

GLOBAL COMPACT PROGRESS REPORT 2013 WACKER CHEMIE AG

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1 Statement of Continued Support (Message from the CEO)

Ladies and Gentlemen,

As expected, 2012 was a challenging year for our company. The key factor influencing WACKER's performance was solar-grade polysilicon. Although we supplied customers with more polysilicon than ever before in 2012, the marked price decline – 50 percent within one year – significantly dampened Group sales and EBITDA. Additionally, lower volumes and prices held back our semiconductor business.

We are much more optimistic about our chemical business, where we expect to post sales and earnings increases again this year. We see opportunities for further growth in polymers, especially in the area of construction applications. In silicones, we aim to increase our market share with higher-quality products. We will strengthen our global presence, so that we can seize our market opportunities in key growth countries and regions. In the years ahead, we will intensify our focus on expanding our chemical business and on increasing its share of total sales.

WACKER is well positioned to continue expanding through its own resources during 2013 and beyond. Our growth opportunities are underpinned by our divisions' leading market and technology positions, by our strong presence in key markets and by our innovative strength.

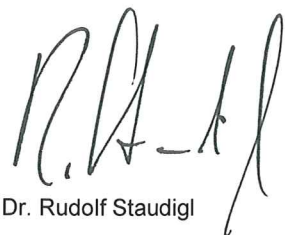
In all that we undertake, we rely on the high level of commitment and profound expertise of our employees.

As a driving business entity, we operate 24 production sites and employ more than 16,000 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.

For years, sustainability has been an integral part of WACKER's production and business processes. The equal consideration given to economic, social and environmental factors and trust in our actions are an essential component of our long-term economic success.

Our integrated management system (IMS) remains the most important instrument for our operational processes. The Corporate Sustainability department guides the implementation of WACKER's voluntary commitments under Responsible Care® and the Global Compact and coordinates our sustainability activities worldwide. These behavioral principles – defined in five codes – are based on the Global Compact's ten principles, to which WACKER has been fully committed since 2006. We also expect our suppliers to do likewise.

In August 2013, we will publish our new Sustainability Report 2011/2012. It contains additional information and examples on how we consistently move forward in implementing the Global Compact principals.



Dr. Rudolf Staudigl

President & CEO of Wacker Chemie AG

April, 2013

2 Practical actions

2.1 Human rights

Social Security

WACKER's good social benefits, performance-oriented compensation and challenging tasks make us an attractive employer.

In addition to their fixed base salary (which includes vacation and Christmas bonuses), WACKER employees receive variable compensation – a voluntary payment to employees both on the standard and above-standard pay scales. It consists of a profit-sharing amount and a personal-performance component.

A WACKER pension is an important compensation component and is available at most of our German and non-German sites – except for regions where legal provisions are inadequate or the statutory pension appears sufficient. In Germany, we offer employees a company pension via Wacker Chemie VVaG's pension fund (a mutual insurance company).

Demographic Change

WACKER wants to maintain its long-term innovative and competitive strength. To that end, we have set ten strategic goals, involving measures ranging from health programs to basic and advanced training aimed at employee flexibility. In health management, we are increasing our efforts in five fields. We are working on avoiding spinal disorders and cardiovascular diseases in our workforce, increasing mental resilience, enabling age-appropriate work and finding suitable jobs for staff with health restrictions.

Transferring Knowledge and personnel development

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 now cover construction-sector silicone applications in addition to polymer chemistry) and on training for other industries, such as cosmetics and paints. 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.

To remain competitive in the face of demographic trends, WACKER intends to intensify its efforts to recruit graduates in critical disciplines. Now in its second year of existence, the Corporate Recruiting & HR Marketing department is focused on fostering contacts with academic institutions. Beside enhancing its presence at college fairs, WACKER offers a wider range of production site visits, and has intensified its contact with academically outstanding university departments. We set up a new semester-break academy in collaboration with the universities of Erlangen-Nuremberg and Stuttgart and with the Technical University of Munich. This one week seminar program targets highly talented students in relevant academic disciplines.

