

Corporate Social Responsibility

Socially responsible, environmentally conscious and resource-friendly behavior, commitment to our employees and our society, and the advancement of sustainable product solutions are integral parts of SGL Group's corporate culture and objectives. They are key requirements to the long-term 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 of Business Conduct and Ethics. The Code is part of the information package for new hires and is available in nine languages. Management serves as an important role model when it comes to personnel and leadership responsibility and compliance. Local compliance officers at our sites as well as Group Compliance are also available

when employees have questions about the Code. To report potential compliance violations, employees can send a personal or anonymous email to a confidential address.

Since the compliance program was introduced in 2011, extensive on-site and online training on the Code of Business Conduct and Ethics has been provided. Participation is mandatory for all employees. Furthermore, SGL employees are continually educated with compliance through training and communications campaigns at their sites.

In addition, business partners are expected to meet SGL Group's compliance standards. A Supplier Code of Conduct was introduced for this purpose (see also page 26 in the Corporate Governance and Compliance Report).

Employees

At the end of 2015, SGL Group had a total of 5,658 employees – a decline of 684 employees or 11% year on year. This development reflects both the disposal of the aerostructures business of HITCO Carbon Composites as well as the ongoing restructuring processes in our cost saving program SGL2015 and the strategic realignment.

Employees by region

	Dec. 31, 2015		Dec. 31, 2014		Change
Germany	2,165	38%	2,259	38%	-4%
Europe excluding Germany	1,893	34%	1,997	34%	-5%
North America	914	16%	949	16%	-4%
Asia	686	12%	739	12%	-7%
Continued operations	5,658	100%	5,944	100%	-5%
HITCO structural component business	-		398		
Total	5,658		6,342		-11%

Employees by business unit

	Dec. 31, 2015		Dec. 31, 2014		Change
PP	1,845	33%	1,990	34%	-7%
GMS	2,504	44%	2,641	44%	-5%
CFM	1,148	20%	1,139	19%	1%
T&I and Corporate	161	3%	174	3%	-8%
Continued operations	5,658	100.0%	5,944	100.0%	-5%
HITCO structural component business	-		398		
Total	5,658		6,342		-11%

The strategic advantage of diversity

The Group's workforce in continued operations remains very international. Europe has the greatest share with 71% (2014: 72%), followed by North America with 16% and Asia with 12% (both unchanged from 2014). The diversity of nationalities, cultures and languages is an important strategic advantage.

One of the ways we support interaction among and the exchange of knowledge between employees is by actively sending them on foreign assignments to our facilities in other countries. A total of 18 executives were on international expatriate assignments in 2015 (2014: 25), most of whom were in Malaysia followed by Portugal, China and the United States.

Equal opportunity, family friendliness and health management

The share of women in our workforce as of the end of 2015 remained unchanged compared with the previous year at 15%. The share of women in executive positions, which comprise the three management levels below the Board of Management, declined slightly to 13% (2014: 14%). For additional information concerning gender equality within SGL Group, please refer to our website at www.sglgroup.com under Investor Relations/Corporate Governance.

The Group's workforce has a balanced age structure, which changed only very slightly compared to the prior year: 24% of all employees are under the age of 36; 27% are between 36 and 45; 31% are 46 to 55; and 18% are over 55.

In order to support the work-life balance and health of our employees, SGL Group offers special programs at some of our locations in addition to flexible working hours, for example, childcare options during the summer break as well as medical checkups and health workshops.

Training and education

Consistent HR development is an essential component of our company philosophy, both because of our commitment 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 108 apprentices in our German facilities (2014: 124). As in previous years, the majority worked at our facilities in Meitingen (63 apprentices) and Bonn (39 apprentices). In total, SGL Group offers 13 apprenticeship programs and four dual degree programs. Beyond specialist training, we also offer interesting educational opportunities to apprentices, such as language courses and health seminars.

Our continuing education program includes a wide variety of individual options to advance professional qualifications and semiannual career development dialogues that are part of the performance review process. In 2015, we successfully launched our Corporate Training Framework – a new training program for specialists and executives with three focal points: communication, leadership and project management. In addition, our "Leadership@Work" training program and regular potential assessments of selected talents are aimed specifically at preparing employees for leadership positions. Another way we foster loyalty and continuing professional development is by supporting top junior managers as they pursue a part-time MBA, with particular focus on promoting the business know-how and management skills of our engineers and scientists.

