



WACKER

**GLOBAL COMPACT
PROGRESS REPORT
2021**

CREATING
TOMORROW'S
SOLUTIONS



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WE FOCUS ON SUSTAINABILITY

Ladies and gentlemen,

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

2020 was an extraordinary year for all of us. The coronavirus pandemic hit the economy with devastating impact. Public life ground to a halt in many countries around the world and, today, the pandemic still poses enormous economic, political and social challenges for us all.

To overcome this exceptional situation, we focused – and continue to focus – on three priorities: Protecting the health of our employees, keeping production running and supplying our customers, and safeguarding the company's long-term future.

The coronavirus pandemic has shown that our world has become even more unpredictable. Volatility will remain with us. Permanent change has become the new normal. But WACKER is skilled at transformative change. Our courage to embrace change has made us stronger.

Sustainability has been firmly rooted within WACKER for years. Of course, we want to be CO₂ neutral by 2050. WACKER will do its utmost, though, to attain this goal long beforehand. We fully involve the supply chain so that production becomes permanently carbon neutral. Our goal is for 90 percent of our key suppliers to deliver a positive contribution to sustainability.

We have a clear strategy and know where we want to go. We strongly believe in sustainable solutions – for our products, in our production processes, and in the supply chain. We have the right products, and we maintain close relations with our customers. Without chemicals, it will not be possible to solve the problems of our time – whether the coronavirus battle, climate change or the digital transformation. That is what drives us. That is what we work for every single day.

Munich, April 2021



Dr. Rudolf Staudigl
President & CEO of Wacker Chemie AG



Dr. Rudolf Staudigl
President & CEO
Wacker Chemie AG

WITH SUSTAINABLE PRODUCTS TOWARDS CARBON NEUTRALITY IN 2050

Aimed at attaining a more sustainable society, we promote a balance between ecological, social and economic needs according to three guiding principles. Since 2020, we have summarized this strategy in our SustainaBalance®. For more sustainable products, less direct (process) emissions, a higher degree of electrification and a more sustainable supply chain by 2030.



Value Up

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



Footprint Down

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



Collaboration beyond

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



In our roadmap to 2030, we have committed ourselves to concrete targets:

90%

neutral or positive sustainability contribution in 2030 (in line with WACKER Sustainable Solutions product portfolio steering)

50%

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

60%

electrification of our processes with ongoing transition towards renewable energy

33%

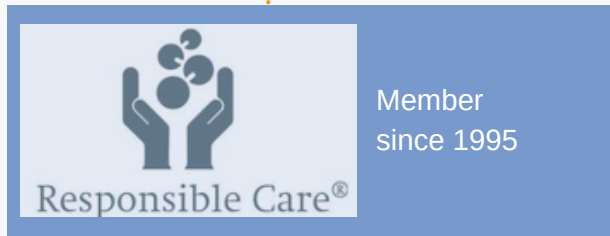
reduction in specific emissions in 2030 (vs.2012)

90%

of key suppliers with a positive sustainability contribution

TRANSPARENCY AND COMMITMENT IS ESSENTIAL

Health, safety and environmental
performance



Member
since 2006

Protection of human rights,
social and environmental standards,
and the fight against corruption

Improving the sustainability
of our entire supplier chain



In addition to participating in voluntary global initiatives that influence our actions, transparency both internally and externally is very important to us. To inform our stakeholders about WACKER's sustainability work in an open and comprehensive manner, we publish every two years a sustainability report and every year the non-financial statement within the annual report.

We control operational processes via our integrated management system (IMS). This system stipulates uniform standards throughout the Group for issues relating to quality, energy, environmental protection, and health and safety. We have our Group management system certified by an international certification organization to ensure its compliance with ISO 9001 (quality) and ISO 14001 (environmental protection) and, at our German sites, also with ISO 50001 (energy).

All certificates are available to our customers for download at:

» www.wacker.com/certificates

To foster even greater awareness for sustainability among our employees, WACKER held a third groupwide Sustainability Week in the reporting year. Over 30 sustainability projects to conserve resources and reduce the carbon footprint were initiated during this event.

5 Codes
Mandatory
corporate codes
for all employees



WE RESPECT LABOR AND HUMAN RIGHTS

Respect for Human Rights

We are committed to ensuring that our business activities do not violate or have any adverse impact on human rights. We are explicitly committed to the UN Global Compact's Ten Principles and thus to protecting human rights and avoiding complicity in human rights abuses. We condemn slavery and all other forms of forced or compulsory labor. We do not use physical violence, mental intimidation or any other form of abuse. In this area, we follow the OECD Guidelines for Multinational Enterprises, the ILO Core Labor Standards, and the UN Guiding Principles on Business and Human Rights. In the reporting year, we continued to implement the requirements of Germany's National Action Plan for Business and Human Rights.

