

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility means going beyond economics and including environmental as well as social factors in our actions. Socially responsible, environmentally conscious behavior, commitment to employees as well as society while advancing sustainable product solutions are significant components of SGL Group's corporate culture and objectives. They are a key prerequisite for the success of our business.

The following chapter provides an overview of SGL Group's principal activities surrounding corporate social responsibility. You will find more details and further examples under Corporate Social Responsibility in the Company section of our corporate website at www.sglgroup.com.

Integrity and Values

Acting responsibly and in accordance with the law is anchored in SGL Group's corporate philosophy. Our Code of Business Conduct and Ethics sets binding standards for how we behave in our day-to-day business. The Code defines how we, as a company, meet our legal and ethical responsibilities while taking the respective social and cultural standards into account and reflecting our Common Values. We act fairly and honestly vis-a-vis our business partners, shareholders, the authorities and the general public. Our employees treat each other with courtesy and respect and we deal responsibly with the environment – these are all key aspects of our principles. The Code plays an important role in building and maintaining trust and supports the personal integrity of our employees.

Each employee is personally responsible for ensuring that their actions are in line with the Code. The Code also provides the framework for other corporate guidelines, in which specific regulations are described and explained in greater detail. Employees can turn to local compliance officers as well as executives and management when they have questions. In addition, our Group compliance program, with its regular training sessions and campaigns like the "Compliance Days 2012," helps us to maintain our compliance standards and

legal requirements (see also the Corporate Governance and Compliance Report on page 33).

Furthermore, we are also committed to the conduct of our business partners meeting our compliance standards (business partner compliance). In 2012, we developed a process to review our partners for this purpose.

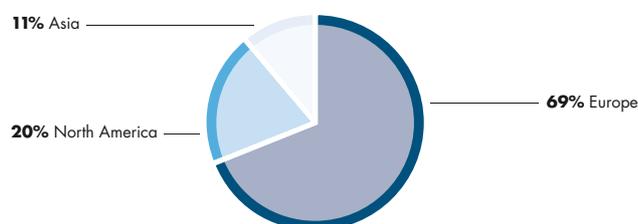
Responsibility for Employees

SGL Group is continuously developing. Our fascination with carbon is what binds us together. Every single day our employees contribute their experience, dedication and passion for carbon, helping to further advance the Company.

SGL GROUP EMPLOYEES – THE STRATEGIC ADVANTAGE OF DIVERSITY

At the end of 2012, SGL Group had a total of 6,686 employees – up 3.7% year on year. This increase is primarily attributable to the acquisition of the Portuguese company Fisipe as well as to the further growth of our Asian workforce (see also page 89 in the management report). The Group's workforce continues to be very international: Europe has the greatest share with 69% (2011: 67%), followed by North America with 20% (2011: 22%) and Asia with 11% (unchanged).

Employees by region



The diversity and global structure of the workforce is an important strategic advantage for SGL Group. Interaction among and the exchange of knowledge between employees is supported, for example, by actively sending employees on foreign assignments to our facilities in other countries. In 2012, approximately 25 executives were on international expatriate assignments. At present, the largest groups of expatriates are in China, Malaysia and Portugal. International collaboration is also supported by technical innovations, such as an online-based document filing system in the Group's Intranet, which was introduced in 2012.

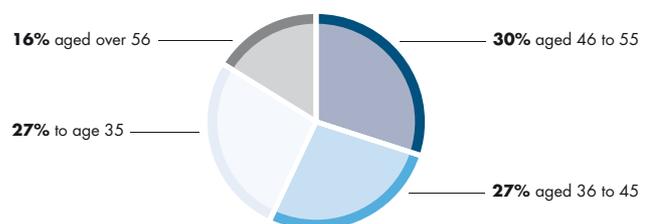
EQUAL OPPORTUNITY AND SOCIAL RESPONSIBILITY

As a forward-looking company, we support equal opportunity, the respectful treatment of all our employees and placing male and female employees on an equal footing. The share of women in our workforce in 2012 remained unchanged compared with the previous year at 15%. The share of women in executive positions was 16% as of the end of the year, an increase of two percentage points above 2011.

