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Strategy and sustainability management


The Schaeffler Group is a publicly listed family business with a strong foundation in its values that shapes its corporate culture and entrepreneurial activity. Economic success, long-term orientation, and awareness of the social and environmental concerns of its own business are traditionally inseparably interlinked at Schaeffler. These values are the compass that sets the company's course for the future and implements the strategy “Mobility for tomorrow”.

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Schaeffler aspires to have a positive influence outside of the company on global economic, social, and ecological development. Schaeffler contributes to ten of the United Nations Sustainable Development Goals (SDGs) with its activities.



 **SDG overview in the online report:**
www.schaeffler-sustainability-report.com/2018

1.1 Corporate strategy and values

Climate change, urbanization, globalization, and digitalization are megatrends that are changing life and work around the world at great speed. This is particularly evident in mobility. Whether within cities, on the major transportation routes that connect them, or in the industrial sector, mobility is being redefined everywhere. Schaeffler is actively shaping these changes.

Corporate strategy “Mobility for tomorrow”

In its mission, the Schaeffler Group describes the task to which it is committed.

“Guided by the values of a global family business, we work closely together with our customers as true partners to deliver a compelling value proposition through our best-in-class expertise in manufacturing technology and systems know-how. In doing so, we contribute to the success of our customers, the advancement of our employees, and the prosperity of our society.”


The Schaeffler Group’s vision and mission complement and amplify one another, with the vision encompassing the goals and aspirations that will guide its future course of action.

“As a leader in technology, we combine a passion for innovation with the highest standards of quality to shape the future of mobility – for a world that will be cleaner, safer, and smarter.”

With the strategy of “Mobility for tomorrow”, Schaeffler is setting the foundation for sustainably profitable growth from now on. Based on the assumptions about the megatrends mentioned above, the company has defined four target areas:

- Eco-friendly drives
- Urban mobility
- Interurban mobility
- Energy chain

Building on this, the Schaeffler Group has developed eight strategic cornerstones that represent the concrete framework of the ongoing further development of the company. The implementation of the strategy “Mobility for tomorrow” will be ensured through the program for the future “Agenda 4 plus One”, which includes 20 strategic initiatives.

 You can find more information about the strategy “Mobility for tomorrow” in the annual report 2018, [Page 26 et seq.](#) and in the sustainability report 2018 [Page 34](#).

Mobility for tomorrow – 4 focus areas



Eco-friendly drives

- ▶ Optimized combustion engine
- ▶ Electric cars
- ▶ Industrial drives

Urban mobility

- ▶ Two-wheelers
- ▶ Inner-city railways
- ▶ Micro mobiles

Interurban mobility

- ▶ Railway vehicles
- ▶ Aircraft
- ▶ Off-highway

Energy chain

- ▶ Wind power
- ▶ Solar power
- ▶ Conventional power generation

Mobility for tomorrow

Guiding values of a global family business

Schaeffler feels especially connected to the company values “Sustainable”, “Innovative”, “Excellent”, and “Passionate”. These values are the basis of the continuing success of the Schaeffler Group in the interest of, and for the benefit of, our customers, business partners, employees, and our executives as well as our shareholders and family shareholders.

The Schaeffler Group's company values

| | |
|--|---|
| <p>Sustainable</p> <p>A long-term view and continuity will foster the growth of the Schaeffler Group, thereby enabling a future worth living.</p> | <p>Innovative</p> <p>For (nearly) every problem there is a solution. If not, we will create one!</p> |
|--|---|

SCHAEFFLER

| | |
|---|---|
| <p>Excellent</p> <p>We develop solutions that are of the highest quality based on our extensive expertise.</p> | <p>Passionate</p> <p>Our biggest driver is our passion for innovative technologies and joint success with our customers.</p> |
|---|---|

GRI 102-16 | 102-26 | 102-27 | 102-29
UNGC 1-10

1.2 Understanding of sustainability



Guided by the company values, Schaeffler creates the conditions for long-term, profitable growth. In terms of the Schaeffler Group's understanding of sustainability, this means being economically successful while at the same time assuming responsibility for the environment and society. The United Nations’ 17 Sustainable Development Goals (SDGs) form the foundation of the company’s sustainability guidelines in particular.

 Further information on the SDGs can be found in the online report at www.schaeffler-sustainability-report.com/2018

The Schaeffler Group is committed to the principles of the Global Compact and is guided by the requirements and principles of the National Action Plan for Business and Human Rights, the UK Modern Slavery Act, the German Sustainability Strategy and the objectives of the Paris Climate Change Agreement.

Codes of conduct

These frameworks are the basis for two Schaeffler Group codes of conduct.

-  **The Schaeffler Group Code of Conduct is available at www.schaeffler.com/code-of-conduct**
-  **The Schaeffler Group Supplier Code of Conduct is available at www.schaeffler.com/supplier-code-of-conduct**

The codes contain binding ethical and legal principles for all company employees or for all suppliers and their business partners.