Our efforts focus also on human-rights compliance in the supply chain. We expect our suppliers to follow the principles of both the Global Compact and the Responsible Care® initiative. It is a requirement that is anchored in our General Terms and Conditions of Procurement. To check compliance, we conduct assessments and audits in line with the criteria of the Together for Sustainability initiative.

Human Rights Committee



Our Human Rights Committee is tasked with evaluating potential impacts on human rights. It is also responsible for checking existing management approaches in terms of mechanisms that fulfill a protective and monitoring function, as well as for identifying weak points and meeting the need for information. The committee meets at least four times a year and comprises experts in sustainable development, compliance, law, human resources, social sciences, procurement, logistics and sales, as well as human rights specialists. It reviews the results of audits and assessments and, where necessary, takes action to achieve improvements. No direct violations of human rights became known during the reporting period.

Code of Conduct

Principles Global Compact:
Nr. 3 „Freedom of association“,
Nr. 4 „Elimination of all forms of forced and compulsory labor“,
Nr. 5 „Abolition of child labor“ and
Nr. 6 „Elimination of discrimination“.

Personnel Matters

WACKER's success is a team effort, involving the whole workforce. That is why the company – in the spirit of the UN's Sustainable Development Goal 8: Decent Work and Economic Growth – encourages its employees to realize their potential, assume responsibility and contribute their own ideas. We support their endeavors by

- basic, advanced and vocational training opportunities
- secure jobs
- generous employee benefits
- work culture that facilitates a positive work-life balance
- equality of opportunity
- attractive compensation and good promotion prospects
- share in our company's success

All key personnel matters are dealt with by the corresponding Executive Board committees. We also make commitments to our customers to uphold these same labor standards. The sanctions we impose for any proven misconduct in personnel matters are determined by the seriousness of the incident. There were no incidents of note in the reporting year.

DIVERSITY IS A DESIRABLE GOAL

Diversity and Equal Opportunity

We view human diversity as an asset. We oppose discriminatory or derogatory treatment on the basis of gender, race, ethnicity, religion, ideology, disability, sexual orientation or age. These principles are valid throughout the WACKER Group and, as part of our corporate culture, are embodied in our Code of Teamwork & Leadership. Employees can report incidents of potential discrimination – even anonymously. Reports can be made to a manager, compliance officer, employee representative or designated HR contact person. Complaints are investigated, and the reporting party is informed of the outcome. Cases of potential discrimination are included in the monthly compliance report submitted to the Executive Board. In addition, they are listed in the regular reports submitted to the Supervisory Board. We require all employees at our German sites to familiarize themselves with the country's General Equal Treatment Act (AGG) by completing an e-learning course.

Promotion of Diversity

Diversity management at WACKER focuses not only on inclusion, but also on the issues of gender and cultural background.



Proportion of Women in Executive Positions

We have set a goal to significantly increase the proportion of women in middle and upper management positions in the medium to long term. WACKER's talent-management process helps systematically identify and nurture women with management potential. The corporate governance report contains additional information about the proportion of women in management and, in particular, about how WACKER is implementing the German statute on equal opportunity for women and men in management that came into force on May 1, 2015.

Work-Life Balance

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



OUR EMPLOYEES ARE THE KEY

Basic and Advanced Training at High Levels

Vocational training is a key component of WACKER's personnel development activities.

- **189** young people began apprenticeships at WACKER or at the Burghausen Vocational Training Center in 2020
- **3,9 percent** more apprentices than the year before (642 apprentices)
- Percentage of apprentices with 5,9 percent, somewhat higher than the prior year figure
- **Company agreement** for WACKER Germany relating to the hiring of qualified apprentices concluded

In 2020, WACKER kept on virtually all suitably qualified apprentices (139 graduates) hiring 54 on permanent contracts and 85 on temporary contracts. The Burghausen Vocational Training Center also provides training for companies other than WACKER.

Employee Representation

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

International

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



Employee Turnover

Good social benefits, competitive compensation and motivating tasks make WACKER an attractive employer. That is evident in our employees' many years of service with us. The average length of service in Germany (permanent staff) was 18.5 years (2019: 18.1 years). The average length of service of WACKER's executive personnel was 23.2 years.

