

# CSR Report

## About this report

We present our sustainability ambitions and goals in the following chapters. We report on our developments in regard to ESG aspects that are material to us and our stakeholders. We impose accountability on ourselves by making our goals, actions and metrics public.

## Basics

This report constitutes the non-financial consolidated statement of SGL Carbon pursuant to Section 315b of the German Commercial Code (HGB) and complies with the content requirements as per Section 315c in conjunction with Section 289c HGB. Unless stated otherwise, the report covers the activities in fiscal year 2021 of the entire SGL Carbon Group with the four business units Graphite Solutions, Process Technology, Carbon Fibers and Composite Solutions. This year's report structure is based on the three ESG categories Environmental (including environmental and climate aspects), Social (including employee and social issues as well as respect for human rights) and Governance (including supply chain responsibility, compliance and combating corruption and bribery), which are also integrated into the mandatory reporting according to Section 315 c HGB.

In preparing the report, we followed the standards of the Global Reporting Initiative (GRI, "Core" option). Additional key performance indicators (KPIs) were developed to better reflect the specific requirements of SGL Carbon. The KPIs in use correspond to those of the previous year. The business model is described in detail in the "Group fundamentals" chapter of the Group Management Report. In addition, this report serves as the basis for the progress report for the UN Global Compact.

Review of the content of the separate non-financial Group report was performed by KPMG AG Wirtschaftsprüfungsgesellschaft as part of an external limited assurance engagement (see also the notes on page 49).
















## Our ESG ambitions, strategy and goals

SGL Carbon is a technology-based company and a global leader in its focus markets in the development and manufacture of carbon-based solutions. Our materials and products made of special graphite, carbon fibers and composites are supplied to a wide variety of industries, including the automotive, semiconductor technology, LED and solar and wind energy industries, as well as manufacturers of lithium-ion batteries. Our aspirations include growing the company with products and technologies that benefit society and reduce our impact on the environment.

However, it's not just our products that are to predominantly stand for sustainability; our manufacturing and management processes, as well as our supply chains, are to also meet high environmental, social and governance standards.

We reviewed and revised our sustainability strategy (also known as our ESG strategy) in fiscal year 2021. We want to make even more strategic use of opportunities and positive sustainability effects of our activities as well as further reduce negative impacts. In accordance with the requirements of our stakeholders and the growing importance of individual ESG aspects, we have further developed our ambitions, defined and prioritized material ESG aspects and set for ourselves clear goals for the coming years.

Overview of SGL Carbon targets:

 <b>Environmental targets</b>	 <b>Social targets</b>	 <b>Governance targets</b>
 Reduction of CO <sub>2</sub> emissions [scope 1 and 2] by 2025 (base year 2019)	 Lost time injury (LTI) frequency rate by 2022	 Signature of Supplier Code of Conduct by relevant suppliers
 Climate-neutral by 2038 (scope 1 and 2)	 Apprentice takeover rate (Germany)	 Analysis of suppliers' ESG performance
 Develop CO <sub>2</sub> scope 3 target(s) until end of 2022	 Women's quota of 20% (Senior Management) till 2025	 No tolerance of compliance violations; supported by investigation and sanctioning
 Energy intensity reduction by 1% p.a., respectively, 10% until 2027 (base year 2017)	 Roll-out of Human Rights Policy; management and office workers training by 2022	 Maintain ISO 37301 certification

To track and further develop our ESG targets, we have put a new ESG governance structure in place for the Group from fiscal year 2022. The highest operational decision-making body of SGL Carbon is the Board of Management of SGL Carbon SE. Due to its strategic importance, we have embedded the topic of sustainability at the highest operational decision-making level. The Board of Management is supported in this area by an ESG Sounding Board made up of various experts in ESG-relevant areas. On the operational level, the ESG Coordination Team and the three ESG working groups (Environmental, Social and Governance Module) drive ESG measures and goals.

Based on the ambitions, goals and measures we have initiated and planned, our commitment to a culture of values and compliance and our innovative nature, both the environment and society should benefit. We intend to use these points of leverage to make our contribution to achieving the United Nations' Sustainable Development Goals (SDGs) within the scope of our business capabilities. Our membership in the UN Global Compact will also support further progress in these areas.

## Our contribution:



### Core SDGs

SDGs where SGL Carbon has most significant & direct contribution

SDG 8: Decent work and economic growth  
 SDG 9: Industry, innovation and infrastructure  
 SDG 13: Climate action  
 SDG 16: Peace, justice and strong institutions



### Supportive SDGs

SDGs where SGL Carbon can leverage its influence to reach SDGs

SDG 4: Quality education  
 SDG 5: Gender equality  
 SDG 7: Affordable and clean energy  
 SDG 12: Responsible consumption and production

## Stakeholder engagement and material issues

SGL Carbon strives to make sustainable use of human, natural and financial resources. We remain in close dialogue with our stakeholders along the way.

Relevant stakeholders for SGL Carbon are institutions or persons with whom we have a direct or indirect relationship through our business activities and who therefore have an interest in our actions. Most important stakeholder groups are our customers, employees, suppliers, owners, financiers and banks, media, neighbors of our locations and the representatives of associations, public authorities and non-governmental organizations (NGOs). We engage in dialogue with them on a regular basis in order to promote mutual understanding and we also seek to continuously identify topics that are important from the perspective of the context in which we operate. The relevance of the ESG issues identified was last assessed in the second half of 2021 in the form of an online stakeholder survey.

We identified the various external and internal stakeholder groups along our value chain. On this basis, we defined the composition of our stakeholder survey in a manner corresponding to its importance for our business model. In the online

survey, we posed questions to the representatives of the stakeholder groups of employees, suppliers, capital market participants and banks about the most important ESG aspects for SGL Carbon, on the basis of which a ranking was created.

The ESG aspects we asked about are based on the materiality analysis performed in previous years as well as the "Roadmap to Sustainability" project. The ESG aspects were also updated to include additional ESG topics. For validation purposes, SGL's functional managers and the top management of SGL Carbon again reviewed and prioritized the identified aspects in regard to their materiality. Based on both assessments, the material ESG aspects were identified (in accordance with Section 289c(3) HGB) and transferred to the materiality matrix according to their significance. The cumulative results were then presented for approval to the Board of Management as the highest decision-making body for ESG issues.

The review and update of ESG aspects that are material to SGL Carbon resulted in the following adjustments to the non-financial Group report 2021:

- Restructuring of non-financial Group reporting according to environmental, social and governance aspects. Reporting on the aspects previously presented in accordance with Section 289c(2) HGB will continue unchanged and be assigned to the three umbrella terms of Environmental, Social and Governance.
- The previous reporting will be expanded to include the newly added ESG aspects.

The following overview shows the allocation of the primary ESG aspects to the above-mentioned umbrella terms. Individual ESG aspects listed in the overview are grouped into chapters.

#### Material ESG aspects for SGL Carbon:



#### Environmental topics

- GHG <sup>1)</sup>-emissions (CO<sub>2</sub>)
- Energy consumption
- Waste management
- Environmental product impact
- Hazardous materials management
- Circular economy
- Innovation and research
- Air quality
- Water management
- Product packaging



#### Social topics

- Occupational health & safety
- Diversity and equal opportunities
- Employability and development
- Human rights
- Product quality & safety



#### Governance topics

- Supply chain responsibility
- Compliance
- Information security
- Corporate governance
- Sustainable financial performance
- Data protection
- Transparency and reporting
- Business ethics

For example, information on the management of hazardous substances can be found in the subchapter “Environmental concerns and waste management.” Corporate ethics and the ethical conduct of companies plays a significant role in nearly all ESG criteria. In addition, the aspects of air quality and product packaging do not fall under the materiality definition of Section 289c(3) HGB. The chapters of this CSR report otherwise correspond to the individual ESG aspects. Voluntary reporting is also once again on “social commitment.” This topic is not identified as a material topic and is therefore not part of the non-financial Group report.

<sup>1)</sup> Greenhouse gas

### Material risks pursuant to Section 315c in conjunction with Section 289c(3)[3 and 4] HGB

For the separate non-financial Group reporting and thus for the defined ESG aspects, both the material risks arising from SGL Carbon’s own business activities and the risks associated with SGL Carbon’s business relationships, products and services were taken into consideration. The identified risks could have a serious negative impact on the ESG aspects defined in the context of non-financial reporting [Section 315c in conjunction with Section 289c(3)[3 and 4] HGB]. The responsible departments first identified the primary risks that could arise from the defined ESG aspects. These risks were then assessed

together with Group Risk Management, taking into account the monitoring and controlling measures and examined in particular to determine whether they have a serious negative impact. In summary, no material risks that have a serious negative impact on the above concerns have been identified. Further information can be found in the Group Management Report on page 73.

## Environmental

### Environmental concerns

As a production company with global operations, we consume natural resources and cause emissions. We are therefore particularly concerned about responsible conduct in regard to the environment and climate and such issues are integral to SGL Carbon's corporate culture. We maintain high standards in our productions and processes in order to comply with the relevant obligations and duties we have imposed upon ourselves. At the same time, acting in a manner that conserves resources and reduces emissions is also necessary for the company to be successful as a business on a lasting basis.

Nonetheless, a large number of the products we manufacture help to reduce CO<sub>2</sub> emissions, as they are used in the area of renewable energy (such as solar and wind power), LED technology and electromobility.

The primary obligations for production are specified in the national and international regulatory permits and regulations. The European regulations on noise pollution, emissions, water and waste, the implementation of such regulations in national law, and the REACH regulation on chemicals should be mentioned here as a basis.

In addition to meeting legal requirements, the importance of protecting the environment and climate is also reflected in the SGL Carbon Code of Conduct, which defines the guidelines for action for all SGL Carbon employees. These are supplemented and specified in detail by the Environment, Health & Safety Affairs [EHSA] Policy, which has been applicable to all locations worldwide since 2015. A Supplier Code of Conduct, which commits suppliers and their subcontractors to lawful, ethical and sustainable behavior, has also been in place since 2015. In addition, the quality assurance agreement has required key suppliers to comply with the applicable laws and regulations for environmental and energy management since 2020.

One focus of SGL Carbon's partnership with suppliers and customers is exchange of information with the aim of minimizing the risks associated with using chemical substances and hazardous materials. In an internal, globally standardized system, we create relevant product information such as safety data sheets, which are then made available to customers. SGL Carbon meets the national requirements for Registration, Evaluation, Authorization and Restriction of Chemicals [REACH]

throughout the world. SGL Carbon also makes an important contribution to dealing with hazardous substances in this way.

