

WACKER

CREATING TOMMOROW'S SOLUTIONS

GLOBAL COMPACT

PROGRESS REPORT 2018

1 Statement of Continued Support (Message from the CEO)

Ladies and Gentlemen,

In 2017, WACKER continued on its growth trajectory. Sales climbed by more than 6 percent to €4.92 billion. We established the basis for WACKER's future success when we introduced our five-point strategy. It outlines our clear targets and visions for developing WACKER. These have not changed. We remain firmly on course, always trying to seize every opportunity that arises.

Sustainability will become an ever more crucial factor in all our business processes – from the optimal use of raw materials and greater process efficiency through to the development of sustainable products that reduce CO2 emissions. As a company dedicated to sustainability, we are aware that becoming sustainable is an ongoing process. We have not yet reached where we want to be in every respect. Although we have been recording fewer reportable workplace accidents than the German chemical-industry average for several years, we still have not achieved the goal we set ourselves regarding occupational accidents with workdays missed. To improve WACKER's record here, we are focusing on our new occupational safety programs.

Today, a significant proportion of our products goes into sustainable applications, such as polysilicon for solar installations, additives for adhesives used in wind turbines, high-performance silicones for electric cars, and dispersible polymer powder for external thermal insulation composite systems. The strong growth experienced by photovoltaics shows that solar energy has a great future. Solar power is one of the most cost-efficient and environmentally friendly energy sources on earth.

Renewable energy is also one of the 17 goals set by the United Nations in 2015 for sustainable development. It is both an honor and a source of inspiration for WACKER to help bring about the UN's Sustainable Development Goals (SDGs).

One topic that is high on every company's agenda at the moment is digitalization. WACKER is no exception. The key question is what approach to take. Digitalization will not happen overnight. It will be our constant companion in the years ahead as we make our way into the digital era. Our approach is to take the initiative – not in a rush, but with all due care. Clearly, the wealth of expertise and experience gained in the pre-digital age is still valuable.

Digitalization underscores a basic fact: the world is changing. And we must rise to this challenge. We have proven again and again that we can. Throughout the 104 years of our company's history, adaptability and the will to change have stood out as characteristic strengths. And, above all, we think and act for the long term. That is what pays off over time. In this regard, it is particularly important to involve people. One of the measures we are taking to meet this goal is the employee survey, which we will be holding once more in 2018. Similarly, we are placing greater focus on our shared corporate values, which we want to communicate clearly to employees throughout the company. We will also be emphasizing the part played by every single employee in achieving these values. This approach contributes to the key topic of "human rights within the company." After all, individuals remain at the heart of our policy.

WACKER has done over the past two years to make the world more sustainable. We will continue to play our part – with determination, drive and perseverance.



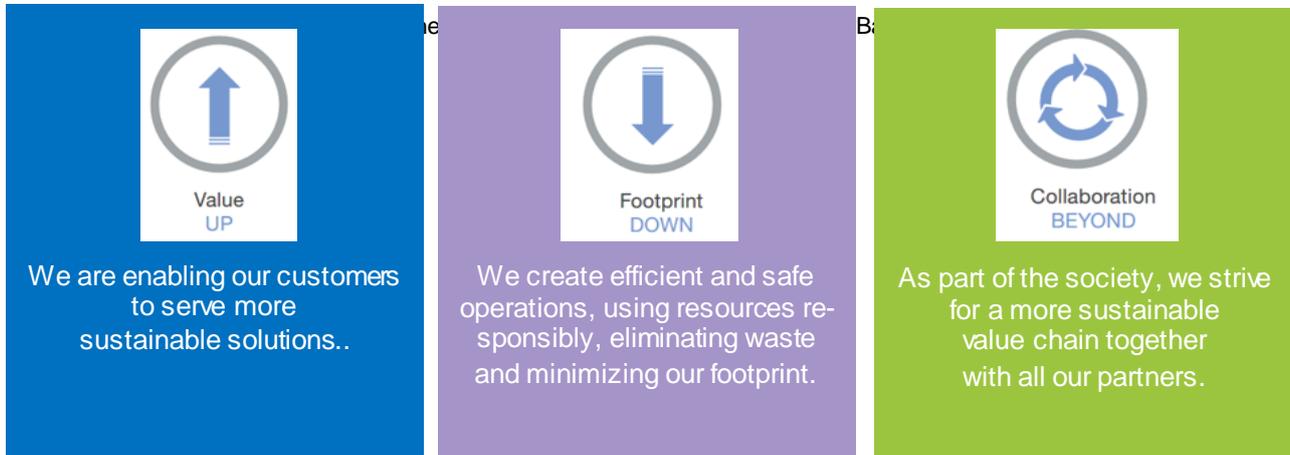
Dr. Rudolf Staudigl
President & CEO of Wacker Chemie AG
April, 2018

1	Statement of Continued Support (Message from the CEO)	2
2	Governance	4
	SustainaBalance®: Strategic orientation for the future	4
	Alignment with Sustainable Development Goals	4
	Responsible Care® and UN Global Compact	5
	Principles of Corporate Ethics	5
	Integrated Management System	5
	Sustainability report	5
	Analysis of Fundamental Sustainability Issues	5
3	Practical Actions	7
	Human Rights	7
	Personell matters	7
	Basic and Advanced Training at High Levels	7
	Diversity and Equal Opportunity	7
	Proportion of Women in Executive Positions	8
	New Variable Compensation System	8
	Introduction of Family Leave	9
	Employee Turnover	9
	Employee Representation	9
	Labor Standards & Safety	9
	Plant Safety	9
	Safety Training and Inspections	9
	Product Safety	10
	Safe Transport of Hazardous Materials	10
	Workplace Safety	11
	Environment & Climate	12
	Environmental Protection	12
	Assessment Using the Global Water Tool™	13
	Energy	13
	Emissions	14
	Anti-Corruption and Bribery	16
	Social Responsibility	16
	Neihbors	17
	Schools and Universities	17
	Donations and Sponsorship	17
4	Special Awards and Events	18
	Inclusion in Bavaria	18
	Award for Idea Management	18
	WACKER Again Gets Gold in EcoVadis Rating	18
	Haiti: School is thriving	19
5	Principles of UN Compact and its relation to WACKER	20

