

RESPON- SIBILITY WITH CON- VICTION.

We act responsibly – within the company and along the supply chain.

Integrity, fairness and mutual respect – these are the values that our corporate activity is based on. We take our responsibility seriously and act in accordance with the law and regulations at all times. In so doing, we create the foundation for sustainable corporate success.

Around

32,000

suppliers from 82 countries carried out work for the Schaeffler Group in 2018.

94.3%

2018

91.2%

2017

88.0%


2016

1) Response rate of relevant suppliers surveyed on the use of conflict minerals as defined under the Responsible Minerals Initiative.
2) Survey period from March to February of the following year.

Worldwide responsibility

The Schaeffler Group expects integrity and law-abiding behavior from all employees and executives. We clearly express these requirements in our Code of Conduct. The requirements are not only aimed at our own organization, but also at our suppliers.

As an international automotive and industrial supplier, we work with a globally branched supply chain. Making this supply chain responsible in terms of human rights and environmental and social aspects is part of our sustainable corporate leadership. In our Supplier Code of Conduct, which every new supplier has to sign, we have stipulated the corresponding requirements. In addition, we subject potential suppliers to a systematic selection process in which sustainability aspects are also questioned.

 You can find more on these topics under “Sustainable management” on [Page 28 et seq.](#)

Response rate of surveyed suppliers on the use of conflict minerals^{1) 2)}

Schaeffler tracks the regions from which subcontractors purchase components containing critical raw materials in order to initiate targeted measures in the supply chain where appropriate.

Where we stand

We asked the project managers for their subjective assessment:

1 How satisfied are the employees in India with the combined compliance training concept?



2 How far along is the first pilot of a global audit standard?



 More information on [Page 9 et seq.](#)

How we are creating a sustainable compliance culture.

How do I put the requirements of the Schaeffler Code of Conduct into practice in my everyday activities? We support our employees by offering practical training. The training includes realistic situations based on concrete case studies.



“We have created a culture of compliance in which our employees are actively involved. Our training is continually adapted to new requirements.”

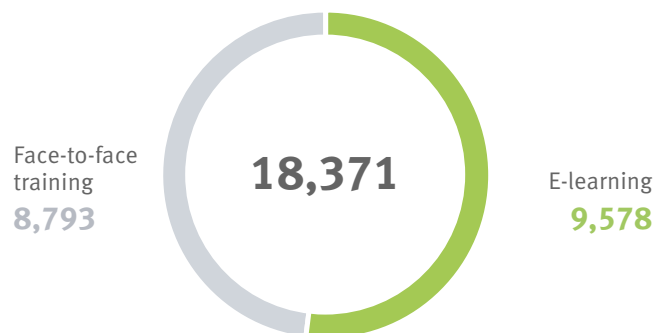
Abhay Jhina,
Regional Compliance Officer India

Our compliance training method combines e-learning with face-to-face training. The foundation training on our Code of Conduct, which is obligatory for all employees, takes place online and is available in 14 languages. “This raises awareness of compliance issues. But that alone is not enough,” states Abhay Jhina. “In face-to-face training, we can answer individual questions flexibly, personally and effectively.”

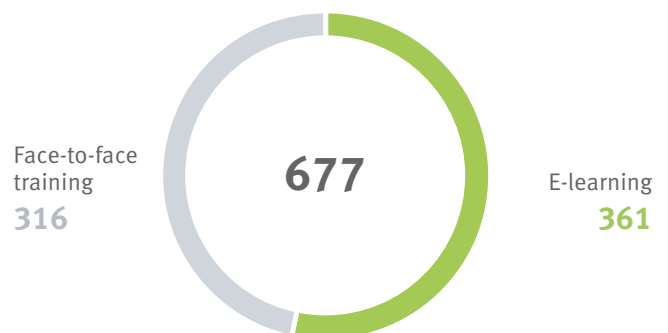
Perfect combination

We complement our online compliance foundation training with individual face-to-face sessions. This lets us use the advantages of both methods and ensure long-term learning success.

Total participants³⁾ in compliance training in 2018



Participants in compliance training in India



³⁾ Employees incl. temporary staff, apprentices, interns, and contract workers.