SGL Group increasingly supports a work-life balance. Beyond flexible working hours, we have also offered specific programs at some sites for the first time. For instance, SGL Group's site in Meitingen has partnered with the Sommerkinder (summer children) initiative of the Vereinigung der Bayerischen Wirtschaft e.V. (Bavarian Business Association) and the bayerischen Metall- und Elektro-Arbeitgeber (Employers' Associations for the Bavarian Metalworking and Electrical Industries), which offers an extensive summer vacation program to children of employees.

The Group's workforce continues to have a balanced age structure, which only changed marginally compared to the prior year. 27% of all employees are younger than 36 years old (2011: 26%), or between 36 and 45 years old (2011: 28%); 30% are 46 to 55 years old (2011: 31%); 16% (2011: 15%) are more than 55 years old.

Age structure of SGL employees



We support flexible and seamless transition into retirement. In addition to applying the statutory pension schemes and training a successor early, we offer part-time employment options for former employees, for example, for event support or visitor tours. Furthermore, we provide attractive and traditional company pension plans in a number of regions. Our pension plan in Germany was expanded in 2012 to include an additional model: "SGL Altersversorgung PLUS."

SGL Group's responsibility for our employees' health is equally important across all age groups. In addition to extensive activities to ensure health and safety at work and regular support from company doctors, SGL Group also offers various health care programs, including some in cooperation with health insurance companies. One example is the Employee Assistance Program, a health program in place since 2011. Further examples include specific prevention campaigns at diverse locations.

TRAINING AND EDUCATION

Consistent HR development is an essential component of our company philosophy, both because of our responsibility to our employees and also for the long-term development of SGL Group. Our goal is to enable our employees to provide top performance and to encourage them to continuously develop themselves both personally and professionally. To this end we also train specialists in-house and foster the development of our employees through targeted training programs.



Consistent HR development also includes training of specialists in-house. One example is our initiative “SGL Class” in China, here during a workshop at the SGL Group site in Shanxi in May 2012

In 2012, SGL Group had a total of 142 apprentices at its German facilities, with the majority located at our Meitingen (75) and Bonn (39) sites. A further example of our commitment to HR development is the “SGL Class” initiative which was put in place in China in 2010 – an extensive training program for technical school students. In cooperation with the Fengxian Secondary Professional School, Shanghai Dianji College, Chien-Shiung Institute in Shanghai, Taiyun Science & Technical University in Shanxi and since last year the Yangquan Vocational School in Shanxi, SGL Group awards specially tailored apprenticeships and internships to talented high school students. How deeply entrenched the tradition of training is at SGL Group can also be seen in Bonn at the “Azubi- Wand” (apprentice wall), a 12.5m x 3.5m wall made of over 2,000 graphite blocks – one for each of the apprentices in the more than 100-year history of our Bonn facility.

To provide our employees with further education, we offer a Group-wide, uniform competency model to promote central, interdisciplinary competencies for specialists and managers in

addition to a wide variety of individual programs aimed at advancing our employees’ professional qualifications, semi-annual development meetings as part of the “SGL Dialog” performance reviews as well as the three-step program series “Leadership@Work.” We continued to refine this model in 2012 to better tailor it to the challenges of the future. The expanded model will be introduced throughout the course of 2013. Leadership@Work has had more than 1,000 participants since its launch over ten years ago.

COMPETING FOR TALENT – GRANTS, INTERNSHIPS AND THESES

As a dynamic, innovative company aimed at sustaining our business for the long term, we are always competing for the best talent. In this context, we are also pleased about our good performance in employer rankings such as the “Top Arbeitgeber Deutschland” (top German employer) study conducted by the CRF Institute. The study gave SGL Group excellent marks for the past year in all categories, including first place in the “Primary Benefits” category nationwide.

In order to demonstrate our passion for carbon to interested students and skilled professionals and give them the opportunity to get to know the Company at an early stage, we regularly visit universities and participate in career fairs. We also offer tangible support in the form of university grants, internships and provide opportunities for students to cooperate with us in writing dissertations and theses. We do this, for example, as part of our extensive alliances with various universities around the world (see “Promoting Science – Shaping the Future Together”, pages 42–43).