The central corporate EHSA unit coordinates all climate and environmental protection activities throughout the Group, defines uniform standards and reviews progress in cooperation with local EHS managers. As a rule, the sites are also audited by the central corporate EHSA unit every three years, or more often than that if incidents have frequently occurred at any given site. A total of 10 sites were audited in 2021, with some of these audits performed remotely due to the pandemic.

In fiscal year 2021, the central Corporate Sustainability function was additionally created to manage SGL Carbon's initiatives for environmental and climate protection as well as to evaluate and develop sustainable products, making it possible to work closely with the EHSA unit. EHSA reported to the HSE Council three times in fiscal year 2021 and provided information on current developments (additional details on the HSE Council can be found in the "Social" section under Occupational Health and Safety).

As of fiscal year 2022, a new ESG governance structure has been established to reflect the significance of material ESG aspects for SGL Carbon's business model. Three ESG modules (Environmental, Social, Governance), staffed by the respective operational topic experts and a responsible member of the ESG coordination team in each case, are responsible for developing initiatives for achieving the ESG targets set. The development status of the initiatives is also reported on in the modules. The ESG Coordination Team, consisting of the three module leaders, is responsible for monitoring the defined initiatives and embedding them in the overall ESG strategy. The ESG Coordination Team accelerates the development of SGL Carbon's ESG strategy and goals together with the ESG Steering Committee and the ESG Sounding Board, consisting of the heads of the business units and a selection of central function heads. The highest ESG decision-making body is the ESG Steering Committee, which includes the Board of Management of SGL Carbon.

### Energy consumption

A large proportion of SGL Carbon products are manufactured at high temperatures in energy-intensive processes. A majority of the Group's energy consumption is used for generating the necessary process heat and for thermal purification. The energy sources used are electricity, steam, oil and gas. Some 90% of SGL Carbon's total energy consumption can be

attributed to 8 of 31 sites due to their size or necessary production processes.

SGL Carbon is constantly striving to improve the energy efficiency of its processes, both out of a sense of responsibility for the environment and for economic reasons, as energy costs account for a high proportion of our production costs.

The individual business units and the heads of the production sites are responsible for the development and operational implementation of energy-efficiency measures and projects. Energy managers who report to the site management at least annually are appointed at sites that make a significant contribution to overall energy consumption.

In fiscal year 2021, the HSE Council, which also includes the Board of Management and the heads of the business units, was responsible for managing and monitoring energy management at the primary sites. Additional details on the HSE Council and its tasks can be found in the "Occupational health and safety" section of this CSR report. In the HSE Council in 2021, SGL Carbon's global energy officers reported on the status and progress of local and global target achievement.

SGL Carbon's energy management aims to ensure efficient use of all types of energy. In 2018, we made a commitment to reducing global energy consumption as a percentage of adjusted sales by 1% per year and to reach a 10% reduction compared to the 2017 baseline by 2027. We remain committed to this target. Compared to the base year 2017, energy consumption fell by 3% to 1,268 gigawatt hours. In relation to the economic output for 2021, energy consumption slightly decreased in comparison to the previous year's level. Due to the Covid-19 crisis, there was lower utilization of capacity at our plants and an associated decline in new orders in 2020; this also led to energy consumption that was significantly lower than in previous years.

Energy consumption <sup>1</sup>	2021	2020	Change
in gigawatt hours (GWh)	1,268	1,166	9%
thereof oil and gas	464	421	10%
thereof electricity	561	498	13%
thereof steam	243	247	-2%
Energy consumption in relation to economic output (GWh per €1,000m sales revenue) <sup>2)</sup>	1.30	1.33	-2%

<sup>1)</sup> Data include all fully consolidated subsidiaries

<sup>2)</sup> Adjusted sales revenue [excluding price, currency and other special effects].  
The adjustment of the previous year's figure results from the use of a rolling base year

SGL Carbon puts its focus on energy-efficient plants and process optimization, a circumstance that is documented in the EHSA Policy on Energy Management and in the Code of Conduct. Likewise, training measures are offered at the ISO 50001-certified sites, and energy management is communicated internally. In this way our employees are encouraged to deal responsibly with the issue of energy. They are to have skill sets that allow them to actively contribute to reducing energy consumption.

The 9 most energy-intensive of SGL's 18 European production sites have had an ISO 50001-certified energy management system since December 2015. By December 2020, 8 certified sites had successfully implemented the elevated requirements of the ISO 50001:2018 standard. Certification of the 9th site is planned for 2022. In 2021, the external audits were carried out in a uniform manner by certification company DQS.

Key figures for measuring specific energy consumption and measures and projects to increase energy efficiency were defined for the sites with the highest energy consumption worldwide.

The central digital platform created in 2020 for the ISO 50001-certified sites with all energy conservation projects was continued in 2021 and also enhanced to include information about CO<sub>2</sub> emissions avoided. This database facilitates effective measure and effect controlling of all current and planned projects, including implemented and expected efficiency improvements.

In fiscal year 2021, the heating system and laboratory exhaust systems at the Meitingen site were optimized for energy efficiency, and a roof was renovated in order to reduce the energy consumption of the site. At the Lavradio and Muir of Ord sites, existing plants were retrofitted or replaced with newer, more energy-efficient plants.

## CO<sub>2</sub> emissions

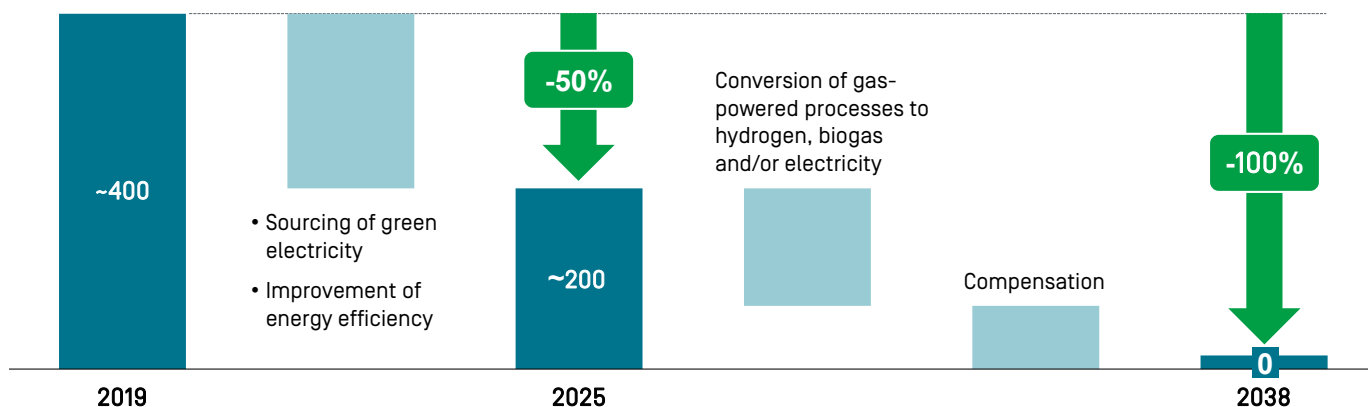
Climate change is one of the key global challenges of this decade. As an energy-intensive company, SGL Carbon bears a special responsibility due to the fact that our energy consumption is associated with the emission of greenhouse gases, primarily CO<sub>2</sub>. This is also our largest source of leverage for reducing CO<sub>2</sub> emissions. In addition, we want our products to make a contribution to climate protection. For example, we supply materials and components for electric vehicles as well as wind and solar energy production and are one of the few

European suppliers of graphite anode material for lithium-ion batteries (see also the “Products” chapter in this CSR report).

In 2021, the Board of Management and the business units intensively analyzed and discussed the topic of greenhouse gas emissions and how they can be reduced. SGL Carbon is committed to global climate protection and supports the UN Sustainable Development Goal “Take urgent action to combat climate change and its impacts.” SGL Carbon also participates in the program for reporting data relevant to climate protection of international organization CDP and achieved a “C” rating in 2021.

SGL Carbon’s CO<sub>2</sub> emissions are Scope 1 emissions resulting from combustion processes and Scope 2 emissions attributable to power and steam consumption. SGL Carbon has set itself the goal of cutting total emissions (Scope 1 and Scope 2) in half by 2025 compared to the emissions of reference year 2019. We want to reduce our emissions by 100% and become climate neutral by 2038.

The following figure shows SGL Carbon’s CO<sub>2</sub> reduction targets expressed in kt CO<sub>2</sub>e (Scope 1 and Scope 2).



Our CO<sub>2</sub> targets are to be achieved through specific actions. In 2021, power was obtained exclusively from renewable sources at the sites of Wackersdorf, Ort and Ried as well as Muir of Ord. In the 2021 fiscal year, a photovoltaic system was installed and put into service on the roof of the production building in Ort im Innkreis [Austria]. This nearly 450 kWp plant prevents the emission of around 30 tons of CO<sub>2</sub> per year. Over 95% of the power produced is also consumed on site.

By 2025, SGL Carbon plans to cover its global power requirements from renewable sources to the greatest possible extent. In addition to installing more systems for supplying power internally on site such as photovoltaic systems, we also rely on the conclusion of long-term power purchase agreements (PPAs), in which the power supplied to the sites is guaranteed to be from renewable energy sources.

To achieve greenhouse gas reductions after 2025, SGL Carbon plans to use electricity to operate high-temperature processes

that were previously gas-fired or to switch to the use of hydrogen and biogas. We expect that roughly one-third of emissions will be unavoidable in 2025 and will therefore need to be offset. In addition, increasing energy efficiency remains a key issue [see energy consumption section].

SGL Carbon strives to reduce not only the CO<sub>2</sub> emissions over which it has a direct influence but also the emissions coming from the upstream and downstream value chain. A global reduction target for Scope 3 emissions is therefore also to be adopted before the end of 2022.

In fiscal year 2021, SGL Carbon’s CO<sub>2</sub> emissions from Scope 1 and 2 totaled 337 thousand metric tons. Due to higher production capacity utilization than in the previous year, CO<sub>2</sub> emissions increased slightly in the reporting period (previous year: 318 thousand metric tons). In 2020, there was lower capacity utilization at our plants due to the Covid-19 crisis and the associated decline in new orders; this caused energy



consumption and thus CO<sub>2</sub> emissions to be significantly lower than in previous years. If CO<sub>2</sub> emissions are compared with economic output, they are to be decreased slightly from 0.36 kt per €1.0 million in sales to 0.35 in 2021.