BETTER SAFE THAN SORRY

Workplace Safety

Workplace and plant safety are vitally important for WACKER. That is why WACKER defines safety targets together with its executives in Germany (in upper and middle management) during its annual target-setting process. WACKER'S processes and standards for workplace safety are aligned with the international standards OHSAS 18001 and ISO 45001. Systematic workplace safety includes regular evaluation of hazards and work-area monitoring.

All our employees are given safety training tailored to their particular work areas. WACKER Germany, for example, offers over 40 online courses on occupational safety issues. Topics range from general safety guidelines for office and laboratory workers to instruction on safe behavior in potentially explosive atmospheres and the classification of hazardous materials.

**Workplace
Accidents**
3,0 workplace accidents
per 1 million hours
worked

The Year of the Pandemic

One major safety task in 2020 centered on developing and implementing appropriate hygienic safety measures to stop the coronavirus from spreading at WACKER's sites. Crisis management teams worked together quickly, pragmatically and reliably to keep business processes operational. In this context, our top priorities were employee health and ensuring supply continuity for our customers. These measures have proven their worth:

- binding regulations and measures early on
- hygiene and social-distancing rules
- ban on business trips to risk areas
- work from home, wherever feasible
- use of protective masks.

The number of Group employees infected by the coronavirus in the reporting year was low.

Plant, Transport and Product Safety

Our safety management system is focused on prevention. Nevertheless, safety-critical incidents cannot always be prevented. Across the Group, we promptly enter any incident relevant to safety, health or the environment in the IT system we use for sustainability reporting (SPIRIT).

Reports are evaluated, and corrective action tracked. Incident reports with learning effects for other divisions or sites of the Group are processed and forwarded to corporate units where the potential hazards are similar.

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



WACKER provides information on the safe use of its products. We work continually to prevent or reduce the use in products of any substances harmful to human health and the environment.

WACKER SUSTAINABLE SOLUTIONS

90% of our products with a neutral or positive sustainability contribution

To achieve this goal by 2030, we are using the WACKER Sustainable Solutions program. We examine the life cycle of products and their applications under regional requirements and therefore group products into so-called PARCs (Product / Product group in one Application in one Region as Combination).

Results in 2020:

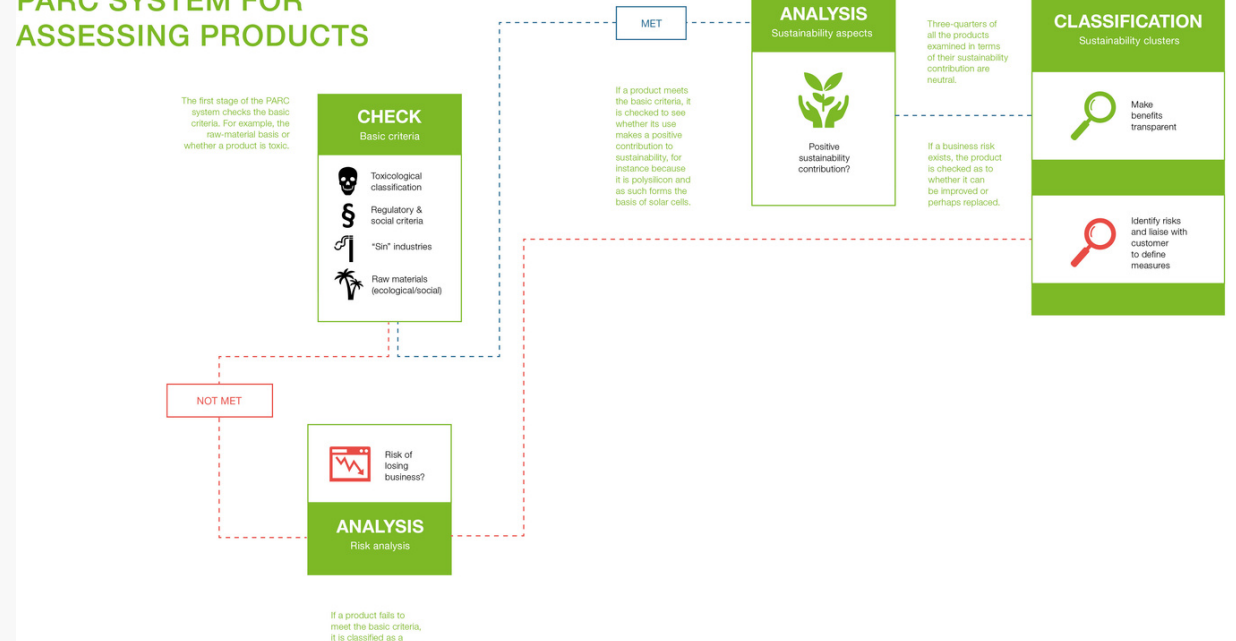
- **270** PARC reviews conducted
- **~ 90 percent** of the WACKER Group's Sales covered
- minimum sustainability criteria met by **80 percent** of the products
- for **20 percent** measures defined to either improve sustainability performance or replace the product.

