lowest share price ^a in €	24.71
Average price ^a in €	27.77
Closing price ^a on December 31, 2016 in €	28.38
No. of shares	466,000,000
Market capitalization ^a on December 31, 2016 in € billion	13.23
Average daily trading volume ^a (No. of shares)	approx. 837,600

^a Xetra trading.

Basic data on Evonik stock

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, DJ STOXX® Europe 600, Dow Jones Sustainability Index Europe, Dow Jones Sustainability Index World, FTSE4Good Global, STOXX® Global ESG Leaders



At the Annual Shareholders' Meeting on May 18, 2016, Dr. Klaus Engel, Chairman of the Executive Board, reported on the previous fiscal year, and private and institutional investors had an opportunity for direct discussion with members of Evonik's management.

Investor Relations

For further information on our investor relations activities, visit our website at www.evonik.com/investor-relations. The financial calendar on our website provides a convenient overview of important dates. The website also contains key facts and figures, especially financial and segment data and details of the company's structure and organization. This is supplemented by information on Evonik shares, the terms of bond issues and an overview of our credit ratings. Current presentations, analysts' estimates and reports on our business performance are also available.

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