CO <sub>2</sub> -emissions <sup>1) 3)</sup>	2021	2020	Change
in thousands of tons (kt)	337	318	6%
thereof direct	86	77	12%
thereof indirect	251	241	4%
CO <sub>2</sub> emission in relation to economic output [kt per €1.0m sales revenue] <sup>2)</sup>	0.35	0.36	-3%

<sup>1)</sup> Data include all fully consolidated subsidiaries

<sup>2)</sup> Adjusted sales revenue (excluding price, currency and other special effects). The adjustment of the previous year's figure results from the use of a rolling base year

<sup>3)</sup> The calculation of CO<sub>2</sub> 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 2021“ of the International Energy Agency (IEA) for indirect emissions (Scope 2)

## Waste and water management

SGL Carbon's business activities generate waste carbon as well as various residual materials. For environmental and economic reasons, the carbon and other residual materials that result from production processes are recycled. Water is used for purposes that include cooling production plants, producing steam and forming isostatic graphite (pressing processes).

At all its sites worldwide, SGL Carbon undertakes to comply with all applicable legal requirements and to maintain effective management processes as well as to continuously improve performance in resource management. The ultimate objective is to make efficient use of resources and prevent environmental pollution as far as possible. Water requirements and waste volume are to be continuously reduced in this way. In the context of waste, the principle to follow is: waste avoidance is preferred over recycling, which in turn is preferred over disposal. If it is not possible to avoid waste, it can often be possible to reuse materials in other products or at other sites. For example, recycled carbon fibers can be used as nonwoven textiles for automotive production.

To conserve water as a resource, SGL Carbon relies on secondary loops and recooling systems where they make economic sense. Water that is not used directly for the production process is not contaminated and can therefore be discharged back into rivers after use in some cases.

SGL Carbon codified its approach to resources in its EHSA training policy. The Supplier Code of Conduct also contains information on the topic of waste. It requires SGL Carbon and its suppliers to obtain necessary permits, recycle and avoid waste and the release of hazardous substances into the environment. Once a month, the central corporate EHSA unit collects data on resource use and waste generation in cooperation with local EHS managers at all sites. The water requirement is specified for each water source. When it comes to waste, a distinction is made between hazardous and non-hazardous types. Hazardous waste management is required by the operating permit for SGL Carbon production sites.

Due to increased production volumes in fiscal year 2021 compared to the previous year, SGL Carbon's water consumption increased by approx. 6% to 6.25 million cubic meters. Just for comparison, Group sales increased by 9.5% in the same period. This means that water consumption decreased in relation to economic output from 6.8 cubic meters per €1,000 of sales to 6.4. In absolute terms, the amount of waste increased disproportionately from 23.7 thousand tons to 23.9 thousand tons based on the increased production volumes. However, in terms of adjusted sales, the waste volume fell to 24.5 metric tons per €1.0 million in sales, which is around 9% less than in 2020.

Water requirements <sup>1)</sup>	2021	2020	Change
Total (millions m <sup>3</sup> )	6.25	5.92	6%
thereof from Company wells	4.28	4.12	4%
thereof from rivers	0.65	0.67	-3%
thereof from public water supply	1.32	1.13	17%
Water requirement in relation to economic output (m <sup>3</sup> per €1,000 in sales revenue) <sup>2)</sup>	6.4	6.8	-6%

Waste volume <sup>1)</sup>	2021	2020	Change
in thousands of tons (kt)	23.9	23.7	1%
thereof hazardous waste	3.4	3.7	-8%
Waste volume in relation to economic output (t per €1.0m sales revenue) <sup>2)</sup>	24.5	27.0	-9%

<sup>1)</sup> Data include all fully consolidated subsidiaries

<sup>2)</sup> Adjusted sales revenue (excluding price, currency and other special effects). The adjustment of the previous year's figure results from the use of a rolling base year



## Circular economy

In a circular economy, existing materials and products are reused, refurbished, repaired and recycled to extend their life cycle for as long as possible. The goal is to reduce resource use and waste to a minimum. The transition to a circular economy is one of the six environmental goals of the EU taxonomy. This has led to a rise in the interest of our customers and business partners in approaches and solutions developed by SGL Carbon.

The four SGL business units are working on this topic and also sharing ideas, concepts and experiences. Three principal approaches are being pursued in this context: using recycled raw materials, improving material properties and lifecycle optimization and developing new business models.

The Graphite Solutions (GS) business unit is implementing several circular economy-relevant projects that go beyond the already significant use of by-products in the products we manufacture. For example, cutting scrap from “green” production is fed into the original production process. A development project of novel recycling concepts is included in the funding decision received in March 2021 for the development and industrialization of innovative anode materials made of synthetic graphite for use in lithium-ion batteries in the context of the second European IPCEI program (Important Project of Common European Interest)/EUBatIn (European Battery Innovation). The EU-funded ICARUS project is pursuing the closure of material loops in the production of silicon wafers for the solar industry. As part of ICARUS, SGL Carbon is working on ways to reuse recycled graphite from solar silicon processing in synthetic graphite applications while also working on recycling silicon. In addition, the business unit is looking at alternative carbon raw materials from renewable and recycled sources and evaluating their use in carbon materials.

The Carbon Fibers (CF) business unit is involved in the “Green Carbon” project sponsored by the Technical University of Munich, in which “green” acrylonitrile is to be obtained from algae and used to make a carbon fiber precursor. In the project, SGL Carbon is evaluating the properties of biologically based acrylonitrile, the manufactured precursor and the suitability of the precursor in volume production of carbon fibers.

Since carbon fiber materials can serve as valuable raw materials both as residual substances and as recycled materials, the development of recycling processes for this new class of materials is being accelerated by organizations and networks such as Composites United and coordinated with

authorities and waste associations. For SGL Carbon, recycling is a cornerstone of its innovation portfolio, and we support association projects with materials expertise and research services.

The Process Technology (PT) business unit already takes into consideration the various life cycle issues and offers its customers appropriate service packages (including installation and commissioning services, inspection services and remote services). The product design is based on reliability, durability and opportunities for repairs and upgrades, including capacity expansions. An end-of-life (EoL) strategy is just as much a part of the product life cycle as customer support during the commissioning and operating phase of our equipment and plants. With end-of-life service, we offer our customers custom solutions tailored to specific requirements in order to improve the recyclability of plants. This can include refurbishment of the plant or further use of individual components.

The Composite Solutions (CS) business unit uses nonwoven materials made from recycled carbon fibers as structural reinforcement and as electromagnetic shielding layers in fiberglass components. Initial projects have manufactured composite components with natural fibers such as flax. Customers like to use these materials because of their natural look and because of the associated reduction in the CO<sub>2</sub> footprints of products. In addition, the CS business unit is looking for and testing commercially available biologically based resin systems with reduced CO<sub>2</sub> footprints in terms of their suitability for future composite components.

## Products

Tailor-made materials and products manufactured from special graphite, carbon fibers and composites are the core of the high-quality solutions, components and materials that SGL Carbon supplies to customers and partners. Product quality and the development and supply of sustainable products and innovations are the material foundation of the economic success of SGL Carbon, both now and over the long term.

### Product quality

SGL Carbon's goal is to achieve a high level of customer satisfaction through product and service quality that remains high on an ongoing basis, thereby fostering lasting business

relationships. The four operational business units are responsible for controlling and monitoring product quality. Local and global key performance indicators for quality are reported to site and business unit management on a monthly basis.

Since only the user is ultimately capable of assessing the quality of a product, SGL Carbon evaluates the quality of its products on the basis of customer feedback. The sales organizations of the business units conduct targeted customer satisfaction surveys on a regular basis.

To obtain an ongoing and direct benchmark for the quality of the products delivered, SGL Carbon keeps track of customer complaints and associated costs and evaluates this information with the support of IT. This software solution makes it possible to record, evaluate and process customer complaints. In addition, the solution also documents findings from and actions taken in the area of complaints processing and the associated dialogue. The ultimate objective is to eliminate the identified deficiencies on a lasting basis by implementing suitable measures and preventing them from occurring in the future. Ideally, complaints can be completely prevented.

Since 2018, SGL Carbon has used the "Complaint Costs/Sales" ratio as a measure of product and service quality and of the associated customer satisfaction. The two variables taken into account in the ratio exclusively relate to external customers. Complaint costs/sales across all Business Areas of SGL Carbon amounted to 0.20% in the fiscal year and thus increased compared to the previous year [0.14%].

To ensure high product quality, relevant measurement and test values are recorded along the entire production process chain, allowing process deviations to be detected and eliminated at a very early stage. Resilient production and business processes, a robust organization and high-performance systems are the basis for high product quality.

In order to continuously improve process and organizational quality, an Operations Management System [OMS] tailored to SGL Carbon began in 2017. This SGL-specific production system pursues standardization of processes, standardization of systems within the organization and development of a common understanding across all production sites.

Our newly created central Operations Improvement team has managed the OMS since 2021. This team reports directly to the

CEO and works on efficiency improvement and quality initiatives at the manufacturing sites of all four business units in focused project assignments ["sprints"]. In 2021, 20 project assignments were carried out at 10 SGL sites. Lean manufacturing approaches were systematically implemented, resulting in substantial reductions in throughput times and scrap rates as well as increases in productivity and plant availability.

Starting in 2021, we will no longer be reporting the "OMS Maturity Index" as this key figure is defined specifically for SGL and cannot be compared with figures from other companies. The leadership of the central Operations Improvement team is nevertheless continuing the maturity assessments of the SGL sites compared to the conceptual objective of the six OMS elements ["Strategic orientation and objectives", "Organizational structure", "Corporate culture", "Performance management", "Shopfloor management", and "Methods and tools"]. The sites will also continue to be provided with important indications of potential for improvement.

Nearly all SGL Carbon Group sites are already integrated into the global quality management system and certified according to the ISO 9001 quality management standard, which supports system and organizational quality. Depending on the specific requirements, the sites sometimes also obtain certifications according to ISO 14001 [environmental management], ISO 50001 [energy management], ISO 45001 or OHSAS 18001 [occupational health and safety management], AS 9100 [quality management in aviation] and IATF 16949 [quality management in the automotive industry].

