

Corporate Social Responsibility

About this report

This chapter presents SGL Carbon's corporate social responsibility activities. Socially responsible, environmentally conscious and resource-friendly behavior, promotion of responsible and sustainable product solutions, responsibility for our employees, commitment to human rights as well as compliance and anti-corruption standards, are integral parts of SGL Carbon's corporate culture and objectives. They are key requirements to the long-term success of our business.

Fundamentals

This report presents SGL Carbon's non-financial group declaration according to Section 315b of the HGB and its content corresponds to the requirements of Section 315c in connection with Section 289c of the HGB. The following report presents our key non-financial activities with regard to the five aspects environment, employees, social requirements, upholding human rights and combating corruption and bribery in detail and transparently in a separate, Non-financial Group Report. We present our business model in detail in the chapter "SGL Carbon – the Group" (page 42) of the Group Management Report.

In preparing this separate, Non-financial Group Report, we use the Sustainability Reporting Standards (SRS) of the Global Reporting Initiative (GRI) as a basis for the non-financial performance indicators presented. In order to be able to better map our special requirements, and as a result of the constant further development of our issues, in addition we have developed some own key performance indicators (KPI).

The content of the separate, Non-financial Group Report was reviewed as part of an external assurance engagement with limited security by KPMG Wirtschaftsprüfungsgesellschaft (see information on page 71).

Key issues

In order to form the foundations for the first Non-financial Group Report 2017, in 2016 and 2017 SGL Carbon performed a materiality analysis based on the criteria in the Global Reporting Initiative. In line with the double materiality claim, this analysis considered the economic impact that an issue has on the Company, and how SGL Carbon's business activities impact third parties. A total of 23 material topics were derived and prioritized in line with their importance for the understanding of the course of business, earnings, the Company's position as well as the impact its activities have on the aspects set out above (in line with Section 289c (3) of the HGB).

In order to validate the topics, the 23 topics identified in the previous year were once again assessed in 2018 by the functional responsible managers named by SGL Carbon with regard to the criteria of double materiality according to the HGB. These specialists used a questionnaire to evaluate and provide reasons for the importance of each individual topic. After a final discussion with the responsible project coordinators, the accumulated results of the validation were discussed with the Board of Management, which confirmed these after a joint discussion.

This validation of the material issues resulted in central adjustments for SGL Carbon's 2018 Non-financial Group Report. The topic of "Lobbying/participation in political processes" carried under "Corporate citizenship" is no longer carried as an independent topic in this report, but rather it is included in the topic of "Anti-corruption and bribery" under "Compliance". In addition, the "Compliance" section also discusses the issues of compliance and anti-corruption in the supply chain as well as human rights in the section entitled "Responsibility for the supply chain". In contrast to the previous year, the issue of environmental impact of products is reported in 2018 under the "Products" section and not under "Environment, health and safety affairs". "Management" is also no longer an independent topic in the report. Instead, the central aspects of this issue are integrated into the main topics in the "Employee affairs" section. The subject of "Local communities" is no longer a part of the separate Non-financial Group Report.

The key issues thus identified for SGL are broken down into "Compliance", "Products", "Environment, health and safety affairs" and "Employee affairs". In addition, we also offer a voluntary report on "Corporate citizenship", which does not include a material topic for the Non-financial Group Report. The following table shows the allocation of key issues to these various areas: We report voluntarily on the issue shown in italics and this thus does not form part of the Non-financial Group Report.

Area	Key issues for SGL Carbon
Compliance	Compliance Management Anti-corruption and bribery (including upholding human rights and lobbying / participation in political processes) Responsibility for the supply chain
Products	Product quality Environmental impact of product Sustainable product innovation
Environment, health and safety affairs	Energy consumption and CO ₂ emissions Health and safety at work and health protection Process safety Resource management (waste and water)
Employee affairs	Diversity and equal opportunities Employability and development Attractiveness as an employer
Corporate citizenship	<i>Local communities</i>

The different chapters describe the concepts that we are pursuing, and present the results of the activities put in place to date. Issues with voluntary reporting are marked correspondingly with footnotes in each case and do not form part of the Non-financial Group Report.

Material risks according to Section 315c in connection with Section 289c [3] Nos. 3 and 4 of the HGB

In this separate, Non-financial Group Report, we consider the key risks linked to our own business activities and also risks which have a material negative impact on the affairs set out as

part of the non-financial report (Section 315c in conjunction with 289c [3] Nos. 3 and 4 of the HGB).

In this regard, key risks have been identified for the individual affairs and evaluated in view of the management activities and controls. The group's risk management department has assessed the risk estimates made for the individual affairs with regard to risks that could very probably have a major negative impact. In summary, no material risks were ascertained which could very probably have a major negative impact on the affairs.

Compliance

Compliance Management

As a global group, SGL Carbon has particular responsibility for dealing with its employees, customers, business partners, shareholders and the public. SGL Carbon's Code of Conduct is an integral component of our management and corporate culture, and given this background it sets standards for responsible, legally compliant behavior. This includes our compliance with internal and external regulations and that ethical and sustainable principles govern our activities. We also attach great importance to observing human rights at our sites. As a result, in the SGL Carbon Code of Conduct we have undertaken to comply with the principles of the UN Global Compact.

SGL Carbon's compliance program includes the Code of Conduct as well as additional internal requirements and policies and trainings for various target groups and specific topics (see the Corporate Governance and Compliance Report, page 15). A key component is the anti-corruption program (see the section on "Anti-corruption and bribery").

The Chief Compliance Officer is responsible for SGL Carbon's compliance strategy and monitoring the structures and processes in the Compliance Management System (CMS). He reports directly to the CEO. He is supported in his work by the Group Compliance department. The organization also includes SGL Carbon's Compliance Network, which comprises regional and local compliance representatives as well as compliance representatives from the Business Units (BU) and corporate functions (see Corporate Governance and Compliance Report, page 15).

The effectiveness and efficiency of the CMS is constantly reviewed, and this enables us to react in a reasonable manner to new statutory requirements and changes in its business environment. In agreement with the Compliance Committee, each year the Group Compliance department identifies and defines any action that may be required and measurable objectives approved by the Board of Management for the subsequent year. We summarize the results and the resulting downstream activities as part of an annual review.

