

GLOBAL COMPACT PROGRESS REPORT 2011 WACKER CHEMIE AG

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1 Statement of Continued Support (Message from the CEO)

Ladies and Gentlemen,

It is no exaggeration to say that 2010 was an excellent year for chemicals, and definitely for WACKER, too. Our employees played a vital role in helping WACKER weather the world's worst economic crisis for decades so effectively and return to the successful path of previous years.

Our vision is to make an indispensable long-term contribution to global progress and sustainable development. In fact, sustainability has been part of WACKER's production and business processes for many years now. In our view, it is the basis of our long-term business success. We always give equal consideration to business, environmental and social aspects.

As a driving business entity, we operate 26 production sites and employ 15,000 people globally – but we also see ourselves as a good global corporate citizen. In this role, WACKER embraces the Global Compact's principles of respecting human rights, promoting social and environmental standards, and fighting corruption.

Group wide environmental, safety and health standards are a clearly stated component of our management system, and compliance is compulsory at all our sites. Those responsible for implementation receive advice and support from Group coordinators as well as from the new Corporate Sustainability Team, instituted in January 2011. Our Code of Conduct defines minimum standards of interpersonal, ethical and business behaviour based on the Global compact's ten principles. We do not only observe the Global Compact's principles in our own processes – we expect our suppliers to do likewise.

As before, we are convinced that companies can only be profitable in the long term if they take their responsibility toward the environment and society seriously. Sustainability has thus been firmly rooted in both our production and business processes for many years, which is documented in our annual report 2010. During August our new Sustainability report 2009/2010 will be published. It comprises additional information and examples on how we consistently move forward enforcing the Global Compact principals.

WACKER has embraced Global Compact's ten principles since 2006. They are firmly rooted in our company's policies, and we will strive to ensure their continued realization.



Dr. Rudolf Staudigl
President & CEO of Wacker Chemie AG
April, 2011

2 Practical actions

2.1 Human rights

Social Security

WACKER has been addressing demographic change intensively for many years. In the year under review, we started supporting the introduction of working-life accounts. Over the next few years, we will provide a total of €15 million on top of the "demographic sum" agreed for the German chemical industry. WACKER employees are not only protected well for the third phase of life but also in the event of disability. This also concerns the surviving relatives. The pension fund, the most important social facility of WACKER, contributes to this essentially. The basic support completes the legal pension. The additional supply makes a contribution to close the coverage gap over the contribution assessment limit. The pension fund can be adapted to the specific personal needs by an additional voluntary pension insurance and Deferred Compensation.

WACKER does a lot to help employees successfully integrate their careers and private lives. WACKER employees based at any German site receive free advice about nursing care and specific illnesses. Employees can contact PME Familienservice GmbH not only if they fall ill or need long-term nursing-care, but also if they want advice about arranging care for a close relative.

Transferring Knowledge and personnel development

At our international training centers, we expanded our programs in 2010 and offered more interdisciplinary courses. The WACKER ACADEMY serves as a forum for industry-specific knowledge transfer between customers, distributors and WACKER experts. It concentrates on construction-chemical courses (which, since 2010, have included silicone applications in addition to polymer chemistry) and on training for other industries, such as cosmetics and paints. The program is rounded out with basic courses on business administration, intercultural cooperation and the efficient use of e-business tools. The training centers' proximity to our development and test laboratories promotes exchanges of views and enables participants to conduct practical on-site tests. We work with company research facilities, universities and institutes to ensure our seminars remain state of the art.

WACKER attaches considerable importance to fostering young scientific talent and close contacts with universities. In 2010, we enlisted students from over 30 universities to write final-year projects and theses. We additionally sponsored 29 students at the Institute of Silicon Chemistry, which was founded at the Technical University of Munich four years ago.

We provide our employees with continuous training to promote their strengths and cultivate the skills they need to succeed. At performance reviews, held at least once a year, employees and supervisors agree on development measures. This approach applies to every employee, from shift workers to top management. In 2010, about 100,200 e-learning sessions were completed and more than 8,700 participants attended seminars, advanced training courses and conventions, or received tutoring.

Social Commitment

Companies can only be successful if they have society's trust. Consequently, we take our social responsibilities seriously, especially toward communities near our sites.

Education initiatives

In 2010, we acted as sponsor and organizer of the state-wide "Young Scientist" competition in Bavaria for the seventh time. We also again sponsored the Dresden/East Saxony regional heat of "Young Scientist."

In 2010, the Technical University of Munich (TUM) set up the TUM University Foundation. WACKER supported this sponsoring body with an initial donation of €250,000. In the future, the charitable foundation will aid research projects of outstanding merit, provide grants, and help cut through the red tape whenever leading academics are recruited from abroad.

