WACKER

GLOBAL COMPACT PROGRESS REPORT 2014 WACKER CHEMIE AG

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WACKER

1 Statement of Continued Support (Message from the CEO)

Ladies and Gentlemen,

WACKER looks back on an eventful and difficult year. Although we set new records for polysilicon volumes in 2013, sales and EBITDA (earnings before interest, taxes, depreciation and amortization) came in below the previous year's level. Low polysilicon prices and persistent price pressure in the semiconductor segment were mainly responsible for this decrease. Our chemical business was stable, but the economy did not provide the tailwind to enable continued growth.

In 2013, we placed particular emphasis on resource management and lowered our costs across every corporate sector. This enabled us to limit the negative influence of price effects on Group sales and EBITDA. Cost savings of around € 225 million made a substantial contribution. Higher production output also had a positive effect.

After two challenging years, we look to the current year with more optimism. Our forecast is for increasing sales and volumes at all of our business divisions. We also expect EBITDA to grow again this year. We will work hard to achieve these goals. In all that we undertake, we rely on the high level of commitment and profound expertise of our employees.

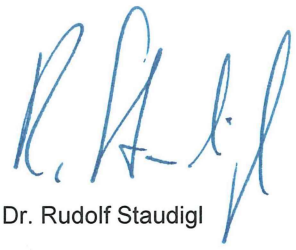
As a driving business entity, we operate 24 production sites and employ more than 16,000 people globally – but we also see ourselves as a good global corporate citizen. In this role, WACKER embraces the Global Compact's principles of respecting human rights, promoting social and environmental standards, and fighting corruption.

WACKER's vision is to Develop Intelligent Solutions for Sustainable Growth. As an innovative chemical company, we make a vital contribution to improving the quality of life around the world. In the future, we want to continue developing and supplying solutions that meet our rigorous demands – creating added value for our customers and shareholders, and growing sustainably. Society's trust in our actions is an essential component of our long-term economic success.

Our business processes are geared toward sustainable management which is, in turn, based on our integrated management system (IMS). 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. 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 since 2006 – 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. For years, sustainability has been an integral part of WACKER's production and business processes, which is documented in our annual report 2013.

In August 2013 our new Sustainability report 2011/2012 was published. It comprises additional information and examples on how we consistently move forward enforcing the Global Compact principals.



Dr. Rudolf Staudigl

President & CEO of Wacker Chemie AG

April, 2014

2 Practical Actions

2.1 Human Rights

Social Security

WACKER's exemplary social benefits, performance-oriented compensation and challenging asks 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-Nürnberg 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 2013, 185 young people began their training at WACKER or at the Burghausen Vocational Training Center (BBiW). In total, the company employed 675 trainees (2012: 665).
WACKER also trains young management talent, offering a General Management Trainee Program. In 2013, four graduates participated in the 18-month program.

2013 marked the launch of a new talent-management process at WACKER. Our aim here is to identify and encourage talent at an early stage across the Group and to have candidates available that are sufficiently qualified to assume challenging tasks in the medium and long term. The talent-management process is directed at above-standard payscale employees and Executive Personnel.

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.

WACKER promotes Science Education and Social Projects

Companies can be commercially successful only if they have society's trust. which is why we take our social responsibilities seriously, especially in communities near our sites. We place particular importance on the scientific and technical education of young people, as we will need committed chemists, engineers and laboratory assistants in the future if we are to remain competitive.

WACKER officially presented its new 2013 edition of the CHEM2DO experiment kit to the Bavarian State Ministry for Education and Culture. CHEM2DO gives students an opportunity to explore modern silicones and cyclodextrins. The experiments can be adapted to the varied curricula of the German secondary school system. Interested teachers can receive training on the materials throughout Germany. The course is offered at the teacher-training centers of the Society of German Chemists (GDCh) and at select universities. By late 2013, some 850 teachers nationwide, and more than 100 teachers in Austria, had completed the course. In the year under review, WACKER once again sponsored the Dresden / East Saxony regional heat of "Young Scientists."

Employees helping Colleagues

We attach particular importance to projects that help children and young people. Since 2007, WACKER has supported "Die Arche" (The Ark), a German Christian charity that aids children and adolescents from socially disadvantaged families in several German cities. In the reporting year, WACKER presented its seventh annual donation of € 100,000 to the charity's Munich branch.

