

Corporate Social Responsibility (CSR)

Corporate social responsibility means going beyond financials and including environmental as well as social factors in our actions. Socially responsible, environmentally conscious and resource-friendly 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 key requirements to the success of our business.

Integrity and values

Acting responsibly and in line with the law is anchored in SGL Group's corporate philosophy. Our SGL Group Code of Business Conduct and Ethics reflects our common values and sets binding standards for how we behave in our day-to-day business. The Code defines how SGL Group meets its legal and ethical responsibilities as a company while taking the respective social and cultural standards into account.

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. Management serves as an important role model when fulfilling its personnel and leadership responsibilities. The members of the compliance network are also available to employees for compliance-related questions.

Since the compliance program was introduced in 2011, extensive on-site training and specific follow-up training have also taken place using an Internet-based Code of Conduct educational program. Furthermore, communications tailored to specific target groups are used to make SGL Group employees at all locations continuously aware of the subject of compliance (see also page 26 in the Corporate Governance and Compliance Report).

SGL Group is also committed to ensuring that the conduct of its business partners meets the Company's compliance standards. One method to achieve this was the introduction of a Group-wide process to review the compliance standards of business partners.

Employees

At the end of 2014, SGL Group had a total of 6,342 employees – a slight decline of 45 employees or 0.7% year on year; resulting from a number of opposing developments.

On the one hand, about 300 employees around the world left SGL Group in the reporting year due to the SGL2015 cost savings program. This was handled in a socially acceptable manner and in close cooperation with employee representatives. On the other hand, an increase in personnel in certain business units was necessary to accommodate growth. In addition to maintenance in-sourcing at our Banting site, the planned expansion of SGL ACF (included in the employee statistics with 51% based on SGL Group's share) is particularly noteworthy as well as the expansion at SGL Kämpers.

Employees by region

	Dec. 31, 2014		Dec. 31, 2013		Change
Germany	2,259	35.6%	2,309	36.2%	-2.2%
Europe excluding Germany	1,997	31.5%	1,988	31.1%	0.5%
North America	1,347	21.2%	1,395	21.8%	-3.4%
Asia	739	11.7%	695	10.9%	6.3%
Total	6,342	100.0%	6,387	100.0%	-0.7%

Employees by reporting segment

	Dec. 31, 2014		Dec. 31, 2013		Change
PP	1,990	31.4%	2,076	32.5%	-4.1%
GS	2,160	34.1%	2,209	34.6%	-2.2%
CFM	1,054	16.6%	920	14.4%	14.6%
Corporate & Other	655	10.3%	711	11.1%	-7.9%
AS (discontinued operations)	483	7.6%	471	7.4%	2.5%
Total	6,342	100.0%	6,387	100.0%	-0.7%

The strategic advantage of diversity

The Group's workforce continues to be very international. Europe has the greatest share with 67% (unchanged), followed by North America with 21% (2013: 22%) and Asia with 12% (2013: 11%). The diversity of nationalities, cultures and languages is an important strategic advantage. 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. As in 2013, a total of 25 executives were on international expatriate assignments in 2014. The largest groups of expatriates are once again in Malaysia, China and Portugal, followed by the USA and Germany.

Equal opportunity, family friendliness and health management

The share of women in our workforce as of the end of 2014 remained unchanged compared with the previous year at 15%. The share of women in executive positions was 18%, a decrease of one percentage point from 2013. The Group's workforce is characterized by a balanced age structure, which only changed marginally compared to the prior year: 25% (2013: 26%) of all employees are younger than 36 years old; 26% are between 36 and 45 years old (unchanged); 31% are 46 to 55 years old (unchanged); 18% are more than 55 years old (2013: 17%).

In order to support the work-life balance and health of our employees, we offer specific programs at some sites in addition to flexible working hours, such as childcare options during the

summer break as well as medical checkups and health workshops. In Germany for example, the Employee Assistance Program (EAP) has been in place since 2011, offering external consultation for employees with professional or personal problems or who are under any type of stress. In October 2014, this service, which is offered by an independent provider and is both a free and anonymous support service, was expanded to include family services, which consists of consultation services for childcare and caring for family members.

