Corporate Responsibility

Strategy and Status 2007

EVONIK INDUSTRIES

Evonik's understanding of corporate responsibility | We define corporate responsibility as how we conduct our business and how we live up to our values. The overriding principles are reliability and credibility. Because: Evonik lives up to its promises. By integrating corporate responsibility into our business activities and creating innovative solutions, we make a contribution to sustainable development. Evonik demonstrates fairness and responsibility towards its employees, customers, owners, investors, suppliers, politicians, local communities and the general public.

Evonik lives up to its promises.

Dr. Werner Müller
Chairman of the Executive Board

Ladies and gentlemen:

Evonik's Executive Board has defined clear goals for Evonik. These are: growth and value creation. We aim to be one of the most creative industrial groups in the world, make a mark with our brand and instill it with life.

Evonik's commercial success is clear. As planned we have now made our entrance on the capital markets. Gaining CVC Capital Partners as an investor was a key step in the evolution of the company. Now we are taking the next step: We are preparing to float Evonik on the capital market in three to five years time.

I am therefore proud to say that Evonik can look forward to a very good future. A future in which we will be utilizing opportunities, but one in which we also have to address challenges and act responsibly. That is what we mean by corporate responsibility—and that is what we do!

Because that's what others do? Evonik is in good company: Many other international companies highlight their commitment to responsible and sustainable business practices. Yet our ambitions go a good deal further.

Because that's what others expect us to do? Corporate responsibility already occupies a key position in the business community and investors and analysts are increasingly using corporate responsibility reports as a basis for their assessment of companies. Customers specifically ask about our responsible management standards and 80 percent of prospective employees faced with a choice of jobs on comparable terms opt for an employer that has a social conscience.

Because that's what we want to do! That is Evonik's response. I am convinced that a responsible attitude towards our business activities, our employees and all other stakeholders is essential for our long-term success. Because it is vital if we are to create trust and establish Evonik throughout the world as a fair partner committed to sustainable development.

In 2008 we did a good deal of groundwork to show how important this issue is to us. We developed a Corporate Responsibility strategy as an integral part of our corporate strategy. Our CR strategy shows that we support economic megatrends, respond to ecological and social challenges and foster the development of new business activities. It is closely aligned to our core business and builds on our corporate values and core competencies.

I am confident that corporate responsibility will give us additional strength to address new challenges and give us a place at the forefront of people's hearts and minds.

Dr. Werner Müller

Who is Evonik?

For further information see Evonik's Annual Report 2007

Evonik Industries is the creative industrial group from Germany focused on three profitable business areas: chemicals, energy and real estate. Evonik is one of the world's leading specialty chemicals companies, an expert in power generation from hard coal and renewable energies and one of Germany's largest private-sector housing companies. Moreover, it is systematically strengthening its market leadership in all these areas. In 2007 Evonik had over 43,000 employees in more than 100 countries and generated sales of around €14.4 billion and an operating profit (EBITDA) of over €2.2 billion.

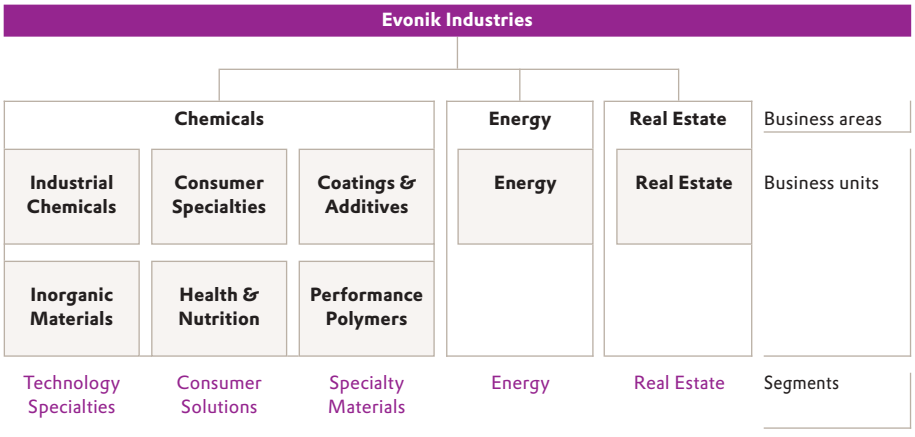
Our operations are grouped in eight business units which are assigned to five reporting segments: Technology Specialties, Consumer Solutions, Specialty Materials, Energy and Real Estate. The business units act as entrepreneurs within the enterprise and report directly to the Executive Board. The Corporate Center in Essen (Germany) is responsible for strategic management of the Group. The business units and Corporate Center are supported by a Shared Service Center, which provides group-wide services such as procurement and payroll accounting. Initially the RAG Foundation (RAG-Stiftung) was our sole shareholder. In June 2008 it reduced its stake to 74.99 percent by selling 25.01 percent of its shares to a financial investor, CVC Capital Partners.

A leading specialty chemicals corporation

The Chemicals Business Area ranks among the global leaders in specialty chemicals. More than 80 percent of its sales come from activities where it is positioned among the market leaders and it is systematically increasing this position. Most of the products manufactured by the Technology Specialties segment are sold to companies in the chemicals, plastics, rubber and paper industries for further processing into top-of-the-range end-applications. These include organic and inorganic specialties, which are used as key inputs in the agrochemicals and plastics sectors and in the manufacture of solar silicon. Hydrogen peroxide is a major bleaching and oxidation agent for the paper and pulp industry. Particles and filler systems based on carbon blacks and fumed silicas are mainly used to reinforce rubber in the tire industry.

