

# Corporate Governance Declaration, Corporate Governance and Compliance Report (unaudited)

The following Corporate Governance Declaration for SGL Carbon SE and SGL Carbon Group pursuant to Sections 289f and 315d of the German Commercial Code (HGB) is combined with the Corporate Governance and Compliance Report. The Corporate Governance Declaration combined with the Corporate Governance Report is also available on the Company's website ([www.sgllcarbon.com](http://www.sgllcarbon.com), under "Company/Corporate Governance"). The statements made in the Corporate Governance Declaration pursuant to Sections 315d and 289f HGB are part of the management report of SGL Carbon SE or the Group management report. Pursuant to Section 317 [2] Sentence 6 HGB, the audit of the statements by the auditor in accordance with Sections 289f [2] and [5], 315d HGB is limited to whether the statements were made.

## Declaration of Compliance with the German Corporate Governance Code

According to Article 9 [1] [c](iii) of the SE Regulation (SE-VO) in conjunction with Section 161 of the Stock Corporation Act (AktG), the Board of Management and the Supervisory Board of a publicly listed European joint stock company (Societas Europaea) with registered offices in Germany are required to declare at least once per year their compliance with the German Corporate Governance Code. They must also provide reasons if a recommendation of the Code was not or will not be applied. The Board of Management and Supervisory Board of SGL Carbon SE have regularly issued and published declarations of compliance since 2002. Each declaration of compliance is made publicly accessible for a period of five years on the Company's website ([www.sgllcarbon.com](http://www.sgllcarbon.com) under "Company/Corporate Governance"). The most recent declaration of compliance was issued and published in November 2019:

"The Board of Management and Supervisory Board of SGL Carbon SE declare:

Since the last declaration of compliance in September 2019 and up to October 15, 2019, SGL Carbon SE has fully complied with the recommendations of the "Government Commission on the German Corporate Governance Code" ["Regierungskommission Deutscher Corporate Governance Kodex"] in the version dated February 7, 2017 (publication as of April 24, 2017, amendment of this publication as of May 19, 2017) as published by the German Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette, with the exception of the following deviation:

- Clause. 4.2.1 Sentence 1: The Company's CEO, Dr. Köhler, resigned from his position at short notice on August 14, 2019, with effect as of August 31, 2019. Between the departure of the CEO and until the appointment of Dr. Bühler as an additional member of the Board of Management, as well as the appointment of Dr. Majerus as spokesman of the Board of Management, each effective as of October 15, 2019, the Company did not fulfill the recommendation pursuant to Clause 4.2.1 Sentence 1 of the German Corporate Governance Code, which states that the Board of Management of a publicly listed company must consist of multiple members and shall have a CEO or a spokesperson.

SGL Carbon SE is once again in full compliance with the recommendations of the German Corporate Governance Code as of October 15, 2019 and will continue to be so in the future as well.

The corporate governance principles of SGL Carbon SE furthermore satisfy the majority of the non-obligatory suggestions of the German Corporate Governance Code.

Wiesbaden, November 27, 2019

For the Supervisory Board of SGL Carbon SE: Susanne Klatten  
(CEO of the Supervisory Board of SGL Carbon SE)

For the Board of Management of SGL Carbon SE: Dr. Michael Majerus  
(Board of Management of SGL Carbon SE)"

## Composition and Procedures of the Board of Management

The management of SGL Carbon SE as a publicly listed European company (SE) with registered offices in Germany is essentially determined by Regulation (EC) No. 2157/2001 of the Council of October 8, 2001, on the Statute for a European company (SE-VO), the German SE Implementation Act, the agreement concerning worker/employee participation in SGL Carbon SE, and the German Stock Corporation Act (AktG), as well as the suggestions and recommendations of the German Corporate Governance Code and the Articles of Incorporation of SGL Carbon SE.

Pursuant to Article 38 SE-VO in conjunction with Section 5 of the Articles of Incorporation of SGL Carbon SE, SGL Carbon SE is governed by the dualistic system. This is characterized by a separation of personnel between the executive body (Board of Management) as company management and executive body,

and the supervisory body (Supervisory Board) as the monitoring body. The Board of Management and Supervisory Board of SGL Carbon SE work closely together for the benefit of the Company. Their common objective is the sustained growth of the Company's enterprise value.