In addition, we use three further tools:

WACKER ECOWHEEL®

- qualitative consideration of material, water and energy consumption, as well as its ecotoxicity, over the entire life cycle
- identification of key sustainability topics together with our stakeholders

PARC SYSTEM FOR ASSESSING PRODUCTS



WACKER Sustainable Solutions was externally certified in 2020. Key criteria are also taken into account in our innovation projects.

Life Cycle Assessment (LCA)

- quantification of the environmental impact of our products from their manufacture through to the moment they leave the factory gate (Cradle-to-Gate)
- all relevant, potentially harmful effects on soil, air and water at stake

ISC

- Dedicated database to systematically assess raw materials that we use in our products
- In addition to regulatory factors, we also take into account issues under public debate

WE ARE CONTINUALLY LOWERING ENERGY CONSUMPTION

50 % reduction in specific energy consumption by 2030

The chemical industry is one of the most energy-intensive sectors. WACKER is continually improving the energy efficiency of its processes. This enables us to remain globally competitive while at the same time contributing to climate protection.

We generated roughly 21 percent of our total electricity needs ourselves.



01
WACKER
relies on on-
site electricity
generation

We use a hydroelectric plant in Burghausen and smaller generation facilities in other sites.

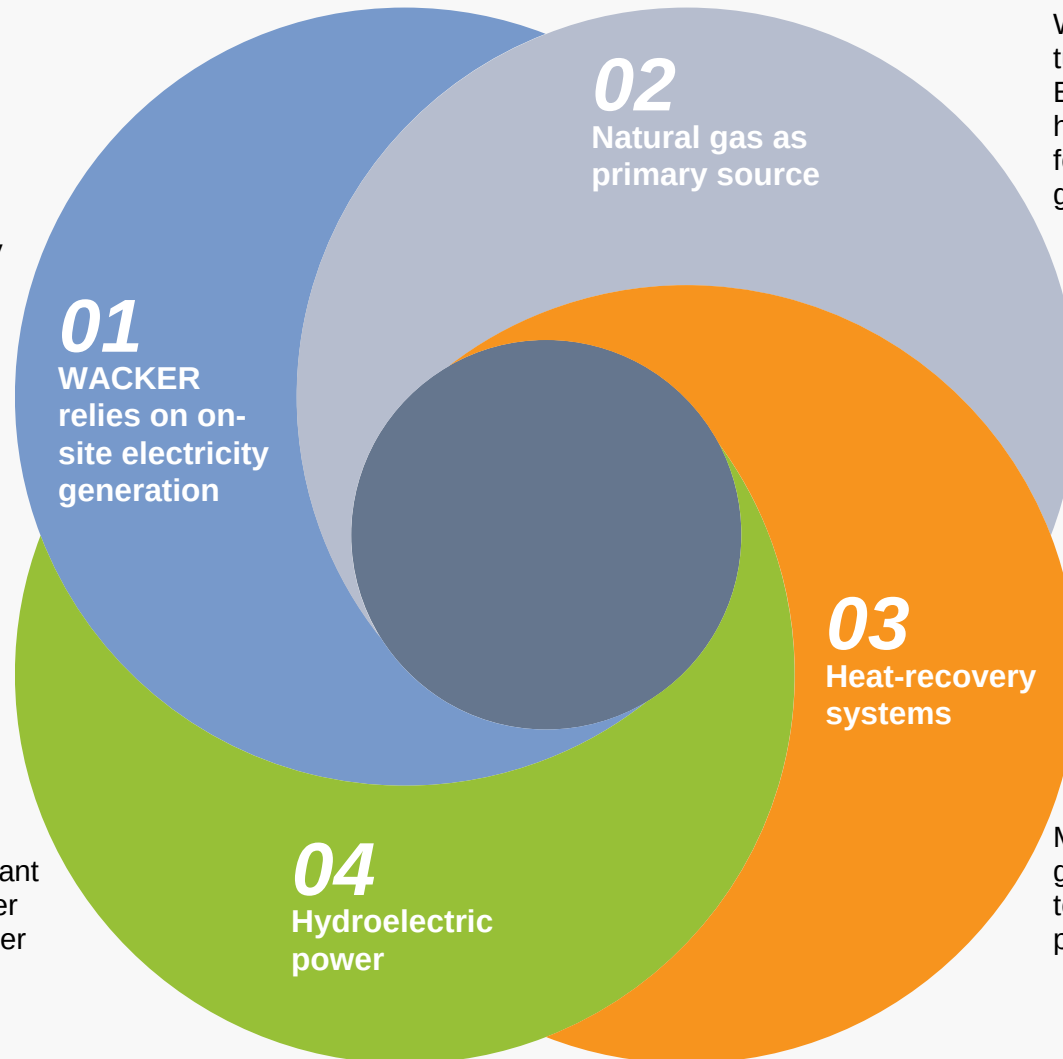
04
Hydroelectric
power

02
Natural gas as
primary source

We installed a new gas turbine to modernize the Burghausen site's combined heat and power (CHP) plant for electricity and steam generation.

03
Heat-recovery
systems

Many chemical reactions generate heat that can be put to use in other production processes.



CONSERVE RESOURCES AND AVOID WASTE

Integrated environmental protection

