



Global Compact

Progress Report of ALTANA AG 2010

Global Responsibility

On January 31, 2001, at the World Economic Forum in Davos, the then UN Secretary-General Kofi Annan proclaimed his vision for a global compact of universally valid social and environmental principles. International businesses, he stated, should actively take on the challenges of globalization.

Today, organizations from more than 80 countries are involved in the Global Compact. This is based on ten principles in the areas of human rights, labor, environment and anti-corruption. Besides the annual progress report that we submit here (Communication on Progress, CoP), an annual statement of continued support from the Management Board (page 3) is expected from us as a company.

Statement of Support from the Management Board

ALTANA AG has undergone a profound change in recent years. ALTANA had signed up to the Global Compact as a conglomerate (pharmaceuticals and chemicals) and, in keeping with the size of the company divisions, was listed under "Pharmaceuticals". In 2007 the pharma division was sold, and the company concentrated on specialty chemicals.

At the start of 2010, ALTANA again entered into the Global Compact as a pure specialty chemicals company. The substance of the Global Compact is in complete agreement with the values of ALTANA AG. Hence support for the Global Compact is an important issue for ALTANA and, at the same time, an incentive to systematically work on improvements.

This is something we wish to do and, in line with our commitment to the Global Compact, we will be reporting each year on our progress.

Being a chemical company means that a focus of our activities is traditionally on the principles of environmental protection. We underline this further by our commitment to Responsible Care, a voluntary initiative of the global chemical industry dedicated to environmental protection, product stewardship, occupational and plant safety, and health protection.

As an international company which has production sites not only in the EU and the USA but also in Brazil, India and China, we pay special attention to human rights and labor standards. In all these countries, we pay our employees a salary that enables them to feed their families and send their children to school.

Likewise, we purchase raw materials from these countries and evaluate the situation in our supply chains.

ALTANA invests permanently in innovation and environmentally friendly products. We continue to push on with our efforts to implement the principles of the Global Compact.



Dr. Matthias L. Wolfgruber,
CEO ALTANA AG

About ALTANA

ALTANA develops and produces high-quality, innovative products in the specialty chemicals business. The product range includes additives, special coatings and adhesives, effect pigments, sealants and compounds, impregnating resins and varnishes, and testing and measuring instruments.

The four operating divisions of ALTANA—BYK Additives & Instruments, ECKART Effect Pigments, ELANTAS Electrical Insulation and ACTEGA Coatings & Sealants—occupy a leading position in their target markets with respect to quality, product solution expertise, innovation and service. Around 84 percent of ALTANA's sales are generated by international activities. The company headquarters are in Wesel, Germany.

At present, the ALTANA Group currently has over 35 production facilities and 47 service and research laboratories worldwide. Throughout the Group, around 5,000 people work to ensure the success of ALTANA worldwide. In 2009 ALTANA achieved sales of about 1.2 billion euros. Its impressive earning power and high growth rate make ALTANA one of the most successful and innovative chemical groups worldwide.



The Ten Principles of the UN Global Compact

01 Human Rights

Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights in their own area of influence.

Principle 2

Business should make sure that they are not complicit in human rights abuses.

02 Labor

Principle 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4

Businesses should uphold the elimination of all forms of forced and compulsory labor.

Principle 5

Businesses should uphold the effective abolition of child labor.

Principle 6

Businesses should uphold the elimination of discrimination in respect of employment and occupation.

03 Environment

Principle 7

Businesses should support a precautionary approach to environmental challenges.

Principle 8

Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9

Businesses should encourage the development and diffusion of environmentally friendly technologies.

04 Anti-Corruption

Principle 10

Businesses should work against corruption in all its forms, including extortion and bribery.

01 Human Rights

Principle 1

"Businesses should support and respect the protection of internationally proclaimed human rights in their own area of influence."

Principle 2

"Business should make sure that they are not complicit in human rights abuses."