In June 2013, Germany experienced devastating floods that caused economic damage totaling several billion euros. Several WACKER employees, as well as social institutions in the German states of Saxony and Bavaria, as well as in Austria, were affected by the flooding. WACKER HILFSFONDS, our disaster-relief foundation, appealed for employee donations to help colleagues in distress. Employees responded in numbers and, by the end of 2013, had donated approximately € 52,000. Combined with an employer contribution, a total of € 152,000 in donations was collected and will shortly be distributed to those affected.

2.2 Labour 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.

Environment

All WACKER's processes focus on the need to protect the environment and to manufacture products safely. We attach particular importance to integrated environmental protection. This commences with product development and plant planning. In accordance with the core ideas of the Responsible Care ® initiative, our environmental protection measures often go beyond what is legally required. In 2013, WACKER invested € 5.4 million in environmental protection (2012: € 8.6 million). In the same period environmental operating costs amounted to € 89.4 million (2012: € 79.3 million). WACKER continuously works on improving its production processes to conserve resources. One of our main tasks is to close material loops and recycle byproducts from other areas back into production, enabling us to reduce or prevent emissions and waste. We only have access to partial benchmark figures on how the chemical industry recycles, or disposes of, hazardous chemical waste because of the industry's product-mix variations and unique site infrastructures.

Water Consumption Tested Using the Global Water Tool ©

In many parts of the world, clean water is particularly scarce, and thus obtaining and purifying water is very expensive there. As a globally-active company, we take such conditions into account in our production processes and during transport. We used the Global Water Tool © (GWT) developed by the World Business Council for Sustainable Development (WBCSD) to analyze the annual relative water stress index of the countries in which our main global production sites are located.

This analysis was conducted for the first time in 2012, based on analyses using the water stress index developed by the Water Systems Analysis Group of the University of New Hampshire, USA. This index provides information on the relationship between water consumption and the availability of renewable fresh water. The outcome of the analysis is that our most important production sites are located in regions with a low relative water stress index. These regions account for more than 97 percent of our annual water consumption and over 90 percent of our production volume. Production sites in countries for which no GWT-based water stress index information is available account for less than 0.5 percent of our water consumption.

Energy Management

The chemical industry is an extremely energy-intensive sector. In Germany alone, it uses around 20 percent of all the power consumed by industry. WACKER is therefore also continually improving the energy efficiency of its processes. This enables us to remain globally competitive and to support climate protection. Many chemical reactions generate heat that can be put to use in other production processes. We have been using integrated heatrecovery systems in Burghausen and Nünchritz for years and are continually improving them. In this way, we can reduce the amount of primary energy (as a rule, natural gas) that our power plants consume.

To further improve energy efficiency and reduce specific energy consumption (amount of energy per unit of net production output), the Executive Board has defined energy targets for WACKER Germany. We already cut specific energy consumption by 22 percent between 2007 and 2013. This should drop a further 11 percent between 2014 and 2022. Overall, by 2022, we will have brought our specific energy consumption down by one- third.

Product Stewardship

WACKER takes criteria for environmental and health protection as well as for safety into account at every stage of the product lifecycle. In research and development projects, we examine the sustainability aspects of our new products and processes, starting with the raw materials used. We try to minimize raw-material consumption while selecting materials that offer maximum ecological benefit.

Our products are generally supplied to business customers for further processing – not directly to end customers. Our lifecycle assessments (LCA s) look at the environmental impact caused by a specific product family throughout its lifecycle – a “cradle-to-gate” assessment extending from manufacturing to the factory gate. They allow us to gauge the sustainability of our products and production processes, and to improve them accordingly.

Compliance Officers advising Employees worldwide

WACKER’s ethical principles of corporate management exceed legal requirements. Employees can direct their questions to 22 compliance officers worldwide. They are based in Germany, the USA, China, Taiwan, Japan, India, South Korea, Brazil, Mexico, Singapore and the United Arab Emirates. Compliance issues in countries other than those listed are handled in Germany by the corporate Compliance Officer.

Employees are instructed to inform their supervisors, the compliance officers, the employee council or their designated HR contacts of any violations they notice. In 2013, Compliance Management continued to focus on devising and implementing globally applicable measures in consultation with international sites to ensure compliance with local requirements.