Pursuant to the Articles of Incorporation, the Board of Management of SGL Carbon SE consists of several members, the number of which is determined by the Supervisory Board. As of December 31, 2019, the Board of Management consisted of two members, and thus no Board of Management committees were formed.

SGL Carbon SE and the SGL Carbon Group are managed by the Board of Management on its own responsibility in the Company's interest. The principle of collective responsibility applies, i.e. the Board of Management members share responsibility for company management, although each Board of Management member is given authority for specific portfolios. For more detailed information on the individual Board of Management members and their portfolios, please refer to the Company's website ([www.sglcarbon.com](http://www.sglcarbon.com), under "Company/About us/Board of Management"). Nevertheless, certain matters defined by the entire Board of Management are handled by the entire Board of Management and require its consent. The CEO or spokesperson of the Board of Management coordinates the work of the Board of Management members.

The Board of Management develops corporate and group strategy, and ensures its implementation in consultation with the Supervisory Board. The Board of Management's responsibilities also include the management and monitoring of operational activity, as well as the setup and monitoring of an appropriate and efficient control and risk management system. The Board of Management ensures compliance with legislation, official regulations, and internal guidelines, and ensures that they are also observed by group companies. The Board of Management prepares the Company's interim financial reports, the annual financial statements of SGL Carbon SE, the consolidated financial statements, the management reports of SGL Carbon SE and SGL Group, and the separate non-financial report for SGL Group.

The Board of Management informs the Supervisory Board on a regular basis, in a timely manner, and comprehensively concerning all issues relevant to the Company and the Group, particularly those relating to strategy, planning, business development, the risk situation, risk management, and compliance. In this context, the Board of Management addresses situations in which the course of business deviates from the prepared

plans and objectives. The Board of Management promptly informs the chairperson of the Supervisory Board regarding important events of material importance to the Company, and the chairperson of the Supervisory Board subsequently instructs the Supervisory Board and convenes a meeting of the Supervisory Board if needed.

## Composition and Procedure of the Supervisory Board and its Committees

### Supervisory Board

Pursuant to Section 8 (1) of the Articles of Incorporation, the Supervisory Board of SGL Carbon SE consists of eight members, half of whom represent the shareholders and half of whom represent the employees. The shareholder representatives are appointed by the Annual General Meeting of SGL Carbon SE and the employee representatives are appointed by the SE Works Council in accordance with the Company's agreement with its employees concerning co-determination within the Company. The Supervisory Board elects from among its members a chairperson of the Supervisory Board, as well as one deputy chairperson each from among the shareholder representatives and the employee representatives. If resolutions are to be adopted with a simple majority, the chairperson of the Supervisory Board shall cast the deciding vote in the event of a tie, and if the chairperson is not participating in the adoption of the resolution, the deputy chairperson appointed to the Supervisory Board as a shareholder representative shall cast the deciding vote. In addition, the chairperson of the Supervisory Board shall coordinate the work within the Supervisory Board and represent the interests of the Supervisory Board externally.

The Supervisory Board advises and supervises the Board of Management in the management of the Company. It appoints and dismisses members of the Company's Board of Management, decides on the remuneration system for Board of Management members, and sets their individual remuneration. The Supervisory Board receives reports from the Board of Management at regular intervals concerning the Company's strategy, corporate planning, sales growth, profitability, business development, and position, as well as the internal controlling system, the risk management system, and the compliance management system. It is directly involved in decisions that are of fundamental importance for SGL Carbon SE and the Group; these include entries into new areas of business or exits from existing areas or the issuance of bonds. Section 11 of the Articles of Incorporation of SGL Carbon SE contains a schedule of

transactions for which the Board of Management requires the Supervisory Board's consent (the Articles of Incorporation of SGL Carbon SE can be viewed on the Company's website [www.sglcarbon.com, under "Company/Corporate Governance"]). Under certain circumstances, related-party transactions also require by law the prior consent of the Supervisory Board or the Audit Committee. Finally, the Supervisory Board is responsible for auditing the annual financial statements and management report of SGL Carbon SE, the consolidated financial statements and management report, and the recommendation for appropriation of profits. The Supervisory Board's activity in fiscal 2019 is explained in the "Report of the Supervisory Board" (see page 6).