Furthermore, we participate in many other activities to support the exchange between business and students. In 2012, for example, we continued to be active in the “Formula Student,” an international series of construction competitions for students and organized events such as “Company Day” for students of the Compliance Officer advanced training course at the University of Augsburg.

EMPLOYER BRANDING “PASSION FOR CARBON”

Additional sponsoring activities also generate broad awareness for SGL Group by aiming to increase the Company’s visibility as an employer and to further reinforce our employer branding “Passion for Carbon.” Particularly noteworthy is our involvement with the German Bundesliga club FC Augsburg, which began in 2011. The focus is the naming right for the stadium – “SGL arena.” As part of the sponsorship, some of SGL Group’s activities in the past year have included supporting the club’s youth work, special SGL-FCA scarf giveaways to fans as well as a number of contests in which the children of our employees and youth teams supported by SGL Group had the opportunity to win a spot as player escorts at FC Augsburg matches.

Products, Resources and Environmental Protection

SGL Group is a specialist for carbon materials, the Company’s products contribute to protecting the environment and climate by enabling its customers to produce environmentally-conscious end products. Furthermore, conscious use of resources, environmental protection and upholding high standards in health and safety at work are key prerequisites for SGL Group’s responsible and sustainable growth.

The organizational foundation for monitoring and continuously developing all environmental protection, and health and safety activities are formed by the central function Corporate EHSA (Environment, Health, Safety, Audits), which coordinates all Group-wide activities, sets uniform standards and routinely audits developments in cooperation with local EHSA representatives.

CARBON MATERIALS FOR ENVIRONMENTALLY FRIENDLY APPLICATIONS

Carbon materials exhibit extraordinary properties making them uniquely appropriate for a wide variety of applications that help protect the environment and climate. In fiscal year 2012, a total of approximately two thirds of our Group sales revenue was linked to products for sustainable solutions. Additionally, the products produced by our At-Equity accounted investments contribute to environmental and climate protection.

The best known example for the use of carbon for sustainable solutions is lightweight construction, which plays an increasingly important role in both the aerospace and automotive sectors. In order to save weight and decrease fuel consumption as well as CO₂ emissions, many manufacturers are increasingly using components made of carbon fiber reinforced plastics (CFRP). Our materials are also used in producing renewable energy. For example, the use of carbon fibers in rotor blades enables ultra-large blades to be constructed for wind power plants. In the solar industry graphite is used to produce silicon for photovoltaic systems. Carbon is also the first choice for many applications in which energy storage and efficiency are critical factors, for example, as an anode material in lithium ion batteries or as heat conductors in cooling systems. Our materials are also used, in the form of electrodes, to recycle scrap steel in steel producers’ arc furnaces.

We carry out many of our own research activities and cooperate with universities and other partners in order to continuously advance the potential applications for carbon in sustainable solutions (see “Promoting Science – Shaping the Future Together” on pages 42–43 and pages 60–62 in the management report).

ENERGY EFFICIENCY AS A FUNDAMENTAL PRINCIPLE

The manufacture of products made of carbon and graphite demands the use of specific, energy-intensive and high-temperature technologies. Therefore, it also makes business sense that one of SGL Group’s fundamental principles is resource conservation. When planning new plants and buildings as well as operating existing facilities, we consistently develop and implement new activities and systems at our sites to further improve energy efficiency.

In fiscal 2012, SGL Group, for example, introduced an energy management system (EnMS) in Germany in accordance with DIN ISO 50001 aimed at continuously improving energy-related performance. The EnMS is regularly audited based on both the DIN and internal standards. Other examples of our energy efficiency activities include heat recovery systems at our facilities in Muir of Ord (Great Britain) and Steeg (Austria), the air conditioning system in administrative buildings using our low-energy ECOPHIT climate control ceilings, which are used, for example, in our Group research center in Meitingen and in our new headquarters in Wiesbaden-Schierstein.