Regular risk assessments form part of our effective compliance management system. In so doing, we regularly reassess the topics that Group Compliance defined as being core compliance risks (antitrust law, anticorruption, export control and customs and protecting business secrets) together with the business units' management and the compliance network, and we review the suitability of the existing compliance program (see Corporate Governance and Compliance Report, page 15).

Compliance topics are regularly documented by the Local Compliance Representative [LCR] and respective representatives of the Business Unit [BU] as part of our compliance reporting process. We use semi-annual and annual LCR/BU questionnaires to confirm that the compliance program is being implemented at our local sites and within the business units. The questionnaire to the LCRs includes confirmation that our local sites around the world observe and uphold human rights. The results from the evaluation of the questionnaires are discussed with the Board of Management, as well as the Supervisory Board's Audit Committee. If required, they also form the basis for the reorientation of compliance activities.

Anti-corruption and bribery

SGL Carbon attaches great importance to its excellent relationships with customers and suppliers. We demand and promote transparent, legal processing of all of our Company's transactions. We do this to create trust and secure business relationships over the long term.

Our principles for fighting bribery and corruption are defined in our Code of Conduct, which applies throughout the entire group, in our Anti-corruption training concept and in our Policy for Gifts and Entertainment (G&E Policy). Among other items, our

G&E Policy also sets out how to deal with tangible and intangible gifts. These must be in line with our policy and also correspond to our business partners' regulations. Our top-level Compliance objective also applies here - that all employees must be informed about all key policies and also uphold these.

SGL Carbon has a group-wide Business Partner Compliance Process [BPC] to monitor the risks and control of the work flows when dealing with sales agents. In 2018 the target group of distributors was added to this process. This process includes having the new business partners go through a multi-stage check prior to signing the agreement. This is also part of our internal control as part of our ICS (internal control system). In addition to new intermediaries, existing sales agents are also subject to regular reviews depending on risk category. This allows the BPC process to ensure and increase transparency when working with intermediaries. In 2018 the GMS Business Unit reworked all of its workflows for dealing with sales agents while including the BPC process. The CFM Business Unit will follow in 2019.

In view of the constantly further developing underlying statutory conditions, SGL Carbon continuously optimizes its training content and constantly identifies training requirements. As part of the regular training plan for 2018 face-to-face training sessions were conducted at selected sites as well as during regional meetings of business units and Corporate Functions. 412 employees were trained at these training sessions.

In addition to the existing face-to-face training sessions, in 2018 SGL Carbon introduced an eLearning program on anti-corruption at all of its local sites.¹ This online training session is currently aimed at all white-collar employees. To date 1,432 employees of a total 1,736 employees have completed this online training course. It was still running through to January 31, 2019 in North America. In addition, the training program has been included in the SAP Onboarding Compliance Training Catalog since July 2018, in order to provide all new employees in this target group with corresponding instruction.

Our Code of Conduct also regulates how to deal with donations to political parties and in this regard it points out our Sponsoring and Donations Policy. This governs the standard which applies throughout the group which ensures transparent dealings with sponsoring and donations and which also forbids

¹ Sites in Wackersdorf, Ried/Ort are still outstanding, as anti-corruption training was also provided at these locations in 2018 as part of the Compliance Days held there.

financial support for parties and candidates in political offices as well as members of parliament. These regulations apply to all employees of SGL Carbon, its subsidiaries, and also the members of its Board of Management [also refer to the chapter on “Corporate Citizenship”, page 31].

Responsibility for the supply chain

As one of the leading companies in the industry, SGL Carbon produces and sells its products all over the world and has a wide variety of business relationships. We expect our business partners to undertake legal, ethical and sustainable behavior to the same extent as SGL Carbon for the duration of the partnership. In order to guarantee this commitment, we have introduced a Code of Conduct for Suppliers and Subcontractors [Supplier Code of Conduct]. In addition to adhering to rules that govern integrity, anticorruption among suppliers and social and environmental standards, it also includes requirements for dealing with conflict materials as well as mandatory acceptance of the UN Global Compact principles.

Global Purchasing is responsible for implementing and applying the Supplier Code of Conduct that was introduced in 2015 and incorporated in SGL Carbon's general purchasing conditions. As part of the successive roll-out, the Code was issued to the most important and risk-relevant target groups which were defined based on their proportion of the annual purchasing volume. We also request from all new suppliers, who are selected by Global Purchasing, to sign the Code or to present equivalent standards of compliance.

As part of the supplier assessment that is performed annually, we assess points that correlate with delivery performance and quality, and since 2018, we also evaluate the supplier's performance with regard to legal, ethical and sustainable behavior. The results of this assessment are included in our supplier risk management, from which requirements are derived for any necessary supplier developmental activities, supplier audits, or assessments to be performed. In the case of the latter, we also began to consider compliance with environmental and social standards in 2019.

As part of the “Together for Sustainability” (TfS) initiative, a group of leading international chemicals companies, two German subsidiaries from both of SGL Carbon's business units went through an online sustainability assessment, which is repeated annually. Furthermore, the GMS Business Unit participated in an on-site TfS audit in 2016.

SGL Carbon has production facilities in a large number of countries, and delivers products to customers all over the world, which is why avoiding risks connected with trade activities and customs regulations is of major importance. These risks include limitations regarding deliverability, tax evasion, customs and other duties as well as fines and delinquencies. We aim for our compliance processes to ensure that the exchange of goods and technology and the use of services correspond to the respective internal and external requirements. This principle is reflected in the Global Trade Policy, which applies throughout the group, and also in SGL Carbon's process instructions for the preparation, optimization and execution of all trade activities, for control mechanisms and also for the management and monitoring of risks and responsibilities.

Our export executives and export control delegates are responsible for export controls in our companies and units. Our compliance program for export control and customs has been working with an IT-based compliance module since 2009. This enables the efficient monitoring and processing of export transactions. This module was fundamentally reworked in 2018 and adjusted to the latest statutory requirements. In addition, the new evaluation of the customs procedures [e.g. Authorized Economic Operator] was successfully performed.

Our export control methods are also a key component of the Compliance Risk Assessment [see Compliance, page 20]. We aim to thus ensure that international treaties and national laws are upheld for international transactions and inter-company transfers. In addition, our employees must make themselves aware of the local laws and regulations on export controls and customs before embarking on any business travel.

