



**WACKER**

**GLOBAL COMPACT  
PROGRESS REPORT  
2020**

CREATING  
TOMORROW'S  
SOLUTIONS

# 1 Statement of Continued Support (Message from the CEO)

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Ladies and Gentlemen,

Wacker Chemie AG joined the UN's Global Compact in 2006 – a further example of WACKER's voluntary commitments. In our daily work since then, we have been implementing Global Compact's ten principles for protecting human rights, upholding social and environmental standards, and fighting corruption. And we have kept you informed of our progress.

Aimed at attaining a more sustainable society, our Sustaina-Balance® strategy promotes the balance between ecological, social and economic factors. This includes implementing our SDGs. Our goal as an innovative chemical company is to achieve a neutral CO<sub>2</sub> footprint by 2050 with sustainable products.

In accomplishing this, we focus on our employees and our offerings. We continuously adapt our product portfolio with our strong teams so that our customers always have ever-more

sustainable products for their markets.

As an energy-intensive company, we are always striving to reduce our ecological footprint. We create more efficient and safer processes, use resources responsibly and avoid waste.

As active members of society, we are aware that we can only achieve our goals, and a sustainable value-creation chain, together with our partners. We support initiatives such as Kopernikus projects (for promoting the transition to renewable energy) and Together for Sustainability (a chemical-industry initiative for promoting improvements in the chemical supply chain). We honor human rights in our company and in the supply chain. As we take our responsibility seriously, not only do we assess our suppliers according to sustainability criteria, but we also have our own track record assessed for adherence to social and environmental standards. This year we're proud to announce that

we received the platinum recognition level from EcoVadis.

Our employees are a key pillar of our innovative strength and sustainability. They play a decisive role in implementing our goals for sustainable development.

Together, we are responsible for a more sustainable future.

**Munich, April 2020**

Dr. Rudolf Staudigl  
President & CEO of Wacker  
Chemie AG



Dr. Rudolf Staudigl  
President & CEO of  
Wacker Chemie AG

**2 Governance – Strategic Orientation for the future**

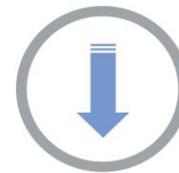
**Our sustainability agenda SustainaBalance®:**

To achieve a more sustainable society, we balance ecological and socioeconomic concerns by following three guidelines:



**Value UP**

By empowering our teams, we enable our customers to provide more sustainable solutions



**Footprint DOWN**

We create efficient and safe processes, use resources responsibly, avoid waste and minimize our footprint



**Collaboration BEYOND**

As a contributing member of society, we strive for a sustainable value chain together with all our partner



**Our roadmap 2030:**



**More Sustainable Products**

**90%** neutral or positive sustainability contribution in 2030 (in line with WACKER Sustainable Solutions)

By constantly improving our portfolio and replacing critical products, we enable our customers to offer more sustainable solutions in the end market.



**Fewer direct (process) emissions**

**50%** reduction in specific energy consumption by 2030 (vs.2007)

**33%** reduction in specific emissions in 2030 (vs.2012)

By further optimizing our internal processes, integrated production, energy efficiency, and carbon capture and utilization, as well as investigating the circular economy and fossil-free steam generation.



**Higher degree of electrification plus a more sustainable supply chain**

**>60%** electrification of our processes (with respect to our total energy demand) with ongoing transition towards renewable energy

**90%** of key suppliers with a positive sustainability contribution

By collaborating with industry partners, we support initiatives like the Copernicus projects to promote energy transition and Together for Sustainability to drive improvements in the chemical supply chain.<sup>3</sup>

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**2 Governance – Strategic Orientation for the future**

**Our Sustainable Corporate Management Is Based on Voluntary, International Initiatives**



Responsible Care®

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 since 2006, 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.



Launched in 2011, the TfS initiative aims at recording the sustainability performance of suppliers and optimizing their ecological and social standards. Our membership means we have taken a key step in improving the sustainability of our entire supplier chain.

**Process Control and Reporting System**



We control operational processes via our integrated management system (IMS). This system stipulates uniform standards throughout the Group for issues relating to quality, environmental protection, and 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) and, at our German sites, also with ISO 50001 (energy).



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 2019, WACKER published its Sustainability Report for 2017/2018.

Aside from our vision and goals, our 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.

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**3 Special Events and Awards in 2019**

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**Sustainability Week**

The initiative focused on sustainability goal number twelve. The theme of “Sustainable Consumption and Production” covers a number of different angles, ranging from sustainable production workflows, responsible procurement and protection of our natural resources, to garbage prevention, recycling and efforts to raise awareness.

**IMS: Sustainability Management**

The regional focus of sustainability management in the reporting year was Europe. Our sites at Jena, Halle, Holla, León, Plzeň and Stetten underwent health and safety audits. In addition, environmental aspects were examined at Holla, Plzeň and Stetten. In 2020, the regional focus will be on Asia.

**A Popular Employer in the Chemical Industry**

In 2019, WACKER’s own executives again rated it one of the most popular employers in the German chemical industry. In the annual VAA survey of executives in the chemical industry, WACKER came in third out of a total of 23 companies.

**Initiative to evolve Corporate Culture**

In 2019, the Group’s Executive Board and senior executives launched an initiative to evolve WACKER’s corporate culture and rolled it out across the organization worldwide. The initiative focuses on empowerment (delegating and taking responsibility), collaboration, involvement and performance, all of which rest upon the pillars of trust and purpose. Through this initiative, WACKER is seeking to advance the Group’s transformation into a more flexible organization that relies more strongly on the individual responsibility of its employees.