## Sustainable products and reporting on the EU taxonomy

Customers and other stakeholders increasingly expect value chains to be aligned with sustainability criteria. SGL Carbon is therefore committed to knowing the environmental and climate impacts of its products while they are being manufactured and during their service lives. The company is also committed to continuously identifying options for optimizing the effects they have on the environment and climate. We strive to grow the company with products and technologies that benefit society and reduce our impact on the environment and climate.

In many target markets, positive environmental and climate impacts are a material decision-making criterion in the use and consumption of products. Many of SGL Carbon's materials and

products are already in use in industries that make a crucial contribution to protection of the environment and climate. This includes the use of SGL composites in wind turbines for the generation of renewable energy or the increasing use of battery and fuel cell solutions in future energy and mobility concepts. Many SGL products have the potential to foster the development of low-carbon technologies, such as through increased use in photovoltaics, LED lighting and lightweight construction, or through increasing heating and energy efficiency. In the mobility sector, SGL Carbon's lightweight composite solutions help reduce energy requirements in the automotive and aviation industries, thus contributing to an overall reduction in CO<sub>2</sub> emissions.

SGL Carbon has already been conducting a structured assessment of the environmental impact of its own product portfolio since 2019. In fiscal year 2021, responsibility for the management of these activities was transferred to the newly created Corporate Sustainability function. This cross-business unit function receives the relevant information from the technology and development units of the four operational business units. In the future, the new function will support Group-wide activities to improve the product portfolio in the form of sustainable products and solutions. The defined catalog of assessment criteria, according to which all product groups are analyzed in terms of their environmental impact during production and use or consumption by customers and end-users, was expanded in fiscal year 2021 to include the criteria of the EU taxonomy.

## EU taxonomy

In December 2019, the European Commission presented the "European Green Deal" which includes the goal of making the European Union climate neutral by reducing net greenhouse gas emissions in the European Union to zero by 2050. Achieving this goal will require action such as redirecting private and public capital into environmentally sustainable activities. This required the development of the EU Taxonomy Regulation [EU 2020/852 or "EU taxonomy"], a classification system for defining environmentally sustainable economic activities.

For the 2021 fiscal year, companies that publish a non-financial report will for the first time be required to provide information on environmentally sustainable shares of sales, capital expenditure and operational expenditure in accordance with the EU taxonomy. SGL Carbon is subject to this obligation.

As previously described, the established assessment process in regard to the environmental impact of SGL Carbon products was expanded to include the criteria of the EU taxonomy and the management of these activities was transferred to the newly created Corporate Sustainability function.

The evaluations required by the EU taxonomy were performed for each of approximately 70 product categories in the SGL portfolio:

1. Do the products make a material contribution to at least one of the six EU environmental goals: climate change mitigation, adaptation to climate change, sustainable use and protection of water and marine resources, transition to a circular economy, preventing and reducing pollution and protection and restoration of biodiversity and ecosystems?
2. Is significant harm to one or more of the other environmental objectives prevented?
3. Are the products manufactured in compliance with the minimum [social] safeguards?

However, as of the end of 2021, the relevant lawmakers had published the technical screening criteria only for the first two environmental goals: climate change mitigation [ANNEX 1, C (2021) 2800] and climate change adaptation [ANNEX 2, C (2021) 2800]. Against this backdrop, the law allows a simplified assessment of the extent to which products and economic activities are eligible for the taxonomy (in relation to the first two environmental goals of climate change mitigation and climate change adaptation). SGL Carbon makes use of this option to simplify the evaluations.

The following table shows the taxonomy-eligible shares of sales, capital expenditure and operating expenditure of SGL Carbon for the fiscal year 2021

Key performance indicator	2021 (in € million)	Thereof taxonomy-eligible share
Sales <sup>1)</sup>	1,007.0	40%
Capital expenditure	50.0	44%
Operational expenditure <sup>2)</sup>	66.5	46%

<sup>1)</sup> Group sales with third parties

<sup>2)</sup> According Definition EU Taxonomy (Research-, development- and maintenance cost)

## Outlook

The EU Commission announced that it will publish the outstanding technical screening criteria for the other four environmental goals in the course of 2022. For fiscal year 2022, SGL Carbon will report the taxonomy-aligned shares of sales, capital expenditure and operational expenditure for the first time.

According to Article 19(5) of the Taxonomy Regulation, the EU Commission will review technical screening criteria on a regular basis or at least every three years in the case of activities that are considered transitional activities within the meaning of Article 10(2) of the Taxonomy Regulation. SGL Carbon will take any resulting adjustments to the Delegated Regulation into account in the future.

## Sustainable product innovations

As of January 1, 2021, the activities of the central research and development department were integrated into the four business units. This further strengthens the proximity of development to the customer and focuses strategic research and development projects with more intensity on near-term market opportunities. In addition to increasing business performance, another important goal of research and development activities is to continuously improve the sustainability of our own products and processes.

The development activities of the respective business unit are derived directly from the strategic objectives of the product groups and business lines. They are also shaped by the respective market development, customer requirements and the market environment.

For all four business units, sustainability is a key issue in the identification of new development projects and in the evaluation and management of the development portfolio. For example, the project portfolio of the GS business unit includes materials and products for material growth areas in the market segments of digitization, mobility and energy, which in turn are obliged to become more sustainable due to the growing importance of environmental and climate aspects. An example of this would be electromobility, whose success and growth are being accelerated by factors such as decarbonization and climate protection. As a manufacturer of materials and products for electromobility, the GS business unit has launched a variety of different development projects to provide

sustainable solutions for this strategically important customer segment.

Proof of SGL Carbon's innovative strength in the area of sustainable products in the GS business unit is the 2021 receipt of the funding decision for development and industrialization of innovative anode materials made of synthetic graphite for use in lithium-ion batteries. The grant program is part of the second European Important Project of Common European Interest (IPCEI)/European Battery Innovation (EUBatIn) program, which aims to build a competitive European value chain for lithium-ion batteries. SGL Carbon's contributions to the IPCEI project range from development of anode materials with increased performance and energy-efficient and sustainable manufacturing processes through to new recycling concepts.

In addition to its own core development topics, SGL Carbon also works in partnerships with public research institutions and other industry partners to increase the sustainability of its products beyond the company's own value creation. One example of this is the "Algae Fiber" project. The aim of this project is to use the industrial production of algae to obtain CO<sub>2</sub>-neutral basic chemicals and to subsequently use biochemical processing to obtain additional basic materials. In this way it would be possible to produce acrylonitrile, the primary material for carbon fiber production, on a CO<sub>2</sub>-neutral basis in the future.

## Social (including employee concerns)

### Occupational health and safety

The health and safety of our employees have top priority at SGL Carbon. As a responsible company, protecting the health and safety of employees is both an ethical obligation and a prerequisite for the company's performance. In this regard, the Code of Conduct and the globally applicable EHSA Guideline set out the requirements that are binding for all employees. SGL Carbon also attaches importance to appropriate standards for business partners and takes occupational health and safety aspects into account in the selection of suppliers. The Supplier Code of Conduct requires them to ensure the health and safety of employees in all workplaces and to establish a management system for continuous improvement.

The central corporate EHSA unit is responsible for drafting Group-wide guidelines and standards for preventing work-related accidents and ill health. The respective business and central corporate units and site management are responsible for implementing the specifications. Within the global EHSA network, the central corporate EHSA unit and local EHS managers also discuss overarching issues. This is to ensure that all legal and SGL-internal regulations are complied with and that corresponding systems are established at each site. In addition, the central EHSA unit, in cooperation with the local EHS managers, conducts audits that also evaluate the implementation of the Group-wide occupational health and safety standards and their advancement over time. EHSA audits also include compliance with energy and environmental standards. As a rule, the sites are inspected by the central corporate EHSA unit every three years, or more often than that if incidents have frequently occurred at any given site. Ten sites were audited in 2021, with some of these audits performed remotely due to the pandemic. EHSA reports to the HSE Council and provides updates three times per year. The HSE Council is composed of the two members of the Board of Management of SGL Carbon, the heads of the business units and central corporate units and the central corporate EHSA team, with the Chairperson of the Board of Management also serving as Chairperson of the HSE Council. This body is responsible for monitoring and controlling occupational health and safety measures.

SGL Carbon's overriding occupational health and safety goal is to systematically prevent work-related injuries and ill health. It is the responsibility of the company's leaders, all management levels and each individual employee to ensure safe working conditions and to comply with all relevant national laws, European regulations and internal guidelines in all production processes. As a short- and medium-term objective, we have set for ourselves the goal of constantly improving the existing safety precautions. The accident frequency target for 2021 was a maximum of 3.4 accidents per million hours worked. This includes the accidents of SGL employees and temporary workers<sup>1</sup> with at least one day of absence after the day of the accident. The target was achieved in 2021 with an actual result of 2.6. For 2022, the target is to fall below a value of 2.5.

To achieve the occupational health and safety targets set, SGL Carbon uses a variety of incentive systems that actively involve employees in accident prevention and that take their ideas for eliminating accident risks into account. For example, a Safety

<sup>1</sup> Employees are all permanent and temporary SGL employees. Temporary employees are external contract employees who are directly supervised by SGL. Contractors working at an SGL site are responsible for the safety of their employees and are excluded from the calculation of accident statistics. The data includes all fully consolidated subsidiaries.

Award is presented annually to sites where there have been no accidents in the last three years. Thirteen sites received this award in 2021. On the local level, the topic of occupational health and safety is included in the annual targets of many sites. But even when we look beyond the local sites, the topic of occupational health and safety is embedded as a target figure of the variable compensation structure for the four management levels below the Board of Management.

Occupational accidents that occur despite all precautions and safety standards are recorded in the Group-wide incident management system. In a systematic process, incidents are investigated, suggestions for improvement are derived and consideration is given to which solutions have already proven effective in preventing accidents. Once a month, the central corporate EHSA unit provides the Board of Management of SGL Carbon, the heads of the business units and the sites and the EHS managers with a safety report and relevant statistics. In addition, weekly reporting is carried out to track the current safety situation with detailed information on new accidents. In this way it is possible to evaluate compliance with the EHSA Guideline and immediately initiate countermeasures if a negative trend can be discerned. Furthermore, regular exchange between the sites takes place so that those involved can learn from each other and avoid risks identified at other sites.

The applicable safety precautions and standards are constantly being developed in order to further reduce the frequency of accidents. A global safety manual with minimum standards was developed in fiscal year 2021. Moreover, the 10 most important rules for protecting occupational health and safety were put on display at all sites in the form of posters to draw even more daily attention to occupational health and safety at the local level. At the Innkreis (Austria) and Chedde (France) sites, specific training sessions were adapted to the sites and held in 2021 to improve the safety culture.