Vocational training has always been a key focus of personnel development at WACKER. In 2012, 205 young people began their training at WACKER or at the Burghausen Vocational Training Center (BBIW). In total, the company employed 665 trainees (2011: 663).

WACKER also trains young management talent, offering a General Management Trainee Program. In 2012, four graduates participated in the 18-month program. Since its launch in 1997, 75 young people have completed the trainee program.

We offer all our employees opportunities for additional training because we want to promote their strengths and provide them with the skills they need to succeed. At least once a year, employees and supervisors agree on development measures during performance reviews. This approach applies to all hierarchy levels.

Education initiatives

2012 was the eighth time that we had taken the helm as statewide sponsor and organizer of the “Young Scientists” competition in Bavaria. We also again sponsored the Dresden/East Saxony regional heat of “Young Scientists.” We have launched a new experiment kit called CHEM2DO. With it, students get the opportunity to experiment with modern silicones and cyclodextrins. It includes a lesson plan and can be used in various kinds of German secondary schools. The experiments and documentation have been completely revised, and we have now also developed a preparatory course for teachers across Germany. Run by the teacher-training centers of the Society of German Chemists and selected universities, the course is the perfect way to prepare chemistry teachers for the experiments. WACKER has set up a scholarship program at Liangfeng Senior High School in Zhangjiagang (China). Awarded annually to 25 students and six teachers with outstanding academic performances, the WACKER Scholarship provides financial support that extends to students from disadvantaged families. In addition, WACKER experts share their know-how at the high school by giving specialized classroom instruction on industrial silicone applications.

Dedicated to Young People and Society

As a true corporate citizen, we support projects to help children and young people in communities near our sites and elsewhere in the world. 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 tutoring, organizes leisure activities and offers counseling. In the reporting year, WACKER presented its sixth annual donation of € 100,000 to the charity's Munich branch.

WACKER RELIEF FUND

In 2012, the company relief fund (WACKER HILFSFONDS), our foundation for disaster relief, gave employees the option to donate the cents from their monthly paychecks to the fund on a regular basis. About 4,300 people in Germany have responded to the call and are thus helping to sustain relief fund projects centered on the reconstruction and running of schools and training facilities. As in other fund campaigns, the WACKER Group is participating in the cent-donation program with a contribution that matches employee donations. With the help of the cent donations, the foundation can now support an entire school of about 200 students in Kosgoda (Sri Lanka) up to the tenth grade. WACKER HILFSFONDS also supported schools in Gressier (Haiti) and Murghazar (Pakistan). Destroyed in natural disasters, they now have their students back in class in new buildings dedicated in 2012.

WACKER RELIEF FOND projects:

- Sri Lanka: The cent-donation program yields €50,000 annually, after doubling by the WACKER Executive Board, for running the school in Kosgoda.
- Pakistan: The WACKER HILFSFONDS donated €50,000 for rebuilding a school for 250 girls in Murghazar, Pakistan, that had been destroyed in 2012 following violent monsoon rains.
- Haiti: In coming years, the WACKER HILFSFONDS will provide €150,000 to run the school in Gressier, Haiti, with 350 children.
- China: The company donated over €100,000 to build a school for 300 children in the village of Fujia in central China, which was devastated by a severe earthquake in 2008.

Global Compact in our procurement management

Our purchasing conditions require suppliers to observe our business principles, e.g. the sustainability aspects entailed by Global Compact. Where a violation is identified, WACKER takes corrective action. This can range from joint decisions on improvements to temporary blocking of the supplier through to termination of the business relation. We continue to systematically review supplier risks on a worldwide scale, using analyses from rating agencies, supplier assessments and, increasingly, direct contact with our partners. We ourselves conducted 510 supplier assessments in 2011. In future assessments, we will take a closer look at sustainability, occupational safety and processing using electronic order transactions.

2.2 Labor standards

Employee Representation

WACKER works with the employee representatives in a spirit of cooperation and trust. Industrial union membership has always been high among WACKER employees, especially at the German sites. Employees are under no obligation to inform their employer of any union membership, and the employer is not permitted to ask. We therefore do not know how many union members there are at WACKER.