Competing for talents – grants, internships and theses

As an innovative company, we are always competing for the best talents. Therefore, we are pleased that in 2015 SGL Group was certified once again 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 (e.g. Bonding Aachen and IKOM München). 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 page 45).

Sustainable product solutions

SGL Group's products also contribute to increased sustainability, which allows customers to develop more environmentally friendly production processes and manufacture more environmentally friendly products. The extraordinary properties of carbon and graphite 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, and is characterized by its combination of unique light weight and high strength.

The best known example for use in sustainable solutions is lightweight construction, which plays an ever greater role in both the aerospace and automotive sectors and is being used increasingly in serial production of cars. For example, our carbon fiber composites are standard components in the BMW i3, the new BMW 7-series as well as the Audi R8. In the solar industry, graphite is irreplaceable in the production of ultra-pure silicon, which makes it possible to use renewable energies. Graphite 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 system components in

the LED production process. We are helping to drive the increased application of the lightweight metal aluminum to reduce weight and emissions through the use of our cathodes in the production of aluminum primarily for aircraft and automobile manufacturing. 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 2015, just over 50% of SGL Group's sales revenue was linked to products for sustainable solutions that foster developments surrounding the mobility and energy megatrends.

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 EHSA (Environment, Health & Safety Affairs) forms the organizational foundation for managing all production processes and continually developing all environmental protection and health and safety activities. This unit 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 optimization projects to contribute to, among others, conserving raw materials as well as continuing to improve the production scrap rate.

SGL Group has invested a total of approx. €12 million over the past four years in optimizing environmental protection and the safety of our production facilities. The investments related mainly to systems for exhaust gas purification, energy recovery and to further increase process safety. Furthermore, SGL Group also improves its environmental performance by modernizing and expanding its production network. Current examples include rebuilding the graphitization at our PP site in Ozark and the expansion of our carbon fiber plant that took place in Moses Lake.

Increasing energy efficiency

Energy is required for nearly every industrial production process, 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 up to 3,000° Celsius are required in certain steps in the process.

This makes it all the more important for SGL Group to continuously improve energy efficiency in its production processes. For example, in 2015 we introduced and certified an energy management system based on the ISO standard at eleven additional European sites. Another example is the concept of energy flexibility. Based on the results of the "FOREnergy" initiative in the German state of Bavaria, specific measures to flexibly manage production process times were taken at our Meitingen site in 2015 which conform to the respective electricity supply and therefore contribute to overall power supply stabilization in Germany.

SGL Group was able to further improve efficiency in 2015 with these and other measures. Compared with the adjusted sales revenue, SGL Group's relative energy consumption declined by 3.6% year on year, from 1.64 to 1.58 megawatt hours (MWh) per €1,000 in sales revenue. At 44%, the share of primary energy consumption remained unchanged compared to last year.

Reducing CO₂ emissions

Limiting climate change is essential to environmental protection, and limiting greenhouse gases, especially CO₂, plays an important role in this.

As a result, SGL Group's carbon emissions from primary and secondary energy consumption fell further in 2015 in relation to adjusted sales revenue, from 0.57 to 0.55 tons per €1,000. Absolute CO₂ emissions in the reporting period declined year

on year by 6.5%, from 832 thousand to approx. 778 thousand tons. This is primarily due to reduced energy consumption in our facilities in the business unit Performance Products as a result of lower utilization.

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.

The water requirement at SGL Group declined from 12.7 to 11.4 million cubic meters in 2015, falling from 8.7 cubic meters per €1,000 in 2014 to 8.1 cubic meters in 2015. More than 90% of this water requirement was used to cool production systems. The remaining volume was used for cleaning or sanitary purposes. Over 50% of SGL Group's water requirement was taken from its own well, and after being used as a coolant, was fed into rivers or public canal systems in its natural state. 25% of the water requirement was taken from rivers and 17% from the public water supply.

Waste: Avoidance and Recycling take priority before Disposal

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. Waste that cannot be prevented can often be reused in other products. Examples include recycling discarded graphite chips and shavings in a variety of products or using recycled carbon fibers as fleece textiles or as raw materials for secondary components in automotive production.

In addition, only just over 10% of our waste must be declared as hazardous waste and appropriately disposed of in accordance with legal requirements. These include, for example 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 and precisely analyzed. The proper disposal is also documented in accordance with regulations.