**Nature Conservation**

In 2019, we launched a project to upgrade the ecological status of unused green spaces at the Burghausen site with the aim of improving the habitat for insects. A section of the embankment of the Alz canal near the Burghausen site is being cultivated as a wildflower meadow to encourage local flora and attract insects. As the owner of the land, we are using this project to stimulate ecological development in partnership with the Landschaftspflegeverband Altötting (Altötting Landscape Conservation Association). The project is supported by the Bavarian Environment Ministry’s landscape conservation program.

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**Value Up**



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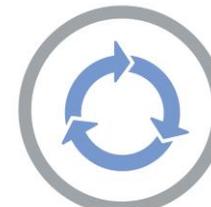


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**Respect for Human Rights**

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 and, thus, to protecting human rights and avoiding complicity in human rights abuses. We condemn slavery and all other forms of forced or compulsory labor. In this area, we follow the OECD Guidelines for Multinational Enterprises, the ILO Core Labor Standards and the UN Guiding Principles on Business and Human Rights. We are currently in the process of implementing the requirements of the National Action Plan for Business and Human Rights.

Our efforts focus not only on working conditions in our company, but also on human-rights compliance in the supply chain. We expect our suppliers to follow the principles of both the Global Compact and the **Responsible Care® initiative**. It is a requirement that is anchored in our General Terms and Conditions of Procurement. To check compliance, we conduct assessments and audits in line with the criteria of the **Together for Sustainability initiative**.

**Human Rights Komitee**

The Human Rights Committee, consisting of the member departments HR, Compliance, Sustainability and Procurement & Logistics (PL), was established in 2018. The committee is tasked with prioritizing potential effects on human rights (WACKER, the supply chain, etc.), checking existing management approaches for protective and control mechanisms, identifying weak points and covering information needs. It therefore also concerns itself with global implementation of the National Action Plan for Business and Human Rights (NAP).

**Personnel Matters**

WACKER's success is a team effort, involving the whole workforce. That is why the company – in the spirit of the UN's Sustainable Development Goal 8: Decent Work and Economic Growth – encourages its employees to realize their potential, assume responsibility and contribute their own ideas. We support their endeavors by providing basic and advanced training opportunities. We want our employees to have secure jobs, generous employee benefits and a work culture that facilitates a positive work-life balance. It is important to us that they all enjoy equality of opportunity. A further aim is to ensure that any

employees who are disabled or have chronic health issues are integrated in the workplace over the long term. Vocational training has always been a focus of WACKER's personnel-development activities. We offer our employees attractive compensation, good promotion prospects and a share in our company's success. All key personnel matters are dealt with by the corresponding Executive Board committees.

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.

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**Basic and Advanced Training at High Levels**

WACKER has made vocational training a focus of its personnel-development activities. In 2019, 201 young people began apprenticeships at WACKER or at the Burghausen Vocational Training Center (BBiW). With a total of 618 apprentices, WACKER had slightly more apprentices than the year before (2018: 599). The percentage of apprentices (ratio of apprentices to Group employees in Germany) was 5.6 percent, marginally higher than the prior-year figure (5.5 percent). In 2019, WACKER kept on virtually all suitably qualified apprentices – 148 graduates – hiring 126 on permanent contracts and 22 on temporary contracts. The Burghausen Vocational Training Center also provides training for partner companies outside the WACKER Group.

To keep abreast of demographic trends and offer young people long-term prospects, a company agreement for WACKER Germany about hiring qualified apprentices is in effect through the end of 2022. Under the agreement, suitable apprentices receive a job offer after graduating. If the offer is for a long-term position, hiring is permanent; for temporary positions, hiring is limited accordingly. In 2019, WACKER invested a total of € 8.5 million in

in personnel-development activities and advanced training (2018: € 8.7 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 notify their supervisors, even anonymously, of any potential discrimination or report it to a compliance officer, employee representative or designated HR contact person. Complaints are investigated and the reporting party informed of the outcome. Cases of potential discrimination are included in the monthly compliance report submitted to the Executive Board. In addition, they are listed in the regular reports submitted to the Supervisory Board. We require all employees at our German sites to familiarize themselves with the country's General Equal Treatment Act (AGG) by completing an e-learning course.

**Promoting diversity:** in 2015, WACKER launched a groupwide initiative to promote diversity and inclusion in its workforce, and also signed Germany's nationwide Diver-

sity Charter. Ever since then, WACKER has set yearly priorities to sensitize employees to the opportunities and challenges of a diverse workforce. The focus in 2019 was on age, experience and cultural diversity.

At WACKER, special arrangements are in place for anyone who has severe disabilities, who is of equivalent status or whose health is impaired. WACKER's system of workplace integration management calls for close cooperation between supervisors, employees, Human Resources, employee representatives, representatives of employees with disabilities and Health Services in order to provide targeted support in line with local laws.

Diversity management at WACKER focuses not only on inclusion, but also on the issues of gender and cultural background. People from over 65 different nations work for WACKER. At the end of 2019, 36 out of a total of 174 senior executives groupwide were of non-German nationality, corresponding to 20.7 percent of the total. Overall, 14 nationalities were represented at the senior executive level.

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**Proportion of Women in Executive Positions**

We have set a goal to significantly increase the proportion of women in middle and upper management positions in the medium to long term. WACKER's talent-management process helps systematically identify and nurture women with management potential. The corporate governance report contains additional information about the proportion of women in management 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.