The Consumer Solutions segment's main customers are manufacturers of consumer goods, especially personal care, hygiene, pharmaceutical and nutrition products. Its products include superabsorbent polymers for diapers. This segment's extensive knowledge of applied interfacial chemistry enables it to develop solutions for products ranging from personal care to industrial applications such as the stabilization of polyurethane foam. Ingredients for fabric softeners round out the product

A clear structure



Innovation | Research and development and innovative strength are key elements in Evonik's corporate strategy. Products, processes and applications developed in the past five years generate over 20 percent of sales in the Chemicals Business Area. Evonik invested €307 million in research and development in 2007.

The creative industrial group

portfolio. Evonik is the only supplier in the world from which customers can source four essential amino acids for animal feeds: DL-methionine, L-lysine, L-threonine and L-tryptophan. Catalysts, custom-tailored substances and active ingredients are also used in key starting products for the pharmaceuticals and life science industries.

The products manufactured by the Specialty Products segment are used in consumer durables and industrial products. Its operations are focused mainly on the automotive, coating and colorants and construction sectors and a wide range of other high-end applications in fields such as aviation engineering, displays, pharmaceuticals and lifestyle articles. Its high-quality polymers are used as transparent plastics for semi-finished products, high-performance lubricants for hydraulic systems and engines, lightweight structural components and resins and coatings additives for the colorants industry. This segment also markets specialty monomers as starting products for polymers. Formulations are often customized to meet specific requirements.

An international power supplier

The core competencies of the Energy Business Area are planning, financing, building and operating highly efficient fossil-fuel power plants. As a grid-independent power generator, Evonik operates nine coal-fired power stations and two refinery power stations in Germany. The company's international successes comprise coal-fired power stations in Columbia, Turkey and the Philippines. In each of these countries it works closely with local partners. Total rated capacity is over 9,500 Megawatts (MW), including around 7,900 MW in Germany. Long-term supply and take-off agreements with major customers ensure stable cash flows. Evonik is well-positioned in the fast-growing future market for renewable energy sources and is one of the German market leaders in mine gas, biomass and geothermal energy. More than 90 percent of district heating supplied by Evonik comes from co-generation plants. Evonik also ranks at the forefront of the German market in the disposal and reprocessing of power plant residues.

High standards of housing

The Real Estate Business Area manages a portfolio of around 60,000 company-owned residential units concentrated in the federal state of North Rhine-Westphalia and has a 50 percent stake in THS GmbH, which owns more than 75,000 residential units. The business focuses on letting to private households. Evonik comes out above the sector average on the key quality indicators in this market: vacancy rates and tenant fluctuation. Smart concepts are used to address the entire lifecycle of a property. These include, for example, modernization to create energy-saving buildings. Together with carefully planned, cost-saving running cost strategies, this minimizes the utility charges paid by tenants.

For further information visit www.evonik.com

Strategy
Where Evonik wants to be

Evonik's goal is to respond to the central challenges arising from social change and trends, enabling it to increase its business and play a role in the sustained development of society.

Responding to future needs

We live in an age of change. Our networked, globalized world entails increasingly fast and far-reaching changes. All round the world, people are affected by fundamental issues such as the impact of globalization, climate protection, the rapid growth of emerging markets, the shortage of resources, demographic change, social justice and the distribution of wealth, and the ethical and social responsibility of companies, including aspects such as preventing corruption.

The broader and more enduring these issues are, the greater their impact on public awareness. As megatrends they represent enormous tasks for our society, politicians and businesses. Evonik's innovative products and extensive expertise in providing custom-tailored solutions for its customers enable it to respond to important megatrends such as Energy Efficiency, Globalization & Demographic Change and Health & Wellness.

Energy Efficiency

Rising global demand for energy and limited resources mean we need to find new solutions. Evonik is well-prepared to tackle this challenge. It already markets innovative products, modern materials and extensive system solutions that enhance energy efficiency. Power plants built by Evonik are highly efficient and the company also plays a role in energy generation from renewable resources. The Chemicals Business Area offers a wide range of solutions for applications such as mobility and communications: Lightweight components for airplanes, low rolling-resistance tires and safer, more efficient lithium ion batteries for emissions-free autos all have their roots in Evonik's research and development. The Real Estate Business Area is equipping properties with energy-efficient technologies, for example, to utilize geothermal energy and solar power.

For Evonik as an energy supplier and a major consumer of energy, especially in its chemical production facilities, energy efficiency is especially important. The Chemicals Business Area is therefore steadily improving its production processes and developing more efficient methods of manufacturing its products.

Globalization & Demographic Change

As an international corporation, Evonik benefits from worldwide trading as part of globalization. The dynamic economic development of the emerging markets is creating new markets. Demand for higher-quality products for daily needs, for example personal care and hygiene products, and for communications products such as mobile phones, laptops and flat screens is increasing in both Eastern Europe and Asia. At the same time, rising living standards in these countries are altering nutritional habits so people are eating far more animal protein. Evonik is utilizing these opportunities through selective expansion of its presence in these regions. Wherever it makes sense, the Evonik Group has local production facilities close to its customers.

Demographic change, which experts refer to as "population ageing and population decline", also confronts Evonik with challenges. At present this situation mainly affects the industrialized countries. Declining birth rates suggest that it will become increasingly difficult to find skilled staff in the future. Moreover, Evonik has to face up to a rise in the average age of its workforce. It is therefore stepping up efforts to foster lifelong learning and offers employees special health programs.

Health & Wellness

This megatrend is closely related to demographic trends. Various reports conclude that annual health spending will rise by over 130 percent between 2000 and 2015 to US$7 trillion, partly because of the rising average age of the population. In the industrialized countries in particular, but also in emerging markets, increasing prosperity is accompanied by rising life expectancy and an increase in the number of health-conscious inhabitants who want to maintain their vitality and therefore make increased use of wellness products and services. Evonik's research laboratories develop active ingredients that are required by the cosmetic and pharmaceutical sectors to serve these new and established markets.