GRI 102-12

1.3 Materiality and stakeholder management

The basis for the selection of central fields of action and the further development of the Sustainability Roadmap is the Schaeffler Group's materiality analysis. It was prepared in 2016 together with key stakeholders in accordance with the requirements of the Global Reporting Initiative (GRI) and updated in June 2018 with the involvement of the company's Executive Board.


In addition, a media and environment analysis was conducted. Its results were taken into account in the final derivation of the issues that are material to Schaeffler. The Schaeffler Group's materiality matrix, which was updated accordingly for the reporting year, identifies 17 key issues.

The non-financial risks associated with the material topics are collected and analyzed annually in line with the risk management process. In 2018, the analysis revealed no reportable risks in the reporting year in accordance with CSR-RUG (Section 289c, paragraph 3 German Commercial Code (HGB)). The risk report in the Group management report of the Schaeffler Group provides comprehensive information about the company's risk management system as well as significant risks that have a medium or high negative impact on assets, finances or income.

 Further information on opportunity and risk reporting can be found in the annual report 2018, Page 75 et seq.

Stakeholder dialogs

Through continuous interaction with the relevant stakeholder groups, the Schaeffler Group fosters various dialog formats around the world on current and potential future topics.

 You can find more on stakeholder groups and dialogue formats and topics in the online report. www.schaeffler-sustainability-report.com/2018

Schaeffler's key stakeholders include its customers, employees, suppliers, and service providers, as well as non-governmental organizations, politics and government

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key issues were identified for the Schaeffler Group in 2018.

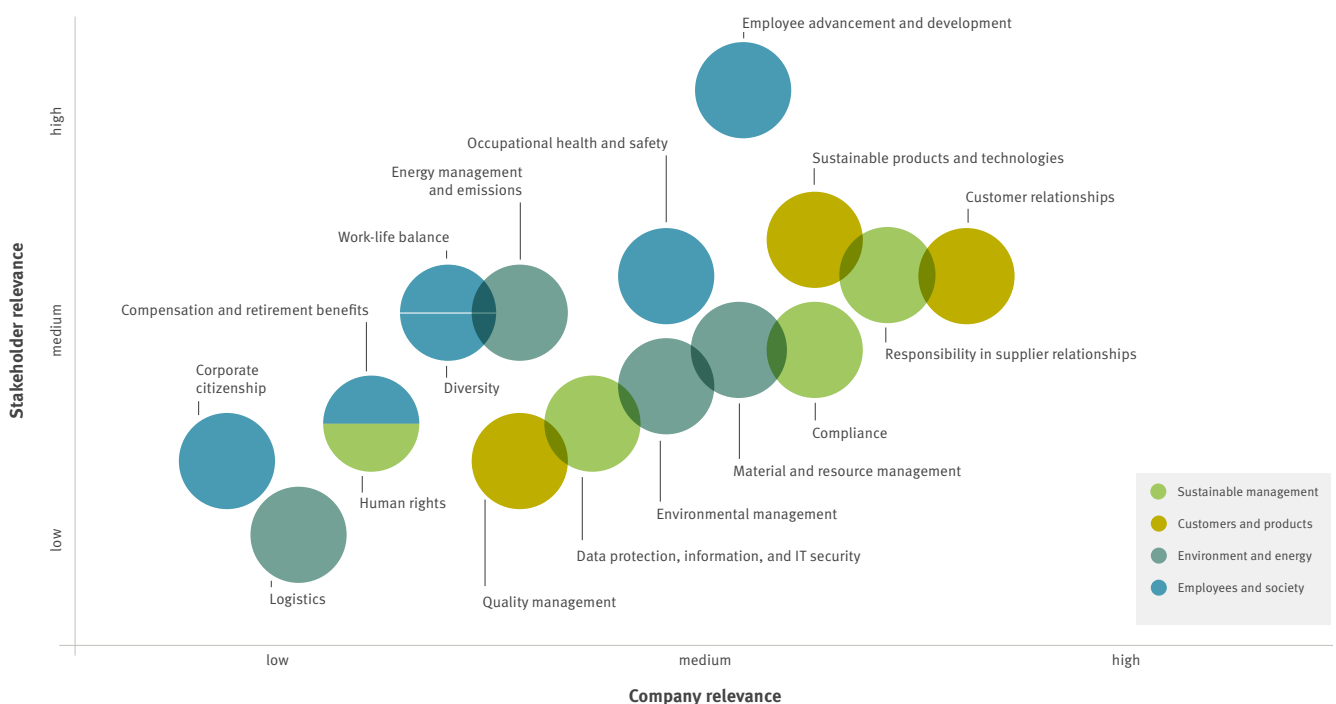
agencies, residents, associations, trade unions, investors and analysts, universities, research institutes, and the media.