What is more, we ensure that our employees are aware of all of the relevant export compliance regulations and that export control officers and select employees regularly undergo additional training. Binding face-to-face training sessions and workshops are held in this regard every year. During the year under review the focus was on Germany and France in particular.

Please refer to the section on Compliance on page 20 for information on SGL Carbon's anticorruption activities and on doing business in line with regulations.

Products

We have identified the subjects of product quality, the environmental impact of our products and sustainable product innovation as central factors for our business. In our opinion these aspects form the foundations for our current and long-term success.

Product quality

SGL Carbon aims to achieve a high level of customer satisfaction by delivering constant excellent product and service quality, thus securing long-term business relationships. Product quality falls under Quality Management in the BU GMS and Integrated Management System in the BU CFM. The global heads of both areas report directly to the head of their respective BU. We have established monthly reporting for local site managers and BU directors based on local and global quality performance indicators.

As only users can assess a product's true benefits, we evaluate the quality of our products based on customer feedback. Complaints offer a measurable indicator in this regard. We want to avoid these as far as possible. If complaints should still occur, the SGL Carbon aims to ensure direct, open and constructive dialogue with customers. This means that customer complaints have to be consistently worked through. This includes rectifying defects and preventing them from occurring again in future. In order to assess and improve customer satisfaction concerning our product quality we defined our KPI "Complaint costs²/sales" in 2018 and recorded this indicator for the first time for the BU GMS. Both of the indicators included therein relate exclusively to external customers. In 2018 the Complaint Cost/Sales KPI in the BU GMS totaled 0.08%.

We published the Cost of Poor Quality (COPQ) KPI for the BU GMS in fiscal 2017. This KPI comprises external and internal non-conformity costs (customer complaint costs, costs for scrap and write-downs, costs for reworks and extra work). However, as these indicators do not directly reflect external customers' perspective, in fiscal 2018 SGL Carbon resolved to move over to the Complaint Costs/Sales KPI. In 2018 this transition was initially performed for the BU GMS. In order to make the evaluation of performance more uniform for both BUs, in 2019 this KPI will also be used and recorded in the BU CFM.

²The Complaint Costs KPI does not include goodwill.

Corresponding assessments will be performed throughout the entire production process in order to ensure high product quality. This will allow any differences to be recognized and rectified at an early stage. However, company-wide high quality is based on the relevant production and business processes and systems. That is why we started to introduce a management system tailored to SGL Carbon in our production operations in 2017. This aims to standardize workflows, make systems within the organization uniform and to work out a common understanding at all of our production locations. The so-called Operations Management System (OMS) is a management system which spans the whole of SGL Carbon for optimized planning and execution with regard to costs, efficiency and reliability. In line with its principles this system unites and integrates various processes, expectations and requirements and gears our organization to successful, end-to-end management of our business. The OMS comprises six elements: Strategic Orientation and Objectives, Organizational Structure, Corporate Culture, Performance Management, Shopfloor Management and Methods and Tools.

OMS is being introduced at all of SGL Carbon's 34 locations step by step and in parallel. After the pilot phase was concluded in 2018, all of our locations around the world are now being subject to a maturity assessment for the production systems and processes. We want to identify strengths from which other locations can learn, and also uncover potential starting points for improvements.

Almost all of the sites in the SGL Group are already integrated in the respective BU's global quality management system and certified according to the ISO 9001 Quality Management standard, which supports the system and organizational quality. In addition, in line with specific requirements there are also certifications according to ISO 14001 (Environmental Management), ISO 50001 (Energy Management), OHSAS 18001 (Occupational Health and Safety Assessment Series), AS 9100 (Quality Management for aerospace industry) and IATF 16949 (Quality Management in the automotive industry).

Environmental impact of products

Global megatrends for mobility, energy and digitization are impacting SGL Carbon's markets. In this regard, sustainability plays a key role - right now and also in the foreseeable future. The potential positive impact on the environment that could result from our products is regarded as being a key driving force on many of the markets we supply. This includes the use of

composites in wind turbines to generate renewable energy, or also the increasing use of our battery and fuel cell solutions as part of future energy and mobility concepts. Many of our products have the potential to support the development of low CO₂ technologies (for example for photovoltaic, LED lighting, lightweight construction, heat and energy efficiency). In the mobility sector our light composite solutions help to cut energy requirements in the automotive and aviation industries, and can thus help to reduce CO₂ emissions overall.

Our Innovation Team is responsible for these activities. This Committee spans multiple departments and comprises members of the management of both BUs as well as Central Innovation. It reports to the Board of Management.

SGL Carbon has a database with the most important data for the innovation projects and a market and technology-based evaluation method in the form of a portfolio analysis. In 2018 we added environmental impact to this evaluation to give it an additional dimension. This includes estimates concerning the impact of production and product use on the climate and also recyclability, material efficiency and the use of hazardous substances.

In the future we want to further structure this portfolio analysis method for reviewing relevant sustainability aspects along the entire value chain. Our aim is to include the findings we obtain in our innovation processes to support our growth strategy. That is why we worked out a possible approach for a systematic method together with a sustainability advisor in 2018. Our joint activities in the year under review included developing relevant milestones that are to be pursued in multi-departmental workshops in 2019.

In addition, at present we are supporting a scientific study over the 2018-2019 period, which aims to illustrate the CO₂ balance of composite materials across the entire life cycle for various scenarios in connection with our portfolio of product and innovation projects. SGL Carbon is also active in FOREL (Forschungs- und Technologiezentrum für ressourcen-effiziente Leichtbaustrukturen der Elektromobilität - Research and Technology Center for Resource Efficient Lightweight Structures for Electromobility), an industrial group which discusses and develops sustainability issues such as recycling and life cycle assessment (LCA) for lightweight components in electromobility.

Sustainable product innovation

As part of the assessment of sustainability issues in our existing markets, we are also determined to discover new opportunities to drive our innovations and future growth. This is reflected in many innovative projects including the use of recycled carbon fiber materials or developing electromobility solutions.

In 2018 the TOSCAA project was concluded. This project investigated the potential for using recycled carbon fibers as an overmoulding material. In order to intensify our efforts to use recycled materials we launched the project CAREBo, which aims to review the feasibility of realizing a modular battery tray structure made of recycled secondary carbon fiber materials for electric vehicles. In addition, we are also a partner in the MAI CC4 CaRinA project, which aims to develop a clear and easily accessible, cost-specific performance spectrum for recycled secondary carbon fiber materials.