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 sustainable development of SGL Group.

Training has always played an important role at SGL Group. In the year under review, we had 124 apprentices in our German facilities alone. As in previous years, the majority worked at our facilities in Meitingen (78 apprentices) and Bonn (39 apprentices). In total, SGL Group offers 13 professions for apprenticeships, one dual course of study and four courses of study at universities of cooperative education. Beyond the specialist training, we also offer general education courses to the apprentices, such as language courses or health seminars. Furthermore, interested employees may also always take advantage of opportunities to take part in a work-study program.

To provide our employees with further education, we offer semiannual development meetings as part of the performance reviews in addition to a wide variety of individual programs aimed at advancing our employees' professional qualifications. Moreover, we provide an extensive three-step program series called "Leadership@Work" to selected executives and top performers to promote the development of personal, interdisciplinary competencies. In addition, a comprehensive, Group-wide competence model forms the foundation for the further education of our employees.

Competing for talent – grants, internships and theses

As an innovative company, we are always competing for the best talent. In this context, we are pleased that SGL Group was certified once again in 2014 as a Top German Employer (Top Arbeitgeber Deutschland) by the renowned Top Employers Institute (previously known as the CRF Institute).

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 a variety of job 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 pages 49, 48).

Sustainable product solutions

SGL Group's products also contribute to increased sustainability, which allows customers to create more environmentally friendly production processes as well as manufacture more environmentally friendly products. The extraordinary properties of carbon materials are essential for this. Depending on its form and processing, the material demonstrates excellent electrical and thermal conductivity, high resistance to heat and corrosion or is characterized by its combination of unique light weight and high strength.

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 the solar and LED industries, graphite is irreplaceable in the production of ultra-pure silicon. Carbon is also the first choice for many applications in which energy storage and efficiency are critical factors, for example, as anode material in lithium ion batteries or as heat conductors in climate control systems. One traditional application is the recycling of scrap steel. This is the largest recycling process in the world, and our graphite electrodes are used to melt scrap steel in steel producers' electric arc furnaces.

In fiscal year 2014, almost 60% of our Group sales revenue was linked to products for sustainable solutions. This included graphite electrodes for scrap steel recycling, specialty graphite for the solar and LED industries as well as carbon fiber composites for lightweight construction.

Resources and environmental protection

Sustainable business practices, environmental protection and upholding high standards in health and safety at work are essential prerequisites for SGL Group's sustainable growth.

The central function Corporate EHSA (Environment, Health & Safety Affairs) forms the organizational foundation for managing all production processes and continuously developing all environmental protection and health and safety activities. This unit centrally coordinates all Group-wide activities, sets uniform standards and routinely audits developments in cooperation with local EHSA representatives.

Furthermore, the established Group-wide SGL Excellence initiative uses improvement projects to contribute to, among others, conserving raw materials and operating materials as well as continuing to minimize production waste.

Increasing energy efficiency

Energy is required for nearly every industrial production process. It is needed for everything from operating machines to implementing thermal steps in the production process. The high-temperature technologies used to produce carbon products are energy-intensive, however they are necessary in order to create the specific material properties for the various products. More than four-fifths of SGL Group's energy consumption is needed as heat. Temperatures of up to 3,000° Celsius are required in certain steps of the process. This makes it all the more important for SGL Group to continuously improve efficiency in its production processes, especially with regard to energy requirements.

SGL Group improved efficiency in this regard again in 2014. Compared with the adjusted sales revenue, SGL Group's relative energy consumption declined by 9.3% year on year to 1.46 megawatt hours (MWh) per €1,000 in sales revenue. The share of primary energy consumption went down slightly as a result of production consolidation and production network optimization in recent years.

Reducing CO₂ emissions

One of the most significant ways to protect the environment is limiting climate change. Limiting greenhouse gases, especially CO₂, plays an important role. In this context, SGL Group has invested more than €85 million in the past nine years in facilities with state-of-the-art equipment to protect the environment. These maximum standards of Best Available Techniques (BAT) are developed together with the European Carbon & Graphite Association (ECGA). The focus of the investment was on equipment to clean production exhaust gases and to recover energy.