Children's Charity "Die Arche"

A further social priority consists of projects to help children and young people. Since 2007, WACKER has supported a German religious charity, "Die Arche" (The Ark), which aids children and young people from socially disadvantaged families in several German cities. It provides the children with hot meals and extra tuition, organizes leisure activities and offers counseling. In 2010, WACKER again made a donation of €100,000 to the charity's Munich branch.

WACKER relief fond

The WACKER relief fond was founded in 2005. This charitable organization helps to realize long-term and sustainable projects and provide sponsors for self-help projects. It therefore supports victims of natural disasters and actively helps in reconstructing devastated areas.

In 2010 three main projects were supported:

Haiti

In response to the Caribbean country's dire situation, Wacker Chemie AG donated an initial €50,000 to the Group's relief fund and pledged to match all employee donations. With more than €125,000 now raised, the relief fund will assist the "Don Bosco Dritte Welt" aid organization in rebuilding a destroyed elementary and high school in Gressier. The new school will offer around 350 places for boys and girls aged 6 to 18.

Pakistan

Torrential monsoon rains in northwest Pakistan in July 2010 caused flooding accompanied by mudslides and landslides. Many thousands were killed. Houses and crops were destroyed. Over 20 million people are believed to have been directly affected. WACKER's relief fund has joined forces with Malteser International to rebuild an elementary school in the Swat district. The new school building is intended for around 250 girls. Wacker Chemie AG made an initial donation of €50,000 towards this project.

Sri Lanka

WACKER's relief fund has been helping tsunami victims since 2005. Our employees' donations have been used to rebuild schoolhouses in Kosgoda and to finance the teaching of four classes. The fund has pledged to extend its commitment beyond 2011. The aim is to support students through to their diplomas. To this end, the fund staged another donation campaign at its global sites in December 2010.

Global Compact in our procurement management

The basic principles of WACKER's business ethics (Code of Conduct) and the commitment to the 10 principles of the UN Global Compact initiative are basis for the procurement guidelines. Importantly, we expect our suppliers to respect the principles of the Global Compact, and we evaluate them on this point in our risk assessments and ensure compliance to these principles by audits.

2.2 Labor standards

As a global company, WACKER operates in international markets and multicultural environments. Holding all our employees' skills and dedication in high regard, we see diversity as an enrichment. We oppose unequal treatment or disparagement on account of gender, race, ethnicity, religion, ideology, disability, sexual orientation or age.

In 2010, WACKER joined a German Ministry of Education and Research study investigating women's development for executive positions at large companies. Alongside WACKER, five other chemical and technology companies are taking part. The study's focus is on developing the careers of women with university or technical-college degrees. 14 percent of graduates employed in Germany are women. By participating in the study, WACKER intends to analyze why women are under-represented and determine what it needs to do to deploy its female employees more effectively. The research project is scheduled to end in 2012.

2.3 Environment

Energy Management and Environmental Protection

In 2010, we continued working on our groundwater remediation strategy at Nünchritz. We conducted a field test to determine whether contaminants (solvent residues) in the groundwater there can be degraded by naturally occurring microorganisms. The test's results are expected in 2011. The land for Nünchritz's new polysilicon facility was remediated in 2010, as part of the construction work there. Some 75,000 metric tons of sludge contaminated with heavy metals and hydrocarbons were removed and disposed of properly. The remediation enabled us to avoid using virgin land for the new facility. The groundwater and soil contamination was a legacy of production activities prior to WACKER's acquisition of the site.

2010 saw POWER PLUS, our energy-efficiency project, implementing further measures. WACKER is constantly improving the energy efficiency of its processes. This enables us to remain globally competitive and to support cli-

mate protection. At Burghausen, for example, we generate hydroelectric power and our new Norwegian production site at Holla obtains its electricity mainly from hydroelectric power (as is usual in Norway). Our primary source of energy, though, is climate-friendly natural gas. At WACKER's large Burghausen and Nünchritz sites, steam and electricity are produced in cogeneration systems. These combined heat and power (CHP) plants have more than 80 percent fuel efficiency, twice that of conventional power-generation plants.

Product Stewardship

WACKER ensures that all its products, if used properly, pose no risk to people or the environment. Product information is always up to date and any new findings are reflected in risk assessments. We compile material safety data sheets for all our sales products, regardless of legal provisions. WACKER publishes over 54,000 material safety data sheets in up to 33 languages.