In 2020, WACKER invested € 0.8 million in environmental protection (2019: € 5.1 million). Environmental operating costs amounted to € 83.0 million (2019: € 82.9 million). Half of our environmental expenditure was for waste management at the Zhangjiagang site. At Nünchritz, we began preliminary work on building a flue-gas denitrification (DeNOx) facility in the waste-incineration plant. At Burghausen, we invested in a new measurement vehicle.

Greenhouse Gas Emissions

In 2020, we once again forwarded our emissions data to the CDP, which WACKER joined in 2007. In the CDP's Climate Change Report for the chemical sector, Wacker Chemie AG achieved a score of B as in the previous year. Registered CDP users can download the details.

Increased energy needs due to changed processes at the Charleston site in the USA and the capacity expansion at the site in Ulsan, South Korea, caused Scope-2 emissions to rise in 2020.



Water

In 2020, we scored a B in the CDP's Water Security Report (prior year: B-). This ranking was made possible by detailed analyses of the company's processes and by more systematic data capture.

New in 2020:

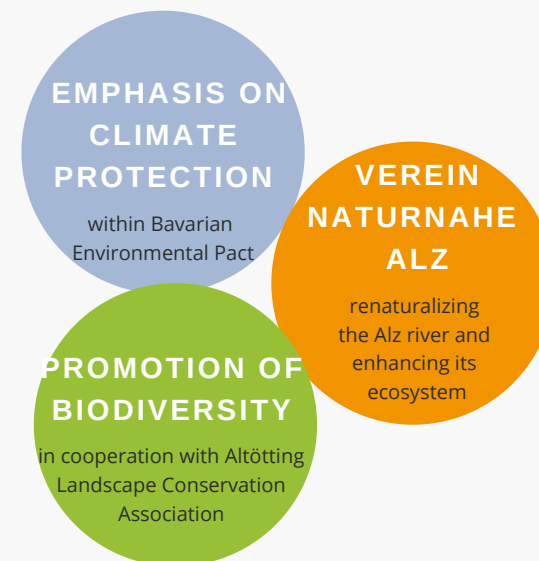
- We joined **Operation Clean Sweep®** (OCS): The initiative is committed to preventing the release of plastic pellets, flakes and powder into waterways.
- Program **Water Stewardship** prepared: commitment to using water resources responsibly throughout the entire supply chain.
- **Idea Campaign** at Burghausen site: Some 30 suggestions were submitted, particularly on the topics of cooling water and wastewater; eight of these have already been implemented, one is still being implemented.

Water withdrawal rose 21 percent year over year. The increase is not a function of higher water consumption, rather, it indicates the inclusion of water volumes we collect at the Burghausen and Cologne sites and redirect to third parties.

Waste

The amount of waste rose 14 percent groupwide. The increase is primarily attributable to the final disposal of mineral waste produced as part of a multi-year expansion project at the Holla site. Changes in production-related waste streams reflect trends in production-capacity utilization.