Background to Evonik's CR strategy

For further information visit
www.nachhaltigkeitsrat.de/en/home/

Evonik's goal is to respond to the central challenges arising from social change and trends, enabling it to increase its business and play a role in the sustainable development of society. To achieve this goal, the Evonik Group drew up a new Corporate Responsibility (CR) strategy in the first half of 2008.

The development of this strategy was led by a Steering Committee comprising the heads of the relevant Central Departments at the Corporate Center and the Labor Directors of all three business areas. The Steering Committee is chaired by the Head of HR Strategy, HR Policy & Labor Relations and its work is supported by a coordination group.

Interviews with managers and members of the Works Councils in all three business areas formed the basis for the CR strategy. These interviews focused on the general perception of CR, specific challenges facing the business areas and Evonik's corporate identity. Virtually everyone asked agreed that responsibility and reliability are key elements of Evonik's identity. Despite the heterogeneous nature of the Group's business, there is a common identity which is expressed, for example, in responsible treatment of employees. Those interviewed stressed that—despite the need for an overarching strategy—it was important to leave sufficient scope for implementation within the business areas.

Another key step in the development of the CR strategy was a workshop in April 2008 which laid the main foundations for the strategy. In a keynote address, Dr. Günther Bachmann, General Secretary of the German government's Sustainable Development Council, outlined the central CR challenges facing Evonik. He made it clear that society and politicians place enormous expectations in the corporate sector. Bachmann sees corporate responsibility as a genuine opportunity for companies providing they align it to their business. His conclusion: "CR should help earn money." However, to do that every company needs to develop its own strategy and set its own targets.

The main outcome of the workshop was to align Evonik's CR strategy to its corporate principles. It is also embedded in the company's corporate values and core competencies. The three corporate values "courage to innovate", "sparing no effort" and "responsible action" guide employees in their daily work and decisions. The four core competencies—creativity, specialization, self-renewal and reliability—form the pillars of the Evonik brand and help employees drive the successful development of the Evonik Group.

Principles

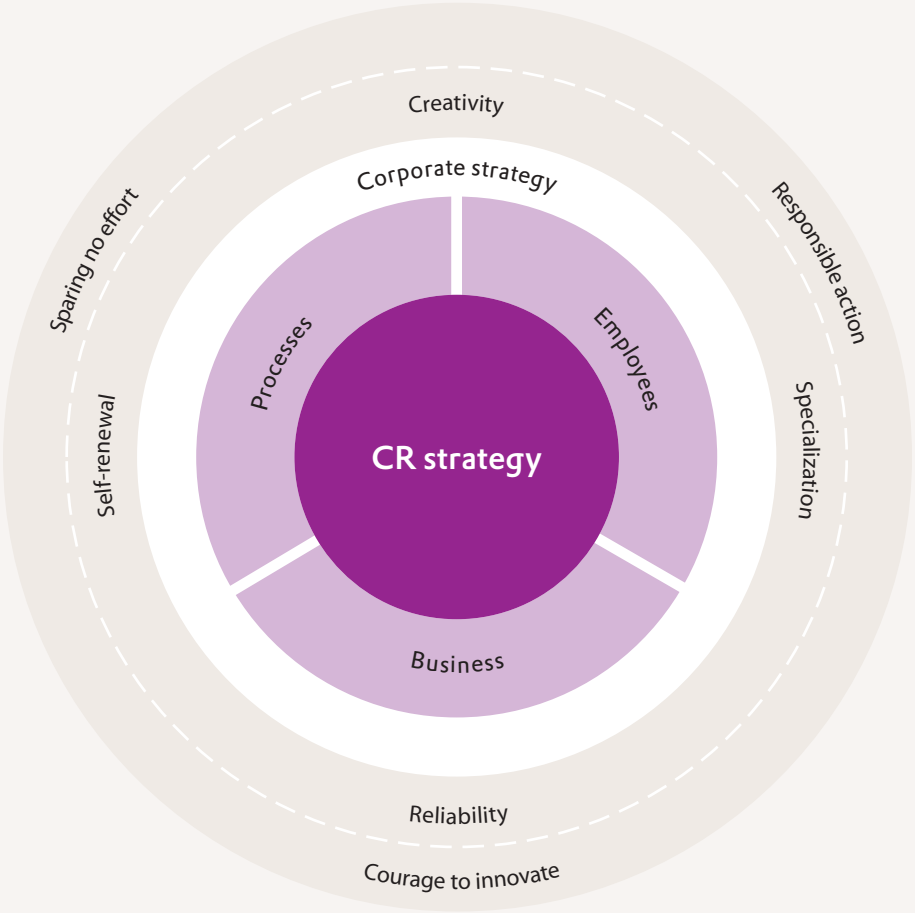
Evonik's CR strategy

- **is an expression of its overall corporate responsibility.**
- **is characterized by credibility and reliability.**
- **is applicable for the entire Group and provides a binding framework for everyone.**
- **takes account of Evonik's decentralized structure and leaves the business areas leeway to implement it in keeping with their operational business.**
- **is consistent with the corporate strategy and positions corporate responsibility close to the business.**
- **incorporates and strengthens Evonik's central identity: innovation, reliability, fairness, a long-term focus and a commitment to value and quality.**
- **takes account of Evonik's focus on B2B activities.**
- **focuses on employees.**

CR workshop | More than 20 employees discussed the importance of corporate responsibility for the Evonik Group at a workshop held in April 2008. The main outcome was to align the CR strategy to Evonik's corporate principles.

Reliability and credibility

Evonik's CR strategy



Evonik's CR strategy integrates corporate responsibility into its core business and shows its relevance for the business.