The Supervisory Board has adopted rules of procedure that notably include, in addition to the Supervisory Board's functions and responsibilities, the convening and preparation of its meetings as well as the adoption of resolutions. The rules of procedure are available on the Company's website [www.sglcarbon.com, under "Company/Corporate Governance"].

### **Objectives of the Supervisory Board with respect to its composition**

In accordance with the requirements of the German Corporate Governance Code, the Supervisory Board has defined objectives for its composition and has prepared a competence profile for the entire board. According to its objectives, the Supervisory Board is to be composed of members who, as a group, possess the required knowledge, skills, and professional experience to duly perform the Supervisory Board's responsibilities. The age limit for Supervisory Board members is 72 years. As a rule, members of the Supervisory Board should no longer be proposed as candidates for the Supervisory Board after the end of their third period of office. Periods of office resulting from a court appointment to the Supervisory Board are not considered. If a Supervisory Board member holds a material equity interest in the Company as defined by the German Corporate Governance Code, controls any such material shareholder of the Company, or acts as a representative for a material shareholder, there is a fundamental exception to the foregoing rule and there is thus no time restriction on this member's candidacy. Each Supervisory Board member shall also ensure that he or she has sufficient time to fulfil his or her mandate.

All Supervisory Board members must be in a position to duly perform the duties of their office. To ensure that all responsibilities associated with the Company's financial accounting are duly performed, at least one member of the Supervisory Board shall be an independent financial expert with specialized

knowledge and experience in the fields of financial accounting and/or financial auditing. In addition, at least one member of the Supervisory Board should have relevant professional experience and industrial expertise in SGL Carbon Group's fields of business and its key customer industries. Furthermore, at least one member should have in-depth experience in each of the areas of corporate management and strategy, compliance and risk management, innovation expertise (including digitization), and extensive professional experience in leadership development and human resources. The number of members with experience in technical fields (particularly chemistry and engineering) and the number of members with commercial backgrounds shall be well-balanced overall. The composition of the Supervisory Board should also reflect the Company's international activities; at least one member of the Supervisory Board should have specific international knowledge and experience as a result of his or her origins, education, or professional activities.

Furthermore, the Supervisory Board shall always have a sufficient number of independent members. Consequently, at least half of the Supervisory Board members on the shareholder side shall be independent; this is currently the case, since the Supervisory Board considers Ms. Neumann and Messrs. Denoke and Eichler to be independent representatives.

With respect to a reasonable level of female participation in the Company's Supervisory Board, the "Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst" (Act on equal opportunities for women and men for executive positions in the private and public sectors) of April 24, 2015, which applies for the Company, also requires the Company's Supervisory Board to have at least 30% female and 30% male members.

The Supervisory Board's aforementioned objectives for its composition and the competence profile for the entire board as set out above are taken into account in proposals for the appointment of new members to the Supervisory Board and efforts are taken to ensure that the competence profile is maintained. The current composition of this body meets all requirements for relevant expertise and the aspects of diversity and independence based upon the objectives and the competence profile of the Supervisory Board.

For more detailed information on the individual members of the Supervisory Board, please refer to the Company's website [www.sglcarbon.com, under "Company/About us/Supervisory Board"].

## Rules for possible conflicts of interest

Members of the Supervisory Board must disclose any conflicts of interest to the chairperson of the Supervisory Board. This includes both concrete conflicts of interest and sufficiently probable potential conflicts of interest. Any significant conflicts of interest of a Supervisory Board member that are not merely temporary in nature shall lead to that member's resignation from the Board. Related-party transactions are reviewed and approved by the Supervisory Board or the Audit Committee in accordance with statutory requirements. In addition, the Audit Committee examines whether there are indications of impermissible influence in the event of transactions between SGL Carbon group companies and Supervisory Board members, related parties, and shareholders with a shareholding of more than 5% of voting rights in SGL Carbon SE. No conflicts of interest requiring immediate disclosure to the Supervisory Board were reported by members of the Supervisory Board or Board of Management during the period under review. There were also no contracts for advisory or other services between Supervisory Board members and the Company during the period under review. Relationships with related parties are presented in the notes to the consolidated financial statements Note 28.