In addition, we are also a partner in the development of a sustainable low-energy process to produce safe drinking water using microbial desalination cells (MDC) as a pre-treatment for reverse osmosis. The EU Horizon 2020 project MIDES aims to develop the world's largest demonstrator of innovative MDC technology. As part of the OEKOBAT project we are investigating the replacement of binder materials, which are required when graphite is used in lithium-ion batteries for next-generation water-based and thus environmentally-friendly energy systems.

In order to obtain a holistic understanding of our sustainability impact, a systematic product portfolio assessment will be used in future. This will allow us to identify strengths and also to uncover possible starting points for changes.

Environment, Health & Safety Affairs

Responsibility for the environment as well as our employees' health and safety is a key component of SGL Carbon's corporate culture. High standards in these areas are prerequisites for our Company's sustainable economic success. In our Code of Conduct and the EHSA Policy (Environment, Health & Safety Affairs) which is being applied at all of our locations around the world since 2015, we undertake to create secure and healthy working conditions for our employees, and to minimize the impact our business activities have on the environment. A Code of Conduct for Suppliers and Sub-

contractors has also been in place since 2015. According to this Code they are obliged to behave legally, ethically and sustainably.

One of the key areas for cooperation between SGL Carbon and our suppliers and customers is in exchanging information. This aims to minimize risks when using chemical substances. In an internal standardized global system, we create relevant product information such as safety data sheets which we provide to our customers. As a result, we comply with the requirements of the EU regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH).

Our central corporate EHSA organization coordinates all groupwide activities for environmental protection and health and safety at work, sets uniform standards and audits the progress in cooperation with local EHSA representatives. It reports to SGL Carbon's Board of Management once per quarter, informing it of the current developments.

Energy consumption and CO₂ emissions

The manufacturing of carbon fibers and specialty graphites requires a large amount of energy due to the high-temperature technologies used. The bulk of SGL Carbon's energy consumption is due to creating heat and also includes the thermal cleaning of emissions. As a company using a high amount of energy we have special responsibilities with regard to climate change and the environment, as the consumption of energy is also linked to emissions of greenhouse gases - in particular CO₂. SGL Carbon's CO₂ emissions are primarily scope-1 emissions which are created during combustion processes, and scope-2 emissions which are due to our electricity consumption. We also constantly make our processes more energy efficient for economic reasons. These account for a high proportion of production cost and, as a result, price fluctuations for energy costs can have both a positive and negative impact on earnings.

The individual production locations and business units are responsible for concrete implementation of the activities and projects. For this purpose, each location has an energy officer, who reports to the location's managers or management at least once per year. The EHSA Steering Committee is responsible for controlling and monitoring energy management at all locations. In this regard the level of target attainment is reported to this committee every quarter. The EHSA Steering Committee is composed of the heads of the Operations areas in the various business units and is managed by SGL Carbon's CEO.

The top-level target for energy management is to use all types of energy efficiently and to thus ensure constant improvements. In so doing, SGL Carbon is focused on energy-efficient equipment and processes. We have included this in our EHSA energy management policy and our Code of Conduct. In addition, we offered training activities at the ISO 50001 certified locations and communicated energy management within the Company. We want to ensure that our employees are also energy aware and to develop competences that they can actively use to reduce energy consumption.

Since December 2015 all of SGL Carbon's European production locations have an ISO 50001-certified energy management system. Certification was issued by the testing companies DQS and DEKRA. The non-European locations in Moses Lake, Gardena and Arkadelphia have also been certified to ISO 50001.

The ISO 50001-certified locations evaluate implementation in the annual management review and in regular internal and external audits. In 2018 a total of 15 internal audits for the energy management system were performed by correspondingly trained internal auditors from other SGL locations. External audits are performed at least once every three years by an accredited certification institution.

We undertake to cut our global energy consumption based on adjusted revenues by 1% each year, and by 10% through to 2027 compared to the comparable figure from 2017. We aim to comply with the heightened requirements since ISO 50003 came into force and also the requirements for global, efficient energy management. In this regard specific KPIs to measure energy consumption have been defined for all of our global production locations and also activities and projects to increase energy efficiency.

SGL Carbon also works together with external partners as part of its energy management. An example is the energy efficient networks at our location in Bonn. These are based on an initiative by the federal government, and serve the voluntary, systematic, and target-oriented exchange of experience among companies from one region or industry. In Meitingen in 2017, SGL Carbon brought an energy project to life with the local municipality and additional partners. In so doing, we undertook to provide a local new housing area with low-temperature waste heat for their home heating free of charge for 20 years. This waste heat is produced in the plant from cooling equipment and high-temperature furnaces. Thanks to this project, the local community can avoid emissions, and thus saves using primary energy by using the waste heat instead.

In 2018 Corporate EHS invited all of SGL Carbon's European energy officers to a two-day best practice workshop at the Meitingen facility. This served to exchange information and efficiently implement energy-saving projects and activities. It focused on reports about the projects implemented at the locations over the past few years and the results obtained. Finally, the presentations and evaluations of the activities were provided in the Company's network, so that every location can benefit from these and take over additional, efficient activities from other locations.

In addition, we continued our activities to reduce CO₂ emissions in 2018. This includes, for example, procuring energy from regenerative sources at our locations in Wackersdorf, Ort and Ried.