**Work-Life Balance**

WACKER offers its employees extensive opportunities to balance their private and professional lives. These range from multiple work-time models, childcare assistance, and school-vacation support at Burghausen (our largest site) through to one week of "family time" for parents of children under eight and support for employees caring for relatives.

WACKER's membership in the "Familienpakt Bayern" (Family Pact Bavaria) network, sponsored jointly by the Bavarian state government and Bavarian industry, highlights our goal to foster a family-friendly corporate culture. To date, more

more than 900 companies have joined the Pact.

**Employee Turnover**

Good social benefits, competitive compensation and motivating tasks make WACKER an attractive employer. That is evident in our employees' long-standing allegiance to the company. The average length of service in Germany (permanent staff) was 18.1 years (2018: 18.1 years). The average length of service of WACKER's executive personnel was 21.6 years. In Germany, the fluctuation rate dropped (2019: it was 0.5 percent; 2018: 0.7 percent). Internationally, it remained constant (2019 and 2018: 8.4 percent). Groupwide, it dropped in the reporting period (2019: it was 2.7 percent; 2018: 2.8 percent).

**Employee Representation**

Our employees in Germany make use of their option to unionize. Every WACKER site in Germany has employee representation. WACKER actively nurtures the social partnership. In the interests of the company's employees, relations between management and employee representatives are close and constructive. Innovative and workable company agreements are one result of this dialogue. WACKER employees

abroad are free to unionize as well. At non-German sites where there is no (statutory or voluntary) employee representation, HR staff members are the contacts for employee interests.



# 90%

90 % of products with neutral or positive sustainability contribution in 2030 (in line with WACKER Sustainable Solutions)

*Auguste Willems, Vorstand der Wacker Chemie AG*



This project is part of our „Value Up“ strategy. It enables us to support the UN's sustainable development goals N° 9, 12 and 13.



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### Ecological Product Assessment

When assessing the sustainability of products, we take account of economic, environmental and social aspects throughout the entire product life cycle. The instruments we use for this are the WACKER ECOWHEEL® and WACKER Sustainable Solutions. We also perform life cycle assessments, which enable us to track the progress of a product from its manufacture through to when it leaves the factory gate.

We use the WACKER ECOWHEEL® to identify key sustainability topics at a qualitative level and, together with our customers, set priorities for research projects. Our evaluations factor in the material, water and energy consumption of a product, as well as its ecotoxicity, over the entire life cycle.

### WACKER Sustainable Solutions

Launched in 2018, the WACKER Sustainable Solutions program puts into effect our goal of focusing on sustainability. The program is intended to anchor sustainability-related aspects more firmly in our business models, to identify new, sustainable business opportunities and to minimize sustainability-related risks at an early stage.

WACKER Sustainable Solutions aims to:

- Promote and expand our existing sustainable business fields
- Establish new sustainable business areas
- Identify and assess sustainability-related risks to our business portfolio at an early stage

The Executive Board convened a Sustainability Council to monitor and coordinate the WACKER Sustainable Solutions Program. Its members, who are drawn from the business divisions and corporate departments, rate the company's sustainability performance. The Sustainability Council coordinates interdepartmental measures and reviews the progress made by the program.

Our aim is to continually increase the proportion of products that contribute to sustainability. By the end of 2019, we had assessed over 85 percent of our products (measured by sales share). 75 percent of these make a neutral or positive contribution to sustainability. For the remaining 25 percent, we are identifying starting points for improvements, such as substituting ingredients.

### Life Cycle Assessment

Our life cycle assessments (LCAs) quantify the environmental impact of our products from their manufacture through to the moment they leave the factory gate. Such analyses allow us to evaluate the sustainability of our products and production processes, and to improve them accordingly. In an LCA, we take account of all relevant, potentially harmful effects on soil, air and water, as well as all material flows associated with the system in question. This includes raw-material consumption and emissions from supply and disposal processes, from energy generation and from transport. In the reporting period, WACKER POLYMERS updated its LCA data for dispersions and for dispersible polymer powders. WACKER SILICONES had LCAs performed for the entire silicone production chain and, where requested, supplied customers with the processed data.

### ISC

In order to systematically assess raw materials that we use in our products, we have set up our Identifying Substances and Mixtures of Concern (ISC) system in a dedicated database.

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**Plant Safety**

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

The first stage in ensuring the safety of our plants is to systematically identify and assess risks. This includes analyzing not only how well we control the energy present in a process (e.g. pressure, heat), but also what effect a single error might have on a chain of events that could culminate in the escape of a substance or an accident. After completing this comprehensive analysis, we specify safety measures to prevent undesired events.

**Environment- and Safety-Related Incidents**

	2019	2018
Groupwide number of environment- and safety-related incidents <sup>1</sup>	29	37
Groupwide environment- and safety-related incidents per 1 million hours worked <sup>2</sup>	1.3	1.7

<sup>1</sup> According to European Chemical Industry Council (Cefic) criteria  
<sup>2</sup> WACKER Process Safety Incident Rate (WPSIR)

Our safety management system focuses on prevention. Even so, safety-critical incidents cannot always be prevented. Across the Group, we enter any incident relevant to safety, health or the environment in the IT

system we use for sustainability reporting (SPIRIT). The reports are evaluated and measures tracked. Incident reports that offer cross-division or cross-site learning effects are processed and forwarded to any company units with a similar risk potential.

**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. In 2019, we audited our European sites in Halle, Holla, Jena, León, Pizeň and Stetten. WACKER awards recognition to facilities that operate for sustained periods of time without a reportable accident.