## Committees of the Supervisory Board

The Supervisory Board has a total of three permanent committees, which work in accordance with the requirements of the German Corporate Governance Code, the Stock Corporation Act, and the Articles of Incorporation of the Company and the Supervisory Board's rules of procedure. These committees are as follows:

### Personnel Committee

The Personnel Committee, chaired by Ms. Klatten, advises the Supervisory Board principally on matters relating to the legal relationship between the Company and its current and former Board of Management members. It reviews the remuneration of the Board of Management members and submits proposals to the plenary sessions of the Supervisory Board for a final decision. The committee also submits proposals for the appointment of new members and the dismissal of members of the Board of Management to help prepare the respective Supervisory Board decisions. The other members of this committee are Ms. Neumann and Mr. Jodl.

## Nomination Committee

The function of the Nomination Committee is to draw up a list of proposed candidates for election to the Supervisory Board as shareholder representatives at the Annual General Meeting. All shareholder representatives on the Supervisory Board (i.e. Ms. Neumann and Messrs. Denoke and Eichler, in addition to Ms. Klatten) are members of this committee, which is chaired by Ms. Klatten.

## Audit Committee

The Audit Committee consists of four members. The Audit Committee is chaired by Mr. Denoke. The other members are Ms. Neumann and Messrs. Stettberger and Züllighofen. The committee's responsibilities include auditing accounts and monitoring the Company's financial accounting process, risk management, compliance, and therefore also its internal control and auditing system. It is also in charge of checking the Group's related-party transactions. In particular, it is responsible for the preliminary audit of the annual financial statements of SGL Carbon SE and the Group, the management report and consolidated management report (including the separate non-financial report), and the recommendation for appropriation of profits.

The committee also handles the relationship between the Company and its auditors. In this context, its main responsibility is to prepare the Supervisory Board's proposal to the Annual General Meeting for the appointment of the auditor. In doing so, it must ensure that the auditor is both qualified and independent. The committee also defines key audit issues, agrees on audit fees, performs the preparatory work related to appointing the auditor, and reviews in advance the commissioning of non-audit services by the auditor.

In addition to these three permanent committees, the Supervisory Board can also form temporary, project-related committees as required.

## Efficiency test of Supervisory Board

At regular intervals, the Supervisory Board assesses the effectiveness and efficiency of its work and that of its committees. The Supervisory Board last performed this self-assessment at the end of 2019. In an extensive questionnaire, the members of the Supervisory Board provided their assessment of current practices relating to various topics, such as collaboration within the Supervisory Board and the Board of Management, as

well as work in the committees, and could also make recommendations for improvement. The results were analyzed by a notary, prepared in an anonymized format, and subsequently discussed within the Supervisory Board. In the overall conclusion, the members of the Supervisory Board rated collaboration within the Supervisory Board as positive.

## Corporate Governance Practices

### SGL Carbon Code of Conduct

The SGL Carbon Code of Conduct emphasizes the obligation of SGL Carbon and its employees to engage in responsible, legal actions and reflects the common values of the Group, its corporate culture, and its goals for business conduct. One significant factor in the sustained success of SGL Carbon is its responsible and appropriate treatment of all persons with whom the Company has business relationships – employees, customers, shareholders, government authorities, and the general public. The purpose of the Code of Conduct is to make a significant contribution to building and maintaining trust among all interest groups. It emphasizes the obligation of the Company and its employees to comply with applicable laws and provides employees with guidelines for responsible conduct. The SGL Carbon Code of Conduct is available on the Company's website [www.sglcarbon.com, under "Company/Compliance/Code of Conduct"].

### SGL Corporate Governance Principles

The SGL Corporate Governance Principles summarize the relevant statutory regulations, the Company's Articles of Incorporation, and supplemental practices of the Company and the Group that have evolved over the years. Their purpose is to ensure responsible and transparent corporate management and control, and to sustain and promote the trust of our stakeholders, business partners, and employees, as well as the general public. The Principles are reviewed at least once per year and are adapted to changes in laws, recommendations, and market practices. In addition to the rules of procedure for the Board of Management and Supervisory Board and the organizational principles of the SGL Carbon Group, the SGL Corporate Governance Principles also cover the essential corporate guidelines for group-wide corporate governance and compliance.