2 Governance

SustainaBalance®: Strategic orientation for the future

Sustainability is one of WACKER's five strategic corporate goals. As an industrial company, we are answerable to a variety of interest groups, first and foremost our customers and employees as well as our shareholders. In this regard, we must find a sensible, sustainable balance – hence the name of our program: SustainaBalance®:



Alignment with Sustainable Development Goals

On September 25, 2015, the “2030 Agenda for Sustainable Development” was approved at the UN Summit in New York. **WACKER is focusing on the fields of action on which we can have the greatest influence. Therefore, WACKER is prioritizing the following SDGs:**



The Sustainable Development Goals (SDGs) describe

- The global **challenges** that WACKER can help overcome
- The significant **opportunities** for WACKER's operations
- The **guiding principle** for innovations at WACKER
- The **orientation** for approaching these challenges and opportunities in a targeted and efficient manner.

It is important for us to align our strategic goal to the Sustainable Development Goals.



Responsible Care® and UN Global Compact

Our actions are guided by two voluntary global initiatives that form the basis for sustainable corporate management at WACKER: the chemical industry's Responsible Care® initiative and the UN Global Compact. WACKER has been an active member of the Responsible Care® initiative since 1991 and, as a program participant, the company must act to continually improve health, safety and environmental performance on a voluntary basis – even in the absence of statutory requirements. As a member of the UN Global Compact, we actively support the goals of this, the world's most important and extensive initiative for responsible corporate management. The Global Compact addresses the protection of human rights, social and environmental standards, and the fight against corruption.

Principles of Corporate Ethics

Beside our vision and goals, ethical principles form the third pillar of WACKER's corporate policy guidelines. These principles are laid down in five corporate codes – including the Code of Sustainability – and are supplemented by a body of regulations and directives. They are mandatory for all employees worldwide. The codes can also be viewed on the WACKER website: [Link](#)

Integrated Management System

We control operational processes via our integrated management system (IMS). It stipulates uniform standards throughout the Group for issues of quality, environmental protection, health and safety. We have our Group management system certified by an international certification organization to ensure its compliance with ISO 9001 (quality) and ISO 14001 (environmental protection) standards, and with ISO 50001 (energy) at our German sites.

In the reporting year, the regional sustainability management focus was on Asia. The Chinese sites Nanjing, Shanghai and Zhangjiagang, as well as the Kolkata site in India, underwent occupational health and safety inspections. In 2018, the regional focus will be on the Americas.

Sustainability report

Every two years, we publish a sustainability report in order to inform our stakeholders about WACKER's sustainability work in an open and comprehensive manner. In 2017, WACKER published its Sustainability Report for 2015/2016. Reasons for again publishing the report exclusively as an online version included minimizing resource consumption and thus serving the interests of environmental protection. The report was compiled in accordance with GRI Standards ("Core" option). The Sustainability Report contains a detailed description of our non-financial performance indicators.

Analysis of Fundamental Sustainability Issues

WACKER communicates regularly with a number of stakeholder groups: shareholders, employees, customers, suppliers, analysts, investors, journalists, scientists, neighbors and politicians, as well as representatives of associations and NGOs. For years, WACKER has conducted regular surveys of its stakeholders as part of its sustainability reporting. The global survey conducted in 2016 helped us determine which sustainability topics stakeholders and top managers consider to be material, and how they rate our sustainability efforts. The result was that compliance, product safety and plant safety are the top three issues as seen by the company and stakeholders.

Top managers rated 25 out of 34 topics as important, while stakeholders rated 26 of them as important. Our threshold value for key topics, about which we provide information in this report, was at least 4.00 points (for both survey groups) on a scale of 1.00 (very low) to 5.00 (very high). The top three topics as seen by the company and stakeholders with a value of 4.51 or higher are compliance, product safety and plant safety. These are followed by topics that are rated 4.51 or higher by either top management or the stakeholders: occupational health and safety, energy, sustainable products, transport safety, fair business practices, competitiveness, and value trends. For reasons of continuity, we continue to report to a limited extent on topics that were rated by top managers and/or stakeholders as being of less relevance.

Materiality Analysis – in the form of a table

Compliance	Plant Safety	Product safety	Transport Safety	Implementation of Fair Business Practices
Risk Management	Sustainable Products and Product Innovations	Governance	Implementation of Fair Business Practices	Voluntary Commitment to Responsible Care®
Reducing Emissions		Fair Working Conditions and Occupational Safety	Competitiveness and Value Trends	Energy
Sparing use of Water Resources	Resource Conservation	Occupational Safety and Employee Health		
Engagement for Environmental Protection	Vocational Training		Open Dialogue with Society	Advanced Training
Good Leadership	Attracting and Retaining Employees	Work in Industrial Associations / Lobbying		

Materiality ▾

- Very important to top management
- Important to top management

- Very important to stakeholders
- Important to stakeholders

Action Areas ▾

- Environmental Aspects
- Social Performance
- Product Stewardship
- Corporate Management and the Economy
- Supply Chain

You can find more details in our sustainability report: [Link](#)

3 Practical Actions

Human Rights

Respect for human rights, and the elimination of human rights abuses, are fundamental to our activities. We are explicitly committed to the UN Global Compact's Ten Principles, which includes supporting the protection of human rights and precluding human rights abuses. We condemn slavery and all other forms of forced or compulsory labor. In doing so, we follow the OECD Guidelines for Multinational Enterprises, the ILO Core Labor Standards and the UN Guiding Principles on Business and Human Rights.

This means focusing not only on working conditions at the company itself, but also on upholding human rights in our supply chain. We expect our suppliers to comply with the principles of the Global Compact and the Responsible Care® initiative, and have made this part of our General Terms and Conditions of Procurement. As part of our Together for Sustainability (TfS) initiative, we use assessments and audits to check compliance.