Moreover, SGL Group is also engaged in the development of new forward-looking energy management models for industrial companies. For example, we are a partner of the FOREnergy initiative of the Bavarian Research Foundation, which was founded in September 2012. The goal of the initiative, which currently includes 28 partners from science and business, is to research concepts and solutions for energy flexible factories. Energy efficiency also plays an important role in how we collaborate with our customers. For example, in September 2012 SGL Group negotiated to a technical cooperation with Hydro – a Norwegian aluminum manufacturer – to develop solutions to increase energy efficiency in the primary aluminum production process.

DEALING RESPONSIBLY WITH EMISSIONS AND CHEMICAL SUBSTANCES

Handling emissions and chemical substances responsibly is a key aspect of environmental protection at SGL Group. In this context, SGL Group has invested more than €50 million in the past seven years in equipment with Best Available Techniques (BAT) for environmental protection. These investments focus on regenerative thermal oxidation facilities and methods for treating production emissions. A further example of achieving top-level environmental standards is the plant operated by SGL Automotive Carbon Fibers (SGL ACF), a joint venture between SGL Group and BMW Group for the manufacture of carbon fiber in Moses Lake, Washington (USA), which runs completely on hydropower generated electricity.

When handling chemicals, SGL Group provides support and assistance in the step-by-step introduction of protection targets in European chemicals policy and in the European legislation on the Registration, Evaluation and Authorization of

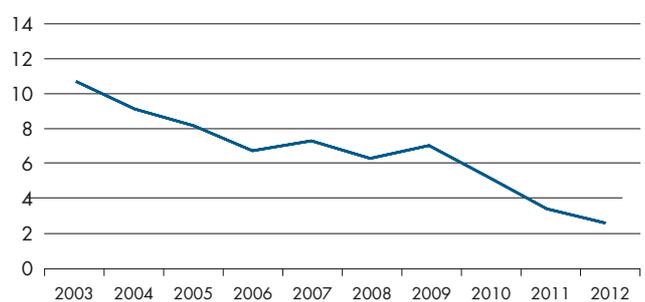
Chemicals (REACH). As part of our consistent implementation of this legislation, which for example requires registration of substances that we produce or import in quantities of between 100 and 1,000 mt per year, we made, as planned, the necessary preparations to ensure registration takes place on time until May 2013.

Furthermore, exchanging information about the use of substances is an integral part of our collaboration with suppliers and customers. This includes exchanging detailed risk and exposure assessments with customers and suppliers as part of the legally required chemical safety inspections. In addition, we provide our customers with relevant product information such as safety data sheets for all substances and products produced by SGL Group in a standardized global system (see also page 92 in the management report).

Health and safety at work

The safety of our employees, the security of our work flows and active, long-term risk management are top priorities for SGL Group.

Frequency of accident-related work absences¹⁾



¹⁾ Number of accident-related work absences per 1 million hours worked

ACCIDENT PREVENTION

We use our high standards, permanent safety precaution improvements and a large number of target-oriented training sessions and activities to prevent workplace accidents. As a



The safety of our employees is a top priority for SGL Group. One success factor is the strong safety culture within our company. To continuously reinforce this awareness, we issue an SGL Safety Award once a year. In 2012, the employees of our facility in Banting in Malaysia (see picture) received this award along with 13 other sites worldwide.

result of our activities, we continue to see a positive development in the frequency rate of accident related work absences compared to the number of hours worked. Based on 1 million hours worked, the index has fallen from 11.91 in 2002 to 2.59 in 2012. This is a decline of more than 75% (see also page 91 in the management report). The strong safety culture within our company, which was established through our own efforts, has played a significant role in this success.

We ensure the sustainability of our efforts by setting ambitious targets and through continuous preventive safety management. Incoming data on all accidents and near misses are systematically analyzed, recommendations are formulated and preventive actions and training sessions are initiated. All sites are required to use our standardized reporting system,

via which specific, top-level actions can be initiated. A central database also enables us to provide examples of best practices. Additionally, in order to further reinforce awareness of occupational health and safety at our sites, we issue the SGL Safety Award once a year to honor sites that have remained accident-free over a pre-defined period. In 2012, a total of 14 locations were accident-free and received the Safety Award.

Our preventative measures are complemented by emergency management systems specific to each site. To maintain and optimize our standards, routine training takes place at all production facilities. In addition, occupational safety and the minimization of risks are anchored in the target agreements of our divisions and sites.