ALTANA protects and respects international human rights. Responsibility toward people and the environment and self-commitment to fairness and tolerance are among our core values. These values are anchored in ALTANA's guiding principles. In addition, our shared values and our concept of legally and ethically proper behavior are described in our Code of Conduct, which sets binding standards for all our employees worldwide. With the signing of the Luxembourg Declaration of the European Union (EU) in 2008, we committed ourselves to promoting a system of preventive healthcare. A mandatory safety policy further ensures that safety takes precedence over deadlines, costs and productivity.

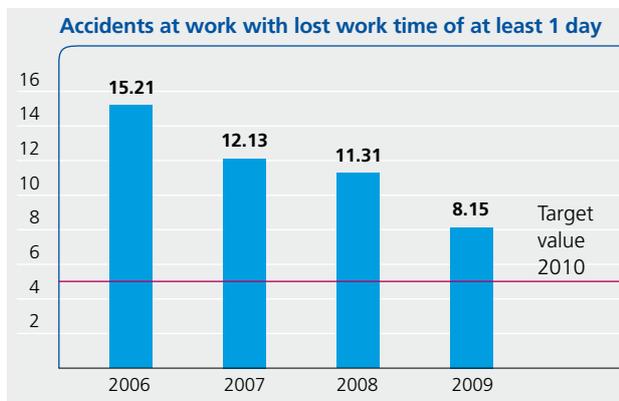
Action taken in the reporting period

- The payment of fair wages and salaries and the provision of fringe benefits are part of our social responsibility.
- In the years 2008 and 2009, a medical health plan was introduced across the board in all the Chinese companies of ALTANA, ensuring that staff are covered over and above the statutory benefits in the event of sickness or accident, as too are their survivors in the event of their death.
- In 2010, ALTANA commenced implementing a common pension scheme for all its sites in China, enabling our staff to achieve a suitable standard of living in their senior years upon retiring from the company.



→ In India, a pay review was carried out in 2009 in collaboration with external consultants. The comparison with the pay structure at other, similar companies in the region showed no irregularities. Where the level lay slightly below that of comparable companies, suitable upward adjustments were made. In 2010 another survey was commissioned that aimed to provide even more detailed information about the pay structure in our Indian company across the different levels.

→ ALTANA attaches great importance to achieving a high level of occupational safety at all its sites worldwide in order to protect the physical integrity of staff. We measure this by means of globally uniform key performance indicators (KPIs). The most important one is the number of accidents at work involving lost work time (one day or more, WAI 1) per million working hours. From 2006 to 2009 we were able to improve in this area by 46 percent.



In 2009 special measures were implemented at some sites to improve occupational safety, such as special safety inspection tours, awareness raising through poster campaigns, or the distribution of safety information to staff. At the same time, systems were employed to monitor and improve safety behavior (behavior-based safety systems), including statistical analyses. In 2010 these measures were adopted at other sites.

In 2010 the aim is for accidents at work involving lost work time (WAI 1) to fall short of the value 5.

→ In addition to occupational safety, health protection also plays a major role. With the focus on our two sites that have the majority of staff (Wesel and Güntersthäl), not only special health education days but also analyses to identify the need for action in preventive healthcare have been initiated. Ergonomics (back and muscular system), respiratory tract, diet, addiction and stress have been identified as the main action areas. We will be introducing targeted measures in these areas over the next few years.

→ ALTANA has also made a voluntary commitment to maintain fair treatment and remuneration of its interns, allowing it to bear the "Fair Company" seal of approval, awarded by a notable German business magazine.

02 Labor



Principle 3

"Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining."

Principle 4

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Principle 5

"Businesses should uphold the effective abolition of child labor."

Principle 6

"Businesses should uphold the elimination of discrimination in respect of employment and occupation."



Self-commitment and systems

ALTANA respects and protects the rights of its employees to engage in union activity and collective bargaining. We oppose all forms of forced labor and child labor, and actively seek to combat any kind of discrimination. This self-commitment is laid down in both our guiding principles and our code of conduct.