Nature conservation only works together



WE TAKE CARE

Preventing Corruption and Bribery

Corruption and bribery have no place in our business model. Our principles on this are contained in our Code of Conduct and all WACKER employees are required to follow them. The Chief Compliance Officer reports directly to the President and CEO on compliance issues. The full Executive Board is informed about relevant compliance cases within the Group on a quarterly basis; in urgent cases, the Executive Board is informed immediately. Our twin goals are high attendance at our online compliance training courses and a low number of corruption cases. Training courses on compliance raise employees' awareness of the relevant risks and convey binding rules of behavior for daily work routines. Compliance is a compulsory training subject for all WACKER Group employees. According to Transparency International's Corruption Perceptions Index (CPI), more than half of the countries in which WACKER operates have a low to very low risk of corruption.



Managing Corporate Risks

Risk and compliance management at WACKER is presented in detail in the risk management report, which forms part of the combined management report. The same is true for the central risk areas affecting WACKER's business and how they are dealt with. Overall, we see no serious risks that might arise from environmental concerns, personnel matters, social issues, human rights, corruption or bribery. Similarly, we see no serious sustainability risks that might arise from our business relationships or our products.

	2020	2019	2018
Prevention			
Number of organizational units examined for corruption / bribery risks	27	29	31
Percentage of legal entities examined for corruption / bribery risks	20	20	20
Corruption and Bribery Incidents¹			
Examined	–	1	2
Closed	–	2	1
Measures Taken in Response to Corruption and Bribery Incidents			
Written warnings	–	–	–
Termination of employment	–	1	–
Number of lawsuits	–	–	–
Level of major fines ² and number of non-monetary penalties	–	–	–

¹ Only cases of corruption in the narrow sense (e.g. bribery) are taken into account.
² Major fine threshold: from € 10,000

OUR SUPPLIERS ARE SUSTAINABLE, TOO



90%

90 % of key suppliers with a positive sustainability contribution

Dr. Erk Thorsten Heyen
Senior Vice President Procurement and Logistics

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



Member of Together for Sustainability
WACKER has been a member of the Together for Sustainability (TfS) initiative since 2015. Launched by the chemical industry, this procurement initiative developed a process for auditing and assessing a supplier's sustainability performance. Because results are standardized and accessible to all TfS members, the program is also attractive for suppliers.

Supplier evaluation

The results of TfS audits and assessments are integral to our process of supplier evaluation. When the results are unsatisfactory, we speak to the supplier about how they could make improvements. Reassessments or repeated audits are used to follow up on progress. Consistently poor results and lack of cooperation have consequences, and may ultimately lead to business relations being terminated. Further, we expect our suppliers to use a management system and in the case of industrial suppliers, we also require certification to ISO 14001 (environmental protection).



WE AS PART OF SOCIETY

Neighbors

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



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



Schools and universities

WACKER supports progressive teaching methods and modern approaches to school management. We are a founding member of the Bavarian Educational Pact, a foundation comprising more than 140 companies and the state of Bavaria. Its goal is to modernize the Bavarian education system. In 2020, the number of teachers in Germany and Austria trained in WACKER's chem2do® experiment kit reached 2,700. Now in its seventh year, the kit prepares educators for experiments involving silicones and cyclodextrins that can then be conducted in class.



Stiftung
Bildungspakt Bayern

WACKER Relief Fund

“

"It's much more sustainable to completely finance a really good project and concentrate on that, rather than springing into action for a few months with every new disaster, and looking for something to fund."

*Dr. Tobias Ohler,
member of the Executive Board*

”

True to the principle of “helping people help themselves,” our charitable foundation has been providing support to victims of natural disasters and helping rebuild devastated regions since 2005. WACKER's relief fund is active not only in Sri Lanka, but also in China, Haiti, Nepal and Pakistan, focusing on education and aid for affected children and young people.

CORONA SPECIAL

In the fight against the coronavirus pandemic, WACKER supported hospitals, care facilities and other institutions in the reporting year. Early on in the pandemic, WACKER responded to an inquiry from the Bavarian Ministry of Economic Affairs by donating 11,000 liters of isopropyl alcohol to make 15,000 liters of hand sanitizer for Bavarian hospitals and care facilities. WACKER Chemical Corporation in Adrian, Michigan (USA), produced its own hand sanitizer on site to meet requirements, and donated surplus quantities to local emergency services and medical facilities.

Arburg, a manufacturer of injection-molding machines for processing plastics and silicone rubbers, set up a production line to make novel facial masks based on a liquid silicone rubber grade from WACKER. WACKER SILICONES supplied the company with raw material for tens of thousands of masks at no charge. Initially given to employees for their protection, the product was later distributed free of charge to hospitals, emergency services and care facilities via the local government of Freudenstadt in southwestern Germany



With two donations of 7.5 million rupees (€ 91,500) each, WACKER Metroark Chemicals (WMC) supported the state relief fund of West Bengal, where WACKER's Amtala production site is located, and the prime minister's pm cares Fund, which coordinates Covid-19 relief in India.