MINIMIZING RISKS

On the whole, SGL Group uses a variety of tools to minimize risk. The Group established a company-wide approach to recording, analyzing and evaluating risk back in 2002, which is being expanded regularly. Included are also financial effects of crises such as environmental damages or fires, and in such cases, avoiding production downtime by shifting to other plants. In addition, we regularly conduct centrally organized audits in cooperation with our insurance company FM Global. Our facilities can obtain a special certificate as part of these audits which certifies their status as being a Highly Protected Risk (HPR). The audit results are discussed with the plant management and, if necessary, an action catalog to minimize risk is prepared. In the year 2012, 27 locations were audited. A total of 18 plants now have HPR status.

Furthermore, SGL Group begins the risk assessment and management already when new production facilities or expansions of existing plants are in the planning phase. In these cases the EHSA team also employs the support of external partners to complement our own expertise, ensures a uniform approach and offers support. This practice enables us to monitor investments and process modifications centrally, thereby reducing risks early in the modification or construction phases of a project.

Corporate citizenship

Corporate citizenship is a fundamental facet of our corporate social responsibility. This is reflected both in our close ties with the communities in which we operate as well as the diverse alliances and initiatives in science, research and industry.

LOCAL COMMUNITY INVOLVEMENT AND SUPPORT

The circumstances and challenges of communities vary greatly between the regions in which SGL Group has facilities. Therefore, we support the regions through our facilities with many different programs and activities, which are often accompanied by the strong local commitment and initiatives of our own employees. In 2012, the activities again ranged from community involvement and supporting the local economy to fostering sports and cultural institutions. The following section briefly outlines a few examples of our activities.

At the Polish facilities in Racibórz and Nowy Sącz, for the first time SGL Group supported vacation camps for children from local disadvantaged families. The two-week programs were rounded off with a visit of the children and young people to the SGL Group plant in their area. Following the camps, employees donated school supplies. A total of 1,200 items were collected, from pens and backpacks to calculators.

Many other sites around the world participated in similar activities. At our site in Charlotte, North Carolina (USA), for example, SGL Group supported the initiative “A Child’s Place” during the Christmas season providing gifts to homeless children. In Xincun in the Chinese province of Shanxi, SGL Group donated new school uniforms to the kindergarten and elementary school as part of “Children’s Day.” Apprentices at our Bonn facility continued the tradition of helping young cancer patients. In fiscal 2012, they collected a total of €1,100 by selling tools that were no longer needed. The sum was donated to the children’s cancer clinic in Bonn.



In fiscal 2012, apprentices at our Bonn (Germany) facility collected a total of €1,100 by selling tools that were no longer needed. The sum was donated to the children’s cancer clinic in Bonn.

Our involvement in promoting the local economy is reflected in the active participation of representatives from many of our various sites in the local Chambers of Commerce and business associations. Promoting local sports and preserving cultural traditions are also focal areas for us. We have extensive sports programs at our sites in Narni (Italy), Hickman (USA) and La Coruña (Spain), among others. An example of our involvement in cultural affairs is the support of many music and culture clubs that our employees around the world have initiated, such as the brass band “Plania” in Racibórz (Poland) or the “SGL Kapelle” in Meitingen.

In addition to local involvement in the form of scheduled programs and initiatives, SGL Group also provides concrete unbureaucratic aid in the event of a crisis. For example, our Italian sites were involved in the efforts to help the victims of the earthquake in the Italian region of Emilia Romagna in May 2012. In addition to financial support, some SGL Group employees also volunteered on the ground.

PROMOTING SCIENCE – SHAPING THE FUTURE TOGETHER

Promoting science continues to be particularly important to SGL Group. We proactively support the joint development of advanced research surrounding carbon materials and the business activities of SGL Group. Our long-term and diverse alliances are closely linked to our own research activities and are supported and driven primarily by our global group research department, Technology and Innovation (T&I) (also see pages 60–62 in the management report).

In 2012, we expanded our range of activities yet again. For example, we expanded the existing research and development alliance for synthetic graphite with the AGH Krakow Technical University in Poland. In addition to the ongoing support of dissertations and master theses and our lecture series on carbon materials, we plan to set up a carbon laboratory and a lecture hall.