Dimensions of the CR strategy

Evonik's CR strategy builds on its corporate values and core competencies. The three dimensions of the CR strategy—the business, employees and processes—form an integral part of Evonik's corporate strategy and give it new impetus. At the same time, the CR strategy helps ensure that Evonik lives its corporate values. It supports the central goals of profitable growth and value creation and fosters clear differentiation from competitors.

Contribution to the business

Evonik responds to megatrends such as Energy Efficiency, Globalization & Demographic Change and Health & Wellness as well as to new ecological and social challenges. They form the basis for the development of new business and thus support sustainable development.

Focus on employees

Evonik is characterized by a responsible, employee-oriented corporate culture. That includes fair treatment of employees around the world and involving them in implementation of the principles of corporate responsibility.

Best-in-class processes

Evonik continually aims to maximize its performance in its day-to-day business and all areas of corporate responsibility, from the environment, safety and health through human resources management to compliance.

Main areas of action

Evonik's main areas of activity in the field of corporate responsibility are derived from the three dimensions defined in its CR strategy. Specific targets and measures will be defined and the CR program will be continuously evaluated and adapted.

Business:

CR Issues Management

Establishment of CR Issues Management as an "early warning system" to avoid risks arising from ecological and societal developments and to provide impetus for strategies and innovations.

Dialogue with stakeholders

Establishment of a continuous and systematic dialogue with stakeholders to identify their needs and derive opportunities.

Projects

Realization of group-wide projects resulting from CR Issues Management and dialogue with stakeholders.

Employees:

Responsible treatment of employees

Stepping up key HR activities such as vocational training and further education, diversity, balancing career and family life, preventive health care, change management and employees' rights.

Motivation and involvement

Involving employees, as key players and multipliers, in the implementation of corporate responsibility through activities to raise awareness and motivation, training and the agreement of specific objectives for their work.

Processes:

CR performance

Consistent and continuous improvement in relevant areas such as human resources, markets and customers, supply chain, energy efficiency, the environment, safety, health, product stewardship, compliance and corporate citizenship, within the framework of strategic specifications.

Sharing experience

Identifying and disseminating best practices and sharing experience in order to raise efficiency and reduce costs.

Strategic CR objectives

Business
CR plays a central role in enabling Evonik to turn megatrends into opportunities, innovations and successful business prospects.

Employees
CR is integrated into vocational training and further education and into the objectives agreed with staff.

Employees
CR dominates Evonik's corporate culture, is implemented by all employees within their field of influence and fosters their creativity and innovative capacity.

Processes
All business units control and measure their contribution to CR through key performance indicators (KPI).

Status
Where Evonik stands today

Contribution to the business
Focus on employees
Best-in-class processes

Evonik's contributions to sustainable development provide a sound foundation for the future implementation of the three dimensions of its CR strategy: the business, employees and processes.

Contribution to the business

Key figures for the Evonik Group

in € million	**2007**	2006
Sales	14,430	14,125
EBITDA (before non-operating result)	2,221	2,157
EBITDA margin in %	15.4	15.3
EBIT (before non-operating result)	1,348	1,179
ROCE (return on capital employed) in %	9.5	8.4
Net income	876	1,046
Total assets	19,800	20,953
Equity ratio in %	25.7	20.6
Cash flow from operating activities	1,215	1,142
Capital expenditures	1,032	935
Depreciation	862	943
Net financial debt	4,645	5,434

Evonik reported extensively on its very good business performance in 2007. This extremely positive trend continued in the first six months of 2008, showing that Evonik's corporate strategy is positioning it on the right track for profitable growth and sustained value creation. Addressing major megatrends such as Energy Efficiency, Globalization & Demographic Change and Health & Wellness enables Evonik to gain a foothold in tomorrow's growth markets and support sustainable development.

Energy efficiency at Evonik

Evonik has already embarked on a group-wide project geared to this megatrend. Based on a feasibility study, it is currently establishing an Eco² Science-to-Business Center (S2B Center). The Science-to-Business Center concept is based on interdisciplinary, cross-sector collaboration with university researchers, suppliers and customers along the entire value chain. The aim of the new Eco² S2B Center is to utilize the market opportunities arising from energy efficiency and climate protection even more effectively for Evonik in the future.

Evonik already makes a significant contribution to energy efficiency and is minimizing its environmental and climate impact. It supplies innovative products and system solutions, develops energy-efficient buildings and utilizes energy as efficiently as possible in its own processes. At the same time, it is a major energy generator.

More efficient energy generation from hard coal

The Evonik Group uses modern coal-fired power plants and also generates energy from renewable resources such as biomass, mine gas and geothermal energy. In 2007 the Power Business Line, which groups together all Evonik's hard-coal power plants in Germany and abroad, generated energy equivalent to 47,554 Gigawatt hours, a rise of 11 percent compared with the previous year. The increase in volume sales was due to the commissioning of a power plant in Mandanao (Philippines) at the end of 2006 and increased demand for power from its German power plants. In 2007 energy generation produced 37.5 million metric tons of CO_2 emissions.

Energy | Evonik generates heat and electricity from renewable resources. It also manufactures products that help customers use renewable energy resources.

Renewables

Evonik is currently building Europe's most advanced power plant fueled by hard coal in Duisburg-Walsum. This 750 MW power station will have net efficiency of over 45 percent, ensuring more efficient use of resources and reducing CO_2 emissions. Successful retrofitting has been completed to improve the efficiency of the power stations in Voerde, Lünen and Herne in Germany. This has greatly improved efficiency, resulting in a significant reduction in CO_2 emissions.

Research in the Energy Business Area focuses on safe, economical and environmentally compatible energy supply.