SGL Carbon also conducts employee training courses. Training provided not only by EHSA experts but also by managers, who were required to train and support employees in their areas of responsibility in regard to safety issues. This is intended to increase the workforce's awareness of safety-relevant aspects and to prevent accidents.

Process safety is a significant factor in the prevention of occupational accidents. Events such as accidents, fires, or explosions could cause significant harm to people and the

environment as well as lead to prolonged interruptions of production and loss of quality at SGL Carbon. Claims for compensation and damage remediation could arise from this. The goal is therefore both to ensure the safety of production processes as best possible and to achieve continuous improvements in the safety culture.

As part of its corporate duty of due diligence, SGL Carbon drafted a globally applicable Process Safety Policy and has maintained a Process Safety System since 2017. The system includes a variety of different components, such as process safety analysis, accident investigations and countermeasure control. Process safety is also a topic of discussion at HSE Council meetings. In addition, every accident is precisely recorded, analyzed and classified in the Incident Management System for occupational and process safety. This is done in order to determine whether an incident occurred in the area of occupational health and safety or process safety. SGL Carbon uses a uniform Group-wide risk management system to identify and, if necessary, minimize risks in its production processes. This involves analyzing the extent and hazard potential of crisis events and calculating their economic consequences – such as the costs of elimination of environmental harm or lost sales due to production downtime. For each primary risk, one or more risk mitigation measures were identified and will be initiated if necessary.

SGL Carbon conducts annual reviews in cooperation with a property insurance company. This involves subjecting many processes and plants to a safety analysis that primarily focuses on fire control and protection as well as operational interruption. The results are evaluated and documented. Specific measures for improvement are drawn up if necessary. Despite local constraints due to the pandemic, a total of five sites were assessed in 2021. The experience of the insurer was drawn upon during the planning phase of five investment projects to make new projects of importance safer by design. The relevant tests were performed virtually. The insurer also provided high-level training on fire control and protection system design to a group of technicians.

Based on available reports, 120 improvements have been identified since 2019. In the meantime, a total of 60% of the improvements have been completed. In 2021, a total of six accidents were registered at all sites worldwide.

## Employee concerns

### General information

SGL Carbon employs a total of 4,680 people in 31 locations in Europe, Asia and North America. Their commitment, expertise and performance make a crucial contribution to the company's success as a business. That is why SGL Carbon strives to attract the best talent and to develop and retain employees in a targeted manner. In addition to numerous training and education opportunities, SGL Carbon also relies on a fair and respectful work and management culture that embraces diversity as well as a compensation structure based on performance. The company offers all employees the opportunity to develop their full potential. This understanding of the company's relationship with its employees is defined in policies and guidelines such as the Code of Conduct and the SGL competency model. The reduced number of employees compared with the previous year is explained by the transformation that began in 2020, which also involved a socially responsible reduction in the workforce in the year under review.

At SGL Carbon, the role of HR is understood as that of a strategic partner and advisor to the business units, central corporate functions and managers in accordance with the "HR Business Partner Model." The spectrum of HR tasks ranges from involvement in strategic decisions to operational HR processes. In accordance with the wide assortment of tasks, the HR Business Partners are positioned both centrally for the business units and central functions and on the local level for the individual production sites.

HR management structured in this way is responsible for a wide array of tasks:

- Management of HR processes such as recruitment and supporting personnel, including labor law issues
- Qualification, coaching and continuing education of managers and employees
- Determination of market- and performance-oriented compensation programs for senior management
- Coordination of international assignments of employees
- Personnel-related reporting for senior management
- Contact person for senior management on questions of personnel-related requirements planning and coverage
- Positioning SGL Carbon as an attractive employer in the labor market
- Efficient management of the impact of change processes on human resources

In addition to efficiency, customer proximity and service quality are increasingly becoming key criteria in the design and implementation of HR processes. Against this backdrop, SGL Carbon prepared the rollout of a comprehensive cloud-based IT solution for these processes in 2019 and 2020. The staggered go-live of this IT system began in fiscal year 2021.

The HR unit reports directly to the Board of Management on a regular basis. For example, the Head of Group HR holds regular consultations with the Board of Management, thus giving HR issues a high level of attention from senior management.

SGL Carbon constantly monitors and minimizes potential risks in the area of personnel. Due to the increasing shortage of skilled workers, special attention is paid to the strategic importance of recruiting. The same applies to employee retention efforts, which serve to counteract high turnover and keep expertise within the company. Forward-looking skills management, which identifies and specifically fosters the skills needed by senior management and middle management in the future, plays a crucial role.

### **Employability and development (including values and culture)**

A material objective of the work of HR is to maintain the employability of employees and nurture their professional and personal development. Systematic development of personnel is an integral component of SGL Carbon's corporate philosophy. Such development serves to bolster the competitiveness of the company and to have the company take responsibility for the employees. Another component of personnel development is initiatives that analyze potential, that is, assessment of the potential of employees to serve in management and expert positions.

In 2021, a new concept by the name of the SGL Top Talent Program was developed and implemented for the first time. This program serves to identify and foster talents with medium- to long-term potential for leadership positions in senior management. In addition, a dedicated succession plan was drafted for the senior management levels.

Development of personnel is not the responsibility of the HR department alone but is first and foremost a task for managers and thus within the scope of personnel management. The cornerstone of all personnel management is communication between managers and employees on a regular basis. That is

why the "Management Dialogue" was rolled out in 2021 as a discussion format in the job areas not subject to collective bargaining agreements. The Management Dialogue involves managers and employees taking sufficient time to exchange information, provide mutual feedback and solve problems together once per month.

Another element in the creation of a comprehensive feedback culture in the company was the launch of a new 360-degree feedback tool and process in 2021. In the year under review, the pilot was administered with the managers who report directly to the Board of Management as focus persons. In the coming years, the tool and process are to be rolled out to subsequent management levels and then repeated on a regular basis.

Employer attractiveness is a key factor of corporate culture that determines the company's ability to both attract and retain human resources that are critical to success. A wide range of factors plays a role in employer attractiveness, including interesting entry-level and career opportunities, attractive remuneration packages, family-friendly working time models and a management and corporate culture that demonstrates appreciation for employees. For many years, SGL Carbon has been positioning itself in the labor market with its own employer brand that can be clearly discerned on the company's careers page as well as elsewhere. As part of its university marketing program, SGL Carbon offers students a variety of opportunities to integrate academic theory into real-life experience in a business company, including internships, student traineeships and final thesis projects. As a long-standing member of the "Fair Company" employer initiative, SGL Carbon is committed to providing students with high-quality learning opportunities at fair terms and conditions.

In recruiting, the company began to directly approach potential applicants on social networks ("active sourcing") in 2017 and this activity was continued in 2021. In the year under review, this recruitment method was used for 18 specialist and management positions in Europe, with seven vacancies filled in this way.



Number of staff	2021	2020
Number of employees	4,680	4,837
Number of new hires (worldwide) <sup>1)</sup>	310	282
- thereof men	78.0%	79.0%
- thereof women	22.0%	21.0%
Fluctuation rate (worldwide) <sup>2)</sup>	12.5%	8.3%
- Europe	10.0%	6.4%
- North America	23.2%	18.4%
- Asia	11.6%	4.9%

<sup>1)</sup> 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.

<sup>2)</sup> Based on the average headcount, includes employees leaving the company voluntarily and involuntarily.

The recruitment process has already been largely standardized in Germany, Austria, the United States and China. The declared medium-term goal is to standardize the process globally to the extent that this is possible and makes sense to do, taking into account the legal and cultural framework in the individual countries. An initial step in this direction was taken in 2021 with the implementation of a cloud-based IT solution in the four countries mentioned above, which together already correspond to more than 70% of SGL's workforce.

As a voluntarily provided fringe benefit that makes a positive contribution to employer attractiveness, SGL Carbon offers employees in Germany a company retirement benefit plan that provides additional financial security during retirement.

Occupational health and safety issues play a prominent role in SGL's culture and this also applies to preventative measures in regard to employee health. In the area of Workplace Health Management (WHM), employees in Germany can take advantage of a variety of different resources on a decentralized basis, that is, on the level of the individual plants. During the year under review, the activities held at the larger sites included vaccinations against Covid-19 and the flu. In 2021, as in 2020, there were significantly fewer BGM offerings than in previous years due to the pandemic-related occupational health and safety measures.

Employee surveys are an established method for analyzing corporate culture and the basis for actively shaping it at the same time. SGL Carbon conducted a Group-wide employee survey for the first time in 2018. In 2020, a survey of senior and middle management on the subject of "organizational health" was administered as part of SGL Carbon's transformation project. The results of the survey led to the implementation of a number of initiatives to reinforce a corporate culture that

fosters performance. The survey was repeated as a change measurement in the year under review, which resulted in the observation of a significant improvement in the overall "organizational health" index. The survey also helped identify several areas where action should be taken to improve organizational culture. A new survey of all SGL Carbon employees is planned for 2023 at the latest.

## Training and education

Training has traditionally played an important role at SGL Carbon. The company's training program in Germany comprises a total of nine technical apprenticeships and business administration traineeships as well as five cooperative study programs. A total of 27 trainees and apprentices successfully completed their training and apprenticeship programs in the year under review. Of these, one apprentice from the Bonn site was named best in the state in the ceramics testing technology training course. The rate at which trainees and apprentices who graduated from their programs in 2021 were offered permanent employment was 100% in Germany.

SGL Carbon offers employees professional and personal development opportunities throughout their careers, including additional training and continuing education courses, the expansion of tasks and areas of responsibility within a position and the opportunity to change jobs within the organization. In meetings held on a regular basis, the manager discusses with the employee specific individual development activities such as training, coaching, or special tasks.

In view of the ongoing Covid-19 constraints, but also as a result of the budget reduction targets sought by the transformation project, participation in external training was curtailed in 2021, in particular with regard to the development of interdisciplinary and leadership skills. This was compensated for through a number of different internal training measures, all of which were implemented by means of virtual communication applications. On this basis, a total of nearly 500 participants were able to take part in a series of training courses that addressed a wide variety of personnel management skills. A policy that was developed and published in the year under review provides guidance in regard to the training activities process worldwide.