Environmental data ¹⁾	2018	2017	Change
Energy consumption			
in gigawatt hours (GWh)	1,441	1,310	10%
thereof oil and gas	500	466	7%
thereof electricity	646	546	18%
thereof steam	296	298	-1%
in relation to economic output (MWh per €1,000 in sales revenue) ²⁾	1.37	1.45	-5%
CO₂-emissions³⁾			
in thousands of tons (kt)	406	368	10%
thereof direct	93	86	8%
thereof indirect	313	282	11%
in relation to economic output (t per €1,000 in sales revenue) ²⁾	0.39	0.41	-6%
Water requirement			
Total (millions m ³)	9.24	9.08	2%
thereof from Company wells	62%	49%	26%
thereof from rivers	20%	31%	-35%
thereof from public water supply	18%	20%	-11%
in relation to economic output (m ³ per €1,000 in sales revenue) ²⁾	8.8	10.0	-12%
Waste volume			
in thousands of tons (kt)	29.7	19.2	55%
thereof hazardous waste	3.6	3.2	13%
in relation to economic output (kg per €1,000 in sales revenue) ²⁾	28.3	21.2	33%

¹⁾ Data include pro-rata consolidated entities

²⁾ Adjusted sales revenue (excluding price and currency effects)

³⁾ The calculation of CO₂-emissions is based on „UK Government GHG Conversion Factors for Company Reporting“ of the Department for Business, Energy & Industrial Strategy, Gov. UK for direct emissions (Scope 1) and steam (Scope 2) as well as on „EMISSION FACTORS 2018“ of the International Energy Agency (IEA) for indirect emissions (Scope 2)

We were thus able to reduce energy consumption and also CO₂ emissions based on adjusted sales in 2018.

Health and safety at work and health protection

SGL Carbon relies on having a highly performing workforce for its entrepreneurial success. We regard protecting our employees' health and safety as being an ethical obligation with a high entrepreneurial value. We have set out binding requirements for all of our employees in our Code of Business Conduct and Ethics and our EHS Policy which applies worldwide. We also attach great value to the corresponding standards at our business partners, and consider health and safety at work aspects when selecting suppliers. The code of conduct for suppliers and subcontractors stipulates that these must ensure their employees' health and safety at all of their workstations, and set up a management system for constant improvement.

The EHS Steering Committee meets four times per year, and is responsible for managing and supervising the health and safety at work activities (see Energy consumption and CO₂ emissions). In addition, exchanges take place between our global Corporate EHS unit and local EHS managers on top level issues in our global EHS network. This aims to ensure that all of the statutory regulations are upheld and that corresponding systems are put in place at the respective locations.

SGL Carbon's target is consistently preventing work-related injuries and illnesses. We comply with the relevant national acts of law, European regulations and internal policies in all of our production processes. It is the responsibility of the Company's management and each individual employee to ensure safe working conditions. The EHS company unit supports the business units in setting up management systems for health and safety at work, and further developing these. The respective business units and site management are responsible for implementing these.

SGL Carbon uses various incentive systems to actively include its employees in preventing accidents, and considers their ideas for combating the risk of accidents. For example, the issue of health and safety at work is anchored in the annual targets at the Meitingen facility. This location runs a campaign once per year. It launched the Vision Zero prevention campaign in 2018. This is an initiative by the German employer's accident insurance associations and focuses on preventing accidents. As part of this campaign, employees evaluate their own team's performance with regard to factors such as leading by example, recognizing hazards and equipment safety. Linking in to this they then define and implement improvement activities.

If an accident at work does happen, this is recorded in the groupwide Incident Management System. SGL Carbon uses a systematic process to investigate incidents, derive proposals for improvement and in so doing it takes into account which solutions have already been effective in preventing accidents. Once per month the EHSA organization issues a safety report and relevant statistics to the Board of Management, managers of the business units, and the locations as well as the EHS managers. This allows us to review compliance with the EHSA policy, and in the case of negative developments to implement counter-measures immediately.

A key activity in attaining the objectives at SGL Carbon is the Safety Pledge Program. In 2015 this was initially introduced in the USA and continued over the following two years. It has been in place in China since 2016. During the period under review, 69% of production employees participated in this initiative. At locations with a higher frequency of accidents [Lavrado, Ort, Chedde as well as the joint venture Brembo SGL Ceramic Brakes GmbH in Meitingen] we also performed individual initiatives to prevent accidents with various activities at the start of 2018.

In addition, SGL Carbon regularly holds employee training sessions. Executives also must ensure that the employees in their area of responsibility receive training and support for safety issues. We thus aim to increase our employees' awareness of safety relevant issues, and actively prevent accidents. At present, no information is collected on the number of training sessions and the number of participants.

The aim is also to permanently improve the existing safety precautions. In 2018 the target frequency for accidents was 3.61 accidents per million working hours after the integration of the former joint venture locations of Benteler SGL. This target was reached with an actual result of 3.45. As a result, accident frequency was once again on a low level. In addition, the severity of accidents was also lower year-on-year, and this figure was also lower than the target.

Process safety

Events such as accidents, fires or explosions could lead to longer periods of production downtime and lower quality at SGL Carbon and cause substantial damage to people and the environment. These could result in entitlements to compensation for damages and the rectification of damage. We thus pursue the target of establishing safe production processes and constantly improving our safety culture.

As part of its entrepreneurial duty of care, SGL Carbon has a global guideline and a Process Safety Management Policy in place since 2017. The system includes various elements such as process safety analyses, investigating accidents and the control of counter-measures. Process safety is also an issue at the quarterly meetings of the EHSA Steering Committee [see Energy consumption and CO₂ emissions]. This is coupled with an incident management system for health and safety at work and process security [see Health and Safety at Work] in which we precisely classify every accident. This identifies whether the incident was due to problems with workplace safety or process safety.

Since 2002 SGL Carbon has been using a group-wide standardized Risk Management System (RMS) in order to minimize risks in its production processes. In doing so we analyze the extent of and hazard potential from crises and calculate their economic consequences such as the costs of rectifying environmental damage or lost sales as a result of production downtime. We implemented a total of eleven activities from 2017 to 2018 in order to improve process safety. These were mostly technical activities for repairs and maintenance, and also organizational improvements.

SGL Carbon performs annual audits in cooperation with the insurance company, which include a safety analysis of many processes and systems and simulation of stress scenarios. The results are evaluated and documented. If necessary, we put concrete activity plans in place on this basis. A total of 13 locations were audited in 2018. Ten of these facilities were awarded the Highly Protected Risk status - the highest possible safety level. In 2018 a total of eight accidents and serious near misses connected with process safety were registered at all of the facilities around the world.

Resource management [waste and water]

As part of SGL Carbon's business activities, waste products from carbon and residual materials are produced. Both carbon and also the residual materials produced in most of the production processes are highly recyclable. We primarily use water to cool production equipment.