How we promote sustainability standards across the supply chain.

We are taking the initiative in China and have launched a pilot project to outline a new global standard for supplier audits. The aim is to ensure that human rights, safe working conditions, and strict environmental laws and regulations have been adhered to.



“It is our duty to audit our supply chain thoroughly according to sustainability criteria. We are facing a challenging situation in China at the moment.”

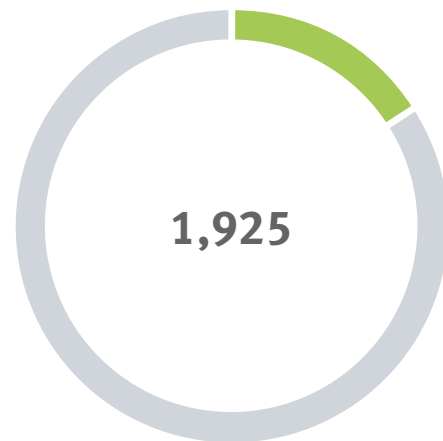
Yan Chen,
Director Supplier Quality Management,
Purchasing, Schaeffler Greater China

In 2017, environmental laws and regulations became much stricter for companies in China. “We have expanded the scope of our supplier audits as a result of these changes,” Yan Chen reports. “But, for us, it is not enough simply to check environmental aspects.” Yan Chen’s team also expanded the audit log to include the industry-specific social requirements of the German Association of the Automotive Industry (VDA), for example, in relation to working conditions.

Extensive audits

In 2018, we audited around one tenth of all suppliers based in China as part of an obligatory EHS audit. These audits covered environmental, health, and occupational safety aspects.

Suppliers based in China



1,617

Suppliers of nonproduction materials

308

Suppliers of production materials



198

Suppliers audited on environmental and occupational health and safety topics in 2018 in China



4

Audits planned as part of pilot project in 2019



You can find more on this topic in the online report at:
www.schaeffler-sustainability-report.com/2018

CREATING ADDED VALUE TO- GETHER.

Together with our customers, we are designing the mobility of the future.

Megatrends such as climate change, globalization, urbanization, and digitalization present major challenges for us and our customers. We are transforming these challenges into tomorrow's opportunities with innovative technical solutions.

Around

2,400

patents were submitted by us to the German Patent and Trade Mark Office in 2018.

EUR 847 m

2018

EUR 846 m


2017

EUR 751 m

2016

Closeness to customers as a success factor

Our products enable sustainable mobility. We develop drive systems, intelligent components, and solutions to generate renewable energy. The key factor for our innovative strength has always been the close relationship with our customers. Only those who recognize and understand the challenges of their customers at an early stage can develop solutions that are also tailored to their future needs.

 You can find more on these topics under “Customers and products” on Page 33 et seq.

Research and development expenses

As a forward-looking company, we invest in research and development. Around 7,900 employees worldwide work on innovative solutions at 20 research and development centers.

Where we stand


We asked the project managers for their subjective assessment:

1 How much of the business potential in wind power has Schaeffler already exploited?



2 How good is the feedback from the repair shops using the REPERT service?



 More information on Page 13 et seq.

What we are doing for efficiency in wind power.

We follow a holistic approach: To make the mobility of tomorrow more sustainable, we are thinking of the entire process chain from energy generation to vehicle propulsion – starting with the generation of renewable energy.



“We are evolving from a pure component supplier to a system supplier. Our Industry 4.0 solutions ensure optimal operation of wind turbines.”

Rudolf Walter,
Vice President Regional Business Unit
Wind Europe

“Our customers face tough global competition,” says Rudolf Walter. “In order to reduce their electricity generation costs, they strive to reduce downtime and increase the number of operating hours.” Schaeffler develops reliable, durable products for more economical plant operation. “With Industry 4.0 solutions,” he adds, “we can further increase the reliability of our components and break new ground in terms of operational management.”

Better performance – even in bearings

Every year, the installed capacity of wind turbines worldwide grows by around 10 percent. Schaeffler supplies increasingly efficient technical storage solutions for them.

Total installed capacity of wind turbines worldwide



How we contribute to our customers' success.