3 Results

Social security

Good social benefits, competitive compensation and motivating tasks make WACKER an attractive employer. This is demonstrated by the long-term commitment of our employees to our company:

Employee Turnover Rate

%	2013	2012	2011	2010[2]	2009	2008	2007
Germany	0.9	0.9	0.9	0.6	0.7	0.9	0.9
International	11.9	30.8[1]	8.9	8.7	8.6	9.3	9.1
Group	3.4	7.9	2.9	2.5	2.5	2.9	2.8

[1] Higher employee turnover rate due to closure of Siltronic's production site at Hikari (Japan) and job cuts at the Portland (USA) site.
[2] Figures changed to reflect current data from the Sustainability Report for 2009/2010.

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.

Environment

Emissions into the Air: Business Divisions/Metallurgy

	2013 Groupwide	2012 Groupwide	2013 Business divisions[1]	2012 Business divisions[1]	2013 Metallurgical production[2]	2012 Metallurgical production[2]
Air						
CO_2 emissions (kt)	1,236	1,294	925	983	311	310
NO_x nitrogen oxides (t)	2,130	2,225	950	1,072	1,180	1,153
Non-methane volatile organic compounds (NMVOCs) (t)	410	418	403	411	7	7

[1] WACKER business divisions, without silicon-metal production in Holla, Norway
[2] Holla site, Norway

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. Groupwide, WACKER emitted a total of 1,236,000 metric tons of carbon dioxide in 2013 (2012: 1,294,000 metric tons CO_2). Lower emissions in 2013 are the result of improved power plant operations and the planned decommissioning of a gas turbine at the Burghausen site. Carbon dioxide makes up 98.5 percent of WACKER's direct

greenhouse gas emissions. The remaining 1.5 percent is made up of nitrous oxide, methane, fluorocarbons and other greenhouse gases.

Environmental Indicators from 2007 to 2013[1]

	2013	2012	2011	2010	2009	2008	2007
Air							
CO_2 emissions[2] (kt)	1,236	1,294	1,341	986	969	976	912
NO_x nitrogen oxides (t)	2,130	2,225	2,221	926	963	997	838
Non-methane volatile organic compounds (NMVOCs) (t)	410	418	396	415	383	501	687
Greenhouse gases direct[3] (kt CO_2)	1,236	1,294	1,341	–	–	–	–
Indirect[4] (kt CO_2)	1,247	1,138	1,075	–	–	–	–
Water							
Water consumption[5] (thousand m^3)	220,908	242,072	268,657	252,151	264,532	241,286	244,173
Chemical oxygen demand (COD) (t)	1,320	1,460	1,680	1,820	2,730	4,782	2,162
Halogenated organic hydrocarbons (AOX) (t)	2	3	5	6	6	7	6
Waste							
Disposed of (t)	31,560	39,920	47,410	48,520	80,860	87,293	43,100
Recycled (t)	110,500	96,880	80,290	77,030	63,430	74,327	74,676
Hazardous (t)	73,380	73,620	68,230	69,320	100,860	108,458	70,027
Non-hazardous (t)	68,680	63,180	59,470	56,230	43,430	53,161	47,538
Energy							
Electricity consumption (GWh)	4,526	4,559	4,372	3,759	2,702	2,405	2,107
Primary energy consumption natural gas (GWh)	5,051	5,927	5,771	5,463	5,378	5,372	–
Solid fuels[6] (coal, charcoal, wood) (GWh)	872	862	886	432	–	–	–
Heat supplied by third parties (steam and district heating) (GWh)	236	223	218	228	209	195	–
Heating oil (GWh)	17	18	16	13	8	9	–