As a result, in recent years, SGL Group's emissions from primary and secondary energy consumption per €1,000 in adjusted sales revenue has fallen from 0.59 tons in 2011 to 0.51 tons in 2014. Absolute emissions in the reporting period remained unchanged year on year, despite lower energy consumption. This is the result of the higher indirect emissions generated from external electricity purchases.

Acting responsibly with cooling water

The manufacture of carbon and graphite products does not require water for the product itself, but instead is needed primarily for cooling the systems used in the production process. The use of secondary cooling circuits prevents contact with the products, which ensures that the water is not contaminated during production.

In 2014, both the absolute water requirement and that related to adjusted sales revenue declined, falling from 9.7 cubic meters per €1,000 in sales revenue in 2013 to 7.7 cubic meters per €1,000 in sales revenue in 2014. More than 90% of this water requirement is used to cool production systems. The remaining volume is used for cleaning or sanitary purposes. Furthermore, nearly two-thirds of SGL Group's water requirement is taken from its own wells, and after it is used as a coolant, fed into rivers or public canal systems in its natural state. About one fifth of the water requirement is taken from river water and another one fifth from the public water supply.

Preventing and recycling before disposing of waste

When it comes to waste, SGL Group's motto is: avoiding waste is better than recycling and recycling is better than disposal. The advantage is that our material – carbon – and most of the residual materials incurred in the production process are highly recyclable. If it is not possible to avoid waste, it can often be reused in other products. Examples include recycling discarded graphite chips and shavings in our graphite electrodes or using recycled carbon fibers as fleece textiles or in CFRP components for automotive production.

The high degree of recyclability results in a very low amount of waste to dispose of. Only just over 10% of all waste has to be declared as hazardous waste and disposed of. This includes the usual hazardous waste such as paint and oil-treated wood as well as materials that can no longer be processed, such as specific filter dust from cleaning or manufacturing processes that must be disposed of at special disposal sites. All waste is meticulously recorded, precisely analyzed and properly disposed of and documented.

The volume of waste generated by SGL Group has declined steadily in recent years. In 2014, the total volume of waste was 37.2 thousand tons (2013: 42.5 thousand tons). Of this amount, approximately 4.5 thousand tons was categorized as hazardous

waste in 2014 (2013: 5.2 thousand tons). The amount of waste related to adjusted sales revenue in 2014 was 23.9 kilograms per €1,000 in sales revenue (2013: 28.1 kilograms).

Environmental data		2011	2012	2013	2014
Energy consumption	in gigawatt hours (GWh)	2,643	2,535	2,448	2,278
	thereof oil and gas	1,171	1,104	1,102	975
	Electricity	1,472	1,431	1,346	1,303
	in relation to economic output (MWh per €1,000 in sales revenue) ¹⁾	1.72	1.63	1.61	1.46
CO ₂ emissions ²⁾	in thousands of tons (t)	914	846	801	801
	thereof direct	236	223	224	198
	indirect	678	623	576	603
	in relation to economic output (t per €1,000 in sales revenue) ¹⁾	0.59	0.54	0.53	0.51
Water requirement	in millions of cubic meters (m ³)	16.8	15.9	14.7	12.0
	thereof from Company wells	61%	61%	63%	60%
	from rivers	22%	23%	20%	21%
	from public water supply	16%	16%	17%	18%
	from lakes	1%	< 1%	< 1%	< 1%
	in relation to economic output (m ³ per €1,000 in sales revenue) ¹⁾	10.9	10.2	9.7	7.7
Waste volume	in thousands of tons (t)	52.6	44.8	42.5	37.2
	thereof hazardous waste	4.7	4.7	5.2	4.5
	in relation to economic output (kg per €1,000 in sales revenue) ¹⁾	34.2	28.9	28.1	23.9

¹⁾ Adjusted revenue (excluding price and currency translation gains and losses); including Hitco; base year 2011

²⁾ From primary and secondary energy consumption

Health & safety at work, product responsibility and risk management

The safety of our employees and the security of our work flows as well as active, long-term risk management are top priorities for SGL Group. We use our high standards, permanent safety precaution improvements and a large number of target-oriented training sessions and activities to prevent workplace accidents. SGL Group's preventive measures are complemented by emergency management systems specific to each site.