In workshops around the world, mechanics carry out vehicle repairs with Schaeffler replacement parts every day. In view of the rapid technical development and more complex vehicle applications, this task is becoming increasingly demanding.



“We help workshops carry out repairs efficiently and with lasting success. We are available for them at any time on REXP.com.”

Ralf Kuhlmei,
Team Leader Technical Training &
Technical Field Service

Be it an independent or authorized workshop, garages around the world should always receive the best possible assistance for repairing vehicles. That's why Schaeffler developed the digital platform REXP. The platform offers professionals guides, video tutorials, product brochures, and service information, but also a personal link to our experts. “On REXP, you can also book on-site training with around 70 instructors like me,” says Ralf Kuhlmei.

Our services

We offer a variety of services related to our products and repair solutions on the online REXP platform. Garages benefit from our more than 40 years of experience in the automotive replacement parts business.

> 500,000

Visits to the REXP online platform every month

> 116,300

Registered workshops worldwide

~ 55,000

Training participants in 2018

23

Country versions available in 12 languages

 You can find more on this topic in the online report at: www.schaeffler-sustainability-report.com/2018

LOOKING AHEAD.

Climate and environmental protection begins in the company.

Being a pioneer – we pursue this goal not only with our products, but also with environmentally friendly, energy and resource-efficient production processes. An ambitious environmental and energy policy that is harmonized worldwide creates the basis for this.

21

“Sustainable Factory” subprojects were launched as part of the “Factory for Tomorrow” initiative within the program for the future “Agenda 4 plus One”.

85.8%

2018

85.2%

2017

83.7%


2016

1) Relating to employees

Our goal: the sustainable factory

We are constantly working on improving our production processes, for example through systematic energy management, using resource and material-saving technologies, or avoiding respectively recycling production waste. With the concept of the “Sustainable Factory”, we are pursuing a holistic approach. For example, manufacturing and logistics processes are digitalized so that machines and processes can be controlled centrally and optimized with regard to their efficiency. The approach also includes sustainability standards for procuring production machinery and constructing new buildings.

Last but not least, the needs of our employees are also taken into account. The architecture and the equipment of the “Factory for Tomorrow” support flexible work processes and encourage personal interaction.

 You can find more on these topics under “Environment and energy” on [Page 41 et seq.](#)

Coverage rate of production sites with energy management certification ISO 50001¹⁾

We control our activities with company-wide energy and environmental management systems. Their implementation is audited by independent experts.

Where we stand

We asked the project managers for their subjective assessment:

1 How far along is the pilot testing of the CO₂-neutral factory?



2 How much of the potential of 3D printing technology has Schaeffler already exploited?



 More information on [Page 17 et seq.](#)

How we achieve a carbon-neutral energy supply.

Delivery, temporary storage and distribution under one roof – the central goods receiving area in Herzogenaurach is ideally suited as a pilot project for sustainable energy production, storage, and use. All processes will run around the clock with solar energy in the future.



“Our product innovations are not only an asset for our customers. Thanks to our new power storage, we want to supply the ‘Sustainable Factory’ steadily with green electricity.”

Christian Adler,
Corporate Factory Planning,
Head of Workstream Sustainable Factory

A solar energy system will be built on the roof of the goods receiving area. It will cover the energy needs of the building and also provide power for charging stations and for producing hydrogen for fuel cells. “In order for the electricity to flow even when the sun is not shining, we rely on scalable storage technology from a joint venture,” explains Adler. This technology is based on renewable raw materials and is about to be ready for the market.

67 t CO₂/year

Fewer CO₂ emissions: In the future, all needs will be met with electricity from CO₂-neutral photovoltaic systems, including hydrogen production for heat. Excess hydrogen will be used to refuel hydrogen-powered vehicles.

204,242 kWh

are used by the goods receiving area in Herzogenaurach each year.

380,000 kWh

of renewable energy will be supplied by the planned system.

45,000 kWh

of excess energy can be used for refueling electric vehicles, among other things.

How we use less through 3D printing.

High-quality components from the laser printer? Additive manufacturing – also called 3D printing – is what processes are called in which workpieces are no longer machined out of a solid block, but rather built up layer by layer from a powdery raw material among other things.