At all of its locations worldwide, SGL Carbon undertakes to comply with all of the applicable statutory requirements and to uphold effective management processes and continuous performance improvements for its management of resources. We pursue the objective of using resources efficiently, and avoiding impacting the environment as far as possible. We thus

aim to constantly reduce water consumption and the production of waste. Our principle for waste avoidance is: avoidance is better than recycling and recycling is better than disposal. Waste that cannot be prevented can often be reused in other products or at other locations. For example, recycled carbon fibers can be used as fleece textiles for automotive production. SGL Carbon uses water carefully, and uses secondary circuits and cooling equipment wherever this makes economic sense. Water that does not come directly into contact with production is not contaminated, and can be discharged into rivers after use in some cases.

SGL Carbon has set out how it deals with resources in the policy on EHS training. The Code of Conduct for suppliers and sub-contractors also includes information on waste. It obliges us and our suppliers to obtain the requisite licenses, to recycle, and to avoid waste and emissions of hazardous substances into the environment. Once per month, together with the local EHS officer, the EHS organization collects data at all of the facilities which shows the use of resources and generation of waste. Water consumption is stated for each water source, and a distinction is made between hazardous and nonhazardous waste.

We were thus able to reduce water consumption based on adjusted sales in 2018.

The increase in the quantity of waste based on adjusted sales in 2018 was caused by extensive construction work. After adjustment for these non-recurring items the quantity of waste to adjusted sales was slightly higher than the previous year's figure.

Employee affairs

SGL Carbon has a total of 5,031³ employees at more than 30 facilities in Europe, Asia and America. Their dedication, competence and performance are critical factors for the Company's success. As a result, we aim to acquire the best talent for our Company, and to specifically further develop its employees and enhance their loyalty to the Company. In addition to the large number of opportunities for training and continuing professional development, we also employ a varied, fair and respectful working and management culture. The Company offers all its employees the possibility to develop

their full potential. This is set out in the Code of Conduct as well as the SGL Competency Model.

At SGL Carbon, the role of Human Resources is understood according to the so-called HR-Business Partner Model, that is to say as a strategic partner for the business units and an advisor for executives. HR activities span inclusion in strategic entrepreneurial decisions through to operational HR processes, which is reflected, in organizational terms, in the fact that there are HR Business Partners at various levels - globally for the business units, the central R&D department, and the Corporate Functions, and locally for the individual plants.

HR management with this structure is responsible for a large number of different tasks:

- Managing HR processes such as hiring and personnel administration, including questions concerning labor law
- Qualifying, coaching and training management and employees
- Defining remuneration programs for senior management based on market standards and performance
- Coordinating international employee assignments
- HR-related reporting to the Company's management
- Contact for the Company's management for questions of personnel planning and covering these requirements
- Positioning SGL Carbon as an attractive employer on the market
- Efficiently managing the HR impact of change processes

In addition to efficiency, customer proximity and service quality are increasingly becoming central criteria when structuring and implementing HR processes. Given this background, SGL Carbon will introduce a comprehensive, cloud-based IT solution for these processes from 2019. The Board of Management passed corresponding resolutions in 2018.

HR reports regularly to the Board of Management. The Head of HR meets personally with the CEO once every two weeks and once per month with the CFO. As a result, top management is very aware of HR issues.

SGL Carbon keeps a keen eye on potential HR risks. This also includes the strategic importance of recruiting resulting from the increasing dearth of specialists. This also applies to the Group's efforts to increase employee loyalty serving to combat high

³ In contrast to previous reporting practice, this figure also includes temporary employees. The following section recalculates the comparable figures for 2017 on this basis where applicable.

employee fluctuation, and thus also keeping expertise in the Company. The Group's forward looking competency management also plays a key role. This identifies the competencies which will be required from senior and middle management in future and promotes these. In addition, risks can also result from employees' changing requirements and wishes. We use an external advisor to record these for Germany and also globally using the employee survey, performed for the first time in 2018.

Diversity and equal opportunities

The variety of its workforce constitutes a strategic advantage for SGL Carbon: The employees' different competencies and perspectives reinforce the Company's ability to innovate, and enhance its position as an attractive employer. This variety helps us to beat the competition for highly qualified specialists. It also allows us to combat the challenges resulting from demographic change.

SGL Carbon aims to establish a non-discriminatory work and management culture in which all employees contribute their personal and specialist expertise, and make sure they have equal opportunities for career success and fair pay - irrespective of their sex, age, origins, religion, sexual orientation or health issues. Our Code of Conduct is a key pillar in our commitment to diversity and equal opportunities. In our Code of Conduct, we back a diverse and integrated working environment, characterized by trust, openness and respect. Disadvantages as a result of age, religion or origins will not be tolerated. "Valuing diversity" is also anchored in the SGL Competency Model as one of six components. The model includes vital, globally valid behavior requirements for middle and senior management. We always use local collective agreement systems or similar systems for remuneration, which is why non-discriminatory remuneration can be assumed. In areas not covered by collective agreements, the recognized analytical job evaluation method according to Hay is applied. We took the new statutory requirements from the Entgelttransparenzgesetz [German Remuneration Transparency Act] into account in 2018. In cooperation with the management consultants hkp///Group, the Company's audit procedure was implemented as part of the remuneration transparency act for salaries not based on the collective agreement. In summary, it was not possible to ascertain any statistically significant differences in remuneration between male and female employees. If required, individual cases were examined as part of the upcoming global salary adjustment process for SGL's management.

In order to promote international exchange and knowledge transfer within the Company, SGL Carbon deploys single employees to different locations worldwide. These international assignments are generally from one to five years. In 2018 the Group employed expatriates in China, Germany, Portugal and the USA.

Percentage of women	2018	2017
Total workforce	18%	17%
thereof Europe	18%	17%
thereof North America	19%	16%
thereof Asia	18%	19%
Senior management	19%	14%
Middle management	17%	16%
Talent pool	29%	23%

Age structure	2018	2017
< 30 years	19%	21%
30 to 50 years	53%	51%
> 50 years	28%	28%

Internationality	2018	2017
Total workforce	5,031	4,732
thereof Germany	2,271	2,161
thereof rest of Europe	1,448	1,436
thereof North America	824	704
thereof Asia	488	431
Number of expatriates	6	8

Employability and development

In competition for the best talent, top-quality for training and continuing professional development is of key importance. This not only helps to acquire and further develop junior staff, it is also the key to enhance loyalty to the Company for experienced employees and to retain their knowledge in the Company for its long-term success.