**Safe Transport of Hazardous Materials**

WACKER ensures that its products are stored and transported safely, especially where hazardous goods are involved. All sites at which WACKER produces and ships goods must comply with locally and internationally applicable transport regulations, as well as with WACKER's own strict safety standards.

In 2019, roughly 14 percent of total shipments in Germany were shipments of hazardous goods. Some 9,000 trucks for hazardous-goods shipments were inspected pursuant to the European Agreement con-

cerning the International Carriage of Dangerous Goods by Road (ADR) in the shipping areas at our sites and warehouses in Germany (2018: roughly 12,000). We turn away any that are defective. Failure rates have been extremely low for years now. The rate for 2019 was roughly 2.8 percent for hazardous-goods shipments by road from Burghausen, our largest site in Germany (2018: 2.0 percent). As elsewhere, we rely on welltrained personnel for transport safety.

We regularly discuss the issue of transport safety with our logistics providers in Germany at occasions like our annual Supplier Day. If deficiencies are found, we agree improvements and then follow up on their implementation. Contractually defined specifications, including the requirements profile for providers of road transport logistics, enable WACKER to ensure that logistics providers meet its stringent safety requirements. Selected shippers of hazardous goods are audited annually.

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

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### Product Safety

WACKER provides information on the safe use of its products and works continually to prevent or reduce the use in products of any substances harmful to human health and the environment. WACKER complies with the chemical legislation applicable in the destination countries to which it ships its products. The expense involved in following and implementing such legislation worldwide continues to rise steadily.

As a guide for our product developers, we maintain a list of 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 includes substances that many companies find undesirable. As far as possible, we avoid substances 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 and imposes stringent 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 by the expected risks. Particularly high-risk substances are subject to regulatory approval. As part of REACH, WACKER had submitted 550 registration dossiers, including any revisions, to the European Chemicals Agency (ECHA) by the end of 2019. In the course of its regular evaluation activities, ECHA required additional information for many of the dossiers, all of which we provided on time in 2019.

WACKER's close contact with its suppliers extends to matters relating to substances not yet registered under REACH. We refer to our data when verifying the registration status and, where necessary, request information to ensure that we use only REACH-compliant raw materials.

To promote the safe use of chemicals, the International Council of Chemical Associations (ICCA) developed its 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).

### Workplace Safety

Workplace and plant safety are vitally important for WACKER. That is why WACKER defines safety targets together with its executives in Germany (in upper and middle management) during its annual target-setting process.

WACKER's processes and standards for workplace safety are aligned with the international standards OHSAS 18001 and ISO 45001. Systematic workplace safety includes regular evaluation of hazards and work-area monitoring.

All our employees are given safety training tailored to their particular work areas. WACKER Germany, for example, offers over 40 online courses on occupational safety issues. 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.

In the reporting year, we continued the review of protection plans for compressors begun in the previous year, including any necessary retrofitting. We had initiated the safety program in response to the findings from the investigation of the 2017 explosion at Charleston, USA.

Similarly, the program to improve the safety of pipe bridges was continued. The

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focus here was on repairing piping that is particularly prone to corrosion, and on labeling and documenting every last pipe bridge.

Workplace accident performance is one of the most important non-financial performance indicators. Compared with the previous year, we changed our workplace safety goal to reduce accidents: the new goal is to ensure that the number of workplace accidents per 1 million hours worked does not exceed 2.0 groupwide in 2020 (prior-year goal: 1.7). The accident rate actually achieved was 3.4 workplace accidents per 1 million hours worked, up somewhat from the previous year. In the reporting period, WACKER again had no fatal workplace accidents in its workforce.

Very few accidents at WACKER involve chemicals. The most common causes are tripping, slipping, falling and lack of care when performing manual activities. We are never satisfied with our accident rate, and we regularly update our workplace safety initiatives. In 2019, we again reviewed how effectively our German sites implement key safety regulations including, for example, updated rules governing the preparation of safe-work permits and a campaign to raise awareness of the accident risks associated with smartphone use. Another initiative is the Safety Days program – focused events

aimed at informing and motivating employees on safety issues. Our sites at Plzeň (Czech Republic) and Nanjing (China), as well as those at Adrian and Charleston (USA), organized such Safety Days in 2019.

We are continuing to implement our WACKER Safety Plus (WSP) program, which looks at sites with particularly low accident rates and makes use of their successful safety measures, such as safety patrols, emergency drills and holding discussions with the workforce. The goal of WACKER Safety Plus is to recognize and avoid unsafe behavior.

**Workplace Accidents Involving Permanent Staff and Temporary Workers**

	2019	2018
<b>Accident rate across Group:</b>		
Accidents <sup>1</sup> per 1 million hours worked	3.4	2.9
Europe	3.7	3.6
The Americas	2.9	1.5
Asia	1.9	0.4
<b>Accident rate across Group:</b>		
Reportable accidents <sup>2</sup> per 1 million hours worked	1.9	1.3
Fatal accidents	–	–

<sup>1</sup> Accidents leading to at least one day off work  
<sup>2</sup> Accidents leading to over three days off work

# 50%

50 % reduction in specific energy consumption by 2030 (vs. 2007)

*Stefan Seidel, Leiter Energiemanagement im Werk Burghausen*



This project is part of our „Footprint Down“ strategy. It enables us to support the UN's sustainable development goals N° 12 and 13.