SGL Group has succeeded in recent years in steadily reducing the volume of waste it generates. In 2015, the total volume of waste was 36.1 thousand tons (2014: 36.4 thousand tons). Of this amount, 4.3 thousand tons were categorized as hazardous waste in 2015 (2014: 4.4 thousand tons). The amount of waste related

to adjusted sales revenue in 2015 was 25.7 kilograms per €1,000 in sales revenue (2014: 24.9 kilograms). The relative increase can mainly be attributed to construction related waste from several implemented projects.

Environmental data ¹⁾		2015	2014
Energy consumption	in gigawatt hours (GWh)	2,215	2,404
	thereof oil and gas	977	1,066
	electricity	1,238	1,338
	in relation to economic output (MWh per €1,000 in sales revenue) ²⁾	1.58	1.64
CO ₂ emissions ³⁾	in thousands of tons (kt)	778	832
	thereof direct	201	219
	indirect	577	613
	in relation to economic output (t per €1,000 in sales revenue) ²⁾	0.55	0.57
Water requirement	in millions of cubic meters (m ³)	11.4	12.7
	thereof from Company wells	58%	63%
	from rivers	25%	20%
	from public water supply	17%	17%
	from lakes	< 1%	< 1%
	in relation to economic output (m ³ per €1,000 in sales revenue) ²⁾	8.1	8.7
Waste volume	in thousands of tons (kt)	36.1	36.4
	thereof hazardous waste	4.3	4.4
	in relation to economic output (kg per €1,000 in sales revenue) ²⁾	25.7	24.9

¹⁾ All environmental data is based on continuing operations, including proportionately consolidated entities. Prior-year figures have been made comparable

²⁾ Adjusted sales revenue (excluding price and currency translation gains and losses); base year 2014

³⁾ From primary and secondary energy consumption

Safety

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.

Health & safety at work

As a result of our activities, we continue to see a positive development in the frequency rate of workplace accidents compared to the number of hours worked. This is supported by a group-wide Incident Management System, which is used to examine all workplace accidents as well as to define and to implement improvement measures based on best practices. By expanding our workplace safety programs, the frequency rate of accident-related work absences was substantially reduced in 2015

to the lowest level since the rates have been recorded. Overall, the frequency rate of accident-related work absences fell noticeably from 10.7 in 2003 to 2.0 in 2015 per 1 million hours worked.

	2015	2014
Frequency rate of accident-related work absences per 1 million working hours	2.0	5.7

Accident-related work absence data is based on continuing operations, including proportionately consolidated entities.

Product responsibility and risk management

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 in accordance with 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 with regard to SGL Group's production and processes, the Company has relied on, among other things, a uniform group-wide system to record, analyze and evaluate risk since 2002, which is being expanded regularly. This not only deals with potential workplace accidents, but also the potential consequences of fires 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. SGL Group performs annual audits in cooperation with the insurance company FM Global, which include a safety analysis of all processes and systems. The audit results are discussed with the plant management and, if necessary, an action plan is created to further minimize risk.

Corporate citizenship

Corporate citizenship is also 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 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 personal 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 primarily voluntary activities, this commitment is an important part of our local activities. SGL Group remains true to these commitments even in a difficult economic climate – a fact that is demonstrated by a low six-digit Euro amount in financial support, which is in line with the prior year. The approximately 170 individual activities in the fiscal year was on par with the prior year.

Local community involvement by type

(based on number of activities)	2015	2014
Social	51%	44%
Art/Music	6%	6%
Sport	15%	13%
Education	25%	28%
Other	4%	9%

In Shanghai, for example, SGL Group organized and financed a visit to the Museum of Glass for more than 40 students of the Xingguang school in the city's Fengxian district. A German-Portuguese youth football and a 24-hour futsal tournament were supported by our Barreiro/Lavradio (Portugal) site as part of the wide-ranging community involvement there. At our site in Wiesbaden and in addition to financial support from the Company, SGL Group employees helped cook and serve food to children in need and in a joint campaign fulfill their Christmas wishes. For many years now the "SGL Warriors – Relay for Life" at St. Mary's in North America collect donations to fight cancer at a variety of events.

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). Outstanding 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 45).

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 Swabian Prize for Science (Schwäbische Wissenschaftspreis) 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. In 2015, the Utz-Hellmuth Felcht Award went to Professor Hui-Ming Cheng for his work in the area of three-dimensional graphen networks for energy saving.

As a co-founder of the "Initiative Junge Forscherinnen und Forscher e.V." (IJF – Initiative for young researchers), SGL Group also offers comprehensive support for scientific education – from nursery schools through to universities. In 2015, SGL Group employees again supported the initiative with donations and active participation.

Events after the Reporting Period

No events of material significance to report.