Action taken in the reporting period

→ We actively oppose such practices as child labor through our sponsorship of, in total, three education initiatives in Tibet, India and Brazil. These initiatives are, respectively, a Tibetan center for the blind, an Indian vocational training center and a Brazilian student sponsorship scheme. In addition, our subsidiary ELANTAS Deatech is sponsoring an infrastructure project in the Republic of Congo. All the projects aim to provide a good education for disadvantaged children, young people and adults and to give them an outlook on life. This sponsorship will be continued in the years to come.

→ In our own subsidiaries in China and India, the staff are paid fairly, enabling them to feed their family from their pay and making child labor unnecessary.

→ To prevent forced labor, we conclude employment contracts with all our employees, which are voluntary and contain clauses for terminating the contract.

→ A fundamental issue for us is combating every kind of discrimination. This also depends on the behavior of each individual. Which is why it is all the more important to make every member of staff aware of the content of the ALTANA Code of Conduct. To ensure this, ALTANA developed a so-called e-learning program on the theme of compliance in 2009, which facilitates PC-training in the content of the Code of Conduct. In 2010 all the staff of the German and American subsidiaries—and thus 70% of all ALTANA personnel—were trained with the e-learning program.

→ To promote equal opportunities, the Diversity Project has also been created. Here, an internal project team is developing, with external support, concepts aimed at strengthening diversity and equality in our societies.

03 Environment

Principle 7

"Businesses should support a precautionary approach to environmental challenges."

Principle 8

"Businesses should undertake initiatives to promote greater environmental responsibility."

As a chemical company, ALTANA is committed to the Responsible Care initiative of the chemical industry. The Global Charter of the Responsible Care Program (www.responsiblecare.org) supports explicit initiatives for more responsible dealings with the environment. All the managing directors of the manufacturing companies of ALTANA have endorsed their support for Responsible Care in writing.

To drive our commitment to the environment forward, the manufacturing ALTANA companies have established environmental management systems, for example, in conformity with ISO 14001. ALTANA expects these to be certified by external assessors. In 2009, this was achieved for 59 percent of the sites and 66 percent of sales. The certification for other sites is in the pipeline.

To control the environmental impact, ALTANA has set up key elements of an environmental management system. Thus, key environmental performance indicators have been made binding for all companies, and compliance with them is monitored. In addition, mandatory improvement targets have been set by the Executive Management Team.

Targets for the reduction of CO₂ emissions (specific to output) resulting from natural gas, oil and electricity consumption:

- 2007 to 2010 -6%
- 2007 to 2012 -10%
- 2007 to 2020 -30%



Targets for the reduction of waste (specific to output):

Hazardous waste total	2007 to 2010	-3%
	2007 to 2012	-5%
Disposal of hazardous waste	2007 to 2010	-6%
	2007 to 2012	-10%
Non-hazardous waste total	2007 to 2010	-3%
	2007 to 2012	-5%
Disposal of non-hazardous waste	2007 to 2010	-6%
	2007 to 2012	-10%

Targets for the reduction of municipal/drinking water consumption (specific to output):

2007 to 2010	-3%
2007 to 2012	-5%

These targets are binding for all Divisions and companies.

While energy consumption fell absolutely from 2007 to 2009, this was largely down to the drop in sales caused by the economic environment. The volume-related emissions and consumption nevertheless increased despite various optimization projects. This is due to the fact that energy consumers such as heating, ventilation and lighting are independent of the amount produced.

Absolute consumption

ALTANA		2007	2008	2009
Gas	GWh	168.79	180.64	141.63
Oil	GWh	39.79	30.88	27.55
Electricity	GWh	198.33	191.23	173.41
CO ₂ total	t	162,216.10	153,545.25	136,965.84

Consumption specific to output

ALTANA		2007	2008	2009
Gas	kWh/t	351.96	408.48	357.07
Oil	kWh/t	82.97	69.83	69.46
Electricity	kWh/t	413.55	432.41	437.20
CO ₂ total	kg/t	338.25	347.21	345.32

You can find detailed data regarding our key environmental performance indicators on the Internet at www.altana.com.