Together with other power generators such as E.ON, RWE, Vattenfall and EnBW, universities and major research centers, Evonik is involved in the COORETEC research and development program established by the German Ministry of Economics and Technology. This program is developing technology to reduce CO_2 emissions. To raise the efficiency of hard-coal power stations, steam temperatures need to be lifted to over 700 °C. This is where COORETEC comes in: It is working on the properties of nickel-based steel alloys that meet the specifications for use in power plants.

Energy sales and CO_2 for the Energy Business Area

		2007	2006
Energy supply by business line[1)]			
Power	in GWh	47,554	42,881
Renewable Energies	in GWh	3,639	2,782
Trading	million metric tons raw coal	39.2	41.2
CO_2 emissions[2)]			
Total	in million metric tons	37.50	32.55

[1)] Energy sales comprise both electric and thermal energy; thermal energy has been converted into the equivalent amount of electric power.

[2)] Based on generation of power and heat.

More renewable energy sources

Evonik is well-positioned in the fast-growing future market for the use of renewable energies and is one of the German market leaders in power plants that use mine gas, biomass and geothermal energy. The Renewable Energies Business Line raised supply by 31 percent to the equivalent of 3,639 Gigawatt hours in 2007. This business line operates a total of ten biomass plants which converted around 400,000 metric tons of scrap lumber into 308 Gigawatt hours power and 314 Gigawatt hours heat in 2007. At a total of three projects in Germany, 155 Gigawatt hours heat were produced from geothermal energy. Mine gas can be used to generate heat and power. It contains methane (CH_4), which is twenty-one times more relevant for the climate than carbon dioxide. However, if it is used to produce heat and power it is not released into the atmosphere. Moreover, the use of other fuels is avoided.

Evonik offers the photovoltaics industry innovative products and technologies so that sufficient solar silicon can be made available for the production of solar modules for this high-growth sector. Evonik is the market leader in ultra-pure chlorosilanes, the starting material for solar silicon, and is also working with the German company SolarWorld on a new process for far more energy-efficient manufacture of solar silicon. Evonik is planning investment running into triple-digit millions of euros in the coming years to strengthen its position in the attractive photovoltaics market.

Energy and CO_2 data for the Chemicals Business Area

in terajoules	**2007**	2006
Energy inputs (net)		
Gas	30,455	30,055
Coal	24,860	25,276
Fuel oil	1,241	854
Power sourced from/supplied to third parties	8,450	8,332
Steam sourced from/supplied to third parties	– 7,996	– 7,059
Total	**57,010**	**57,458**

in million metric tons	**2007**	2006
CO_2 emissions[1)]		
Energy-related CO_2 emissions (from energy inputs, net)	4.74	4.85
Process-related CO_2 emissions	3.34	3.10
Total	**8.08**	**7.95**

[1)] Based on energy requirements; excluding power generated in power plants at the chemicals sites and energy supplied to third parties.

The chemical industry needs energy

In 2007 Evonik's chemicals sites used 57,010 terajoules of energy, 1 percent less than in 2006. The resultant energy-related CO_2 emissions dropped by 2 percent to 4.74 million metric tons. Since the Chemicals Business Area raised output by 5 percent year-on-year, that equates to a 6 percent reduction in energy-specific CO_2 emissions. This was partly due to a further improvement in the efficiency of energy generation and energy supply.

CO_2 emissions resulting directly from chemical processes were 8 percent higher in 2007 than in 2006 at 3.34 million metric tons. Relative to production, process-related CO_2 emissions thus increased by 3 percent. Reasons include higher output and the acquisition in fall 2007 of the remaining 50 percent stake in the former carbon black joint venture Degussa Engineered Carbons in the USA. Consequently, this company is now fully consolidated in the figures. Overall, energy- and process-related emissions of greenhouse gases (including N_2O and CH_4) from the production of chemicals rose by 2 percent to 8.153 million metric tons CO_2 equivalents, but declined relative to output.

Ongoing process improvements

Evonik is continuously optimizing its chemical production processes. Alongside process-related improvements, Evonik sees especial potential in replacing petrochemical feedstocks by renewable raw materials from sustainable production. Renewable resources already account for 7 percent of the raw materials used in Evonik's fermentative and chemical production processes.

Products to increase energy efficiency

Evonik offers industrial customers and end-users innovative products and solutions that save energy. Tires produced with the latest technology and Evonik products cut rolling resistance by up to 40 percent. That reduces fuel consumption and brings a perceptible reduction in CO_2 emissions.

ROHACELL® high-performance polymer is far lighter than common engineering materials yet meets all requirements for tenacity, stability and temperature resistance. It is used in planes, helicopters, autos and ships to reduce weight and thus fuel consumption. Similarly the insulating properties of acrylic sheeting produced by Evonik save energy in greenhouses. The composite ceramic membrane SEPARION® allows the production of safer and more powerful large-scale lithium ion batteries for more efficient hybrid and electric vehicles and industrial storage of power generated from renewable resources such as wind and sun.

Environment-friendly heating

The Real Estate Business Area develops and utilizes a wide range of innovative concepts to optimize energy consumption in the present housing stock and equips new residential units with modern energy-saving technology such as geothermal or solar power. By modernizing and where necessary demolishing and rebuilding properties, it has reduced CO_2 emissions from homes let by Evonik by more than 10 percent over the past ten years to around 0.3 million metric tons. Every year, Evonik modernizes around one thousand residential units to the standard defined in the latest version of the German Energy Saving Ordinance. On average, annual CO_2 emissions from heating of residential units modernized since 2001 are 15 kilograms per square meter, 80 percent below than the original level. In the next four years, heating-related CO_2 emissions will be reduced by a further 7 percent.