One fundamental aspect of this is the aforementioned SGL Carbon Code of Conduct, which emphasizes the obligation of the Group and its employees to comply with laws and internal

guidelines, and sets standards for legal and ethical conduct. Based not least upon the Code of Conduct, the Company has also developed detailed corporate guidelines, which apply equally for SGL Carbon SE and for the Group and are likewise part of the SGL Corporate Governance Principles, such as:

- Guideline for compliance with antitrust regulations
- Guideline for compliance with regulations under capital markets law
- Whistleblower guideline for reporting particularly serious compliance incidents
- Principles for giving and accepting gifts and other gratuities in dealings with business partners and government officials
- Guideline for protecting information and the Company's underlying infrastructure
- Guideline for establishing procedural structures to identify and monitor core risks of the Company, its business units, and functions

### Compliance as part of the management and corporate culture

Compliance is a fundamental responsibility of the Board of Management at SGL Carbon. The Board of Management does not tolerate any violation of the Code of Conduct and promotes a corporate culture in which issues relating to integrity can be openly discussed with superiors, the compliance representatives, and the Group Compliance department. All employees are personally responsible for ensuring that their actions and conduct are in line with the Code of Conduct of SGL Carbon and in compliance with the regulations of their respective work areas. Compliance must be ever-present in the minds of our executives and employees, and they must embody this in their day-to-day transactions. In this way compliance will sustainably support the success of our Company.

SGL Carbon introduced and implemented its compliance program many years ago. The Board of Management has tasked the Group Compliance department with the worldwide management of this program. Its task is to manage the necessary comprehensive organizational, communications, and control structures for SGL Carbon at all sites, to review them regularly, and to adjust them as needed. The objective is to ensure that compliance exceeds mere adherence to legal and formal requirements and structures, and becomes an integral part of value-oriented corporate management within the organization.

The management and executives of SGL Carbon serve as important role models for this based upon their responsibilities

for employees and their leadership roles. The topic of compliance is therefore a fixed agenda item in the annual Group Communication Forum (GCF), where managers of our top-level management are repeatedly sensitized and trained on the topic of compliance.

In addition to the compliance representatives in the business units and corporate functions (see CSR Report, page 11), the SGL Carbon compliance organization includes a network of regional and local compliance officers. All members of the network receive appropriate introductory training when assuming their roles. The significant elements of our compliance program, as well as the role and responsibility of the compliance network, are also described in the Compliance Manual. All documents are available to the members on a dedicated SharePoint page. The compliance representatives of the business units as well as the corporate functions are part of the Compliance Committee, which meets twice per year. In the Compliance Committee strategic compliance topics as well as changes to the existing compliance program are discussed and adopted. To ensure transfer of knowledge between the Compliance network and Group Compliance, teleconferences are held on average three to four times per year, and in-person meetings are held every two years in the form of regional compliance conferences in Europe, Asia and North America. The teleconferences are intended to ensure an ongoing exchange of information about the compliance program and discussion of current topics. The compliance conferences are specifically intended for the further refinement of the compliance program, while considering site-specific needs and the training of local compliance representatives.

The local compliance representatives are the point of contact for employees at the respective sites for all matters pertaining to compliance, and they also support the Group Compliance department when introducing compliance initiatives at the various sites. In 2019, this included in particular the introduction of the updated eLearning program for the Code of Conduct (see CSR Report, page 13).

Our primary objective for compliance is that all of our employees should know and respect the requisite regulations in order to reduce the risk of breaking the law and thus avoid possible harm to SGL Carbon. Our compliance policies are therefore a permanent part of our hiring documents and are issued to all new employees. Twice-yearly reporting by the Local Compliance Representatives (LCRs) to Group Compliance confirms that this process is operating correctly. A confirmation of receipt, providing written documentation that the employee is aware of the regulations in the Code of Conduct, is also placed

in the employee's file. The Code of Conduct, the guideline for gifts and invitations, the guideline on antitrust law, and the guideline on the whistleblower system are available in a total of nine local languages. Employees can download the guidelines from the intranet and from our SharePoint site. The intranet was completely revised in 2019 and is now available to employees with a new structure. The Compliance page was also revised as part of this relaunch. With a few clicks, employees can reach the most important information and components of our compliance program.

Our employees also participate in mandatory compliance training sessions, which are conducted as face-to-face and eLearning training (see CSR Report, page 13). The initial training session is generally done online. The local HR departments register new employees through an SAP Onboarding training catalog for this purpose.