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**Environmental Concerns**

By setting quantifiable environmental targets, we aim to lower the environmental impact of our production activities. The long-term goals regarding CO<sub>2</sub> emissions and energy consumption that applied at WACKER Germany have been extended to the WACKER Group. The Executive Board has defined energy targets for WACKER to further lower specific energy consumption (amount of energy per unit of net production output). Our goal is to reduce the Group's specific energy consumption to onehalf of the 2007 level by 2030.

**Environmental Protection**

WACKER attaches particular importance to integrated environmental protection, which begins right at the product-development and plant-planning stage. WACKER is continually working to improve its production processes, with the aim of conserving resources. A key task is to close material loops and recycle byproducts from other areas back into production. This enables us to reduce or prevent energy and resource consumption, emissions and waste, and to integrate environmental protection into our production processes. At WACKER, we monitor resource and waste targets at site and divisional levels.

Our Groupwide standards for protecting the environment apply to all our production sites and technical competence centers. The site managers ensure that environmental protection requirements and environmental standards are met at their particular locations. The Group Coordinator for the Environment looks at how sites implement environmental standards in practice and performs random checks to verify legal compliance.

In 2019, WACKER invested € 5.1 million in environmental protection (2018: € 5.9 million). Environmental operating costs amounted to € 82.9 million (2018: € 82.9 million). Examples of capital expenditure on environmental protection: at the Burghausen site, we enhanced the availability of our sludge incineration facility by automating tasks, and thus reduced pollutant emissions. At our wastewater treatment plant in Nünchritz, we automated the inflow of nutrients and additives in order to align them with demand, to avoid excess additions and to lower discharges into waterways.

**Energy**

The chemical industry is one of the most energy-intensive sectors. WACKER's sites in Germany consume around 4,000 GWh of electricity, accounting for about 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.

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 and expanding them. In this way, we reduce the amount of primary energy (natural gas) consumed by our power plants.

<b>Energy Consumption</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Electricity consumption	5,818	5,178	5,460
Heat consumption	3,325	3,120	3,505
Primary energy use (total)	5,217	5,703	6,055
Of which			
Natural gas	4,029	4,827	5,056
Solid fuels <sup>1</sup>	947	640	750
Heat supplied by third parties <sup>2</sup>	241	236	249

<sup>1</sup> Coal, charcoal and wood; used as reducing agents at the silicon-metal plant in Hølla, Norway  
<sup>2</sup> Steam and district heating

## 4 Practical Actions: Environment & Climate

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In 2019, we adopted energy-efficiency measures to further reduce specific energy consumption. To this end, we continued to enhance our production plants' heat-recovery processes and integrated systems, and optimize electrical power consumption.

WACKER's German production sites accounted for 69 percent (2018: 77 percent) of the Group's total electricity consumption. The share of procured electricity rose in 2019. This was because we began in August of that year to install a new gas turbine to modernize the Burghausen site's combined heat and power (CHP) plant for electricity and steam generation. During this work, we have been unable to generate our own electricity there, which must be externally procured. This capital expenditure on the upgrade of our CHP plant will substantially reduce our greenhouse gas emissions compared with the public energy mix. The new turbine has an output of over 130 MW, enabling the CHP plant to achieve fuel efficiency of over 86 percent. That means it will operate more efficiently and produce lower emissions than the almost 20-year-old facility it replaces.

Our primary source of energy is natural gas. At Burghausen, our largest site, we produce steam and electricity in the CHP plant using a cogeneration system. This plant, together with Burghausen's hydroelectric plant and

Nünchritz's cogeneration plant, produced a total of 1,075 GWh of electricity in 2019 (2018: 1,431 GWh). Thus, WACKER generated about 27 percent of its total electricity requirements in Germany itself.

WACKER is subject to the regulations of the EU emissions trading system because of its power plants at the Burghausen and Nünchritz sites, and its silicon-metal production plant in Holla, Norway. We have covered shortfalls since 2014 by buying emission allowances for facilities subject to emissions trading. Groupwide, carbon dioxide emissions from captive power plants subject to emissions trading rules and from siliconmetal production in Holla totaled about 0.9 million metric tons in the reporting period (2018: 1.0 million metric tons).

### Emissions

In 2019, direct emissions of carbon dioxide (Scope 1 of the Greenhouse Gas Protocol) declined by 5 percent year over year, mainly due to the new turbine and the five-month shutdown of the CHP plant in Burghausen necessitated by its installation. Commissioning of the new Furnace 8 at the Holla site resulted in a further direct cut in carbon dioxide emissions.

Monitoring the Group's carbon footprint is an important tool from which we derive

measures to improve climate protection. In addition to tracking our indirect greenhouse gas emissions from procured energy (Scope 2), we also measure all WACKER-relevant emissions along the value chain (Scope 3) that are generated, for example, by the procurement of raw materials, product transport or waste disposal. WACKER discloses Scope 3 data in its Sustainability Report, as well as in the Climate Change Report of the Climate Disclosure Project (CDP). In 2019, WACKER submitted its second CDP Water Security Report (for the reporting year 2018), improving its overall result to B-. This was made possible by detailed analyses of the company's processes and by more systematic data capture (prior year: D; scale from A to D, representing the levels Leadership (A), Management (B), Awareness (C) and Disclosure (D)). Registered CDP users can download the details.

### Water

In 2019, WACKER submitted its second CDP Water Security Report (for the reporting year 2018), improving its overall result to B. This was made possible by detailed analyses of the company's processes and by more systematic data capture.

## 4 Practical Actions: Anti-Corruption and Bribery

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### Preventing Corruption and Bribery

Corruption and bribery have no place in our business model. Our principles on this are contained in our Code of Conduct and all WACKER employees are required to follow them.