Concrete projects:

→ **Solar electricity in Italy** Italy On August 24, 2009 the photovoltaic system installed by ELANTAS Deatech at the Ascoli Piceno plant was officially connected up to Italy's national power grid. Thanks to the favorable geographic location of the region, sufficient solar radiation is guaranteed for the biggest part of the year.

The system covers a roof area of 6,500 m² and consists of 2,948 panels made of monocrystalline silicon and 1,920 panels made of amorphous silicon with a nominal output of 785 kWp. The sunlight is converted into direct current in the solar panels and then into alternating current by twelve inverters. The system will generate a minimum of 1 million kilowatt hours of electricity per calendar year and thus cover one fifth of the current power requirement for the site.

The purpose of the installation was not simply to reduce the costs of electricity, but also to make a contribution to realizing the environmental objectives of ALTANA. In terms of the intended output, the system improves the carbon footprint of the plant by 542,000 kilograms per annum and prevents the burning of 223,000 liters of fuel.

→ **Energy-saving measures at Group headquarters** In the administration building of the ALTANA holding company in Wesel, a variety of energy-saving measures have been implemented:

- Ventilation systems have been installed for all rooms except the covered inner courtyard. These systems are equipped with heat/cold recovery through cross-flow heat exchangers.
- The adjoining rooms (archive, photocopying rooms, small kitchen, etc.) are ventilated with air from the office rooms, i.e. without any additional fresh air treatment.
- With low outside temperatures in summer, night cooling occurs exclusively through the ventilation system. Only with high outside temperatures at night does the ventilation require additional cooling.
- Heated and chilled ceilings switch off automatically whenever windows are open for longer than ten minutes.

- The sun protection system by means of outside blinds is controlled automatically in order to prevent direct solar radiation in summer. In winter the sun is used for passive heating.
- The square building has an atrium, i.e. a covered inner courtyard. As a result, the external surface of the building is relatively small in relation to the space available.
- The great transparency of the building ensures an optimum use of daylight. Next to every office door is a glass panel, conference rooms are glazed toward the corridor and the inner courtyard, and the atrium is flooded with light from windows in the roof area. As a result, very little artificial light is used in the building during the day.

→ **Optimization of power consumption in the IT department** Information technology is consuming increasing amounts of electricity. Here too, there is potential to be found, the key phrase being "Green IT". One example of optimization was initiated in 2008 and continued in 2009: it entails the installation of so-called virtual servers to replace actual computers.

In 2008, around 100,000 euros were additionally invested. This is a clear saving compared to the classic investment in hardware. The investment enabled the power consumption for servers to be reduced by approx. 87 percent, saving 150 tonnes of CO₂ per annum. In 2009 an even greater number of servers were virtualized, and a further saving of approx. 350 tonnes of CO₂ per annum was achieved.

→ **Waste reduction at ACTEGA Rhenania** An example of a project from the year 2009 on waste reduction is a new container cleaning system at ACTEGA Rhenania:

In July 2009 a new container cleaning system was brought into service as a replacement for three wash systems working on different principles. The new system is suitable for the internal cleaning and external rinsing of closed, half open and open containers. The cleaning action is based on a hot, aqueous alkaline solution, which is applied to the whole area of the soiled surface by means of an adjustable, rotating high-pressure spray nozzle. Consequently, excellent cleaning results are achieved, even with heavily soiled units.

Especially where occupational safety is concerned, the new system sets standards for the employees involved in production. Thus, there is no longer any evidence of atmospheric pollution due to organic matter, and the odor nuisance is significantly reduced. Even measures for fire and explosion control are largely redundant.

Thanks to the system, approx. 480 tonnes of solvent, i.e. materials based on fossil sources, are being saved, and thus a corresponding clear improvement is also being achieved in the area of waste.

Principle 9

“Businesses should encourage the development and diffusion of environmentally friendly technologies.”