The cloud-based IT system rolled out in the fiscal year to support HR processes also includes a learning management system (LMS). This system facilitates not only the effective administration of training activities by HR and individual

departments but also the immediate provision of training sources for end-users as part of a “self-service” functionality, which includes e-learning courses that you can immediately access. The integrated authoring software has made it possible to create e-learning courses internally since 2021. The learning management system is slated to become SGL Carbon’s central learning platform worldwide in the coming years.

Apprenticeships and dual degree programs	2021	2020
Total apprentices	83	97
– Site Meitingen	55	67
– Site Bonn	28	28
– Site Limburg	0	2
– Site Willich	0	0
Number of professions for apprentices	9	9
Number of apprentices	27	24
Number of dual degree programs	5	6

## Diversity and equal opportunity

The diversity of the workforce is a strategic advantage for SGL Carbon: A variety of different employee skill sets and perspectives reinforces the company’s capacity to innovate and advance its position as an attractive employer. Such diversity makes it possible for SGL Carbon to compete for qualified specialists, which enables SGL Carbon to also meet the challenges arising from demographic change.

SGL Carbon has set itself the goal of establishing a work and management culture that is free of discrimination. All employees should be able to contribute their personal and professional capabilities and have the same opportunities for professional success and fair pay regardless of age, ancestry, [ethnic] origin, skin color, gender, sexual orientation or identity, religion, ideology, or disability.

The SGL Code of Conduct is an important basis for the company’s commitment to diversity and equal opportunity. SGL Carbon’s guidelines for a diverse and inclusive working environment characterized by trust, openness and respect are embedded in it. In accordance with these guidelines, discrimination on the basis of any of the characteristics listed above will not be tolerated. The SGL competency model, which was revised in the year under review and describes key behavioral requirements that are applicable to middle and senior management throughout the world, also includes “collaboration and

diversity” as one of seven skill sets, thus reflecting the importance of diversity.

A higher proportion of women in management positions can have a positive impact on SGL Carbon’s success as a business, making it important for the future global development of SGL Carbon. SGL Carbon has set its sights on increasing the proportion of female members of upper management over the long term and with the specific goal of 20% by 2025. The proportion of women in the overall workforce was 17% as of December 31, 2021 [December 31, 2020: 17%]. The proportion of women in senior management was 19% [December 31, 2020: 17%]. This share rises to 31% if only the central functions of the holding company [SGL Carbon SE] are considered.

In terms of remuneration, the local systems of collective bargaining agreements or systems similar to this are applied to ensure that remuneration is free of discrimination. For remuneration of employment that is not subject to collective bargaining agreements, the recognized analytical job evaluation procedure according to the Hay method is in use throughout the world.

To promote international exchange and knowledge transfer within the company, SGL Carbon posts employees to a variety of different locations around the world. Foreign assignments usually last between one and five years. In 2021, two expatriates were working in the USA.

Internationality	2021	2020
Total workforce	4,680	4,837
thereof Germany	2,092	2,249
thereof rest of Europe	1,318	1,328
thereof North America	750	743
thereof Asia	520	517
Number of expatriates	2	4

Percentage of women	2021	2020
Total workforce	17%	17%
thereof Germany	17%	18%
thereof rest of Europe	15%	15%
thereof North America	19%	20%
thereof Asia	15%	16%
Senior management	19%	17%
Middle management	17%	18%

Age structure	2021	2020
< 30 years	15%	16%
30 to 50 years	53%	55%
> 50 years	32%	29%

Help provided to employees in balancing the responsibilities of work and family plays a crucial role in an employer's attractiveness. In 2020, SGL Carbon participated in the Compatibility Progress Index developed by the "Success Factor Family" business program launched by Germany's Federal Ministry for Family Affairs. With the associated seal of participation, SGL Carbon raises awareness among the public that the company embraces a corporate culture that is sensitive to family responsibilities and that is committed to helping employees seek a balance between family and career. The "Alternating Teleworking" general works agreement that was already concluded for Germany in 2017 also serves this purpose. This agreement makes it possible for employees to work from home for up to 40% of their working hours. By the end of 2021, the company had concluded a corresponding written agreement with a total of 81 employees. Regardless of the coronavirus pandemic, employees in the administrative areas generally have the option to perform their work from home after consultation with their respective supervisors and if the respective tasks and activities allow it.

Part-time employment and reconciliation of work and family	2021	2020
Percentage of part-time employees in Germany <sup>1)</sup>	5.7%	5.0%
Male part-time employees (Germany) <sup>1)</sup>	1.8%	1.6%
Female part-time employees (Germany) <sup>1)</sup>	25.1%	20.9%

<sup>1)</sup> Based on a balance sheet date of December 31, excluding minor employees, students and temporary workers.

## Respect for human rights

SGL Carbon attaches particular importance to demonstrating respect for human rights. For example, the SGL Carbon Code of Conduct commits the organization to upholding the principles of the UN Global Compact and to respecting and protecting human rights. SGL Carbon has also been a UN Global Compact signatory since July 2021. Respect for human rights is further elaborated in the Employees chapter of the Code of Conduct. This section also refers to the Human Rights Policy introduced globally in 2018. This policy is available in a total of nine languages and is included in the hiring documents at all SGL

sites. Group Compliance has this confirmed annually by the Local Compliance Representatives (LCRs) at the sites using the implemented LCR reporting. This reporting also includes queries as to whether each of the sites worldwide respects and complies with human rights and the requirements of national labor law.

During the most recent fiscal year, Group Compliance developed and implemented a training concept on human rights compliance together with Group Human Resources. This concept is now being rolled out to SGL Carbon sites throughout the world in stages. The training concept is based on online training as basic training and a workshop with practical examples. The content of the training courses was approved as part of the Regional Compliance Conference held with all compliance representatives on a virtual basis and this target group was also trained. As a first step, online training was rolled out to all employees in management functions in October 2021. The training is currently available in German and English. A total of 97% of the target group completed the training by the end of 2021. This will be followed by virtual workshops for this target group from December 2021 to the end of February 2022, with the workshops dealing with practical examples relating to the topics of discrimination, harassment and bullying. The workshops are conducted worldwide by Group Compliance and Group Human Resources, in some cases with support by the local HR and/or legal department. By the end of the year, 11 of a total of 35 workshops had been held. In preparation for the expansion of the target group, the online training course "Protection of Human Rights" was translated into an additional seven languages. In early 2022, the course will be available in French, Polish, Italian, Spanish, Portuguese, Chinese and Japanese in addition to German and English. This lays the foundation for training all remaining office workers (without management responsibility) throughout the world. In addition, training will also be made mandatory for all new office workers. In 2022, a corresponding training concept will be approved for employees working in production.

Alongside the existing whistleblower system, a dedicated reporting channel was launched in 2018 in order to more effectively and directly enable employees and managers to report possible violations of the rules on respecting human rights. This new channel is described in the Human Rights Policy. Reports received are received centrally by Group HR and Group Compliance on a confidential basis, systematically processed in compliance with data protection regulations, sanctioned appropriately where necessary and reported to the Board of Management as part of the semi-annual Compliance Report.

## Social commitment

SGL Carbon is active in many regions of Europe, Asia and North America. We strive to be a reliable partner both internationally and locally and go beyond our business activities by assuming social responsibility for people where we operate. SGL Carbon is involved in projects in the vicinity of its own sites in particular and primarily supports projects that have a local or subject-matter connection to the company.

The formal basis for SGL Carbon's social commitment is its Sponsoring and Donations Policy. It specifies the Group-wide standard and is binding for all SGL Carbon employees, ensuring that the funding and selection of projects is transparent and follows uniform guidelines. Management of the respective location makes decisions on the funding of specific projects, initiatives, institutions and associations up to a single amount of €5,000. If the amount for sponsorships and donations is above this amount, the Board of Management must approve it. The Capital Markets & Communications department is also to be informed. No violations of the policy were identified in the year under review.

As in previous years, SGL Carbon put its focus on training and education in 2021. We are already active in schools. An example of this is the Meitingen site, where there are school partnerships that give students insight into the corporate world and that are also aimed at promoting a better understanding of technical professions.

Our employees and the regions in which we operate are also a focal point for our commitment to the good of society. SGL Carbon as an employer of people affected by the disaster and many of the company's employees provided extensive financial and personal assistance in response to the recent flood disaster in Germany. For example, a fund was set up by SGL Carbon immediately after the disaster so that financial resources could be provided to the affected employees without any red tape. Donations for the flood victims at the Bonn site were also collected at other SGL sites.

In addition to these current projects, we provide support in particular to sports and youth clubs, charitable initiatives and local projects near our sites that directly benefit the local community.

## Governance

### Compliance management

As a Group that operates globally, SGL Carbon bears a special responsibility in its dealings with employees, customers, business partners, shareholders and the public throughout the world.

The structure and implementation of SGL Carbon Group's compliance management system (CMS) is therefore in accordance with national and international standards such as IDW PS980 or ISO 19600:2016, now ISO 37301. To review the relevant elements with regard to their implementation status and effectiveness, in 2020 the Board of Management engaged an independent third party to certify the CMS of SGL Carbon in accordance with the requirements of the ISO 19600:2016 guideline. As an independent third party (German Society for the Certification of Management Systems), DQS GmbH conducted the first surveillance audit in October 2021. With the new ISO 37301:2021, this surveillance audit was conducted as a transformation audit. After the audit was complete, DQS certified that SGL Carbon SE implemented and applies a CMS that meets the requirements of the ISO 37301 guideline. In addition, a separate tax compliance management system certified in accordance with IDW PS 980 in 2019 supplements the overarching compliance management system in Germany.

As an integral component of SGL Carbon's management and corporate culture, the Code of Conduct sets standards for responsible and lawful conduct. This includes ensuring that all managers and employees comply with internal and external regulations and that ethical and sustainable principles determine their actions. In addition to the Code of Conduct, SGL Carbon's compliance program includes additional internal requirements, guidelines and training for various target groups and specific topics (for further information, please refer to the Corporate Governance Declaration, Corporate Governance Report and Compliance Report in this Annual Report). A material component of this is the anti-corruption program (see section "Anti-corruption and bribery").

The Chief Compliance Officer reports directly to the Board of Management and is responsible for the compliance strategy as well as for monitoring the structures and processes of the compliance management system (CMS). He/She is supported in his/her work by the Group Compliance department. The organization also includes the Compliance Network, which is

made up of regional and local Compliance representatives as well as Compliance representatives from the business units and central functions (for additional information, please refer to the Corporate Governance Declaration, Corporate Governance Report and Compliance Report in this Annual Report).