As a 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 substantially from 10.5 in 2003 to 2.8 in 2014.

Frequency of accident-related work absences per 1 million working hours

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
10.5	9.1	8.0	6.7	7.2	6.1	7.0	5.0	3.3	2.5	2.9	2.8

(Basis: all fully consolidated SGL Group companies)

When handling chemicals, SGL Group provides support and assistance in the step-by-step introduction of protection targets in European chemicals policy and fully meets the requirements of the European regulation on chemicals (REACH). Exchanging information on the use of substances is an integral part of SGL Group's collaboration with suppliers and customers. This includes exchanging detailed risk and exposure assessments with customers and suppliers as part of the legal requirements. 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 web-based system.

In order to minimize risk, SGL Group has relied on, among other things, a Group-wide approach since 2002 to recording, analyzing and evaluating risk, which is being expanded regularly. This not only deals with potential work accidents, but also the consequences of fire or natural catastrophes. It also analyzes the degree, potential danger and financial effects of crises such as cleanup and repairs resulting from environmental damages or losses resulting from production downtime. In cooperation with the insurance company FM Global, SGL Group performs annual audits in which all of our processes and systems are subject to a safety analysis. The audit results are discussed with the plant management and, if necessary, they agree upon an action catalog to minimize risk.

Corporate citizenship

Corporate citizenship is a fundamental facet of our corporate social responsibility. This is reflected both in our traditionally 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

The circumstances and challenges of communities vary greatly between the regions in which we operate facilities. The community activities we are involved in are equally diverse and often characterized by a strong commitment from our local employees. The activities range from community involvement, such as in the area of education, to supporting the local economy to fostering sports and cultural institutions.

Even if they are small and often voluntary activities, they are an important part of our local community involvement. SGL Group remains true to these commitments even in a difficult economic climate. Although financial support was reduced significantly, investments for all locations together still reached a low six-figure euro amount in 2014. Despite this reduction, the number of individual activities was 172 in the year under review and therefore on par with 2013, which had 168 activities.

Local community involvement by type

(based on number of activities)	2014	2013
Social	44.2%	51.2%
Culture	6.4%	5.4%
Education	27.9%	23.2%
Sport	12.8%	11.3%
Other	8.7%	8.9%

In the year under review, for example, employees at our Banting site in Malaysia organized a group breakfast with orphans and donated clothing to children. In Bonn, staff supported a chemistry project of an advanced high school chemistry class, whereby SGL Group organized a plant tour for the students and explained the basics of theory and practice. Employees at our Hickman site have a long tradition of supporting sports teams. In 2014 SGL Group staff coached their children's teams and SGL Group sponsored jerseys.

Promoting science

Promoting science continues to be particularly important to a technology-based company like SGL Group. Our long-term alliances are closely linked to our own development activities and are supported and driven primarily by our global group research department, Technology and Innovation (T&I). Examples include our support of the professorship of Carbon Composites (LCC) at the Technical University of Munich (TUM), our collaboration with the Technical University Nanyang (NTU) in Singapore and the AGH Krakow Technical University as well as many active memberships in industry associations (see also page 49).

We award a number of prizes to provide scientists with incentives and to promote the discovery of new applications for carbon. Every year we give out the SGL Group Award for the best

dissertation in the engineering department at the Technical University of Munich as well as the “Schwäbische Wissenschaftspreis” (Swabian Prize for Science) to foster young scientists in Augsburg. Furthermore, every two years the Utz-Hellmuth Felcht Award, which was initiated by SGL Group, is granted at the International Carbon Conference. We also sponsor the SGL Carbon (Skakel) Award of the American Carbon Society.

As a co-founder of the “Initiative Junge Forscherinnen und Forscher e.V.” (IJF – Initiative for young researchers), we also offer comprehensive support for scientific education – from nursery schools through to universities. In 2014, SGL Group employees again supported the initiative with donations and active participation.

Events after the Reporting Period

No events of material significance to report.