Personnel matters

The people at WACKER are key to our success. WACKER requires committed and skilled workers if it is to remain innovative and competitive.

In the spirit of the UN's Sustainable Development Goal 8 – Decent Work and Economic Growth – WACKER ensures that its employees can realize their potential, assume responsibility and contribute their own ideas. It does so by offering them basic and advanced training opportunities. To this end, we want to provide secure jobs, generous employee benefits and a work culture that facilitates a positive work-life balance. We place great emphasis on offering all our employees equal opportunity. It is also our aim to permanently integrate employees who are disabled or suffer from long-term occupational disabilities. Vocational training has always been a key focus of personnel development at WACKER. We offer our employees attractive compensation and promotion prospects and share our company's success with them.

In our Code of Conduct, we explicitly commit ourselves to the UN Global Compact's Ten Principles. They include the principles on labor standards, namely upholding the freedom of association (Principle 3), eliminating all forms of forced labor (Principle 4), abolishing child labor (Principle 5) and eliminating discrimination (Principle 6). We also make commitments to our customers to uphold these same labor standards.

The sanctions we impose for any proven misconduct in personnel matters are determined by the seriousness of the incident. There were no incidents of note in the reporting year..

Basic and Advanced Training at High Levels

Vocational training is another key component of WACKER's personnel development activities. In 2017, 188 young people began their training at WACKER or at the Burghausen Vocational Training Center (BBIW). In total, the company employed 601 trainees, slightly more than a year earlier (2016: 596). At 5.7 percent, the trainee ratio (trainees as a percentage of Group employees in Germany) was higher than in the previous year because of the deconsolidation of Siltronic AG (2016: 4.7 percent). In 2017, WACKER offered jobs to virtually all suitable trainees – 144 graduates – hiring 110 of them on permanent contracts and 34 on temporary contracts. The Burghausen Vocational Training Center also provides training for 20 partner companies outside the WACKER Group.

Overall, WACKER invested €7.9 million in personnel-development measures and advanced training in 2017 (2016: €7.2 million).

Diversity and Equal Opportunity

Equal opportunity: we view human diversity as an asset. We oppose discriminatory or derogatory treatment on the basis of gender, race, ethnicity, religion, ideology, disability, sexual orientation or age. These principles are valid across the WACKER Group and, as part of our corporate culture, are embodied in our Code of Teamwork & Leadership. Employees can report any discrimination to their supervisors, as well as to their compliance officer, employee council or designated HR contact person. Reports can be anonymous. The complaint will be investigated and the reporting employee informed of the results. Cases of potential discrimination are included in the monthly compliance reports submitted to the Executive Board

and form part of the regular reports submitted to the Supervisory Board. We require all employees at our German sites to complete an e-learning course to familiarize themselves with the country's General Equal Treatment Act (AGG).

Promoting diversity: in 2015, WACKER started a groupwide initiative to promote diversity and inclusion in the workforce. The company also joined Germany's Diversity Charter initiative. Every year since then, WACKER has focused on specific topics aimed at making employees aware of the opportunities and challenges associated with a diverse workforce. The focus in 2017 was on WACKER's generational mix and on changes. The fact is that, in years to come, different generations will be working together some ten years longer than today, making the workforce more heterogeneous in this respect.

In addition to this issue, diversity management at WACKER is placing greater emphasis on gender and cultural background. People from 65 different nations work for WACKER. At the end of 2017, 38 out of a total of 166 executive personnel groupwide were of non-German nationality – which corresponds to 22.9 percent of the total. Overall, 15 nationalities (2016: 15) were represented at the executive level.

In 2017, WACKER signed the Equal Opportunity Charter initiated by the German mining, chemical and energy labor union (IG BCE). The signatories to this initiative are underscoring their commitment to advancing equal opportunity within their areas of responsibility. The areas in which WACKER has already shown its commitment by means of specific measures include life-phase-oriented working-time models, the promotion of women in managerial positions, and networks for women.

Diversity, Inclusion and Equal Opportunity

	2017	2016
Workforce, groupwide	13,811	13,448
Of whom female	3,154	3,047
Female employees, groupwide (%)	22.8	22.7
Workforce in Germany	9,984	9,775
Of whom non-German	1,046	1,034
Non-German employees in Germany (%)	10.5	10.6
Employees in third-level management, groupwide (%)	3,043	2,927
Of whom female	690	650
Women in third-level management, groupwide (%)	22.7	22.2
Executive personnel (OFK), groupwide¹	166	165
Of whom female executive personnel	21	19
Female executive personnel, groupwide (%)	12.7	11.5

¹ Executive personnel (OFK) figures exclude inactive employment contracts and the Executive Board of Wacker Chemie AG.

Proportion of Women in Executive Positions

We have set the goal of significantly increasing the proportion of women in middle and senior management positions in the medium to long term. WACKER's talent-management project helps to systematically recognize and promote female management potential. The corporate governance report contains additional information about the proportion of women in management positions and, in particular, about how WACKER is implementing the German statute on equal opportunity for women and men in management that came into force on May 1, 2015.

New Variable Compensation System

In the reporting year, WACKER completed negotiations with employee representatives on a new variable compensation system for its employees on standard and above-standard pay scales in Germany. Beginning in 2018, the new system will supersede the existing variable compensation components and replace them with a transparent, standardized, market-oriented methodology that is comparable to the method for calculating variable compensation for executive personnel (OFKs).

Introduction of Family Leave

Since 2017, WACKER has offered an additional option to help employees caring for children until their ninth birthday. This new form of support is called WACKER Family Leave. Depending on the working-time model, employees receive up to one week of paid family leave per calendar year. WACKER Family Leave corresponds to one of the options of the Demography Fund provided for under collective-bargaining agreements, which is to promote life-phase-oriented working-time models.