In 2007 a complex of 24 residential units originally built in the 1960s was converted to a "three-liter energy-saving house". This pilot project involved installing the following technology, which is rarely used for standard apartment buildings at present: a mini co-generation plant, decentralized ventilation units with heat recovery, extra-thick insulation of outer walls and special windows with insulated shutters. The concept includes a photovoltaic unit on the south side of the roof. Primary energy consumption at the complex has been reduced by 87 percent and CO_2 emissions have been reduced to zero.

For further information on Evonik's innovations see the Science Newsletter "elements"

Focus on employees

2007 was a year of major change for Evonik's employees. At the start of the year, the corporate management functions for Evonik's three business areas were transferred to the new Corporate Center. Similarly, administrative functions such as procurement, IT, accounting, law, taxes and human resources for the individual Group companies are now provided in full or in part by the Shared Service Center, Evonik Services GmbH.

Around 2,600 employees from Group companies and the former owner RAG Aktiengesellschaft were transferred to the Corporate Center and the Shared Service Center. Numerous constructive agreements were concluded with employee representatives to ensure that the necessary cost-cutting and personnel adjustment process proceeds in a socially acceptable manner. In collaboration with representatives of the workforce, Evonik also continued to harmonize the regulations applicable at the various companies from which the Group was created, especially collective agreements on pay and conditions. In addition, a uniform remuneration system was introduced for all executives, managers and exempt staff at the Corporate Center and Shared Service Center.

Evonik's HR strategy forms the basis for its human resources work. At its heart are five strategic target areas: shaping a value-based corporate culture, change management, HR management, competency development and positioning as an attractive employer. These define the content and focus of human resources work. The HR strategy is reviewed annually and aligned to meet the main challenges facing the Group and its businesses. It takes equal account of internal and external conditions and key trends affecting HR strategy.

Boosting growth and enhancing performance

To heighten efficiency and market focus throughout the Group, Evonik combined the twelve chemical business units to form six new business units effective January 1, 2008. In June 2008, RAG-Stiftung sold 25.01 percent of the shares in Evonik to the financial investor CVC Capital Partners. Evonik has thus taken its first step on the capital markets. The central focus in the next few years will be on creating value. Evonik needs to speed up processes, adopt a more entrepreneurial, market-oriented focus and achieve sustained growth in value. The aim is to raise the Group's equity value from just under €10 billion to €20 billion within the next five years. The related changes and opportunities for employees will be accompanied by extensive communication measures.

Slight reduction in headcount

The Evonik Group had 43,057 employees at year-end 2007, 3,373 fewer than in the previous year. The headcount in the continuing operations increased by 148 to 41,550. Around 20 percent of employees are female. Personnel expenses declined by around €175 million year-on-year to €2.8 billion in 2007. The change in the number of employees in the various segments was attributable to internal reorganization and further optimization of the portfolio.

Age structure

The average age of Evonik's workforce was 41 at year-end 2007. One-third of employees were aged between 41 and 50 and it is clear that the average age of the workforce will increase further in the future.

Evonik has introduced various measures to tackle the challenges of demographic change because it is becoming increasingly difficult to recruit sufficient highly qualified youngsters, especially for technical and scientific positions.

Personnel expenses at Evonik[1)]

in € million	2007
Wages/salaries	2,257
Social security contributions	342
Pension expense	158
Other personnel expenses	16
Total	**2,773**

[1)] Continuing operations.

Number of employees[1)]

	2007	2006[2)]
Technology Specialties	15,932	14,151
Consumer Solutions	7,969	7,953
Specialty Materials	8,384	8,267
Energy	4,629	4,890
Real Estate	457	630
Corporate/other activities	4,179	5,511
Evonik Industries (continuing operations)	**41,550**	**41,402**
Evonik Industries (discontinued operations)[3)]	1,507	5,028
Evonik Industries	**43,057**	**46,430**

[1)] As of December 31.
[2)] Figures based on structure in 2007.
[3)] Activities held for sale.

New name | The Group was given a new identity on September 12, 2007 when RAG Beteiligungs-AG was renamed Evonik Industries AG. The announcement of the new name was accompanied by an extensive corporate advertising campaign and special events at many sites.

A place in people's hearts

For example, it is running a special image campaign to attract university graduates, young professionals, students and trainees. Moreover, the Group is fostering continuous professional training to maintain and upgrade employees' skills and competencies.

The Plan@HR project is designed to assist personnel managers in personnel planning and analyzing demographic developments affecting the company's sites and business units. Various business scenarios are simulated on an IT platform to identify the possible impact of business or personnel policy on the future workforce or the personnel requirements of a particular site or business unit. This can be used to derive predictions about present and future requirements for specific job families, qualification levels and age categories. Plan@HR thus forms the basis for sustainable personnel planning.

The impact of demographic change on companies in Europe are the central focus of the Demographic Change Laboratory. Since 2007 Evonik has been one of the leading companies in this laboratory, together with "econsense", the forum for sustainable development of German business. The Rostock-based Center for Research into Demographic Change has supported this process by creating a demographic risk map which gives a detailed overview of the impact of demographic change in Europe.