By supporting the professorship of Carbon Composites (LCC) at the Technical University of Munich (TUM), SGL Group is continuing to drive research about carbon-fiber based materials. Founded in the year 2009 under Prof. Klaus Drechsler, the professorship had over 60 employees at the end of 2012. The institute is increasingly developing into a key hub for multilateral development projects and is continuing to facilitate the creation of networks not only at the national level but also with universities and research institutes in the USA, China, Korea and Singapore. Prof. Drechsler also heads the Fraunhofer project group for lightweight construction in Augsburg, which he is successively bringing closer to the Fraunhofer Institute.

Our work with the European Business School (EBS) close to Wiesbaden, Germany, which SGL Group announced jointly with the EBS in December 2012, represents a cooperation with a different focus. The establishment of a professorship in the area of Supply Chain Management is planned, which will research integrated logistics chains over the entire value chain. It is scheduled to begin in the 2013 summer semester. Prof. Dr. Hans Sebastian Heese will hold the professorship. Another example is our involvement in the University of Augsburg, where in 2012 we supported vocational training in the field of modeling by sponsoring the software.

SGL Group also encourages top performance in science and in new application fields by awarding a number of prizes and holding idea competitions. For example, every two years we grant the Utz-Hellmuth Felcht award, which carries a €20,000 prize. The award goes to outstanding technical contributions to science in the fields of carbon and ceramic materials. The next award will be given in 2013. We also foster young, up-and-coming scientists through science prizes. Once again in 2012, we granted the SGL Group Award for the best dissertation in the engineering department at the Technical University of Munich in the field of lightweight construction with carbon, ceramic or hybrid materials as well as the “Schwäbische Wissenschaftspreis” (Swabian Prize for Science).

With our idea competition “What could you make out of carbon concrete?”, we tried something new by engaging the public to find the best application ideas for carbon fiber reinforced concrete. Over 300 ideas were contributed to the Open Innovation Platform www.innovationskraftwerk.de of the “Germany – Land of Ideas” initiative. Prizes totaling €15,000 were awarded. We donated a portion of the prize money to the Montessori Kinderhaus in Meitingen, which has established its own research room for children.

SGL Group is a co-founder of the “Initiative Junge Forscherinnen und Forscher e.V.” (IJF – Initiative for young researchers). The motto is “Mach die Zukunft zu Deiner Idee!” (Turn the future into your idea!), and it aims to allow children and young people to get a grasp on future technologies and foster the joy of discovery and independent thinking in order to train enthusiastic young people for scientific and technical professions. The initiative is jointly financed by the European Social Fund, among others. SGL Group not only participates in IJF events through sponsorship and assistance in the jury for the annual Nano school competition but it also introduces its own activities. One of the initiatives of SGL Group employees included a technology rally that was held in cooperation with IJF at the Herbertshofen elementary school in Meitingen for the first time in May 2012.

SGL Forum has been in place since 2010 at our facility in Meitingen, which has created a meeting place for people to discuss scientific topics surrounding carbon materials. Covering a space of 1,700 m², the forum is primarily a communications center, which demonstrates our technological expertise, our broad product base and our innovative abilities. It also serves as an international conference location. As an example, SGL Group hosted the 3rd International Flow Battery Forum (IFBF) in September 2012, an annual conference aimed at advancing redox flow batteries as energy storage solutions. Additionally in November 2012, the “M-A-I Green” project of the leading-edge cluster M-A-I Carbon started in the Forum – a project in which SGL Group is actively involved. The goal of the initiative is joint research of alternative raw materials and processes in carbon fiber composites to improve the carbon footprint.



SGL Group is a co-founder of the “Initiative Junge Forscherinnen und Forscher e.V.” (IJF). One of the activities of SGL Group employees included a technology rally that was held in cooperation with IJF at the Herbertshofen elementary school in Meitingen (Germany) in May 2012.

Since 2008 we have regularly held our quarterly “Innovation Panel”. This lecture series features well-known guest speakers who discuss future trends and developments in science and research and promote dialogue between business and research experts.