Examples of successful stakeholder dialogs include customer events like the Schaeffler Colloquium, the Premium Supplier Days supplier event, and the industry-specific product safety days. In addition, the Schaeffler Group interacts with policymakers and is a member of various organizations, such as industry and interest groups.

 A complete overview of all memberships is available at www.schaeffler.com/sustainability/memberships

Stakeholders' demands on Schaeffler's sustainability performance are constantly increasing. Against this background, Schaeffler uses multipliers, such as rating platforms and rankings, to report transparently on progress

The Schaeffler Group's key topics



with regard to key topics. For example, the Schaeffler Group has been active on the EcoVadis platform for sustainability assessments in global supply chains since 2016. The goal of EcoVadis's assessment methodology is to evaluate the quality of a corporate sustainability management system. In doing so, the corresponding guidelines, implementation measures, and results of the company are taken into consideration.

In 2018, the Schaeffler Group once again had its sustainability performance evaluated by EcoVadis and achieved the Silver Recognition Level for the second time. The overall result was improved by another ten points to 60 out of 100 points (prior year: 50/100).

GRI 102-21 | 102-26 | 102-27 | 102-31 | 102-32 | 102-40 | 102-42 | 102-43 | 102-44 | 102-46 | 102-47 | 413-1
UNGC 1 | 2 | 10

1.4 Controlling sustainability

The Schaeffler Group is constantly working to improve its sustainability performance. The Head of Sustainability coordinates groupwide sustainability activities and reports to the Executive Board as a driving force.

The Steering Committee for Sustainability is a panel of experts comprised of representatives of relevant departments. It supports the head in the development of strategic sustainability goals and metrics for assessing and managing the corresponding sustainability performance.

The Sustainability Roadmap, which lists all strategic sustainability goals and the measures and timelines for their implementation, was used as a work and process monitoring tool for this purpose. The Roadmap is updated and, if needed, adapted every year in cooperation with the responsible departments. It also contains cross-references to show which SDGs are addressed with the corresponding measures.

Monitoring objectives

Schaeffler monitors its objectives in the area of non-financial services on the basis of key figures. During the year, key figures are collected on, e.g. environmental concerns (including energy consumption, waste, greenhouse gas emissions), employee concerns (such as accident rate and the proportion of women), social concerns (customer satisfaction and quality), human rights, and fighting corruption and bribery as part of standardized processes.

In the 2018 fiscal year, 38 key figures were checked as part of Limited Assurance for the separate non-financial report (GNFK). They are published in the GNFK 2018. Further key figures can be found in this Schaeffler Group sustainability report. The key figures are regularly and especially currently checked for accuracy as part of the reorganization of the sustainability department.



The key figures and further information about them are available in the online report www.schaeffler-sustainability-report.com/2018

Outlook

Schaeffler has continued to develop its internal sustainability organization since January 1, 2019. For this purpose, a separate area, assigned to the Chief Human Resources Officer, will be set up that will combine responsibility for sustainability, environmental protection and occupational medicine and safety under new management.

With this step, Schaeffler is giving sustainability management more weight and, with the involvement of selected stakeholders, is reorienting its sustainability strategy. The adapted strategy will be presented in detail in the sustainability report 2019.

GRI 102-19 | 102-20 | 102-30 | 102-31 | 102-33



You can find more information about the Sustainability Roadmap on [Page 65 et seq.](#)

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Sustainable management



For the Schaeffler Group, sustainability means to operate successfully in the long-term in the interests of all its stakeholder groups and to create value for its stakeholders such as employees, customers, business partners, and society with the highest level of technological expertise. In addition, the Schaeffler Group maintains management structures and processes that are designed to ensure that all business activities comply with legal requirements and high ethical standards at all times. This requirement for integrity explicitly applies to the entire value chain.

Corporate security, data protection, and information and IT security management are also designed to support the diligent and orderly conduct of the business activities and its business partners and to prevent potential damage.

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With its activities and measures in the sustainable management field of action, Schaeffler contributes to the SDGs “Sustainable economic growth and humane working conditions for all” (SDG 8) as well as “Strengthening the means of implementation and global partnerships” (SDG 17).



SDG overview in the online report:

www.schaeffler-sustainability-report.com/2018

2.1 Corporate governance

Schaeffler is committed to responsible corporate governance. Central to this are an efficient cooperation between the Executive Board and the Supervisory Board as well as open and transparent corporate and financial communications as key aspects of corporate governance. Fundamental corporate management decisions are aimed towards long-term value creation.

Responsible corporate governance

The main focus of corporate governance is on trusting customer relationships and acting with integrity. Business dealings and relationships that are not compatible with the company values of “Sustainable”, “Innovative”, “Excellent”, and “Passionate” are rejected. The governance structure of the Schaeffler Group supports this attitude and creates the necessary transparency in internal structures, the organization, and responsibilities. It also ensures that these components work together in an organized manner.