SGL Carbon introduced its comprehensive worldwide antitrust law compliance program already in 2001. One key element is regular mandatory training, which is offered as face-to-face and eLearning sessions. These mandatory training sessions are aimed at all managers in the top three levels of management within the Group, as well as all purchasing, sales and marketing employees. A total of 570 employees participated in training on antitrust law in 2019. As part of an update to the policy, the target group was expanded to include employees from the Human Resources, Legal, and Compliance departments, as well as all members of the compliance network. All new employees in this target group are given the SGL Carbon antitrust compliance guidelines with their hiring documents or when changing positions, and must sign these. They then participate in the mandatory online training. All employees in this target group participate in regular refresher courses, which are held in both face-to-face and online formats. This process is also part of an internal check in the context of our ICS (internal control system).

Another key component of the compliance program is our preventative anti-corruption measures (see CSR Report "Anti-corruption and bribery", page 13).

SGL Carbon introduced a Supplier Code of Conduct in 2015. Under this code, all SGL suppliers and their subcontractors must also undertake to comply with legal, ethical, and sustainable conduct (see CSR Report "Responsibility for the supply chain", page 14).

SGL Carbon aims to create an environment in which all compliance matters can be discussed in an open manner. All employees are encouraged to discuss any integrity-related issues and questions with their superiors, the Compliance department, or a member of the compliance network. In addition to existing communication and reporting channels, SGL Carbon also has a whistleblower system in the form of the Compliance Helpdesk. This allows employees to confidentially report potential compliance violations in accordance with the whistleblower guideline. The whistleblower guideline also governs the mandatory protection of the reporting party. The email address can also be reached by third parties via SGL Carbon's website.

The Group Compliance department reviews reported compliance-related incidents as part of the internal compliance review. This department is tasked with ensuring that non-compliant actions and violations are detected and prevented in a timely manner, that our Company's activities comply with the applicable laws and statutory provisions, and that potential improvements to our internal business activities are identified.

During the period under review, SGL Carbon recorded all notices relating to potential violations of anti-trust law, anti-corruption, export controls and customs, protection of trade secrets, and anti-fraud that could result in financial damage or harm to the Group's reputation. These were all handled without exception so that specific measures could be identified and carried out as needed. SGL Carbon is convinced that the aforementioned components of the compliance management system and our monitoring processes are optimally suited to ensure conduct that conforms with the law in all areas of SGL Carbon in the future as well.

Other compliance measures relate to capital market laws and compliance with the respective Group policy, which regulates issues including trading in SGL Carbon SE securities by members of the Board of Management and the Supervisory Board and the Company's employees. The Group policy also governs the proper handling of potential insider information. An Ad-hoc Committee has been in place for years. This committee consists of representatives of a number of corporate functions who examine potential ad-hoc issues and ensure that potential insider information is handled in accordance with legal provisions.

The existing compliance program for export controls and customs ensures that the exchange of goods and technology and the use of services comply with the respective internal and external requirements [see CSR Report "Responsibility for the supply chain", page 14].

In 2019, the Group Internal Audit department, on behalf of Group Compliance, reviewed whether individual subsidiaries observed the implementation of anti-corruption and anti-fraud management as part of their regular audits. The focus was on obtaining assurance that the local companies were upholding the defined compliance regulations and identifying individual violations of the regulations. If the compliance audits reveal the need to optimize workflows or strengthen control measures, corrective action is promptly undertaken.

Regular risk assessments are part of an effective compliance management system. In past years, both a top-down risk assessment and a bottom-up approach were implemented for the areas defined as core compliance risks, namely antitrust law, anti-corruption, export control and customs, the protection of trade secrets, and anti-fraud. This regular compliance risk assessment is performed either in the context of the annually submitted BU compliance questionnaire or through interviews. Appropriate interviews will be conducted once again in 2020 with the management of the business units as well as the sites.

In order to adjust the time period of the annual compliance report to the fiscal year, the Audit Committee of the Supervisory Board will deal with the report in future at its March meeting, rather than in December as previously. This change was already implemented for the reporting period of January 1, 2019 – December 31, 2019, and the Audit Committee of the Supervisory Board will therefore deal thoroughly with the compliance report at its meeting in March 2020.