Operational processes were affected by occurrences related to the pandemic. These included, for example, more frequent startups and shutdowns, fluctuating utilization of production capacity, postponement of maintenance phases and limited shift-staffing options. Because of the coronavirus pandemic, none of the planned on-site audits were performed at WACKER sites.

EVENTS AND AWARDS 2020

3. Sustainability week: *Climate Action*

- about 30 ideas
- first global, virtual congress

Recycling Initiative CELAB

- joined 2020
- support of circular economy

EcoVadis Platin Level

- improved to 75 points
- among top 1% of rated companies

Best training company

business magazin
Capital

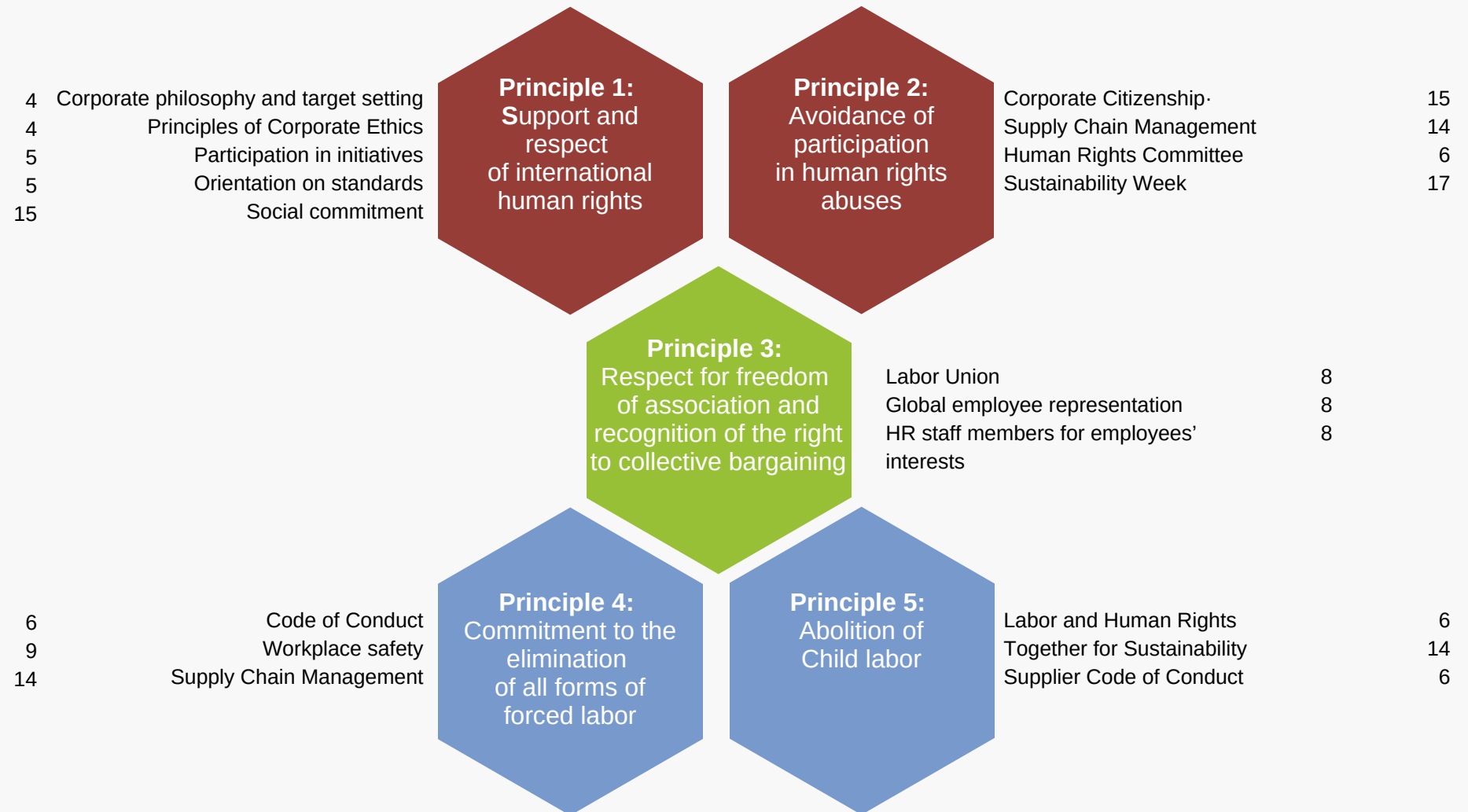
Energy Environmental Award 2020, Charleston