Training courses on compliance sensitize employees to specific risks and to the rules of conduct that apply at work. Compliance is a compulsory training subject for all WACKER Group employees.

According to Transparency International's Corruption Perceptions Index (CPI), more than half of the countries in which WACKER operates have a low to very low risk of corruption.

In 2019, as part of our prevention measures, 29 organizational units and 20 percent of the legal entities underwent risk assessments for corruption and bribery. One case of bribery came to light. It was investigated and dealt with a termination of employment contract.

### Managing Corporate Risks

Risk and compliance management at WACKER is presented in detail in the risk management report, which forms part of the combined management report. The same is true for the central risk areas affecting WACKER's business and how they are dealt with.

Overall, we see no serious risks that might arise from environmental concerns, personnel matters, social issues, human rights, corruption or bribery. Similarly, we see no serious sustainability risks that might arise from our business relationships or our products.

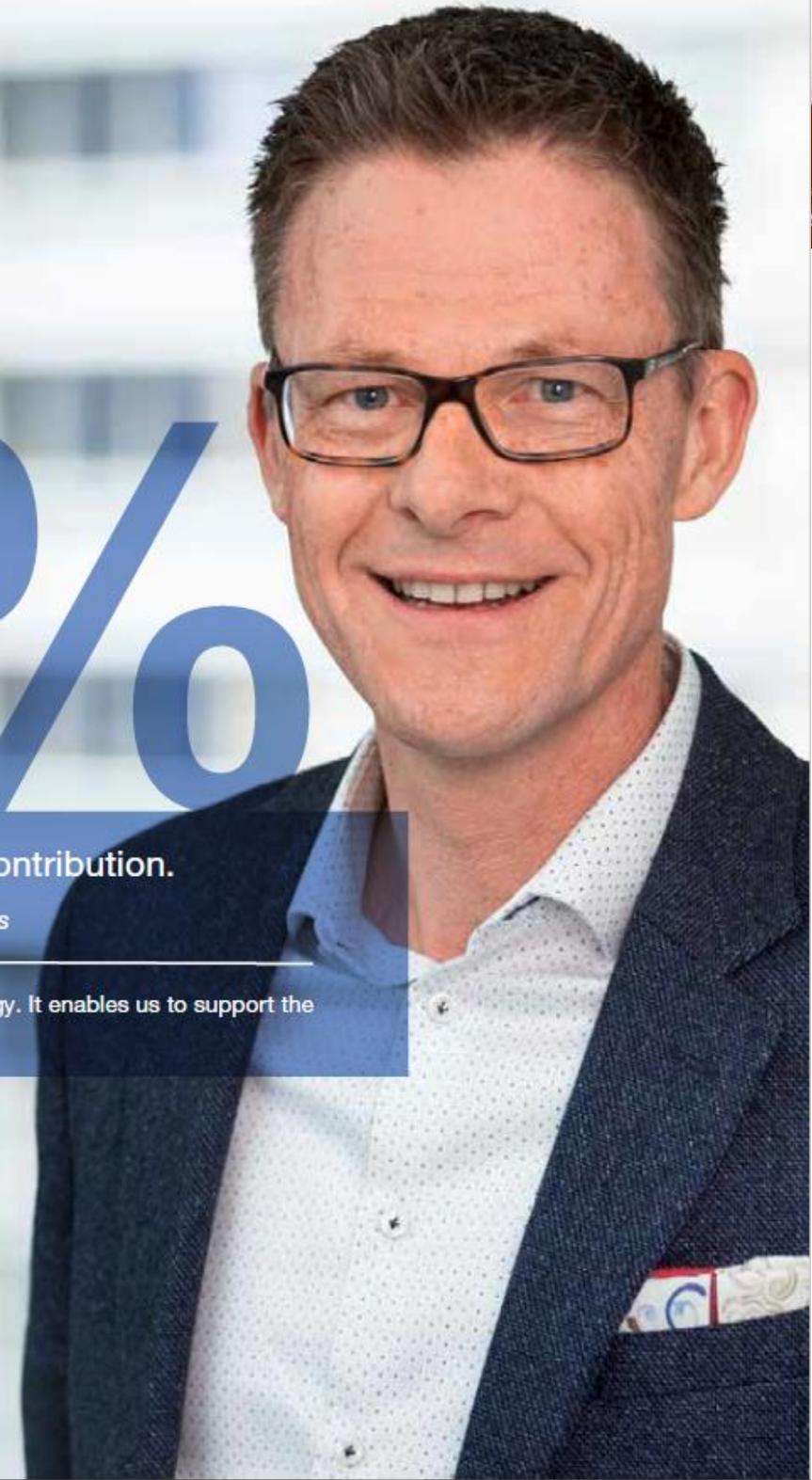
# 90%

90 % of key suppliers with a positive sustainability contribution.

*Dr. Erk Thorsten Heyen, Senior Vice President Procurement and Logistics*



This project is part of our „Collaboration Beyond“ strategy. It enables us to support the UN's sustainable development goals N° 8 and 17.



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WACKER sees itself as a good corporate citizen – as part of the society in which we live and work. That is why we practice social responsibility, especially in the regions where our sites are located.

### **Sustainable Supply-Chain Management**

With production sites in Europe, the Americas and Asia, WACKER 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, we consider it vital to verify that our suppliers fulfill the generally accepted sustainability principles that form part of our General Terms and Conditions of Procurement. Particularly important issues in an audit include working conditions, ethical standards, safety standards (especially for handling hazardous materials) and the management of local resources (water use, energy consumption, etc.).