### **Systematic Risk Management**

To ensure the responsible handling of risks as part of good corporate governance practice, the SGL Carbon Group developed a risk management system at an early stage. The system ensures that the Company's risk management and control procedures are adequate and effective. It is designed to identify any business or financial risks as early as possible so that appropriate countermeasures can be taken. The system is continually refined and adapted to reflect changing circumstances. The Board of Management reports at regular intervals to the Supervisory Board and in particular to the Audit Committee concerning existing risks and risk trends. Further information on the risk management system [RMS] can be found in the report on opportunities and risks on pages 65 - 72.

## Statements concerning the “Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen” [Act on equal opportunities for women and men for executive positions] and Statements concerning Minimum Percentages on the Supervisory Board

In accordance with the Act on equal opportunities for women and men for executive positions in the private and public sectors of April 2015, the Company has established targets for the percentage of women on the Board of Management and in the other management levels, and the implementation period for these targets. The Supervisory Board established a target of 0% for the percentage of women on the Board of Management of SGL Carbon SE to be achieved by December 31, 2019 [percentage of women when the resolution was adopted: 0%]. The Board of Management for its part adopted a target of at least 20% for the percentage of women in the management level of SGL Carbon SE below the Board of Management to be achieved by December 31, 2019 [percentage of women when the resolution was adopted: 20%]. The Company was unable to set a percentage of women for a second management level below the Board of Management, since the flat hierarchical structure of SGL Carbon SE as a pure group parent company has only one relevant management level (with relevant human resources and leadership responsibilities) below the Board of Management. These two targets were achieved: on December 31, 2019, the percentage of women was 0% on the Board of Management of SGL Carbon SE and 20.83% in the management level below the Board of Management.

At the conclusion of the period ending on December 31, 2019, the Board of Management and Supervisory Board adopted targets for the following period. The Supervisory Board once again set a target of 0% to be achieved by December 31, 2022 for the percentage of women on the Board of Management of SGL Carbon SE [percentage of women when the resolution was adopted: 0%]. The Board of Management adopted as its target at least 20.83% for the percentage of women in the management level of SGL Carbon SE below the Board of Management to be achieved by December 31, 2022 [percentage of women when the resolution was adopted: 20.83%]. The Company was unable to set a percentage of women for a second management level below the Board of Management, since the flat hierarchical structure of SGL Carbon SE as a pure group parent company has

only one relevant management level (with relevant human resources and leadership responsibilities) below the Board of Management.

Moreover, the Act on equal opportunities for women and men for executive positions also requires that the Supervisory Board of SGL Carbon SE must consist of at least 30% women and at least 30% men. The Company met these requirements in the composition of its Supervisory Board, which includes three female members and five male members on the reporting date.

## Diversity Concepts for Company Management

According to the Company's corporate governance principles, diversity must be taken into account in the composition of the Board of Management. This refers firstly to diversity in terms of subject matter, which manifests itself in the Company's existing structure in that at least one of the Board of Management members in each case possesses comprehensive experience in the Company's operations, in strategic company management, and in financial, controlling, and reporting processes. Another determining factor is that the international presence of SGL Carbon must also be taken into account through comprehensive professional experience in or with other countries. With respect to gender diversity, no extensive quota was considered proper given the size of the Company's Board of Management, which usually consists of only two members, and therefore no such quota was set (see above “Decisions in accordance with the Act on equal opportunities for women and men for executive positions and statements concerning minimum percentages on the Supervisory Board”). With respect to the age structure, it is specified that the age limit for members of the Board of Management is 65 years (age limit). The Supervisory Board will use these requirements as the basis for new appointments in the Company's interest, in order to recruit the best candidates for vacant positions in each case. The current composition of the Board of Management fulfills the Company's objectives in this regard.