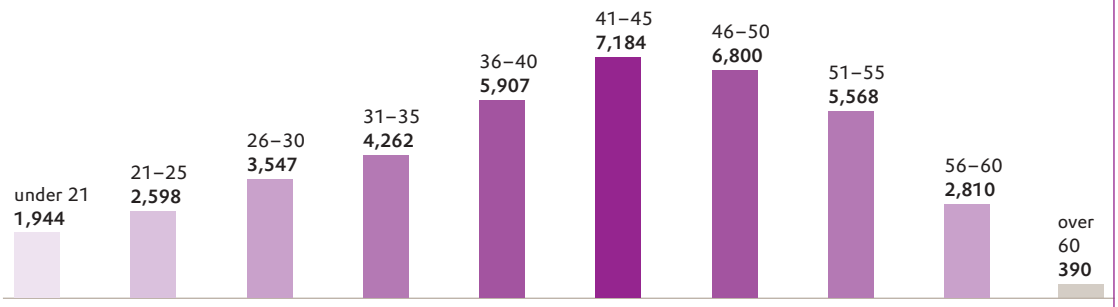
For further information see www.evonik.com, Careers and www.demographic-risk-map.eu

Vocational training and further education

Evonik's success is built on motivated, well-trained staff. In 2007 Evonik invested around €60 million in vocational training of young people in Germany. Trainees account for well over 8 percent of the workforce in Germany, so Evonik's commitment to training young people

Age structure of Evonik's workforce

Age of employees (continuing operations)



Average age (total)	40.9
Total sample size	41,010
Not included due to invalid data or because no data are available	540
Total	**41,550**

As of December 31, 2007.

remains well above the average for German industry. In this way, the company ensures a steady supply of trained staff. Last year, Evonik's German companies trained more than 2,450 young people on more than 40 recognized training courses. Vocational training is concentrated at its sites in the Rhine-Ruhr-Lippe and Rhine-Main regions and the federal states of Saarland and Baden-Württemberg. Evonik regards providing young people with a sound initial training and teaching them the skills they need for working life as an investment in Germany and part of its responsibility to society.

A skills enhancement drive encourages employees to upgrade their knowledge and training. The core elements are seminars, computer-aided self-study programs, on-the-job training and job-related programs that enable them to obtain new qualifications. Evonik pays the cost and participants are expected to use voluntary overtime or vacation for learning purposes.

To foster the development of all employees, including executives, in line with their requirements, Evonik has created a development landscape whose content is aligned to its competency model. This model outlines what the company expects of its employees. All new employees receive the "Evonik Starting Kit" to give them an overview of the Group. A special in-house training program has been introduced to foster experience and achievement, while the Evonik Development Programs and Evonik Peer Exchanges are platforms to encourage interchange between employees across organizational boundaries. The development programs focus principally on Evonik's competencies whereas the Peer Exchange forums are dedicated to discussing issues of strategic relevance. The "Go for Leadership Excellence" program is based on the philosophy that first-class leadership is essential for first-class results. Its purpose is to ensure that Evonik's managers are able to prepare themselves and their staff most effectively for present and future challenges.

Work/life balance

Evonik supports its staff through a range of offers to help them combine family life and working. Flexible working hours and lifetime work accounts give the company and its employees greater flexibility in overall planning of their lives. German employees can use lifetime work accounts to save time components that can be used for training or to retire early.

Health programs, local health campaigns and fitness programs at Evonik's sites improve personal well-being and help employees maintain a work/life balance. At some sites, Evonik offers childcare facilities through service providers and thus helps parents combine working with bringing up a family. In addition, the company ran vacation programs for children at five of its major sites in Germany in summer 2008. This offering is to be extended to further sites in the future. Through a cooperation agreement with Diakoniewerk Essen, employees with relatives in need of care can obtain rapid advice free of charge.

In 2008 Evonik Goldschmidt GmbH and Evonik Stockhausen GmbH were awarded the "audit berufundfamilie®" certificate by berufundfamilie GmbH, an initiative established by the not-for-profit Hertie Foundation to provide a range of activities to help workers combine work and family life. Evonik aims to achieve group-wide certification in 2009. The certification program is a strategic management tool that helps companies introduce profitable, custom-tailored solutions to help integrate parents into working life.

Best-in-class processes

Well-managed processes are the foundations for Evonik's activities in all areas where corporate responsibility plays a role. The keystone is the Code of Conduct, which is mandatory throughout the Group. It outlines Evonik's main corporate policy principles and standards. The Code of Conduct is binding for all employees, compliance is monitored and sanctions are imposed if the principles are violated.

Evonik's Global Social Policy, which is in preparation, sets out its understanding of a corporate culture characterized by mutual respect, values and equality of opportunity. It also contains an undertaking that the company and its employees will observe generally recognized minimum standards throughout the world, for example, those set out in the United Nations Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises and the Core Labor Standards issued by the International Labor Organization.

Environment, Safety and Health (ESH) values and guidelines are binding on all operational units in the Evonik Group worldwide. They define the Group's self-perception and act as a guide to ESH. Internal audits are conducted to monitor and evaluate compliance with these guidelines. Measures are also in place to ensure that investment proposals take account of environmental, safety and health considerations.

A procurement guideline will take account of sustainability requirements in the supply chain in the future.

Implementation of REACH

The EU Chemicals Regulation REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) came into force on June 1, 2007 and pre-registration of substances started a year later. Evonik took action early on to ensure that it can implement REACH correctly. That included setting up an internal project management organization, compiling data, implementing IT solutions, writing to customers and organizing workshops for customers and suppliers on compliance with REACH. Evonik will be pre-registering around 3,500 substances.

Environmental and safety statistics

This is the first overview published by Evonik of selected environmental and safety data for the entire Group. For an assessment of the environmental impact of Evonik's business activities the emissions and consumption data for the Chemicals and Energy Business Areas are decisive.

Code of Conduct | Evonik's Code of Conduct outlines the basic legal and ethical obligations of all employees and sets out principles for their daily work.

Global obligations

Basis of reporting

The ecological data for the Chemicals Business Area in 2007 show emissions and consumption at 106 production sites in 28 countries, which account for around 95 percent of this business area's overall output of 10.35 million metric tons of products. The corresponding data for the Energy Business Area cover approximately 70 locations in four countries.

