

## **Declaration of Conformity 2018 issued by the Executive Board and Supervisory Board of Wacker Chemie AG**

### **1. General Declaration Pursuant to Section 161 of the German Stock Corporation Act**

In December 2017, the Executive Board and the Supervisory Board of Wacker Chemie AG issued their most recent declaration of conformity pursuant to Section 161 of the German Stock Corporation Act. Since that time, Wacker Chemie AG has complied with the recommendations of the German Corporate Governance Code (the Code) as amended on February 7, 2017, with the exceptions listed in the following, and will continue to comply with the recommendations of the Code in the same version, with the exceptions listed hereinafter.

### **2. Exceptions**

#### **a) D&O Insurance Deductible for Supervisory Board Members (Section 3.8 (2))**

German law and a company's articles of association set clear limits with regard to a supervisory board's ability to exert influence on the business activities of a stock corporation. Pursuant to Section 76 (1) of the German Stock Corporation Act, the executive board has direct responsibility for managing the corporation. The supervisory board is instrumental in defining the main features of corporate strategy. However, beyond this contribution, the supervisory board's abilities are limited in terms of influencing the implementation of corporate strategy or operations. The same applies to measures taken to avert damage or loss to the company. Furthermore, since our Supervisory Board members receive only a relatively small amount for reimbursement of expenses compared to the compensation of our Executive Board members, we do not deem the agreement of a deductible reasonable for members of our Supervisory Board.

#### **b) Forward-looking Assessment Basis for Variable Remuneration of Executive Board Members (Section 4.2.3 (2))**

The variable components of our Executive Board members' compensation are calculated on a three-year (= multiple-year) assessment basis. Furthermore, 15 percent of the variable remuneration is paid in the form of shares that are subject to a holding period of two years. Even if the assessment basis is not essentially forward-looking, we are of the opinion that our compensation system is balanced and suitable for setting the right incentives for a sustainable corporate policy. Our compensation system ensures that our Executive Board members participate in positive and negative developments at the company over a longer period – by means of the share component on the one hand and the average assessment over a three-year period on the other.

**c) Formation of a Nomination Committee within the Supervisory Board (Section 5.3.3)**

A supervisory board is required to establish a nomination committee that is exclusively composed of shareholder representatives and whose task it is to make recommendations to the supervisory board with regard to candidates suitable for proposal to the annual shareholders' meeting.

We do not comply with this recommendation because, in view of our shareholder structure, we do not believe that the formation of such a committee is appropriate. Due to the majority situation, nominations to the Supervisory Board must be agreed with the majority shareholder in any case, so that an additional nomination committee would not serve to increase efficiency.

**d) Defining Concrete Objectives Regarding the Number of Independent Members of the Supervisory Board (Section 5.4.1 (2))**

The Supervisory Board of Wacker Chemie AG, as it is composed at present, meets the requirements of the Code regarding an adequate number of independent members. The Supervisory Board will continue to ensure that, in future elections, it recommends to the shareholders what it considers to be an appropriate number of independent candidates. Additionally, defining a concrete objective in this regard would not only limit the choice of suitable candidates for the Supervisory Board, but also restrict the shareholders' right to elect those Supervisory Board members whom they consider to be the most suitable. For these reasons, we do not comply with this recommendation.

**e) Limit to Supervisory Board Members' Term of Office (Section 5.4.1 (2))**

According to this recommendation, the supervisory board shall determine a general limit to its members' term of office. A generally applicable term limit of this sort is not required in our opinion, as we consider an individual analysis of our Supervisory Board members to be more effective. This particularly applies since the Code provides for self-inspection of the supervisory board and its members anyway as part of the regular examination of efficiency. Furthermore, a general term limit would restrict the majority shareholder's freedom to choose representatives on the Supervisory Board at its own discretion in fulfilment of its corporate responsibility.

**f) Curriculum Vitae of the Supervisory Board Members (Section 5.4.1 (5))**

According to this recommendation, proposals for candidates for the supervisory board shall be accompanied by a curriculum vitae, which should also be published on the company's website. We fulfil the legal requirements regarding the proposals for candidates. Furthermore, the annual report includes the essential information on our Supervisory Board members. We believe that such information is sufficient. We do not see what additional merit a curriculum vitae could have – in particular when taking into account the rights of privacy of our Supervisory Board members.

**g) Time Limit Placed on Applications for the Judicial Appointment of a Supervisory Board Member (Section 5.4.3)**

According to this recommendation, applications for the judicial appointment of a supervisory board member shall be limited in time up to the next annual shareholders' meeting.

We do not comply with this recommendation. Proposals for candidates to be appointed by the court are agreed with the majority shareholder beforehand anyway. In view of the majority situation, the election of this same candidate at the next Annual Shareholders' Meeting would merely constitute a confirmation of his/her appointment, which we consider redundant.

**h) Announcement of Proposed Candidates for the Chair of the Supervisory Board to Shareholders (Section 5.4.3)**

According to this recommendation, shareholders shall be informed of any candidates for the supervisory board chair even though, as a rule, the supervisory board has not yet been appointed. Under German law, the supervisory board chair must be elected by, and from among, the supervisory board members. There is no legal requirement to announce the candidates for the chair from among a yet-to-be-appointed group of supervisory board members. Furthermore, this would result in a de facto predetermination that is also not provided for under German law. For these reasons, we do not comply with this recommendation.

Munich, December 2018