As verification is vital, WACKER joined the Together for Sustainability (TfS) initiative in January 2015. Launched by the chemical industry, this procurement initiative developed a process for auditing and assessing a supplier's sustainability performance. Because results are standardized and accessible to all TfS members, the program is also attractive for suppliers.

The results of TfS audits and assessments are integral to our process of supplier evaluation. When the results are unsatisfactory, we speak to the supplier about how they could make improvements. Reassessments or repeated audits are used to follow up on progress. Consistently poor results and lack of cooperation have consequences and may ultimately lead to business relations being terminated. We take a risk-based approach when assessing our suppliers.

Our aim is to use TfS to evaluate the sustainability performance of all our key suppliers, who account for 70 percent of the Group's procurement volume. Since joining TfS, we have made good progress along this path. At the end of 2019, 72 percent of our key suppliers and 84 percent of their procurement volume were covered by a valid TfS assessment or audit (i.e. no more than three years old). Overall, more than 72 percent of our global procurement volume in 2019 was covered by TfS – for raw materials, the figure is actually 88 percent and, for energy, 95 percent. A monthly management report tracks how successfully TfS goals are met.

Further, we 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). In the case of industrial suppliers, we also require certification to ISO 14001 (environmental protection).

### **Neighbors**

Corporate citizenship is based on good relations with municipalities and neighbors. We speak openly about what happens behind our factory gates. Across the world, our sites address the public's questions. Local residents who turn to us receive prompt, clear answers to their concerns. We achieve this by operating local hotlines and having central contact persons in place.

We publish information about our sites in our environmental reports and brochures. We hold open houses and other outreach events, including WACKER's Knowledge Forum, Burghausen's Environment Information Days and Nünchritz's annual community meeting.

At many of our sites, we offer local communities free services, including health and eye checkups in India and a Household Hazardous Waste Day at Adrian (USA), where neighbors bring in household chemicals that are not allowed in trash cans.

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### Schools and universities

WACKER wants to get children and young people interested in technology and the natural sciences. As a chemical company, we will need outstanding scientists in the future, and are pursuing multiple strategies to find them.

WACKER supports progressive teaching methods and modern approaches to school management. We are a founding member of the Bavarian Educational Pact, a foundation comprising 143 companies and the state of Bavaria. Its goal is to modernize the Bavarian educational system. In 2019, the number of teachers in Germany and Austria trained in WACKER's CHEM2DO® experiment kit reached 2,500. Now in its sixth year, the kit prepares educators for experiments involving silicones and cyclodextrins that can then be conducted in class.

WACKER places great emphasis on fostering young scientific talent and maintaining close contact with universities. Our researchers are frequently invited to deliver presentations and lectures at universities. University groups visit our locations to gain insights into work at an industrial company. Students can write their bachelor's, master's and doctor's theses at WACKER, work as interns with the company or take vacation jobs.

### Commitment to Disadvantaged Children and Teenagers

We want to improve children's and teenagers' lives and job prospects. This is why we support **Die Arche** ("The Ark") – a German charity for the young. "The Ark" helps five- to twelve-year-olds from socially disadvantaged families in several German cities. The Munich branch helps over 100 children and teenagers daily with warm meals, homework assistance and extracurricular activities, as well as advice and counseling.

From 2007 to 2019 WACKER made annual donations of €100,000 to the charity's Munich branch so that in over 13 years of partnership, WACKER has donated more than €1.3 million.

### WACKER Relief Fund Provides Aid

Following the catastrophic tsunami of 2004, WACKER founded a relief fund (WACKER HILFSFONDS) to help victims of natural disasters. This charitable fund provides long-term assistance for reconstruction projects in devastated regions. WACKER has always matched its employees' donations to the charity.

Sri Lanka: Over €400,000 to build and maintain a school in Sri Lanka; the WACKER employee cent-donation program keeps the school running.

Nepal: Over €100,000 for rebuilding schools and kindergartens in Nepal's Sindhupalchok Province.

China: More than €100,000 for rebuilding an elementary school that was destroyed in Sichuan province

Haiti: Over €300,000 for running an elementary/middle school in Gressier after helping fund its reconstruction.

Pakistan: €50,000 for rebuilding an elementary school in the Swat district.