ALTANA supplies its customers with exceptional technical solutions and a comprehensive service in the area of specialty chemicals. This business model has proved highly successful for us because innovation is an essential element of our corporate strategy. It is for this reason that innovation management plays a central role. The formation of the ALTANA Innovation Council in 2008 was an important step in this direction. The Chief Technology Officers (CTOs) of ALTANA, who are responsible for R&D, are members of it, enabling us to make use of considerable synergies and increase the value of our research investments even further. At over five percent of our sales, these investments are almost twice as high as the sector average. A substantial proportion of the research expenditure goes into products with environmental relevance.

→ **Reduction of emissions from volatile organic compounds** Volatile organic compounds (VOCs) play an important part as solvents in coatings. They are also responsible for high ozone levels, as occur during summery high-pressure weather conditions with limited exchange of air, especially in conurbations.

For ALTANA AG as a supplier of products for coatings manufacturing, the subject of emissions from solvents is of great importance in environmental terms. ALTANA supports eco-friendly coating systems by developing additives or effect pigments that, for example, assist our customers specifically in the production of aqueous or solvent-reduced coatings.

The use of water as a solvent has a lot more advantages besides VOC reduction:

- Water reduces the consumption of fossil resources that arises with solvent-based coatings.
- Water as a solvent evaporates into the atmosphere with the coating application. While water is not a renewable resource, it does remain in the natural cycle in the coating application.
- Water is conveyed to the production site by means of already existing pipelines. This saves all the truck traffic that would otherwise occur through transporting the solvents, thereby causing more energy consumption.
- Aqueous coatings also reduce any health risks that usually arise in coatings from the solvents. This also saves the coatings manufacturer incurring the cost of industrial safety measures, say, for mechanical ventilation.
- Water-based coatings make fewer demands on safe storage, e.g. fire prevention, firefighting or soil conservation.

In those areas in which ALTANA itself manufactures coatings, we develop VOC-reduced solutions for our customers such as water-based coatings or UV-curing systems. Our ambassador for a large range of water-based coatings is the Division ACTEGA. Of the approx. 83,000 tonnes of coatings, sealants, compounds and printing inks produced in 2009, 82 percent of all the products manufactured were free of organic solvents, with more than 60 percent of them being water-based.

In future, too, an increasing number of solvent-based coatings will be replaced by water-based or solvent-free equivalents.

04 Anti-Corruption

Principle 10

"Businesses should work against corruption in all its forms, including extortion and bribery."

Corruption does not merely inflict immediate financial damage on the company; it can also destroy the fame and reputation of the company as a trustworthy and dependable business partner. Anti-corruption is therefore a central theme within the ALTANA Compliance Management System.

→ In the area of bribery and corruption, the Compliance Management System of ALTANA relies on several components. Alongside the statutory framing conditions, ALTANA's Code of Conduct provides guidelines for legitimate and correct behavior that at times go beyond the statutory provisions. This applies in particular to dealing with conflicts of interest between the private and official commissioning of third parties. Holders of office, including those from foreign states, must not be offered or given any personal advantages as a matter of principle. Additionally, there are standards laid down in the applicable investment and procurement guidelines with regard to corruption and undue advantage.



→ Training in the content of the Code of Conduct, especially in relation to questions of accepting advantages, granting advantages and fraud, is an essential requirement when it comes to combating corruption. As part of an e-learning program on the subject of compliance and the Code of Conduct, all the staff of the German and American subsidiaries were instructed in the content of the Code of Conduct in 2010. The e-learning program included various case studies and questions about the issue of corruption and legitimate behavior when dealing with business partners.

→ Another instrument of fighting corruption is the ALTANA Compliance Hotline. This facility allows employees to report illegal conduct directly—and, if they wish, anonymously—to the company's Chief Compliance Officer concerning selected risk areas within the Compliance Management System. Instances of corruption, accepting advantages and granting advantages are counted among the reportable infringements.

→ The internal audit is also an important anti-corruption tool. In addition to the specific compliance audits that this includes, random checking of the entries and an inspection of consultancy relationships are part of the typical coverage of an audit in the subsidiaries.



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**For more information on the theme of
Global Compact:**

www.unglobalcompact.org