WACKER employment contracts treat staff based in Germany – regardless of their union membership – as if they were covered by the respective applicable collective agreement. WACKER employees at non-German sites can also organize in unions. At non-German sites without (statutory or voluntary) employee representation, HR staff members are the contacts for employee interests.

Equal Opportunities and Anti-discrimination

As a global company, WACKER operates in international markets and multicultural environments. Holding each employee's 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. These principles are valid across the WACKER Group and, as part of our corporate culture, are embodied in our Code of Teamwork & Leadership.

Special arrangements are in place to help and promote WACKER employees who are disabled or suffer from long-term occupational disabilities. Representatives of WACKER's disabled employees play a key role in finding suitable positions for anyone with a long-term occupational disability.

WACKER hires new employees and executives solely on the basis of qualification.

Equal treatment applies to both men and women at WACKER. It goes without saying that we offer equal opportunities to all employees, regardless of their gender. This approach also applies to compensation. The amount earned reflects each job's specific demands and responsibilities.

2.3 Environment

Environmental Protection and Energy Management

All WACKER's processes focus on the need to protect the environment and to manufacture safely. WACKER continuously strives to close its material loops and recycle byproducts from other areas back to production and thus to prevent or reduce waste.

WACKER is constantly improving the energy efficiency of its processes. This enables us to remain globally competitive and to support climate protection. At Burghausen, for example, we generate hydroelectric power and our production facility in Holla obtains electricity mainly from hydroelectric power. 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

In 2012, we continued with our lifecycle assessments to determine the "cradle-to-gate" environmental impact of our products. WACKER was a participant in a study published by the European Silicones Center (CES) in 2012. This study comprises the entire product lifecycle of silicones and related products, such as silanes. The study assessed the CO₂ emissions caused by producing the silicones compared with the resultant reduction of CO₂ achieved by using the silicones. It found that the use of silicones and related products (such as siloxanes and silanes) reduces the carbon footprint of many significant products by a factor of 9. At 54 million metric tons of CO₂ a year, this reduction is equivalent to the emissions generated to heat 10 million homes.

We have introduced a tool to evaluate systematically the risks and opportunities of our product line from an environmental perspective. In the Eco Assessment Tool, we take into account not only material, water and energy use, but also ecotoxicity over the entire product lifecycle. We have assessed initial products in this fashion and will expand our analysis.

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 ethical and legal principles of corporate management exceed legal requirements. Employees in Germany, the USA, China, Japan, India, South Korea, Brazil and Singapore now have access to compliance officers.

If employees notice any violations, they have been instructed to inform their supervisors, the employee council, their designated HR contacts or the compliance officers.

Our compliance programs are designed to prevent misconduct, minimize the repercussions of misconduct, and – in accordance with the UN's Global Compact – identify any cases of corruption or other legal infringements. To promote compliance, we use such organizational methods as the separation of responsibility and our dual-control policy. Separation of responsibility makes it impossible for any one employee to single-handedly carry out transactions involving payments. The purchasing unit is thus quite distinct from the ordering unit. Dual control ensures that every critical transaction is checked by a second person.

Our internal Corporate Auditing department regularly checks all corporate entities on behalf of the Executive Board. The Executive Board adopts a risk-driven approach when choosing audit topics, which, if necessary, are flexibly adjusted during the year to take account of changes in underlying conditions. Its auditors look particularly frequently at processes and areas with a high exposure to corruption or to legal noncompliance.

3 Measurement of outcomes

Social Security

WACKER's good social benefits, performance-oriented compensation and challenging tasks make us an attractive employer. This is also apparent in the long-term commitment of our employees to our company (see table below).

r 3.27 Employee Turnover Rate							
%	2012	2011	2010 ¹	2009 ¹	2008	2007	2006
Germany	0.9	0.9	0.6	0.7	0.9	0.9	0.8
International	30.8	8.9	8.7	8.6	9.3	9.1	8.5
Group	7.9	2.9	2.5	2.5	2.9	2.8	2.6

¹Figures changed to reflect current data from the Sustainability Report for 2009/2010.