We continuously strive to eliminate or minimize substances harmful to human health or the environment in our products and processes. We pursue this goal in different ways:

- We seek to replace hazardous substances with alternatives
- If no alternative substance is available, we supply (wherever possible) products containing hazardous substances only to commercial and industrial customers
- We develop innovative alternatives to standard market products containing hazardous ingredients

LCAs for Dispersions and Dispersible Polymer Powders

In a pilot project carried out during 2010, WACKER POLYMERS prepared life cycle assessments (LCAs) for key intermediates and for dispersions and dispersible polymer powders belonging to our VINNAPAS®, VINNEX® and ETONIS® brands. This means that there are now life cycle assessments for all of WACKER POLYMERS' major product families. Our LCAs look at the environmental impact caused by a specific product family throughout its life cycle – a "cradle-to-gate" assessment extending from manufacturing to the factory gate. The analyses allow us to assess the sustainability of our products and production processes, and improve them accordingly.

Selected Sustainable Research Projects

In the energy sector, we continued our activities in electricity conversion and storage. We are working on materials for use in lithium-ion batteries and fuel cells. These are used mainly in cars and to supply energy to houses.

WACKER is a member of the National Platform for Electric Mobility, an initiative launched jointly by the German government and industry. By 2020, there are expected to be at least one million electric vehicles on German roads.

Research at WACKER POLYMERS is geared toward improving production processes for dispersions and dispersible polymer powders. We slashed emission levels for polymer production by lowering consumption of vinyl acetate monomer and enhancing its level of recovery. New products included vinyl acetate-ethylene dispersions for zero-emission indoor paints and for plasticizer-free adhesives, as well as new water-repellent polymer powders for plasters and exterior insulation and finish systems.

WACKER POLYMERS collaborated with customers on developing biodegradable polymer products composed of VINNEX® binders and flour or starch. The properties of such polymer blends are similar to those of petroleum-based plastics. However, they can be fully biodegraded by industrial composting techniques. This renders them suitable for use in packaging materials and products for the catering, gardening and landscaping sectors.

To improve the energy balance of solar cells and lower our costs, we further reduced energy consumption in polysilicon production. The energy payback time – the length of time required to regenerate the energy needed for production – has become even shorter. It now ranges from between 10 to 18 months, the exact duration depending on the geographical location of the installed solar panels.

2.4 Anti-Corruption

Compliance as a Key Managerial Duty of the Executive Board

At WACKER, managerial and monitoring duties include ensuring that the company complies with legal requirements and that employees observe internal company regulations. The Group's compliance policy is regularly reviewed and adapted.

WACKER's compliance organization is responsible in this regard. Compliance officers hold regular training courses to inform employees of key legal provisions and internal regulations. These officers serve as contacts whenever em-

ployees have questions or need advice about compliance. Main focus of our compliance management is fighting against corruption. In 2010, we introduced an electronic compliance test (in the form of an e-learning program) for all employees who come into contact with other companies' representatives.

3 Measurement of outcomes

Equal Opportunities

We see diversity as enrichment, and oppose unequal treatment or disparagement on account of gender, race, ethnicity, religion, ideology, disability, sexual orientation or age. Integrating the disabled into our workforce is both company tradition and a reflection of our corporate identity. Instruction in Germany's General Equal Treatment Act (AGG) is mandatory and all employees globally are trained accordingly.

Transferring Knowledge and personnel development

Vocational training has always been a mainstay of personnel development at WACKER. In 2010, 196 young people began their training at WACKER or at the Burghausen Vocational Training Center (BBiW). In total, the company employed 687 trainees, 22 more than a year earlier (2009: 665). Of these, 589 are in scientific and technical disciplines and 98 in business-related fields. At 5.3 percent, the percentage of trainees (number of trainees to Group employees in Germany) remains high (2009: 5.3 percent). After graduating, trainees have a good chance of receiving a job. We offered permanent jobs to most of our suitable and interested trainees in 2010. In total, 133 were kept on. In 2010, about 100,200 e-learning sessions were completed and more than 8,700 participants attended seminars, advanced training courses and conventions, or received tutoring.

The WACKER ACADEMY opened new branches in Dubai, Singapore and Brazil and finished its expansion of the Suwon Technical Center in South Korea.

Employee Numbers Rise

WACKER's workforce increased in 2010. We had 16,314 employees worldwide as of December 31, 2010, 4.5 percent more than a year earlier (December 31, 2009: 15,618). Employee growth was driven by higher plant utilization amid the economic recovery, and by expansion projects – particularly at WACKER POLYSILICON. Our acquisition of a Norwegian silicon-metal plant at Holla (129 employees) and a South Korean silicone site at Jincheon (40 employees) also enlarged the workforce. In 2010, there was no longer any major need for short-time work. As a manufacturing company, WACKER has a large contingent of industrial employees (56 percent) – about a seventh of whom are women (14.2 percent).

