

# Overview on the Company's Corporate Governance

The relevant corporate governance practices for SGL Carbon SE as a European Company (*SE*) initially originate from the provisions of the SE Regulation<sup>1</sup>, national SE implementation acts and finally from the German Stock Corporation Act (*Aktiengesetz*). In addition, SGL Carbon SE as European Company is governed by the German Act on Employee Involvement in a European Company (*SEBG*) and by the provisions of an agreement on employee involvement in the Company.

Furthermore, the German Corporate Governance Code (Code) which has been adopted in 2003 and has undergone several amendments since, has significant influence on our corporate governance. The Code, on the one hand, sets out important statutory requirements for the corporate governance of German listed companies and, on the other, describes established standards of good and responsible corporate governance which are recommended or advised for compliance. Whilst these rules are not legally binding, companies failing to comply with the Code's recommendations must disclose publicly how and why their practices differ from those recommended by the Code (*comply or explain*).

Finally, the articles of association of our Company are important for our corporate governance. In the articles of association, our shareholders set down the constitution of their company within the applicable framework of mandatory law. The articles of association contain fundamental determinations for the Company, such as its share capital, the authorizations granted by the general meeting of shareholders to increase the share capital, the fundamental rights and duties of the various corporate bodies and relevant rules for the annual financial statements. The articles of association also stipulate which transactions require the approval of the Supervisory Board.

The internal structure of the Board of Management and Supervisory Board of SGL Carbon SE is also determined by their respective bylaws:

- The bylaws of the Board of Management deal in particular with the cooperation within the Board of Management, the obligations to supply information and make disclosures, rules for the avoidance of conflicts of interests, the duty of the Board of Management to supply information to the Supervisory Board, and remuneration principles.
- The bylaws of the Supervisor Board, first of all, describe the body's key responsibilities. Key sections also address the measures requiring approval of the Supervisory Board, the procedures within the Supervisory Board including for adopting resolutions, as well as rules for the avoidance of conflicts of interests. The bylaws also stipulate criteria for the selection of Supervisory Board candidates. Finally, the bylaws describe the responsibilities of the committees of the Supervisory Board and define how they cooperate with the plenum of the Supervisory Board. The Supervisory Board has also determined targets for its composition and its competence profile and takes these objectives into consideration when proposing new Supervisory Board members.

## ANNUAL GENERAL MEETING

German stock corporations and SE's typically have three corporate bodies— an annual general meeting of shareholders (*Hauptversammlung*), a board of management (*Vorstand*) and a supervisory board (*Aufsichtsrat*). Accordingly, SGL Carbon SE also has three corporate bodies. At the annual general meeting, shareholders exercise the rights granted to them by the German Stock Corporation Act. These include, in particular, the resolution on the appropriation of net retained profits, the election of the auditor, the discharge of the board of management and the supervisory board, amendments to the Articles of Association, the issue of new stock and convertible bonds and bonds with warrants, the authorization to acquire own stock, structural changes like transformations or enterprise contracts and the election of the shareholders' representatives to the supervisory board.

## BOARD OF MANAGEMENT

The board of management manages the company and represents it in transactions with third parties. It develops the company and group strategy in consultation with the supervisory board. It informs the supervisory board regularly, promptly and comprehensively about significant developments in the

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<sup>1</sup> Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE)

company and in the group, in particular the course of business and any deviations from planning, risk management, the earnings situation and significant business transactions. Members of the board of management must exercise the standard of care of a prudent and diligent businessperson when carrying out their duties. In complying with this standard of care, members must not only take into account the interests of shareholders, but also the interests of other stakeholders, such as the company's employees and, to a certain extent, the public interest. The members of the board of management of a German stock corporation and also of the SE, including its chairman or spokesman, are regarded as peers and share collective responsibility for all management decisions.

At SGL Carbon SE, the Board of Management consists of two members. Accordingly, committees of the Management Board do not exist. Within their collective overall responsibility for management decisions, each member of the Board of Management is assigned responsibility for certain departments. Additional information on the individual members of the Board of Management and their responsibilities can be found on our website under "Company/About us/Board of Management".

## SUPERVISORY BOARD

The supervisory board appoints and oversees the company's board of management. Members of the supervisory board may generally not be involved in the day-to-day management of the company. However, the company's articles of association must specify those matters of fundamental importance which may only be dealt with upon the prior consent of the supervisory board; the supervisory board may specify further matters which require its consent. Matters requiring such prior consent usually include decisions or actions having a fundamental impact on the assets, financial or profit situation of the company.

The supervisory boards of major German stock corporations and SE's are subject to employee co-determination and are comprised of representatives of the shareholders and employees. Depending on the company's total number of employees, up to one-half of the supervisory board members will be elected by the company's employees. The chairman of the Supervisory Board is a representative of the shareholders, and the deputy chairman or one of the two deputy chairmen common to an SE is a representative of the employees. In the event of a tie vote, the deciding vote is cast by the chairman.

With respect to the supervisory board, attention is paid to ensure that the board's composition in its entirety covers persons with a wide spectrum of experiences and expertise, it is diverse and has an appropriate number of independent members. In addition, listed and co-determined German stock corporations and SE's must have at least 30% male and 30% female members in the supervisory board.

German law also has several rules applicable to supervisory board members which are designed to ensure a certain degree of independence of the board members. In addition to prohibiting members of the board of management from serving on the supervisory board, German law requires members of the supervisory board to act in the best interest of the company. They do not have to follow direction or instruction from third parties. Any service, consulting or similar agreements between the company and any of its supervisory board members must be approved by the supervisory board.

The Supervisory Board of SGL Carbon SE consists of 8 members, half of them being representatives of the shareholders and half of them being representatives of the employees. The representatives of the shareholders are appointed by the Annual General Meeting of SGL Carbon SE. The representatives of the employees are elected by the SE Works Council in accordance with the agreement of the Company on the Company's co-determination. Further information on the individual members of the Supervisory Board can be found on our website under "Company/About us/Supervisory Board".

## PERMANENT COMMITTEES OF THE SUPERVISORY BOARD

The Supervisory Board of SGL Carbon SE has established three permanent committees, which operate in compliance with the requirements set forth by law as well as those provided for by the German Corporate Governance Code:

- the Personnel Committee, which prepares the Supervisory Board's decisions concerning the legal relations between SGL Carbon SE and the respective current or former members of the Board of Management;
- the Nomination Committee, which prepares election proposals for the appointment of shareholder representatives on the Supervisory Board; and

- the Audit Committee, which, amongst others, is responsible for issues concerning financial accounting, risk management, compliance and the internal control system as well as for preparing the Supervisory Board's proposal to the Annual General Meeting for the appointment of the auditor.