Demographic Change and Pension Plans

The "Working Life and Demography" collective-bargaining agreement concluded by chemical-industry employers and the German mining, chemicals and energy labor union (IG BCE) addresses the challenges posed by demographic trends. The "demographic sum 1" agreed by the parties – € 312.30 per full-time employee in 2012 – is paid into the company pension plan at WACKER. The amount represents compensation for any statutory pension losses that might result from early retirement. The "demographic sum 2" of € 200 per full-time standard pay-scale employee for the years 2012 through 2015 that was additionally agreed by the parties in the 2012 collective bargaining agreement is used for lifecycle-oriented working-time models. These include, for example, phased early retirement and various leave-of-absence options.

Equal Opportunities and Anti-discrimination

It goes without saying that we offer equal opportunities to all employees, regardless of their gender. This approach also applies to compensation. The amount earned reflects each job's specific demands and responsibilities. The average annual salary of female employees is slightly lower than that of male employees. The reason lies in the statistical analysis, where parameters such as seniority, age and performance content of the salary are not compared.

Environment

Since fiscal 2011, our environmental indicators include our silicon-metal plant in Holla (Norway), acquired in 2010. The environmental impact of metallurgical production there differs greatly from that of WACKER's typical chemical operations. The environmental indicators, particularly regarding airborne emissions, have risen as a result of the acquisition. In the case of wastewater, chemical oxygen demand (COD) and halogenated organic compounds (AOX) were both down because we closed the Burghausen acetaldehyde plant in 2012. Disposable waste has been reduced, since the filter cake from wastewater treatment in Burghausen is now being recycled instead of disposed of as before.

3.28 Emissions into the Air: Business Divisions/Metallurgy

	2012 Group	2011 Group	2012 Business divisions ¹	2011 Business divisions ¹	2012 Metal- lurgical production ²	2012 Metal- lurgical production ²
Air						
CO ₂ emissions (t) -----	1,294,000	1,341,000 ³	983,200	1,020,000 ³	310,800	321,000
Nitrogen oxides (NO _x) (t) -----	2,225	2,221	1,072	1,052	1,153	1,169
Non-methane volatile organic compounds (NMVOCs) (t) -----	418	396	411	389	7	7

¹WACKER business divisions, without silicon-metal production in Holla, Norway

²Holla site, Norway

³Figure contains final measured emissions for the Burghausen power station in accordance with the monitoring guidelines of the European emissions trading system (EU ETS).

Our indirect greenhouse gas emissions from procured energy (as per Greenhouse Gas Protocol Scope 2) rose by 5.9 percent in 2012. The main reason is production-capacity expansion for polysilicon via commissioning of new facilities at the Nünnchritz site.

T 3.29 Environmental Indicators 2006–2012¹

	2012	2011	2010	2009	2008	2007	2006
Air							
CO ₂ emissions ² (t)	1,294,000	1,341,000	986,000	969,000	976,041	912,260	941,572
NO _x nitrogen oxides (t)	2,225	2,221	926	963	997	838	804
Non-methane volatile organic compounds ³ (NMVOCs) (t)	418	396	415	383	501	687	560
Greenhouse gases							
Direct ⁴ (t CO ₂)	1,294,000	1,347,000	-	-	-	-	-
Indirect ⁵ (t CO ₂)	1,150,071	1,086,192	-	-	-	-	-
Water							
Water consumption ⁶	242,072	268,657	252,151	264,532	241,286	244,173	228,283
(thousand m ³)							
COD chemical	1,460	1,680	1,820	2,730	4,782	2,162	1,993
oxygen demand (t)							
AOX halogenated organic	3	5	6	6	7	6	5
hydrocarbons (t)							
Waste							
Disposed of (t)	39,920	47,410	48,520	80,860	87,293	43,100	42,250
Recycled (t)	96,880	80,290	77,030	63,430	74,327	74,676	73,774
Hazardous ⁷ (t)	73,620	68,230	69,320	100,860	108,458	70,027	75,263
Non-hazardous ⁷ (t)	63,180	59,470	56,230	43,430	53,161	47,538	41,049
Energy							
Electricity consumption (TWh)	4.6	4.4	3.8	2.7	2.4	2.1	1.9
Primary energy⁸							
Natural gas (TWh)	5.9	5.8	5.5	5.4	5.4	-	-
Solid fuels ⁹	0.9	0.9	0.4	-	-	-	-
(coal, charcoal, wood) (TWh)							
Heat (supplied by	0.2	0.2	0.2	0.2	0.2	-	-
third parties) ¹⁰ (TWh)							
Heating oil (TWh)	0.02	0.02	0.01	0.01	0.01	-	-