Employee Turnover

Good social benefits, competitive compensation and motivating tasks make WACKER an attractive employer, something our high level of employee loyalty confirms. The average length of service in Germany (permanent staff) was 18.3 years (2016: 18.3 years). The average length of service of WACKER's executive personnel is 20.5 years.

Employee Turnover Rate

%	2017	2016
Germany	0.5	0.8
International	8.2	7.0
Group	2.6	2.4

Employee Representation

Industrial union membership has always been high among WACKER employees, especially at the German sites.

All WACKER Group sites in Germany have employee representation.

WACKER employees at sites outside Germany can also form unions. At non-German sites without (statutory or voluntary) employee representation, HR staff members are the contacts for employee interests..

Labor Standards & Safety

Operating plants and processes in a manner that poses no risk to people or the environment is an important objective at WACKER. To this end, we have installed a groupwide safety management system that addresses both workplace and plant safety.

Plant Safety

The first step in ensuring plant safety is to systematically identify risks and assess them. This includes analyzing how well we control the energy present in a process (e. g. pressure, heat) and determining the effect that a single error might have on a chain of events that could lead to the escape of a substance or to an accident. After completing this comprehensive analysis, we specify safety measures to prevent undesirable incidents.

Our safety management system focuses on prevention. Even so, safety-critical incidents cannot always be prevented. This was seen, for example, at our Charleston site (USA) in September 2017. A hydrogen explosion occurred there, resulting in an ongoing production shutdown. In the wake of this incident, two plant employees were taken to the hospital for examination but were discharged on the same day.

Safety Training and Inspections

WACKER attaches particular importance to providing its safety experts with ongoing training. We hold regular training sessions, for example, on plant safety and explosion-damage protection. During 2017, we inspected the Nanjing, Shanghai and Zhangjiagang sites in China, as well as the Kolkata site in India. At WACKER, we give special recognition to facilities that operate for sustained periods of time without a reportable accident.

Environment- and Safety-Related Incidents – WACKER Group

	2017	2016
Groupwise number of environment- and safety-related incidents ¹	22	44
Groupwise environment- and safety-related incidents per 1 million hours worked ²	1.0	2.1

¹ According to European Chemical Industry Council (Cefic) criteria

² WACKER Process Safety Incident Rate (WPSIR)

Product Safety

WACKER provides information on the safe use of its products and is continually working to prevent or reduce the use in products of substances that are harmful to human health or the environment. WACKER markets its products only in countries where it has a valid chemicals registration.

As a guide for our product developers, we maintain a list of about 550 substances that WACKER products may no longer contain. In addition to prohibited and restricted chemicals (such as materials listed in Annexes XIV and XVII to the REACH Regulation), the list also includes substances that are undesired by individual companies. We avoid substances that are on the European Chemicals Agency's List of Substances of Very High Concern (SVHC).

The REACH Regulation, which came into force in 2007, governs the registration, evaluation, authorization and restriction of chemicals within the European Union. REACH involves the collection of extensive data. REACH imposes high requirements on the manufacturers, importers and users of chemical products. All substances on the European market that are used or imported in annual quantities exceeding one metric ton must be registered and evaluated. The scope of evaluation work is largely determined by the quantity produced or imported and the expected risks. Particularly high-risk substances are subject to regulatory approval. As part of REACH, WACKER had submitted 220 registration dossiers to the European Chemicals Agency (ECHA) through the end of 2017. For some of the phase-one and phase-two dossiers, submitted in 2010 and 2013, ECHA required additional information as part of its evaluation activity, all of which we provided on time in 2017.

WACKER's close contact with its suppliers extends to matters relating to substances not yet registered under REACH. We make systematic requests for definitive statements from our suppliers concerning registration status and the further availability of raw materials, especially in view of the expiration of the final registration phase for phase-in substances (>1 metric ton/year) on May 31, 2018.

The ICCA (International Council of Chemical Associations) has developed the Global Product Strategy (GPS), which is a guideline on how to assess chemical properties and provide product safety information. In Europe, most GPS requirements are satisfied by REACH and by the CLP Regulation (Classification, Labeling and Packaging of Substances and Mixtures). By the end of 2017, we had published 75 Safety Summaries on the ICCA chemicals website for the substances we have registered under REACH.

Safe Transport of Hazardous Materials

WACKER ensures that its products are stored and transported safely, especially where hazardous goods are involved. In 2017, we had inspections carried out on over 11,000 trucks for outgoing shipments of hazardous goods at our sites and warehouses in Germany (2016: over 9,500). We reject any that are defective. Failure rates have been low for years now. The rate for 2017 was about 1.4 percent for hazardous goods shipments from Burghausen, our largest site in Germany (2016: 1.3 percent). WACKER regularly audits its hazardous goods shippers.

We rely on well-trained personnel for transport safety, too. In the reporting year, our workforce in Germany alone completed over 1,400 classroom training courses on the safe transportation of hazardous goods and some 800 online courses about securing freight.

We regularly review aspects of transport safety with our logistics providers, e. g. during the annual Supplier Day. If deficiencies are found, we agree on improvements and then follow up on their implementation. WACKER uses in-house criteria and internationally recognized systems when selecting logistics providers and evaluating their performance. Through the use of standards and specifications, WACKER ensures that even its suppliers' subcontractors meet our stringent safety requirements.

For products with a high hazard potential, we use packaging and tanks of the highest quality.

We recorded a total of eight transport incidents in the reporting year. This number includes not only accidents and incidents involving the distribution of our intermediates and products where we commissioned the transport, but also incidents that do not involve hazardous goods, as well as those that do not adversely impact people or the environment. These incidents, too, form part of our shipper assessments..

Im Berichtsjahr verzeichneten wir insgesamt acht Transportvorkommnisse. Dazu zählen wir Unfälle und Ereignisse, die sich bei der Distribution unserer Zwischenprodukte und Produkte ereignen, sofern der Transport von uns beauftragt wird. Mitgerechnet sind auch Zwischenfälle ohne Gefahrgut und solche, die keine negativen Auswirkungen auf Mensch und Umwelt haben. Diese Ereignisse fließen ebenfalls in die Spediteursbewertung ein.