“The potential of additive manufacturing is far from exhausted. When used properly, we can achieve significant material, cost, and time savings.”

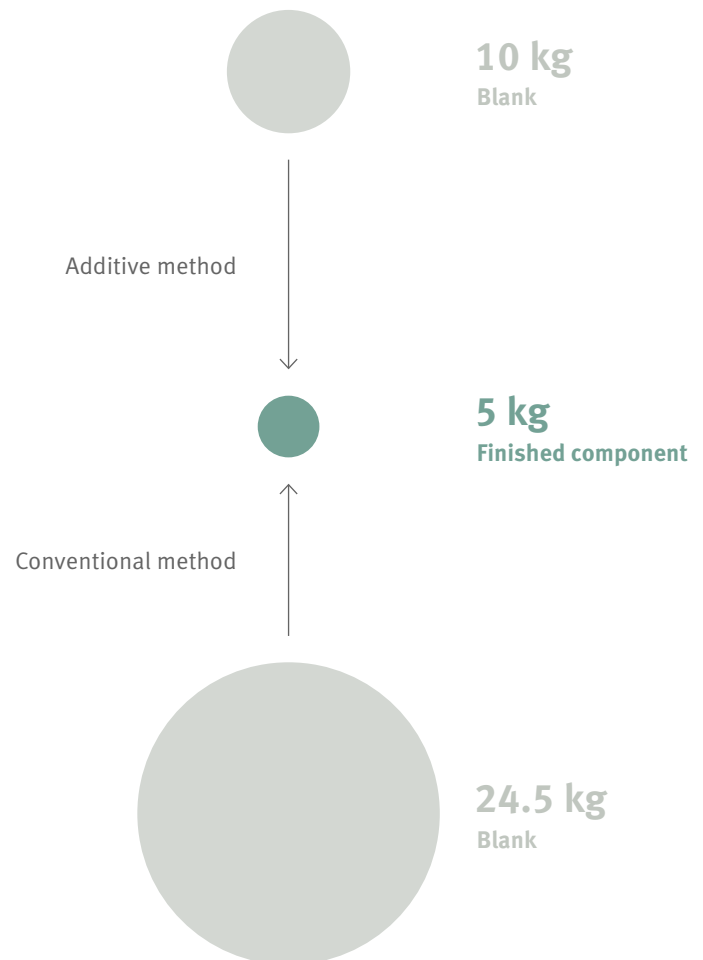
Ruslana Mys,
Development Production Technology
Specialist

Every year, Schaeffler produces around 5,000 parts in Herzogenaurach via additive manufacturing – and the trend is increasing. “Not only representative samples are produced in this way, but also high-quality prototypes and tools for series production,” reports Mys. In 2015, we established our own additive manufacturing department and are constantly developing new application possibilities.

Additive methods have an advantage

The so-called “double comb cage” is a cylindrical hollow body that is used in roller bearings. Using additive methods saves 14.5 kg of material for the blank.

Material efficiency using the example of a double comb cage



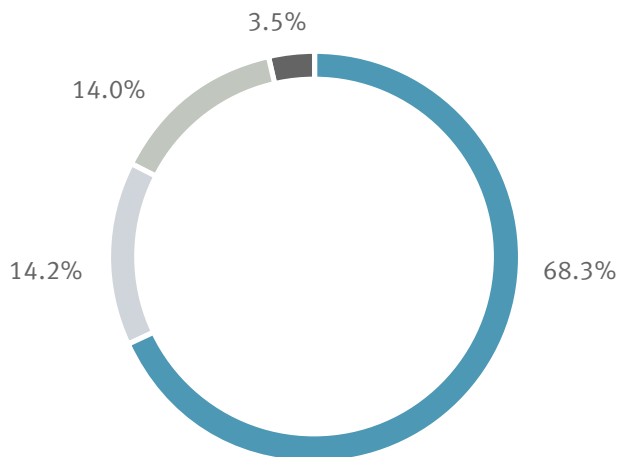
THE BASIS OF OUR SUCCESS.

We are responsible for
our employees.

We want to attract the best employees,
support them, and retain them in the
long term. As a family business, we have
always been committed to the well-being
of our employees. It starts with creating
a safe and healthy work environment.