Environment

Our environmental indicators revealed divergent trends in 2010. Water consumption fell thanks to a new recooling plant used in the cooling-water system at Burghausen, our largest site. The amount of non-methane volatile organic compounds (NMVOCs) rose, due to higher production-capacity utilization and plant start-ups in China. Overall, our environmental figures showed a positive trend. WACKER continuously strives to close its material loops and recycle byproducts from other areas into production – and, thus, to prevent or reduce waste.

Environmental Indicators from 2008 to 2010¹

		2010	2009	2008
Air	CO ₂ emissions	986,000 t	969,000 t	976,041 t
	Nitrogen oxides (NO _x)	926 t	963 t	997 t
	Non-methane volatile organic compounds (NMVOCs)	415 t	383 t	501 t
Water	Water consumption	252,151,000 m ³	264,532,000 m ³	241,286,375 m ³
	Chemical oxygen demand (COD)	1,820 t	2,730 t	4,782 t
	Halogenated organic hydrocarbons (AOX)	6 t	6 t	7 t
Waste	Disposed of	48,520 t	80,860 t	87,293 t
	Recycled	77,030 t	63,430 t	74,327 t

Energy	Hazardous ²	69,320 t	100,860 t	108,458 t
	Non-hazardous	56,230 t	43,430 t	53,161 t
	Electricity consumption	3.8 TWh	2.7 TWh	2.4 TWh
	Primary energy			
	Natural gas	5.5 TWh	5.4 TWh	5.4 TWh
	Solid fuels ³ (coal, charcoal, wood)	0.4 TWh	–	–
	Heat (supplied by third parties) ⁴	0.2 TWh	0.2 TWh	0.2 TWh
	Heating oil	0.01 TWh	0.01 TWh	0.01 TWh

¹ Except for energy, the data do not cover silicon production at Holla, Norway

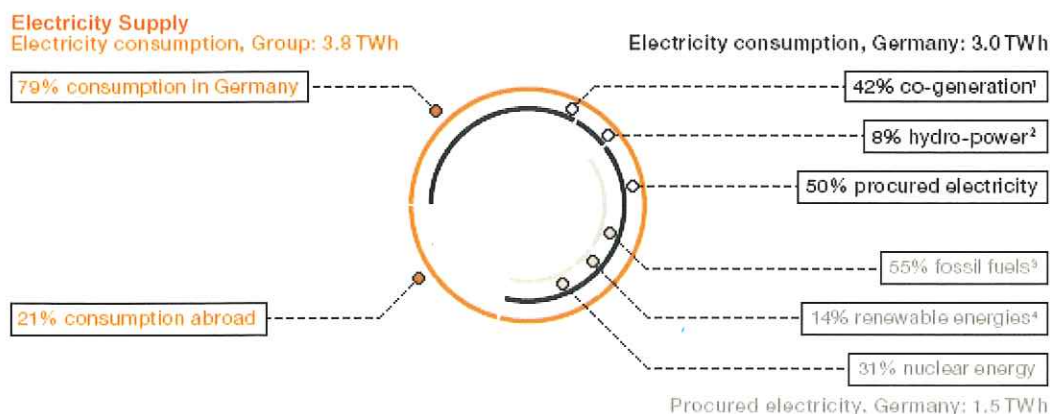
² Reduced by change in waste accounting at Calvert City, USA

³ Used in silicon-metal production at Holla, Norway

⁴ Steam, district heating

Energy Management

WACKER's German production sites account for 79 percent of its electricity needs. In Germany, we purchased enough electricity from utilities to cover 50 percent of our electricity requirements there. In line with the utilities' primary energy sources, about half of this electricity was generated from fossil fuels (55 percent). 31 percent came from nuclear energy, and 14 percent from renewable energy sources.



¹ Burghausen and Nünchritz

² Burghausen

³ Coal, lignite, oil, gas

⁴ Hydro, wind, solar power

Compliance System Expanded

WACKER's ethical and legal principles of corporate management exceed legal requirements. In 2010, the Group expanded its compliance system. For example, WACKER Greater China set up a compliance hotline. Our other subsidiaries each have a compliance officer who is contacted directly. We expanded our compliance team beyond Germany, the USA and China by appointing and training new compliance officers at other major production locations. As a result, employees in Japan, India, South Korea, Brazil and Singapore now have direct access to compliance officers. In 2010, the Compliance Management department held numerous classroom seminars to inform employees about WACKER's ethical and legal management principles. We developed an online course that has been used to train people across the Group who have regular business contacts. Additionally, our workforce in Germany has been encouraged to undergo online training on data protection. If employees notice any violations, they have been instructed to inform their supervisors, the employee council, their designated HR contacts or the compliance officers.