Transport Accidents

Number of Accidents	2017	2016
Road	6	2
Rail	2	4
Sea	-	-
Inland waterways	-	1
Air	-	-

Workplace Safety

Workplace and plant safety are of vital importance for WACKER. That is why we define safety goals in the annual performance reviews together with our executive personnel and management employees in Germany.

Our processes and standards relating to workplace safety are aligned with the international OHSAS 18001 standard. Systematic workplace safety includes regular evaluation of hazards and work-area monitoring.

All our employees are given safety training specific to their individual work areas. WACKER Germany, for example, offers 42 online training courses on workplace safety. Topics range from general safety guidelines for office and laboratory workers to instruction on safe behavior in potentially explosive atmospheres and the classification of hazardous materials.

We defined minimum health and safety standards for technical centers in 2017. The centers were tasked with making initial self-assessments and with eliminating any weaknesses they identified. The new standards will also form the basis for future audits of the technical centers.

Workplace accident performance is one of the most important non-financial performance indicators. One of our workplace safety goals is to ensure that the number of workplace accidents per 1 million hours worked does not exceed 1.7 groupwide in 2020. In terms of reportable accidents (accidents with more than three workdays missed), WACKER's numbers are far better than the German chemical industry average. The reportable accident rate at WACKER in 2017 was 1.4 per 1 million hours worked; by contrast, Germany's statutory employer liability insurance carrier of the basic materials and chemical industries (BG RCI) registered 9.4 reportable accidents per 1 million hours worked in chemical companies in 2016. As in the previous year, WACKER did not record any fatal workplace accidents involving its employees during the reporting period.

Very few of the accidents at WACKER involve chemicals. The most common causes are tripping, slipping and falling, and performing manual activities without due care. Not satisfied with our accident rate, we are stepping up our occupational-safety efforts. In 2017, we introduced a safety program to reduce personal-mobility accidents at our production sites in Germany. We are continuing to implement our WACKER Safety Plus (WSP) program, which builds on elements of successful safety strategies at sites with particularly low accident rates – such as safety patrols, discussions with the workforce and emergency drills. The goal of WACKER Safety Plus is to recognize and avoid unsafe behavior.

Workplace Accidents Involving Permanent Staff and Temporary Workers – WACKER Group

	2017	2016
Accident rate across Group: accidents ¹ per 1 million hours worked	2.8	3.0
Europe	3.3	3.8
The Americas	2.2	0.7
Asia	0.4	0.8
Accident rate across Group: reportable accidents ² per 1 million hours worked	1.4	1.6
Fatal workplace accidents	–	–

¹ Accidents leading to at least one day off work

² Accidents leading to over three days off work

Environment & Climate

By setting quantifiable environmental targets, we intend to lower the environmental impact of our production activities.

WACKER's Environmental Targets through 2022

Region	Key Environmental Indicator	Base Year	Targets for 2022 ¹ (%)
WACKER Germany	Weighted specific energy consumption (per metric ton of net production) ²	2007	-50
WACKER Germany	Specific carbon dioxide emissions (per metric ton of net production) ²	2012	-15
Group	Specific dust emissions (per metric ton of gross production) ²	2012	-50
Group	Specific emissions of relevant VOCs (volatile organic compounds; per metric ton of gross production) ²	2012	-25

¹ The target-related success level is not achieved in the form of linear progress, but by means of individual projects that are implemented at different stages throughout the target period. This is why no intermediate results are reported.

² Gross production corresponds to the total production (target products and byproducts) of a plant or site. Net production is calculated by subtracting the internal reuse of products from a plant or site's gross production.

Environmental Protection

WACKER attaches particular importance to integrated environmental protection, which commences with product development and plant planning. WACKER constantly works to improve its production processes, with the aim of conserving resources. One of our main tasks is to close material loops and recycle byproducts from other areas back into production. It enables us to reduce or prevent energy and resource consumption, as well as emissions and waste, and to integrate environmental protection into our production processes. The integrated production system is described in the "Group Business Fundamentals" section of the combined management report).

Environmental Protection Costs

€ million	2017	2016
Operating costs	78.3	78.4
Capital expenditures	4.2	2.4

Our Groupwide environmental-protection standards apply to all our production sites and technical centers. The site managers ensure that our environmental-protection measures conform to legal requirements and that we adhere to environmental

standards. The Group Coordinator for the Environment checks the implementation of environmental standards in practice at the sites and performs random checks to verify legal compliance.

In 2017, WACKER invested €4.2 million in environmental protection (2016: €2.4 million). Environmental operating costs amounted to €78.3 million (2016: €78.4 million). Examples of investment in environmental protection at the Burghausen site are analysis technology in the wastewater treatment plant and a process control system for the waste disposal center.

Assessment Using the Global Water Tool™

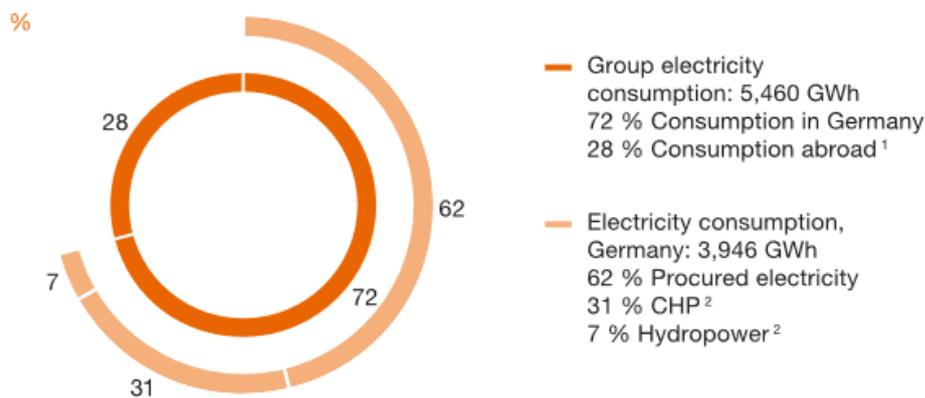
In 2013, we used the Global Water Tool™ (GWT) developed by the World Business Council for Sustainable Development (WBCSD) to analyze the relative water stress index of the countries in which our main global production sites are located. This index provides information on the relationship between water consumption and the availability of renewable fresh water. The outcome of the analysis is that our most important production sites are located in regions with a low relative water stress index. These regions account for more than 97 percent of our annual water use and over 90 percent of our production volume.