The CMS is reviewed for effectiveness and efficiency on an ongoing basis, which makes it possible to appropriately respond to new legal requirements and changes in the business environment. In consultation with the Compliance Committee, the Group Compliance department identifies and defines areas in which action needs to be taken each year, along with measurable targets approved by the Board of Management for the following year. The target achievement results and any follow-up activities derived from them, are summarized in an annual review.

Regular risk assessments covering the identified compliance risk areas of SGL Carbon, which are summarized in the "House of Compliance" are a material part of the effective CMS. In the most recent fiscal year of 2021, the focus was on the following compliance categories of the compliance risk landscape: antitrust, anti-corruption, protection of trade secrets and human rights. The risk assessments were conducted within the framework of interviews with all four business units. The interviewed parties were all members of the Management Committees of the business units as well as other selected functions. A total of 27 interviews were conducted between August and October 2021. The objective of the interviews was to identify potential risks arising from the new business strategy of the four units as well as possible risks due to changes in the market environment. The participants also considered aspects of the coronavirus pandemic. The compliance risk assessments with the heads of the corporate functions, who are also the Compliance representatives for their units, will follow in January 2022.

The CMS further stipulates that compliance issues are to be regularly documented by the Local Compliance Representatives (LCRs) and the responsible Compliance representatives of the business units as part of the relevant reporting process. Group Compliance has the implementation of the Compliance program confirmed at the local sites using a semi-annual LCR Compliance questionnaire. The results from the evaluation of the questionnaires are discussed in detail with the Board of Management and the Audit Committee. The results also serve as the basis for repositioning Compliance activities if necessary. All LCRs submitted semiannual LCR reports for the corresponding reporting period. The Compliance questionnaires,

which reflect the annual reporting by the Compliance representatives of the business units, were suspended in 2021 due to the risk assessments that were performed in the same year. The plan is to resume the administration of the questionnaires in 2022.

Against the backdrop of legal framework conditions that are subject to constant change, SGL Carbon continuously optimizes training content and identifies the corresponding training needs. The Code of Conduct e-learning program serves as the corresponding baseline training on compliance issues for all new office workers. In fiscal year 2021, online training was migrated to our new internal learning platform (LMS). This new channel for training has been in use at all sites worldwide since July 2021, with courses available in German, English, Chinese, French and Polish. An automated verification process is used to continuously add new employees of the target group to the group of participants in the e-learning training.

A Compliance survey was again administered in November 2021 in order to ensure that the Compliance program continues to be aligned and developed in a targeted manner and in line with the company's requirements in the future. This survey was addressed to all office workers and, with a participation rate of 58%, is in line with the good results of 2016 and 2018. Certain survey parameters can be compared with previous surveys. The results will first be presented to the Compliance Committee in early 2022 and subsequently discussed with the LCRs. The findings will then be used to determine measures to further develop the Compliance program in 2022.

## Anti-corruption and bribery

Good relationships with customers and suppliers are essential for ensuring the positive economic development of SGL Carbon. SGL Carbon fosters and requires transparent and lawful execution of all company business. On this basis, SGL Carbon seeks to create a sense of trust and to secure lasting business relationships.

SGL Carbon's anti-bribery and anti-corruption principles are defined in the Group-wide Code of Conduct, the anti-corruption training concept and the Gifts and Entertainment (G&E) Policy. The G&E Policy specifies matters such as how tangible and intangible benefits are to be handled. These must be in accordance with the policy and likewise comply with the rules of the business partners. It is also true here that the overarching Compliance objective applies, which stipulates that

every employee must be informed about and comply with all important guidelines. The anti-corruption risk category was part of this year's risk assessment. The results from the interviews with the business units will be incorporated into a revision of the Gifts and Entertainment Policy, which is scheduled for the first half of 2022. Anti-corruption training courses have been integrated into the Compliance training catalog for many years. Based on the key figures defined in the training plan, all new office workers must complete the online anti-corruption training. This training was also migrated to the internal learning platform (LMS) in 2021. The target group also regularly takes refresher training courses, which are currently being conducted virtually due to the pandemic.

SGL Carbon has a Group-wide "Business Partner Compliance" (BPC) process to monitor risks and manage all processes that relate to dealing with sales agents. The target group for the BPC process is currently sales agents and distributors. The process requires that new business partners in the target group be subjected to a multi-stage review before any contracts are signed. This process is also part of an internal control mechanism within the framework of the Internal Control System (ICS). In addition to new sales agents, existing sales agents are also regularly reviewed, depending on their risk rating. The nominated business sponsors from the business units are responsible for starting this process.

Moreover, the Code of Conduct provides rules for handling donations to political parties and references to the Sponsoring and Donations Policy. This policy defines the Group-wide standard that ensures a transparent approach to sponsorship and donations and prohibits actions such as providing financial support to political parties and candidates for political office and other elected positions. The rules apply to all employees of SGL Carbon, including members of the Board of Management.

## Corporate governance and business ethics

For SGL Carbon, good corporate governance is not only compliance with legal requirements and applicable guidelines but also responsible action aimed at sustainable value creation. Our commitment to responsible corporate governance is derived from the SGL Carbon Code of Conduct as well as from regulations, external initiatives and international guidelines that we have pledged to adhere to. We also take these requirements into account in our ESG strategy and Group-wide policies. Examples include the SGL Human Rights Policy, which is based on the UN Guiding Principles on Business and Human

Rights, the principles of the UN Global Compact and the UN Declaration on Human Rights. Our Group-wide occupational health and safety guidelines take inspiration from other guidelines such as the labor standards of the International Labor Organization (ILO).

The Corporate Governance Declaration and further information can be found in the Corporate Governance and Compliance Report (unaudited) in this Annual Report.

## Responsibility in the supply chain

As a globally active company with a diversified industrial customer structure, SGL Carbon maintains a wide variety of business relationships. During the period of collaboration, SGL Carbon expects all business partners to commit to lawful, ethical and sustainable conduct to the same extent as SGL Carbon. To ensure that this is the case, a Supplier Code of Conduct was rolled out for suppliers and their subcontractors. In addition to rules of conduct to be observed with regard to integrity, supplier-side anti-corruption and social and environmental standards, it also includes requirements for dealing with what are known as conflict materials and a binding commitment to the principles of the UN Global Compact. SGL Carbon has had its own Conflict Minerals Policy since 2015 and is committed to avoiding the use of conflict minerals in its products and production processes. The review is carried out during a due diligence process that is implemented on a regular basis. The policy was distributed to the target audience again after being subjected to a comprehensive update in 2021. In addition, employees from Global Purchasing were trained on conflict minerals.

Global Purchasing is responsible for implementing and applying the Supplier Code of Conduct for suppliers and their subcontractors. The Supplier Code of Conduct was rolled out in 2015 and has been updated on a regular basis since then. It is also incorporated into SGL Carbon's General Purchasing Terms and Conditions. In the course of its successive rollout, the Supplier Code of Conduct was issued to the primary risk-relevant suppliers. The criteria defined were a minimum sales revenue and a minimum number of orders from suppliers classified into critical countries according to the CP (Corruption Perception) Index with a score between 0 and 53. 99% of primary existing suppliers committed themselves to compliance with the Supplier Code of Conduct. In addition, new suppliers that Purchasing records in SGL Carbon's system are also required to sign the Supplier Code of Conduct or show that

they have equivalent compliance standards. 99% of new suppliers signed the Supplier Code of Conduct in 2021. For raw materials, new suppliers are asked about the basics of the Supplier Code of Conduct and the answers are incorporated into the final selection of suppliers.

In addition to the awarding of points for delivery performance and quality, since 2018 an assessment of the supplier in terms of legal, ethical and sustainable behavior has also been carried out in the context of the annual supplier assessment. The result of the evaluation is directly incorporated into the supplier risk management. The need for supplier development measures and supplier audits are derived based on the risk assessment. Supplier audits also take into account issues relating to compliance with environmental and social standards.

In 2021, a new process was rolled out for the risk management of strategic suppliers. Standards are evaluated with regard to matters such as compliance, safety and environment. In the future, all active suppliers will also undergo an online sustainability assessment, with roll-out to be phased in 2022. The online assessment will include standard sustainability components such as Ethics and Compliance (Environmental Protection; Human Rights; Supply Chain Responsibility; Health & Safety; Anti-Bribery & Corruption and Cyber Security). The results of the online questionnaire, along with information from public sources, are incorporated into the risk assessment of each supplier, with the aim of mitigating or eliminating the risks identified. Group Compliance comprehensively trained the Global Purchasing Team on "Due Diligence in the Supply Chain" in November 2021. SGL Carbon has manufacturing sites in many different countries and supplies products to customers all over the world. It is therefore of considerable importance to avoid risks associated with trading activity and customs regulations. Such risks include restrictions on deliverability, loss of reductions in taxes, customs duties and other fees, payment of fines and penalization of criminal activity. SGL Carbon aims to use appropriate compliance processes to ensure that the goods and technologies are exchanged and services are used in accordance with the respective internal and external requirements. This principle is defined in the Group-wide Global Trade Policy as well as in SGL Carbon's procedural instructions on preparing, optimizing and executing all trading activities, on control mechanisms and on managing and monitoring risks and responsibilities.

In the companies and units, the export managers and export control officers are responsible for export control and customs.

Since 2009, the existing Compliance program for export control and customs has been working with an IT-based compliance module that enables efficient review and processing of export transactions. This module is regularly updated to bring it into line with the latest legal requirements. In 2021, the system was expanded to include screening of all SGL suppliers and customers registered in the SAP ERP system against international sanctions lists published by the United Nations (UN), the EU, the US, the UK, France and Japan. The SAP Global Trade Services (GTS) system performs screening on a centralized basis and constantly checks all customer and supplier master data in the SAP ERP system. Customer and supplier master data that matches entries in the sanctioned party lists is blocked. This means that all sales and purchase orders with blocked customers and suppliers will also be blocked. The centrally organized Global Trade Organization can only lift such blocks if the organization establishes beyond doubt and to the best of its knowledge and belief that the blocked business partner is not the sanctioned party. If this is not possible, SGL Carbon will discontinue the business relationship. All decisions made in this context are documented in the SAP GTS system.