Chattanooga
Regional
Manufacturers
Association CRMA

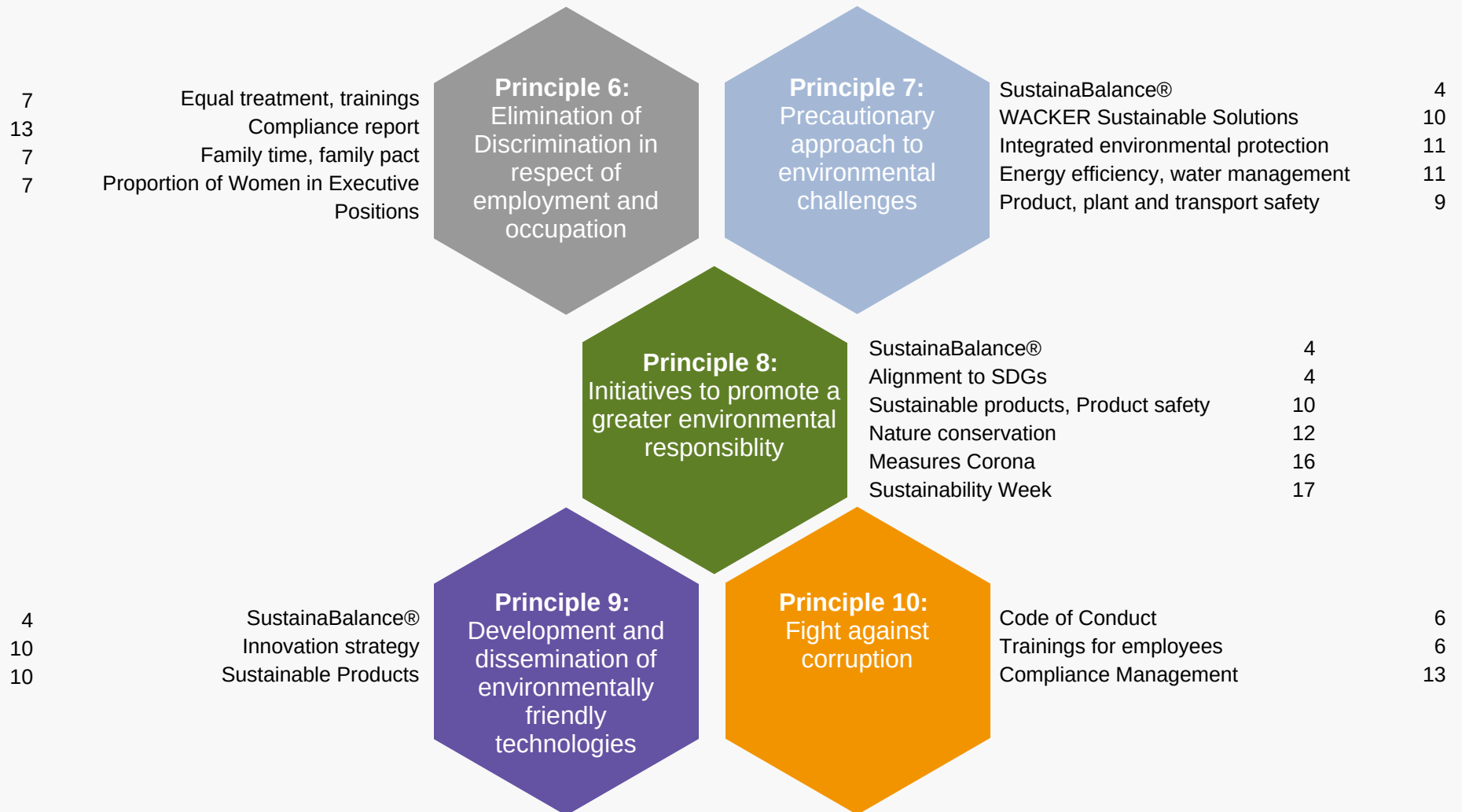
Model Employer of Corporate Social Responsibility 2020

51job

THE PRINCIPLES OF THE UNGC GUIDE OUR ACTIONS



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The contents of this medium apply to all sexes, even if gender-specific words (such as "he" or "she") are used for simplification.

CREATING
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