As part of the Bavarian Environmental Pact, we joined with seven other companies from ChemDelta Bavaria to establish Naturnahe Alz (Natural Alz), an association through which we support the state of Bavaria in renaturalizing the Alz river and enhancing its ecosystem long-term.

Energy

The chemical industry is one of the most energy-intensive sectors. WACKER's sites in Germany consume 3,946 GWh of electricity, representing approximately 0.8 percent of the country's electricity consumption. WACKER is continually improving the energy efficiency of its processes. This enables us to remain globally competitive while at the same time contributing to climate protection.

Electricity Supply



¹ Outside Germany, we purchase electricity from third parties based on the local standard energy mix.

² Burghausen

Energy Consumption – WACKER Group

GWh	2017	2016
Electricity consumption	5,460	5,199
Heat consumption	3,505	3,827
Primary energy use (total)	6,055	6,405
Of which		
Natural gas	5,056	5,378
Solid fuels ¹	750	769
Heat supplied by third parties ²	249	258

¹ Coal, charcoal and wood; used as reducing agents at the silicon-metal plant in Holla, Norway

² Steam and district heating

Many chemical reactions generate heat that can be put to use in other production processes. In addition to recovering heat from such chemical reactions, we have been using integrated heat-recovery systems in Burghausen and Nünchritz for years and are continually improving them. In this way, we can reduce the amount of primary energy (natural gas) consumed by our power plants.

To enhance energy efficiency and reduce specific energy consumption (amount of energy per unit of net production output), the Executive Board has defined energy targets for WACKER Germany. We have set a goal of reducing specific energy consumption by 2022 to one-half of the 2007 level. Net production is calculated by subtracting the internal reuse of products from a plant or site's gross production. Gross production corresponds to the total production (target products and byproducts) of a plant or site.

Our primary source of energy is climate-friendly natural gas. At Burghausen, our largest site, we produce steam and electricity using a cogeneration system. The highly efficient combined heat and power (CHP) plant operates at more than 85-percent fuel efficiency, which is significantly higher than that of conventional power plants. We also use hydropower to generate electricity in Burghausen, and our Norwegian site, Holla, generates its electricity mainly from hydropower.

WACKER's German production sites accounted for 72 percent (2016: 71 percent) of its total electricity consumption. We have taken energy-efficiency measures to reduce specific energy consumption even further in 2017.

The Group's power plants – the hydroelectric and CHP plants in Burghausen and the cogeneration plant in Nünchritz – produced 1,481 GWh of electricity in 2017 (2016: 1,416 GWh). This means that WACKER covered about 38 percent of its total energy requirements in Germany from its own production. Groupwide, carbon dioxide emissions from captive power plants subject to emissions trading rules and from silicon-metal production in Holla totaled about 1.0 million metric tons in the reporting period (2016: 1.0 million metric tons).

WACKER is subject to the regulations of the EU emissions trading system because of its power plants at the Burghausen and Nünchritz sites. We have covered shortfalls since 2014 by buying emission allowances for facilities subject to emissions trading.

Emissions

In 2017, direct emissions of carbon dioxide (Scope 1 of the Greenhouse Gas Protocol) declined by 3 percent year over year, chiefly due to improvements in the utilization of steam at the Charleston, Tennessee site. The production shutdown that occurred at this site in September 2017 was another factor in the decline in CO₂ emissions.

The lower levels of nitrogen oxide (NO_x) emissions were attributable mainly to the drop in production at the Holla site. Compared with the previous year, we succeeded in reducing specific NO_x emissions at our Holla site by almost 3 percent per metric ton of product.

One of our environmental targets is to halve specific dust emissions per metric ton of gross production groupwide between 2012 and 2022. This target primarily affects the production of silicon metal at the Holla site. The improvements made in recent years, especially to the baghouses, helped us achieve our target figure of 50 percent for the first time in the reporting period.

Water use declined by around 5 percent groupwide in 2017, mainly due to lower water use at the Burghausen site.

Owing to the strong production-related increase in plant utilization at Burghausen, chemical oxygen demand (COD) rose by around 8 percent.

The groupwide increase of about 6 percent in waste volume is predominantly the result of increased production in Burghausen and of construction activity at the Burghausen and Holla sites.

Our indirect CO₂ emissions from procured energy (Scope 2) rose to 1,606 kilotons (kt) in the reporting period (2016: 1,588 kt). This was due to increased production volumes at the Burghausen, Charleston and Nünchritz sites. The strong reduction in the electricity to CO₂ emissions conversion factors for power generation in Germany and the United States (data as per CO₂ Emissions from Fuel Combustion, 2017 Edition, International Energy Agency) more than compensated for the increase in emissions. We used energy-efficiency measures to also reduce weighted specific energy consumption and related specific CO₂ emissions – while maintaining a comparable product portfolio.

Measuring the Group's carbon footprint is an important tool for improving climate protection. That is why – in addition to our indirect greenhouse gas emissions from procured energy (Scope 2), which we began tracking in 2011 – we have been measuring, since 2012, all the emissions generated along our supply chain, e.g. by suppliers or through waste disposal and the transport of products.

In 2017, we once again forwarded this emissions data to the Carbon Disclosure Project (CDP), which WACKER joined in 2007. Wacker Chemie AG's performance profile was rated B (on a scale from A to D) in CDP's annual sustainability ratings.