**5 Principles of UNGC**

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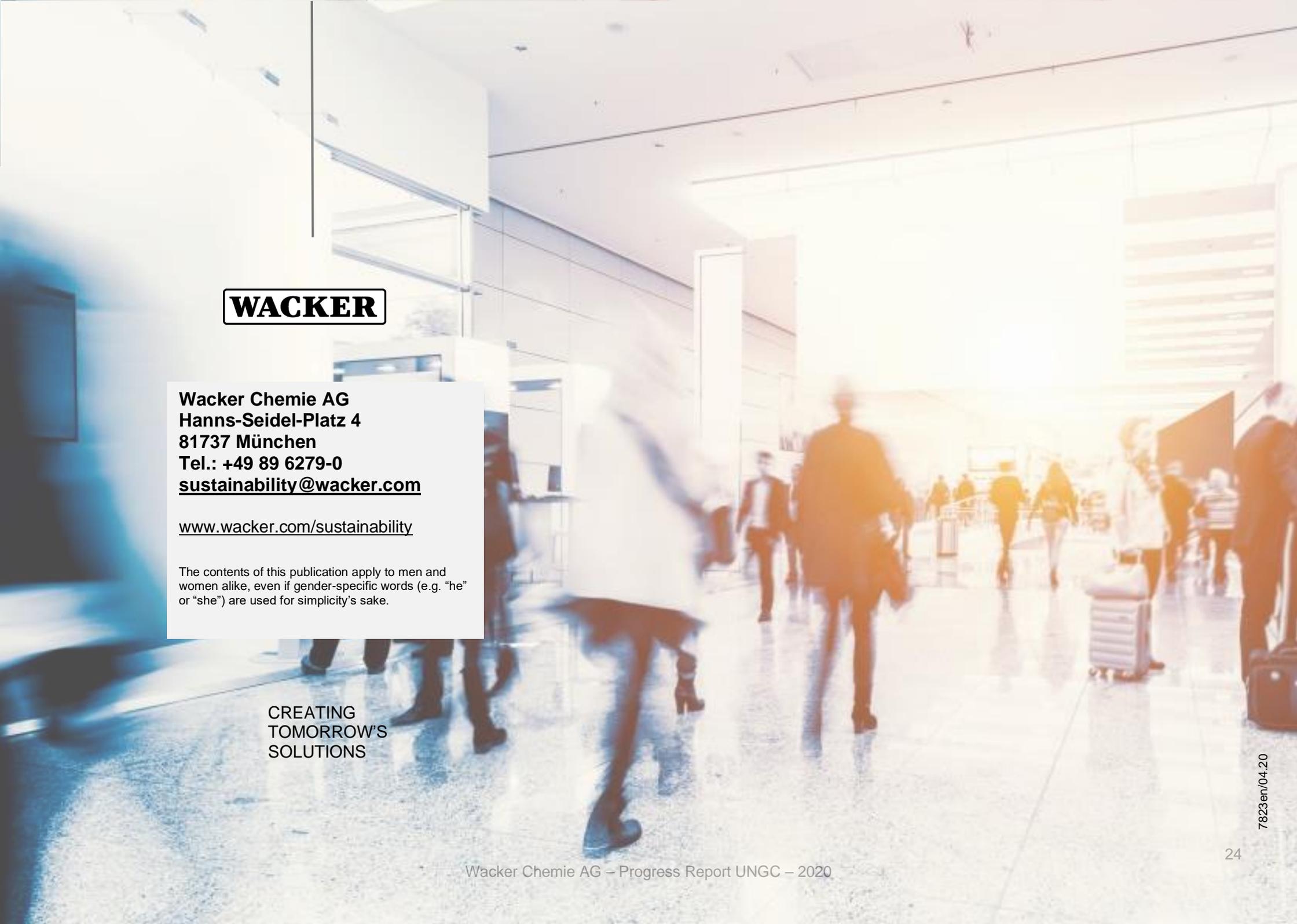
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UNGC Principle	Implementation at WACKER	Page
<p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and ...</p> <p>Principle 2: ... make sure that they are not complicit in human rights abuses</p>	<ul style="list-style-type: none"> <li>• Corporate philosophy and target setting</li> <li>• Principles of Corporate Ethics</li> <li>• Participation in initiatives</li> <li>• Orientation on standards</li> <li>• Corporate Citizenship</li> <li>• Supply Chain Management</li> <li>• Human Rights Committee</li> </ul>	<p>2, 3 4 4 3 20, 21 20 7</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"> <li>• Labor union</li> <li>• Global employee representation</li> <li>• HR staff members for employees' interests</li> </ul>	<p>9 9 9</p>
<p>Principle 4: ... the elimination of all forms of forced and compulsory labor; ...</p> <p>and</p> <p>Principle 5: ...the effective abolition of child labor;</p>	<ul style="list-style-type: none"> <li>• We condemn slavery and all other forms of forced or compulsory labor as well as child labor</li> <li>• Social benefits, working time models</li> <li>• work safety</li> <li>• Supply Chain management</li> </ul>	<p>7 7 13,14 7,20</p>
<p>Principle 6: ...the elimination of discrimination in respect of employment and occupation.</p>	<ul style="list-style-type: none"> <li>• Equal treatment, trainings</li> <li>• Compliance report</li> <li>• Equal opportunity charter</li> <li>• Proportion of Women in Executive Positions</li> </ul>	<p>8 18 8 9</p>

**5 Principles of UNGC**



<p>Principle 7: Businesses should support a precautionary approach to environmental challenges; ...</p>	<ul style="list-style-type: none"> <li>• SustainaBalance®</li> <li>• Environmental targets and transparent key figures</li> <li>• Integrated environmental protection</li> <li>• Activities for more energy efficiency</li> <li>• Product, plant and transport safety</li> </ul>	<p>3 16,17</p> <p>16,5 16,17 12,13</p>
<p>Principle 8: ... undertake initiatives to promote greater environmental responsibility; and ...</p>	<ul style="list-style-type: none"> <li>• SustainaBalance®</li> <li>• Alignment to SDGs</li> <li>• Sustainable products, Product safety, trainings</li> <li>• Nature Conservation</li> </ul>	<p>3 3 11,13,14 5</p>
<p>Principle 9: ... encourage the development of environmentally friendly technologies.</p>	<ul style="list-style-type: none"> <li>• SustainaBalance®</li> <li>• Innovation strategy</li> <li>• Sustainable products</li> </ul>	<p>3 2 11</p>
<p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<ul style="list-style-type: none"> <li>• Code of Conduct</li> <li>• Trainings for employees</li> <li>• Compliance Management</li> </ul>	<p>18 18 18</p>



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The contents of this publication apply to men and women alike, even if gender-specific words (e.g. "he" or "she") are used for simplicity's sake.

CREATING  
TOMORROW'S  
SOLUTIONS