Our aim is to maintain our employees' employability and to promote their professional and personal development. Consistent personnel development is a fixed part of the Company's philosophy. It reinforces the Company's competitive advantage and responsibility for its employees.

Vocational training has always played an important role at SGL Carbon. The Company's vocational training offering spans twelve technical, commercial and IT professions in Germany as

well as five dual study programs. In Meitingen in 2018 two (female) apprentices received an award as being the best in their profession in each case in the region covered by the chamber, in Bonn one apprentice was the best in the whole of Germany in the field of materials testing - chemicals.

In addition, during the year under review SGL Carbon was honored for the first time by the international research and consulting network "Great Place to Work®" with the certificate "Great Start", and now ranks among "Germany's best training companies". The certification process equally considered feedback from apprentices in Germany, which was collected in parallel to the global employee survey using a separate questionnaire, and also a detailed evaluation of the Company's operational training concept (Culture Review) in Germany by Great Place to Work®.

In order to enthuse school pupils for technical professions, SGL Carbon has been a member of the Initiative Junge Forscherinnen und Forscher e.V. since 2010 as one of its founding members. As was the case in the previous year we supported this association to the tune of €10,000 in 2018 and also provided a great deal of personnel support. For example, a manager from our central R&D department was appointed to the association's board in April 2018.

SGL Carbon offers its employees opportunities for their personal and professional development throughout their entire career. This includes training and continued professional development, expanding tasks and responsibilities within a specific position, as well as changes of position. In regular talks, managers discuss concrete individual development activities such as training sessions, coaching or special tasks with employees.

In addition to local training offerings at individual locations, we enable specialists and managers to participate in the Corporate Training Framework. This interdisciplinary training offering passes on knowledge for communication, people management, project management, sales proficiency and self-management (for example resilience).

In its Leadership@Work program SGL Carbon specifically prepares leaders and experts for further-reaching management tasks. The program is the key element in SGL Carbon's internal management development activities. It is characterized by the systematic use of self-reflection and feedback - for example from the use of 360° feedback, based on the SGL Competency Model. In addition, this series is very close to the real challenges faced in management work. This is achieved using so-called action-learning elements, however in particular also by using mentors. These are select top managers at

SGL Carbon which support the groups as co-trainers and coaches. More than 1,300 employees have already participated since Leadership@Work was introduced in 2001.

The activities are supplemented with regular potential analyses. As part of the annual talent management process, SGL Carbon identifies and promotes talented staff. In so doing, the employees' management potential is assessed. In the second instance, we also evaluate potential for a specialist career. If necessary, the HR managers also discuss concrete target positions with the respective managers and employees, and plan corresponding development purposes.

A framework concept for expert careers was developed in 2017, in particular for the target group of experts who do not aim for a traditional management career. We launched our pilot project in part of our central R&D in 2018, its implementation will be continued in 2019.

Apprenticeships and dual study programs	2018	2017
Total apprentices	99	102
- Site Meitingen	60%	64%
- Site Bonn	34%	30%
- Site Limburg	5%	4%
- Site Willich	1%	2%
Number of professions for apprentices	12	13
Number of apprentices taken over after training completion	25	31
Number of dual study programs	5	6

Personnel development and talent management	2018	2017
Number of participants in the training portfolio "Corporate Training Framework"	156	175
Number of participants in the management development program "Leadership@Work"	50	20
Ghost rate in the talent pool (percentage of talent with no job change for six years)	6%	7%
Talents who left the Company	7%	6%

Attractiveness as an employer

It is becoming increasingly important for companies to be perceived as an attractive employer. This is due to factors including the lack of specialist staff. This is making it increasingly difficult to hire suitable employees. A wide variety of factors play a role in making an employer attractive. These include interesting opportunities for entering the company and

careers, attractive remuneration, family-friendly working hours, as well as an appreciative leadership and corporate culture.

SGL Carbon wants to maintain its attractiveness as an employer and expand this if possible, in order to acquire specialists and talents and also to bind these employees to the Company over the long term. This was one of the ideas behind performing a group-wide employee survey for the first time in 2018. The global participation rate was 54%, which can be interpreted as being a solid basis for constructive dialog with employees in view of the reorganization which the Company has gone through in the past few years.

The content-wise results of the employee survey showed a varied profile of strengths and weaknesses. SGL Carbon's strengths from an employee perspective include, for example, the pride in the Company, its activities and products, as well as its salaries being perceived as fair and reasonable. Examples of the topics requiring improvement include team spirit and individual aspects of the perceived management behavior. Following communication of the overall results at SGL by the Board of Management to all of the employees, local information on the location-specific results was passed on at the individual sites. The latter also formed the starting point for the follow-up processes of the employee survey, which starts with brainstorming workshops and also includes project groups on the individual initiatives through to implementation of the proposed improvements. In addition to the locally defined action areas, the Board of Management has defined a "Culture of feedback and recognition" as a top-level issue at the Company. Regular employee surveys are to be held at the latest in 2021 and thereafter in a multi-year rhythm to record the progress in further developing the SGL Culture.

We have enjoyed a successful presence with our own brand as an employer already since 2008. During the year under review, implementation of the new corporate brand meant that we had to fundamentally redesign our employer brand as well. After the concept-based principles were worked out in 2018, we have been using the new employer brand, which is closely geared to the new corporate brand with its three SGL Values (convince through performance; be open-minded, create momentum) in our external and internal communication since the first quarter of 2019.

SGL Carbon uses the slogan "Let's co-create smart solutions" to position itself when looking for new employees - in job adverts, on its own careers page, at fairs and in brochures. As part of its university marketing, we specifically address universities and colleges and offer students various

opportunities for combining academic theory with business practice - including internships, working as a student, and theses. As a long-standing member of the "Fair Company" employer initiative, we undertake to offer students top-quality learning at fair conditions.

Our central research and development department Central Innovation plays a key role in contact between our Company and universities. During the period under review, this department employed a total of 61 students from eleven different countries, and around 28% of this figure were female. In addition, this department supported 37 bachelor and master's theses as well as dissertations in 2018.

As part of our recruiting, in 2018 we further expanded our contacts with potential applicants in social networks that we started in the previous year (Active Sourcing). During the year under review this recruiting channel was used for a total of 28 specialist and management positions, primarily in Europe. In so doing, we approached more than 350 potential candidates, of which 45% reacted to our contact.