¹In 2011, the environmental indicators reflected for the first time the silicon-metal production site in Holla (Norway), acquired in 2010.

²Reduction in 2012 due to optimized operation of the Burghausen power station. The figure for 2011 contains final measured emissions for the Burghausen power station in accordance with the monitoring guidelines of the European emissions trading system (EU ETS).

³Increase via higher plant utilization in Burghausen, Germany, and Calvert City, USA.

⁴As per Greenhouse Gas Protocol "A Corporate Accounting and Reporting Standard," Scope 1: direct emissions without emissions from consumption of purchased energy, CO₂ only.

⁵As per Greenhouse Gas Protocol "A Corporate Accounting and Reporting Standard," Scope 2: indirect emissions from consumption of purchased energy (electricity, heat), CO₂ only; surveyed for the first time in 2011; recalculation of 2011 values based on the modified emission factors published by the International Energy Agency (IEA), in which a distinction is made between the emission factors for electricity and heat (Source: "CO₂ emissions from fuel combustion, 2012 edition").

⁶Decrease at the Burghausen site due to lower capacity utilization of a cooling-water-intensive production line.

⁷Production-related increase in waste streams at the Nünchritz and Burghausen sites.

⁸WACKER has been reporting the more detailed primary-energy indicator since 2008.

⁹Used in silicon-metal production at Holla, Norway

¹⁰Steam, district heating

Energy Management

The chemical industry is an extremely energy-intensive sector. WACKER is one of Germany's major energy consumers. For this reason, globally competitive energy prices are of considerable significance to us. WACKER is constantly improving the energy efficiency of its processes. This enables us to remain globally competitive and to support climate protection. In 2012, we had our energy management system for WACKER Germany certified to the ISO 50001 standard. Since 2007, we have reduced our average specific energy consumption (amount of energy per unit of net production output) by 22 percent, mainly due to our POWER PLUS energy-conservation program.

T 3.30 Energy Consumption

TWh	2012	2011	2010	2009	2008
Energy consumption	4.6	4.4	3.8	2.7	2.4
Heat consumption ¹	3.8	3.9	3.4	2.8	2.8
Primary energy					
Natural gas	5.9	5.8	5.5	5.4	5.4
Solid fuels ² (coal, charcoal, wood)	0.9	0.9	0.4	-	-
Heat (supplied by third parties) ³	0.2	0.2	0.2	0.2	0.2
Heating oil	0.02	0.02	0.01	0.01	0.01

¹ Since 2010, heat consumption figures have reflected the use of solid fossil fuels (coal, charcoal and wood) at the silicon-metal plant in Holla, Norway.

² Used as a reducing agent at the silicon-metal plant in Holla, Norway

³ Steam, district heating

Compliance

WACKER's ethical principles of corporate management exceed legal requirements. Employees can direct their questions to 22 compliance officers worldwide. Alongside the existing officers in Germany, the USA, China, Japan, India, South Korea, Brazil and Singapore, additional compliance officers were appointed and trained in Mexico, Taiwan and the United Arab Emirates during 2012.

Employees are instructed to inform their supervisors, the compliance officers, the employee council or their designated HR contacts of any violations they notice. In 2012, Compliance Management focused on devising and implementing globally applicable measures (in response to the UK Bribery Act 2010, for example) in consultation with international sites to ensure compliance with local requirements.