Environmental Indicators from 2016 to 2017 – WACKER Group

	2017	2016
Air		
CO ₂ emissions ¹		
Direct (kt)	1,239	1,277
Indirect (kt) ²	1,606	1,588
NO _x nitrogen oxides (t)	1,860	1,970
Non-methane volatile organic compounds (NMVOCs) (t)	880	890
Dust (t)	278	515
Water		
Water use (thousand m ³)	197,430	207,930
Chemical oxygen demand (COD) (t)	1,310	1,210
Halogenated organic hydrocarbons (AOX) (t)	2.6	3.1
Waste		
Disposed of (t)	41,400	38,640
Recycled (t)	120,420	114,080
Hazardous (t)	75,800	73,660
Non-hazardous (t)	86,020	79,060

¹ CO₂ emissions are measured on the basis of the Greenhouse Gas Protocol (GHG Protocol: "A Corporate Accounting and Reporting Standard"), published by the World Resources Institute and World Business Council for Sustainable Development. Scope 1: direct CO₂ emissions. Scope 2: indirect emissions from the consumption of purchased energy (converted into CO₂ equivalents for purchased electricity, steam and heat). Conversion is based on emission factors of the International Energy Agency (electricity) and from the GEMIS database (steam and heat).

² The amount of electricity supplied by the affiliate Alzwerke GmbH is included in indirect CO₂ emissions in a climate-neutral manner – because it is not fed into the public grid.

Anti-Corruption and Bribery

Corruption and bribery have no place in our business model. Our Code of Conduct contains corresponding principles in this area, and all WACKER employees are required to follow this code. Training courses on compliance raise employees' awareness of the relevant risks and convey binding rules of behavior for daily work routines.

According to Transparency International's Corruption Perceptions Index (CPI), WACKER is predominantly active in countries that have a low or very low risk of corruption.

Corruption and Bribery Incidents

	2017	2016
Prevention		
Number of organizational units subjected to corruption and bribery audit	26	26
Legal entities subjected to corruption and bribery audit (%)	17	19
Corruption and Bribery Incidents		
Audited	4	2
Completed	4	1
Measures taken as a result of corruption and bribery incidents¹		
Written warnings	–	–
Termination of employment contract	1	1
Number of complaints	–	1
Level of key fines ² and number of non-monetary penalties	–	–

¹ WACKER Germany only

² Level of key fines: starting at €10,000

Sustainable Supply-Chain Management

With production sites in Europe, the Americas and Asia, our company procures goods and services from numerous countries. As a member of both the United Nations Global Compact and the chemical industry's Responsible Care® initiative, it is important to us to verify that our suppliers comply with generally accepted sustainability principles as well. Potentially critical topics include working conditions, ethical standards, safety standards (especially when hazardous materials are being handled) and the use of local resources (e. g. water use or energy consumption).

That is why WACKER joined the TfS initiative in January 2015. This chemical-industry procurement initiative has developed a process to review the sustainability management of suppliers. Because results are standardized and accessible to all TfS members, the program is also attractive for suppliers.

The results of the TfS audit and assessment are an integral part of our supplier evaluations. Especially when results are not satisfactory, we discuss them with the supplier concerned, with the objective of defining measures for improvement. Reassessments or repeated audits are used to follow up on progress. Consistently poor results combined with an unwillingness to cooperate can have consequences, and may ultimately lead to termination of the business relationship.

In raw material and energy procurement, we aim to have the sustainability performance of all our key suppliers evaluated via TfS. Since joining TfS, we have made good progress along this path. Suppliers evaluated via TfS already cover 80 percent of our raw-materials and energy procurement volume. The achievement of TfS goals is tracked in a monthly management report.

We additionally expect our suppliers to use a management system that meets the requirements of ISO 9001 (quality) or comparable specifications such as GMP (Good Manufacturing Practice), and also require our industrial suppliers to be certified to ISO 14001 (environmental protection).

Social Responsibility

WACKER sees itself as a corporate citizen – an integral part of the society in which we live and work, which is why we take our social responsibilities seriously, especially in communities around our sites.

Neighbors

Corporate citizenship begins with a good relationship with municipalities and with our immediate neighbors. We speak openly about what goes on behind our plant gates. Our sites throughout the world welcome questions from the public, with nearby residents receiving fast, comprehensible responses to their concerns. We maintain local hotlines and have central contact partners available to deal with questions.

We inform the public about our sites by means of environmental reports and other publications, and we issue invitations to open houses and to other events. These include the WACKER WISSENSFORUM (knowledge forum) and the Environment Information Days at our Burghausen site, as well as the annual community meetings at Nünchritz.

At many sites, we offer free services to surrounding communities including, for example, health and eye checkups in India and a Household Hazardous Waste Day organized for neighbors of our Adrian site in the United States, where nearby residents can bring in chemical household products not allowed in trash cans.

Schools and Universities

WACKER wants to get children and young people excited about technology and the natural sciences. After all, as a chemical company, we are going to need outstanding scientists in the future – a goal we are pursuing in a variety of ways.

WACKER supports progressive teaching methods and modern school management systems. We are one of the founding members of the Bavarian Educational Pact, a foundation comprising 143 companies and the state of Bavaria. The pact has set itself the task of modernizing the Bavarian educational system.

WACKER attaches considerable importance to fostering young scientific talent and maintaining close contacts with universities. Our researchers are frequently invited to give presentations and guest lectures at universities, and university groups visit our sites for an inside look at the workings of an industrial corporation. WACKER offers students plant jobs and internships, as well as opportunities to write doctoral theses and papers for bachelor's and master's programs.

Donations and Sponsorship

Our sponsorship activities focus on education, science and the SV Wacker Burghausen professional soccer team. Around half of our donations in the reporting period went to the SV Wacker Burghausen sports club (German-language version only) to promote popular sports, to "Die Arche" (The Ark; German-language version only), a German charity for the young, and to WACKER's relief fund.