In the area of customs, an authorized economic operator (AEO) generally must be approved for it to be possible to use other customs approvals, special customs procedures or certain simplified procedures. SGL CARBON GmbH, SGL Technologies GmbH, Dr. Schnabel GmbH, SGL epo GmbH, SGL Composites Materials Germany GmbH and Brembo SGL Carbon Ceramic Brakes GmbH in Germany and SGL CARBON S.A.S. in France are certified by customs with the status of AEO.

Export control procedures are also a key component of the compliance risk assessment. On this basis, SGL Carbon aims to ensure that international agreements and national laws are complied with in the context of cross-border transactions and intra-company transfers. Before going on business trips, employees are also encouraged to familiarize themselves with local export control and customs laws and regulations.

SGL Carbon is committed to ensuring that employees are informed about all relevant rules in the area of export control compliance and that export control officers and selected employees receive training on a regular basis.



## Information security

An important part of our business success is information and its security, such as when research and development data or sensitive customer information is being handled. SGL Carbon invests in cybersecurity to protect technology, assets and critical information, as well as to safeguard our reputation and prevent damage or financial loss from unauthorized access to our systems and data.

In doing so, we rely on a risk-based approach that is in line with the internationally recognized ISO 27001 standard. As a company certified according to TISAX (Trusted Information Security Assessment Exchange), we use clearly defined processes and organizational responsibilities to meet increased cybersecurity requirements and adequately address risks such as ransomware.

Information Security is part of the IT organization and reports to the Head of Information Technology Excellence (ITX), who reports directly to the Chief Financial Officer (CFO). With the managerial prerogatives right to all employees, except for the Board of Management of SGL Carbon, there is the right to intervene in the event of safety violations or immediate need for action. In a similar manner, IT Risk management and Governance is part of the Cybersecurity team, allowing it to carry out a rigorous staff function as a steering and governance body within IT.

**Organizational measures** provide a solid foundation for the technical framework and awareness of appropriate conduct of the organization and its users. A total of 17 issued and regularly monitored security guidelines specify the basic conduct expected of the users, define technical requirements and called for verification measures. This also includes exception management for temporary requirements that differ from normal as well as any fundamental principles such as "segregation of duties", "need-to-know basis" and "least privilege access." This package of measures is rounded out by cybersecurity insurance and a contractually defined and incident-based forensic support service provided by an external partner.

**Technical measures** provide a solid basis for ensuring information security with the latest hardware and software as well as adequate information security processes. SGL Carbon relies on both preventive and reactive measures. Keeping SGL Carbon free of security vulnerabilities and potential security

risks is essential for the entire company and a constant operational requirement and task.

**Preventive measures** are designed to reduce the risk of security breaches. We maintain a strong barrier against security violations by rolling out new tools, detection strategies and response plans. We also provide our employees with the tools necessary to identify significant attacks and we implement a rapid reporting and response system through mandatory and optional training and attack simulations (such as phishing). In the fight against cybercrime, industrial espionage and attempted fraud, employee awareness and risk transparency are the key preventive measures for SGL Carbon.

In turn, **reactive measures** are designed to ensure that SGL Carbon's detection rate and response capability remain at a high level and that resilience remains consistent during a cyberattack. To do this, we rely on comprehensive security and vulnerability scanners and an event and incident management system at the central and regionally utilized endpoints of the IT infrastructure. In addition to automated detection mechanisms, a systematic response to attack attempts is also enabled.

## Data protection

SGL Carbon collects and processes personal information in compliance with data protection laws and regulations and only to fulfill the respective purposes. Personal information must be processed in such a way that the rights of each data subject are safeguarded. To ensure the protection of personal information, SGL Carbon has established a Group-wide data protection organization with local data protection officers, delegates and managers.

The data protection officers of the national subsidiaries report directly to their managing directors and to the Head of Global Data Protection, who reports directly to the CEO of SGL Carbon.

To provide employees with guidance on issues relating to the integrity and confidentiality of personal information, SGL Carbon has implemented Group-wide standards in the form of data protection guidelines and organizational directives. Training is also offered in order to raise awareness among the relevant employee groups.

In the year under review, supporting organizational instructions were revised and made available to the relevant employee groups. Reportable data protection violations were identified in

2021 and dealt with in accordance with data protection requirements. After consideration of the circumstances, it was found that there was no obligation to report the incidents to the supervisory authorities or data subjects. Two requests in regard to the rights of data subjects were responded to in a timely manner.

## Sustainable financing

SGL Carbon pursues the goal of ensuring the growth and stability of the company with a financing strategy geared toward the long term. In doing so, we rely both on financing from our own resources and on debt financing instruments. In fiscal year 2021, the company also concerned itself with the inclusion of ESG-relevant aspects in the financing structure. We ensure constant solvency through cash flow management as well as sufficient credit lines with written commitments. Financing requirements are determined for the Group as a whole and financing arrangements are generally concluded on a central basis. In individual cases, individual financing could be used for specific projects; this could also be financing that is directly related to the company's ESG efforts. Responsibility for Group-wide financing and cash flow management lies with the Group Treasury department, which reports directly to the CFO of SGL Carbon. For additional information on SGL Carbon's financing structure, please refer to the Economic Report in the Group Management Report as part of this Annual Report.

## Transparency and reporting

Transparency, regular financial reporting and informing all stakeholders immediately in regard to material business transactions in accordance with the Market Abuse Regulation are a matter of course for SGL as a listed company, along with strict compliance with all legal requirements. For this reason, SGL Carbon regularly reports on the economic performance of the Group as a whole in the Annual Report, at the Annual General Meeting and in the quarterly releases and reports. SGL Carbon's Annual Report and quarterly reports are prepared in accordance with the standards applicable to companies listed in the Prime Standard of the Frankfurt Stock Exchange. Details on reporting can be found in the Notes to the Consolidated Financial Statements in this Annual Report.

The Group Capital Markets and Communications department is available at all times to respond to questions from investors, private shareholders and interested members of the public. SGL Carbon uses a wide variety of communication channels to reach as many stakeholder groups as possible. These channels include social media, press releases and mandatory announcements, as well as the company's website. In this context, SGL Carbon regularly reports on developments and measures relating to the various ESG aspects. The department reports directly to the company's Board of Management.

# Limited Assurance Report of the Independent Auditor regarding the separate non-financial group report<sup>1</sup>

To the Supervisory Board of SGL Carbon SE, Wiesbaden

We have performed an independent limited assurance engagement on the separate non-financial group report as well as the by reference qualified part "Background of the group", (further „separate non-financial group report"), of SGL Carbon SE, Wiesbaden, (further "Company" or "SGL Carbon") for the period from January 1 to December 31, 2021.

## Management's Responsibility

The legal representatives of the Company are responsible for the preparation of the separate non-financial group report in accordance with §§ 315b, 315c in conjunction with 289c to 289e HGB and with Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (further „EU Taxonomy Regulation ") and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the Company as disclosed in Section "EU taxonomy" of the separate non-financial group report..

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the separate non-financial group report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, the legal representatives are responsible for the internal controls they deem necessary for the preparation of the separate non-financial group report that is free of – intended or unintended – material misstatements.

The EU Taxonomy Regulation and the supplementing Delegated Acts contain wordings and terms that are still subject to substantial uncertainties regarding their interpretation and for which not all clarifications have been published yet. Therefore, the legal representatives have included a description of their interpretation in Section "EU taxonomy" of the separate non-financial group report. They are responsible for its tenability. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations is subject to uncertainty.

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<sup>1</sup> Our engagement applied to the German version of the separate non-financial group report. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

## Practitioner's Responsibility

It is our responsibility to express a conclusion on the separate non-financial group report based on our work performed within a limited assurance engagement.

We conducted our work in the form of a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", published by IAASB. Accordingly, we have to plan and perform the assurance engagement in such a way that we obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the separate non-financial group report of the Company for the period from January 1 to December 31, 2021 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the legal representatives as disclosed in Section "EU taxonomy" of the separate non-financial group report.. We do not, however, issue a separate conclusion for each disclosure. As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The choice of assurance procedures is subject to the auditor's own judgement.

Within the scope of our engagement we performed, amongst others, the following procedures:

- Inquiries of group-level personnel who are responsible for the materiality analysis in order to understand the processes for determining material topics and respective reporting boundaries for SGL Carbon ;
- A risk analysis, including a media research, to identify relevant information on SGL Carbon's sustainability performance in the reporting period;
- Reviewing the suitability of internally developed Reporting Criteria;
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures, including data consolidation, on environmental, employee and social matters, respect for human rights, and combatting corruption and bribery matters:
- Inquiries of group-level personnel who are responsible for determining disclosures on concepts, due diligence processes, results and risks, performing internal control functions and consolidating disclosures;
- Inspection of selected internal and external documents;
- Analytical procedures for the evaluation of data and of the trends of quantitative disclosures as reported at group level by all sites;

- Assessment of local data collection and reporting processes and reliability of reported data via a sampling survey at the site in Shanghai (China) via video conference;
- Assessment of the overall presentation of the disclosures;
- Evaluation of the process for the identification of taxonomy-eligible economic activities and the corresponding disclosures in the separate non-financial group report;

The legal representatives have to interpret vague legal concepts in order to be able to compile the relevant disclosures according to Article 8 of the EU Taxonomy Regulation. Due to the immanent risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations and, correspondingly, our assurance thereof are subject to uncertainties. In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

### **Independence and Quality Assurance on the Part of the Auditing Firm**

In performing this engagement, we applied the legal provisions and professional pronouncements regarding independence and quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

### **Conclusion**

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the separate non-financial group report of SGL Carbon SE for the period from January 1 to December 31, 2021 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation disclosed in Section “EU taxonomy” of the separate non-financial group report..

### **Restriction of Use/Clause on General Engagement Terms**

This assurance report is issued for purposes of the Supervisory Board of SGL Carbon SE, Wiesbaden, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of SGL Carbon SE, Wiesbaden, and professional liability as described above was governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 ([https://www.kpmg.de/bescheinigungen/lib/aab\\_english.pdf](https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf)). By reading and using the information contained in this assurance report, each recipient confirms notice of the provisions contained therein including the limitation of our liability as stipulated in No. 9 and accepts the validity of the General Engagement Terms with respect to us.

Frankfurt am Main, March 23, 2022

KPMG AG

Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Glöckner  
Wirtschaftsprüfer  
[German Public Auditor]

Brandt  
Wirtschaftsprüfer  
[German Public Auditor]

### **Attachments**

Corporate Social Responsibility Report 2021

Attachment 1

General Engagement Terms

Attachment 2

# Attachments