The recruiting process is already mostly standardized in Germany, the USA and China. The medium-term target is to standardize the process all over the world as far as this is possible and reasonable considering the legal and cultural framework conditions in the individual countries, and this will be pursued from 2019 as part of the cloud-based IT solution being implemented.

In addition to recruitment a further key issue is that the remuneration system is structured so that this is performance-oriented and in line with the market, and consistently geared to the corporate strategy. During the year under review we assessed the short-term incentive plans for SGL's management (MG 1-4). As a consequence of this assessment, we will no longer agree personal bonus-relevant objectives from 2019. This approach aims to reinforce cooperation, exchanges and a common understanding of performance among executives, colleagues and employees. We offer our employees in Germany a company pension scheme as a voluntary component. This offers additional financial protection for the duration of their pension.

Offers by the Company to make it easier to combine professional and private life are an additional activity to remain competitive in an international environment, reinforcing our attractiveness as an employer. In Germany, we concluded the overall works agreement (Gesamtbetriebsvereinbarung) for Alternating Teleworking ("Alternierende Telearbeit") in 2017

after a successful pilot project in previous years. This agreement allows employees to work from home for up to 40% of their working hours. Written agreements in this regard as stipulated in the overall works agreement were concluded with a total of 57 employees by the end of 2018.

In particularly challenging professional or private situations, SGL employees in Germany can also benefit from external advice. The "Employee Assistance Program" (EAP) offers free, and if requested anonymous help with issues such as caring for dependents, childcare, finances, careers and health, 24/7. Employees can use this service in person, by phone or online.

With regard to company healthcare management, employees in Germany can use various number of offerings decentrally, i.e. at an individual plant level. In Meitingen several corresponding events and activities were held during the year under review. In addition to various activities for sport, fitness and nutrition we also offered, for example, heart rate variability measurement, stop smoking programs, flu vaccinations and mobile blood donations. In Bonn we offered ergonomics advice at our office workstations, seminars on stress management and courses on dealing with shift work in a healthy way.

Number of staff	2018	2017
Number of employees	5,031	4,732
Number of new hires (worldwide) ¹⁾	439	303
- thereof men	77%	82%
- thereof women	23%	18%
Fluctuation rate (worldwide) ²⁾	8.5%	8.5%
- Europe	8.3%	6.7%
- North America	11.8%	14.8%
- Asia	4.3%	10.8%

¹⁾ Exclusively includes "real" new hires for employees with non-limited term contracts, i.e. not taking over temporary employees or removing limited terms on employment contracts.

²⁾ Based on the average headcount, includes employees leaving the Company voluntarily and involuntarily.

Part-time employment and reconciliation of work and family	2018	2017
Percentage of part-time employees in Germany ¹⁾	4.2%	4.6%
Male part-time employees (Germany) ¹⁾	1.3%	1.4%
Female part-time employees (Germany) ¹⁾	18.0%	19.1%
Number of employees who used the advice service (EAP) ²⁾	2.1%	2.4%

¹⁾ Based on a balance sheet date of 12/31/2018 excluding marginal employment employees, students and temporary workers.

²⁾ The usage rate for 2017 include discontinued operations.

Corporate citizenship⁴

As a so-called corporate citizen and a company acting responsibly, corporate citizenship is a key issue for SGL Carbon. In so doing, we want to make a particular contribution to the local environment for our facilities, and that is why we support, in particular, projects that have a local or thematic link to our Company. Sponsoring, donations and active support for our employees form a key part of our charitable activities.

SGL Carbon's entire corporate citizenship is based on our Sponsoring and Donations policy, revised in 2017. This sets the group-wide standard and is binding for all of the employees at our Company and its subsidiaries, for business partners, shareholders and the members of our Board of Management. We aim to use this to ensure that our selection and support of projects is transparent and follows uniform regulations. Accordingly, we focus on, for example, charitable institutions, initiatives and projects that serve to improve quality of life.

The management of the respective local site can decide on supporting specific projects, initiatives, institutions or associations for up to an individual amount of €5,000. If the amount to be sponsored or donated exceeds this amount, the Board of Management must provide its approval. In addition, the Corporate Communications and Marketing department must also be informed. The policy also regulates the concrete criteria for the award. This is coupled with instructions on the operational implementation of donation projects for the employees on location. Proper implementation of the policy is reviewed with the help of an annual survey of CSR activities. As part of this, for example, expenses for CSR activities at all of the Company's locations are systematically recorded, reviewed and summarized in an internal report. The Corporate Communications and Marketing department is responsible for performing

⁴⁾ We report voluntarily on the subject of local communities. The chapter on Corporate Citizenship, which presents this subject, does not form part of the separate Non-financial Group Report.

and monitoring the sponsoring/donation activities. No violations of the policy were ascertained in the year under review.

SGL Carbon's corporate citizenship is characterized by its great variety. This is also due to the wide variety of languages and cultures at our production facilities in Europe, North America and in Asia. However, these various activities always share the personal commitment of our local employees. Their wide variety of commitment spans many areas - from education through to promoting the local economy or supporting sporting and cultural establishments.

In 2018 around €60,000 was donated to more than 80 projects. The primary focus at more than 50% was on social activities, followed by education (35%) and sports (12%).

As in the past, SGL Carbon also focused on promoting science. These activities were controlled by the group's global research department Central Innovation. We award a number of prizes to provide scientists with incentives and to promote the discovery of new applications for carbon. During the period under review, the SGL Award was issued for the best thesis at the faculty of engineering at the Technical University of Munich and a prize

for the Nano School Competition held by Clusters Nano Technology in the Bavarian Initiative for New Materials. In addition, representatives from our Company volunteered in juries to select winners, for example for the CCeV study prizes or the prize board of the Deutsche Gesellschaft für Materialkunde.

As a co-founder of the "Initiative Junge Forscherinnen und Forscher e.V." (IJF – Initiative for young researchers), SGL Carbon also offers comprehensive support for scientific education – from nursery schools through to universities. In 2018, SGL employees again supported the initiative with donations and active participation in the form of excursions. Promoting university education is also a key issue for us. For example, last year we once again supported different universities, for example the Technical University in Munich and the Technical University in Dresden.