92,478

people were employed by us worldwide
at the end of 2018

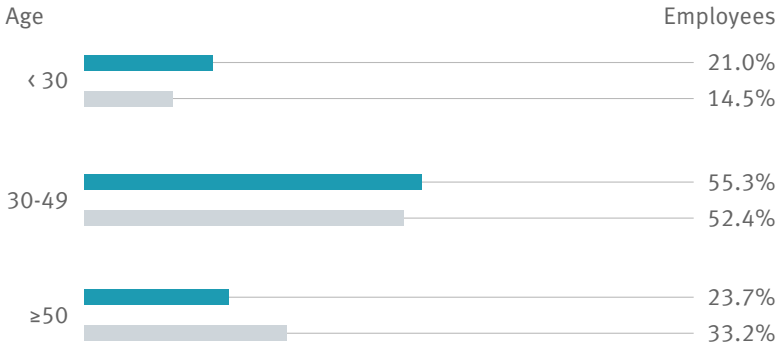


■ Europe ■ Americas ■ Greater China ■ Asia/Pacific

The regions represent the regional structure of the Schaeffler Group.

Proportion of employees by age group in 2018

The age distribution in the workforce corresponds to the trend towards an aging society. However, the proportion of under-20-year-olds has grown significantly.



■ Employees worldwide (total: 92,478)
■ Employees in Germany (total: 32,702)

Ready for the future

In the face of rapid technological progress and ever shorter innovation cycles, today's knowledge is already outdated tomorrow. A core element of our human resources work is therefore to create a culture of lifelong learning. We want to prepare our employees in the best possible way for the demands of the future. In doing so, we rely on modern learning formats and new methods such as agile project management.

You can find more on these topics under "Employees and society" on [Page 48 et seq.](#)

Distribution of employees by region in 2018

The distribution of employees across the Schaeffler regions remains largely constant. The focus remains on Europe.

Where we stand

We asked the project managers for their subjective assessment:

1 How far along is Schaeffler on the way to an agile organization?



2 How good is the response to the Schaeffler health portal?



More information on [Page 21 et seq.](#)

How we are shaping the agile transformation.

Our market environment is undergoing a fundamental change. The complexity and pace of change require that we always adapt flexibly to new situations. Agile work helps with this.



“Agile work increases the satisfaction of our customers because we keep a better eye on their needs. At the same time, the employees’ mindset changes.”

Marta Danilewicz,
Head of Corporate Project
Management Office

Whether a methodology toolbox, training, or individual coaching, we offer numerous opportunities to learn about agile working methods as part of the training programs in our Schaeffler Academy. “It’s not just about teaching a new method, but about initiating a real cultural change,” says Marta Danilewicz. “Our executives play a key role in this. That’s why we offer special training for them.”

Positive feedback

Thanks to the very high demand and positive feedback, the training opportunities will be further developed in 2019. Over 500 employees will pursue further qualifications in 50 different target-group oriented trainings.

4.5/5

average training assessment
in 2018

150

employees trained

15

agile coaches and

35

scrum masters passed on their knowledge



You can find more on this topic in the online report at:
www.schaeffler-sustainability-report.com/2018

How we are using digital media for the health of our employees.

We want to promote the health of our employees. The unique Schaeffler Health Coach online health portal offers extensive information and courses on healthy nutrition and physical and mental fitness.



“The health portal is accessible to all employees through an app, but the portal is even available outside of working hours on a private computer or smartphone.”

Anja Buschner,
Responsible for workplace
health management

The Schaeffler Health Coach was developed in cooperation with Barmer health insurance. Regional fitness and health offers can be booked online. “Employees can each choose a particular topic on which they then receive weekly informational videos,” reports Buschner. In 2019, the portal will be expanded to include a telemedicine service. Employees can get medical advice by phone around the clock.

Successful start

Since the start of the Schaeffler Health Coach in December 2018, the service has been well received by the employees. By March 2019, 10 percent of the German workforce had already registered.

3,697

number of registered users
in March 2019

20%

of the German workforce is the target
by the end of 2019

1,300

videos available
(800 when introduced)



You can find more on this topic in the online report at:
www.schaeffler-sustainability-report.com/2018