Group Donations and Sponsorships 2015/2016



4 Special Awards and Events

Inclusion in Bavaria

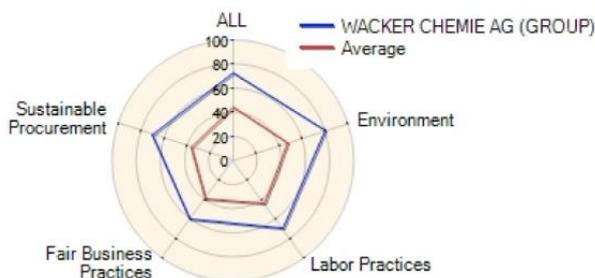
The Bavarian State Government presented Wacker Chemie AG with the "Inclusion in Bavaria – We Work Together" emblem. Special arrangements are in place to help and promote WACKER employees who suffer from disabilities or similar impairments, or from poor health. Thus, supervisors, staff, HR departments, employee representatives, representatives for employees with severe disabilities, and health services work hand in hand in the company's integration management to provide targeted support for the employees concerned. The overarching goal is to provide people with job security. First, we examine together whether we can provide support for the employees by, for example, ergonomic redesign or changing work routines at their workplace. If not, then we try to offer them a different position. WACKER is committed to helping people with handicaps beyond the company boundaries, by working together with workshops for people with disabilities. Our Burghausen site, for instance, sources key products from the nearby charitable Ruperti workshops – from dunnage for securing freight to assembly parts for process engineering.

Award for Idea Management

On February 28, 2018, awards for top performance in seven categories were again presented at the ZI (Zentrum Ideenmanagement) annual congress in Fulda. A three-man team from WACKER won the first prize in the "Production and Technology" category, demonstrating that the Group's corporate proposal system is not tormented by any signs of fatigue even in the 90th anniversary year. The ZI Ideas Awards recognize employees who have earned their ideas for the competitiveness and sustainability of their company. The Center Idea Management (ZI) is an interest group for the promotion and dissemination of ideas and innovation management in Germany. WACKER is one of 150 member companies.

WACKER Again Gets Gold in EcoVadis Rating

As a member of Together for Sustainability, WACKER not only evaluates its suppliers in terms of sustainability, but subjects its own performance as a supplier to external rating by EcoVadis. In 2018, the Group once again scored Gold in EcoVadis ratings. WACKER's result has risen from 65 to 76 points. It now ranks among the top 3% of the highest-scoring companies.



Haiti: School is thriving

Natural disasters are not uncommon in Haiti: In 2010 a catastrophic earthquake destroyed the Don Bosco School Riobé in Gressier. And hurricane Matthew left a trail of devastation in the south west of the island in 2016. Recovery is slow. WACKER collaborates with the Don Bosco aid organization in Haiti, which implemented a four-phase plan to help the population in the aftermath of the hurricane. As a first emergency measure, food and clean drinking water were provided. In the reconstruction phase, Don Bosco supplied affected families with building materials to repair their homes. The third phase focused on agriculture, helping the South west restore their position as the bread basket of Haiti. Farmers received seedlings and agricultural equipment. The last phase was aimed at the training needed for rebuilding the country. At the Don Bosco Vocational Training Center in Les Cayes, 300 young people were given grants for courses in farming, metalwork, construction and carpentry.

The school in Gressier assisted by the WACKER Relief Fund was not directly affected by the hurricane. It has been growing steadily in recent years. There are 833 students, of which 139 attend kindergarten, 309 are in elementary school and 385 in high school. Apart from regular lessons, the center offers sport and recreational activities, personal development programs, a vacation program and school meals made with home-grown vegetables. To finance running costs, Don Bosco charges a small amount in school fees. This fosters appreciation for schooling and education among parents.

5 Principles of UN Compact and its relation to WACKER

UNGC Principle	Implementation at WACKER	Page
<p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and ...</p> <p>Principle 2: ... make sure that they are not complicit in human rights abuses</p>	<ul style="list-style-type: none"> • Corporate philosophy and target setting • Principles of Corporate Ethics • Participation in initiatives • Orientation on standards • Corporate Citizenship • Supply Chain Management 	<p>2, 4 5 5 5 17, 18 16</p>
<p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; ...</p>	<ul style="list-style-type: none"> • Labor union • global employee representation • HR staff members for employees' interests 	<p>9 9 9</p>
<p>Principle 4: ... the elimination of all forms of forced and compulsory labour; ... and</p> <p>Principle 5: ... the effective abolition of child labour; and ...</p>	<ul style="list-style-type: none"> • We condemn slavery and all other forms of forced or compulsory labor as well as child labor. • social benefits, working time models • Work safety • Supply Chain management 	<p>7 7, 9 10, 11 7, 16</p>
<p>Principle 6: ... the elimination of discrimination in respect of employment and occupation.</p>	<ul style="list-style-type: none"> • Equal treatment, trainings • Compliance report • Equal opportunity charter • Proportion of Women in Executive Positions, WACKER Women's Circle • Idea management 	<p>7, 8 7 8, 18 8 18</p>
<p>Principle 7: Businesses should support a precautionary approach to environmental challenges; ...</p>	<ul style="list-style-type: none"> • SustainaBalance® • Environmental targets and transparent key figures • Integrated environmental protection • Activities for more energy efficiency • Product, plant and transport safety • Use of tools • Materiality 	<p>4 12, 15 12 14 9, 10 13 6</p>
<p>Principle 8: ... undertake initiatives to promote greater environmental responsibility; and ...</p>	<ul style="list-style-type: none"> • SustainaBalance® • Alignment to SDGs • Product safety, trainings 	<p>4 4 10</p>
<p>Principle 9: ... encourage the development of environmentally friendly technologies.</p>	<ul style="list-style-type: none"> • SustainaBalance® • Innovation strategy 	<p>4 2</p>
<p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<ul style="list-style-type: none"> • Code of Conduct • Trainings for employees • Compliance Management 	<p>16 16 16</p>

WACKER

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