Scope of consolidation

The ecological data for the Chemicals Business Area comprise emissions and consumption data for the continuing operations in 2006 and 2007. The operations divested in this period have been deconsolidated. The data for subsidiaries in which Evonik has a majority stake are included on a pro rata basis.

The data for the Energy and Real Estate Business Areas have not been adjusted for changes in the companies consolidated. Data for companies in which they have a majority stake are fully consolidated.

Further details of the data on energy inputs and outputs and carbon dioxide emissions can be found on pages 12 to 14.

Power plant residues

Around 3 million metric tons of power plant residues were generated by the Energy Business Area in 2007. That was 13 percent more than in 2006 as a result of an increase in energy generated. Power plant residues comprise gypsum from flue gas desulfurization (FGD gypsum), fly ash, slag-tap granulate and furnace bottom ash. In Germany, virtually all of these by-products were returned to the economic cycle as construction materials or for other applications. A new ultramodern production facility for blasting agents was completed in Lünen in fall 2007. Production of blasting agents is another attractive way of using power plant residues.

Power plant residues

in thousand metric tons	**2007**	2006
Energy Business Area		
Power plant residues	3,004	2,652
of which fly ash	1,764	1,465
of which FGD gypsum	738	607
of which furnace bottom ash/slag-tap granulate	502	580

Water consumption

Evonik mainly uses water as cooling water in power plants and chemical production facilities, to generate steam at power plants at its chemical sites, for chemical processes and sanitary requirements.

The chemicals sites are continuously improving the efficiency of water consumption, for example, through integrated systems with graduated water qualities and recycling of water with the air of recooling plants.

Water consumption

in million m³	**2007**	2006
Chemicals Business Area		
Water consumption	398	409
of which drinking water	18	18
Energy Business Area		
Water consumption	2,930	2,580

Waste

Waste generated by the Energy Business Area in Germany increased by nearly 10 percent to 69,300 metric tons in 2007. 72 percent of waste was recycled.

Total waste generated by the Chemicals Business Area in 2007 was virtually unchanged from the previous year at 586,532 metric tons. Relative to production, waste decreased by 5 percent. Hazardous production waste decreased by 8 percent between 2006 and 2007, while other types of production waste rose 4 percent in the same period. The main cause was a filter press that has since been taken out of service, which resulted in sludge recovered from wastewater treatment with a high water content. Construction and demolition waste can fluctuate considerably because it depends on specific projects. More than half of waste was recycled or used to produce energy.

Waste

in metric tons	**2007**	2006
Chemicals Business Area		
Hazardous production waste	196,961	213,371
Non-hazardous production waste	270,323	259,125
Hazardous building and demolition rubble	37,147	15,808
Non-hazardous building and demolition rubble	82,101	101,138
Total	**586,532**	**589,442**
Energy Business Area		
Total waste[1)]	69,300	63,000

[1)] In Germany.

Emissions into the air

Alongside energy- and process-related emissions of greenhouses gases (see section headed "Contribution to the business"), the Group's main emissions into the air are sulfur oxides, nitrogen oxides and particulates.

Emissions of sulfur dioxide and particulates decreased in the Energy Business Area. This was achieved by replacing and upgrading flue gas desulfurization units and a change in the fuel mix. The increase in nitrogen oxide emissions is attributable to a rise in energy inputs.

In the Chemicals Business Area, emissions into the air depend on the characteristics of the fuel mix used to generate energy, capacity utilization at generators, the specific properties of raw materials and production volumes. Emissions of sulfur oxides were 13 percent higher in 2007 than in 2006, while emissions of nitrogen oxides increased by 5 percent and particulate emissions were up 4 percent. The main reason for the rise in emissions into the air was that the joint venture Degussa Engineered Carbons was fully consolidated from October 2007 when Evonik acquired the remaining 50 percent of shares in this company. Thermal waste air treatment facilities installed at the end of 2006 also had an impact. They reduced volatile organic compounds (VOC) in the Chemicals Business Area by 35 percent but increased sulfur oxide and nitrogen oxide emissions.

Emissions into the air

in metric tons	**2007**	2006
Chemicals Business Area		
Sulfur oxides (SO_x/SO_2)	26,081	23,045
Nitrogen oxides (NO_x/NO_2)	10,823	10,330
Particulates	976	941
VOC (excluding methane)	1,604	2,460
Energy Business Area		
Sulfur dioxide (SO_2)	33,600	34,940
Nitrogen oxides (NO_x)	36,800	30,820
Particulates	1,204	1,260

Emissions into water

The total nitrogen load from chemicals facilities was 21 percent lower in 2007 than in 2006, while the total phosphorus load decreased by 14 percent. To minimize wastewater loads, priority is given to continuous process improvements geared to reducing the amount of wastewater or eliminating it altogether. The 21 percent rise in COD was principally due to changes in the product mix and production increases.

Wastewater loads

in metric tons	**2007**	2006
Chemicals Business Area		
COD	6,978	5,777
N	515	652
P	62	72
AOX	3.0	3.0
Heavy metals (As, Cd, Cr, Cu, Hg, Ni, Pb, Zn)	3.9	4.3

Occupational Safety

The accident frequency rate (number of occupational accidents sustained by Evonik employees per million working hours) dropped from 4.1 to 3.4. While the ultimate goal naturally has to be zero, we have set an interim target of reducing the accident frequency rate to less than 3.0 by 2014. This will be supported by special technical and organizational measures, especially behavioral methods centering on the conduct of each employee. Regrettably, Evonik had to report one fatal accident in 2007.

In 2007 there were two operating incidents at Evonik's German sites which involved significant releases of substances: on January 23, 2007 dinitrogen tetroxide gas leaked from the Kalscheuren site and on November 1, 2007 there was a silicon tetrachloride leak at the Bitterfeld site.

Credits

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