The Company is striving to develop suitable candidates from within the Company for vacancies on the Board of Management. Naturally, this does not rule out the possibility that the Supervisory Board's selection process will include external candidates, either exclusively or in addition to internal candidates, depending upon the specific situation. The Company uses a systematic management development approach with the following main elements to identify and develop employees with



appropriate leadership potential for duties in top management: (i) early identification of suitable candidates with differing specialties, nationalities and sexes, (ii) systematic development of top-tier management by assigning tasks with increased responsibility, if possible in different areas of business and functions, (iii) regular and systematic review of individual qualification requirements for the contemplated target levels (relevant areas of expertise, professional experience, and leadership role within the corporate culture). Using the competence profile as prepared by the Supervisory Board, the Company will identify candidates who can be included in a selection to be made by the Supervisory Board. This should enable the Supervisory Board to provide sufficient variety in terms of professional education and experience, cultural background, and diversity when making appointments to the Board of Management. Regardless of these criteria, the Company is convinced that in the final analysis, only a holistic assessment of each individual can be the decisive factor for appointment to the Board of Management. The Company will consistently utilize the services of qualified human resources consulting companies to ensure an appropriate selection of external candidates based upon the required areas of expertise for a Board of Management position.

With respect to its own composition, the Supervisory Board of the Company defined a competence profile and established detailed objectives for itself in order to reflect different outlooks and experiential backgrounds within the board. The details of this diversity concept are described above in this report under "Composition and Procedure of the Supervisory Board and its Committees/Objectives of the Supervisory Board with respect to its composition." These objectives are taken into account in proposals for the appointment of new Supervisory Board members. The current composition of the Supervisory Board meets the aforementioned objectives for appropriate composition.

## Other Statements

### Shareholders and Annual General Meeting

The shareholders of SGL Carbon SE exercise their rights during the Company's Annual General Meeting. In particular, the Annual General Meeting elects the shareholder representatives for the Supervisory Board and adopts resolutions concerning the ratification of acts by the Board of Management and the Supervisory Board, as well as the selection of an auditor. It decides on the appropriation of profits, capital measures, and consent to intercompany agreements, and also the remunera-

tion of the Supervisory Board and amendments to the Company's Articles of Incorporation. The Annual General Meeting is held once per year. Each share entitles the bearer to one vote. The shareholders can either exercise their voting rights at the Annual General Meeting themselves or have them exercised by a proxy of their choice or by one of the Company's proxies, who is bound to follow their instructions. Instructions can be issued to the Company's proxies both before and during the Annual General Meeting until the end of general debate. Shareholders can also submit their votes in writing by mail without issuing a power of attorney to a representative.

### Active and transparent shareholder communication

One of the primary objectives for the Board of Management is to report comprehensively to all target groups, particularly our shareholders, and to communicate the same information at the same time. Regularly recurring events (such as the Annual General Meeting and conferences – including conference calls – with analysts and investors) and reports or notices (such as the annual report, interim reports, presentations at the Annual General Meeting, press releases, and ad hoc notices) are published on the Company's website.

### Information on the auditors

KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, Frankfurt office, has been the auditor of SGL Carbon SE and the SGL Carbon Group since fiscal 2017 (January 1, 2017 to December 31, 2017). Mr. Janz has signed as the responsible public auditor since fiscal 2017. This appointment followed a tender and selection process for the audit pursuant to Article 16 (3) of Regulation (EU) no. 537/2014 of the European Parliament and of the Council of April 16, 2014 (Audit Regulation).

For details on the auditor's fees, please refer to page 156 of the 2019 annual report.

At the 2020 Annual General Meeting, the Supervisory Board will make a proposal, based on the recommendations of its Audit Committee, that KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, should be appointed as the auditor for the Company and Group for fiscal 2020 (and, in the event of any audit reviews of financial information during the year, for these audit services as well).

### Deductible for D&O insurance

The Company has purchased liability insurance for the members of the Board of Management and the Supervisory Board

[D&O insurance] with a deductible of 10% of the loss up to the amount of one and a half times the fixed annual remuneration of the member in question.

### **Directors' dealings**

Pursuant to the relevant provisions of capital markets law, the members of the Board of Management and the Supervisory Board and parties closely related to them are obliged to disclose their own dealings in equities or debt instruments of SGL Carbon SE or certain other financial instruments linked to these if the total value of these transactions exceeds a threshold value within a calendar year. Reports are published on the Company's website ([www.sglcarbon.com](http://www.sglcarbon.com), under "Company/Investor Relations/Share/Managers' Transactions").

Wiesbaden, March 9, 2020

SGL Carbon SE  
The Board of Management of SGL Carbon SE

Dr. Michael Majerus

Dr. Stephan Bühler