[1] In 2011, the environmental indicators reflected for the first time the silicon-metal production site in Holla (Norway), acquired in 2010.
[2] Reduction 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).
[3] As per the Greenhouse Gas Protocol "A Corporate Accounting and Reporting Standard" (published by the World Resources Institute and World Business Council for Sustainable Development), Scope 1: direct emissions without emissions from consumption of purchased energy, no CO_2 equivalents
[4] As per the Greenhouse Gas Protocol "A Corporate Accounting and Reporting Standard" (published by the World Resources Institute and World Business Council for Sustainable Development), Scope 2: indirect emissions from consumption of purchased energy (electricity, heat), CO_2 only; surveyed for the first time in 2011; recalculation of 2011 and 2012 values based on the improved accuracy of selected emission factors (Source: "CO_2 emissions from fuel combustion, 2013 edition", published by the International Energy Agency (IEA))
[5] Decrease at the Burghausen site due to lower capacity utilization of a cooling-water-intensive production line.
[6] Used in silicon-metal production at Holla, Norway

Our indirect greenhouse gas emissions from procured energy (as per Greenhouse Gas Protocol Scope 2) rose by 9.5 percent in 2013. The increase in Scope 2 emissions is caused not only by increased production capacity for polysilicon at the Nünchritz site, but also by a shift from Scope 1 to Scope 2 emissions due to the planned shutdown of a gas turbine at the Burghausen site. In addition, one-fourth of the increase is caused by the annual update of regional emission factors used in calculating greenhouse gas emissions.

Save wastewater

“Save Wastewater and Make a Profit” was the title of a special Employee Suggestion Program initiative launched in July 2013 at the Burghausen site. The goal was to encourage employees to scrutinize any and all parameters relevant for water consumption and recycling in production. When the campaign ended on December 31, 2013, employees had submitted 72 improvement suggestions, with 5 of them implemented by year’s end. Another 30 suggestions were set aside as potential future wastewater treatment projects; examples include sewersystem modifications and retention systems for rainwater.

Energy Management

WACKER’s German production sites accounted for 78 percent (2012: 76 percent) of its electricity needs. In Germany, we purchased enough electricity from utilities to cover 59 percent of our electricity requirements there (2012: 55 percent). In line with the utilities’ primary energy sources, 51 percent of this electricity was generated from fossil fuels (2012: 60 percent). 18 percent came from nuclear energy (2012: 24 percent) and 31 percent from renewable energy sources (2012: 16 percent). Heat consumption, which includes the use of solid carbonbased and biogenic fuels (coal, charcoal, wood) in silicon-metal production at Holla (Norway), fell slightly across the Group to 3,724 GWh (2012: 3,755 GWh). Consumption of natural gas decreased due to the planned shutdown of a gas turbine at the Burghausen site and to lower hydrogen production compared to the prior-year figure.

Energy Consumption

GWh	2013	2012	2011	2010	2009	2008	2007
Energy consumption	4,526	4,559	4,372	3,759	2,702	2,405	2,107
Heat consumption[1]	3,724	3,755	3,862	3,374	2,794	2,782	2,516
Primary energy							
Natural gas	5,051	5,927	5,771	5,463	5,378	5,372	–
Solid fuels [2] (coal, charcoal, wood)	872	862	886	432	–	–	–
Heat supplied by third parties (steam and district heating)	236	223	218	228	209	195	–
Fuel oil	17	18	16	13	8	9	–

[1] Since 2010, heat consumption figures have reflected the use of solid fossil and biogenic 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

Workplace and Plant-Safety Projects

Managing plants and processes in a way that poses no risk to people or the environment is an important objective at WACKER. We therefore operate a groupwide safety management system that covers both workplace safety and plant safety. Our processes and workplace safety standards will be aligned with the international standard OHSAS 18001 by 2015.

Systematic workplace safety includes the regular evaluation of hazards and work-area monitoring. The first step in ensuring plant safety is to identify the risks systematically and then assess them. This includes analyzing how well we control the energy (e.g. pressure, heat) present in a process and determining what influence an individual error might have on a chain of events that could lead to the escape of a substance or an accident. On completion of this comprehensive analysis, we specify safety measures that will prevent undesirable incidents.

WACKER

Workplace Accidents Involving Permanent Staff and Temporary Workers

Number	2013	2012	2011	2010	2009	2008	2007
Accident rate for Group employees: accidents[1] per 1 million hours worked	3.8	4.7	3.9	4.3	4.0	3.7	3.8
Accident rate for Group employees: reportable accidents[2] per 1 million hours worked	1.4	2.1	1.4	1.2	1.2	1.0	1.4

[1] Accidents leading to at least one day off work
[2] Accidents leading to over three days off work