A key organizational pillar of governance in the Schaeffler Group is the “Group Compliance and Risk Committee” (GCRC) chaired by the Group Chief Compliance Officer. The committee is made up of the heads of the relevant governance functions (including compliance, law, internal control systems, internal auditing, and controlling) and has the task of supporting the Executive Board in its organizational duties with regard to compliance and risk management. One of the main tasks of the GCRC is to define interactions and to clearly delineate responsibilities in order to avoid duplication. Furthermore, a consistent and complete picture of the risk situation in all divisions, functions and regions should be created on the basis of a uniform evaluation and prioritization methodology. Another goal is to develop risk reduction measures and monitor their implementation. Operationally, the GCRC is supported by the “Compliance & Risk Working Group”, which is composed of representatives of the working level of the functions represented in the GCRC.

The elements of the governance structure – internal control system and compliance and risk management system – work together according to the internally recognized “Three Lines of Defense Model”. The model assigns clear responsibilities to manage risks that threaten the company’s existence or development. It is based on the principle that the responsibility for a risk lies primarily with its originator.

Compliance

The compliance management system (CMS) is a part of the Schaeffler Group's overall corporate governance structure. Management and all employees are required by the Schaeffler Code of Conduct (CoC) to comply with all applicable local, national, and international laws and regulations wherever the Schaeffler Group conducts business. The entire worldwide compliance organization of the Schaeffler Group provides support in doing this. The Schaeffler Group’s CMS is based on national and international standards. The concept of the CMS was initially audited successfully by an independent auditing firm in accordance with the IDW PS 980 auditing standard. In 2018, a second independent auditing firm confirmed the adequacy and implementation of the Schaeffler Group's compliance management system.


The purpose of the CMS is the prevention and early detection of legal violations in the areas of corruption, money laundering, competition, and antitrust law as well as economic crime. It also supports active risk control and has a protective function for both the company and its employees. The Group Chief Compliance Officer manages the compliance organization. He reports directly to the Chief Executive Officer. In addition, he maintains a reporting line to the Chairman of the Supervisory Board and regularly reports to the Chairman of the Audit Committee.

The Schaeffler Group Code of Conduct and corporate policies on competition and antitrust compliance, anticorruption, the protection of confidential information, and against conflicts of interest include requirements to prevent compliance violations. A compliance help desk continues to serve this purpose by providing advice on specific issues. In addition, Schaeffler has taken measures to detect any compliance violations. These include audits and inspections as well as a global whistleblower system that also allows anonymous reporting of alleged violations. As a part of the central competence team at the headquarters in Herzogenaurach, the “Forensics & Investigations” department is responsible for the independent investigation of alleged violations.

Compliance training

With a systematic and target group-specific training program, the company provides its employees with a necessary understanding of compliance issues. As part of web-based training and face-to-face training, employees and executives are informed about the relevant requirements and made aware of risks. Key areas of focus in 2018 included the Code of Conduct, sales compliance, information security,

and protection against cybercrime and CEO fraud, a fraud scam that tricks companies into making payments by using false identities. The training courses are developed continuously and adapted to the areas of activity of the employees. 9,578 participants¹⁾ (prior year: 8,160) took part in web-based training on compliance in the reporting period. Furthermore, 8,793 employees (prior year: 8,741) were trained in face-to-face training and workshops.

 **Further information on the individual subsystems of the governance structure and the compliance management system of the Schaeffler Group can be found in the annual report 2018, page 101 et seq.**

Due diligence processes: Systematically ensuring lawful behavior

In order to systematically ensure the avoidance of legal and reputational risks, the Schaeffler Group further strengthened its measures in the 2018 fiscal year. The expansion of a competitor contact register was driven forward. The register is already being used successfully at various pilot sites worldwide. It promotes transparency and supports the pre-approval process for competitor contacts. In 2018, the process was digitalized, which significantly speeds up the further groupwide implementation.

In addition, an IT-based “Business Partner Due Diligence Workflow” was created. This workflow was integrated in the existing business process. This new process facilitates and improves the business partner review. This workflow has been in use as part of a pilot project since 2018.

Data protection, information, and IT security

Protecting personal rights is a high priority for Schaeffler and is a part of the Code of Conduct. The company handles the processing of data belonging to business partners and employees with the greatest care and sensitivity. The corresponding processes comply with the respective data protection requirements. In 2018, these processes were further improved with regard to the requirements of the EU General Data Protection Regulation (EU GDPR) in particular. The data protection officer at Schaeffler AG plays a central managing role. He is assigned to the “Compliance & Corporate Security” department and thus to the Chief Executive Officer's division.

Schaeffler Group information security measures are based on the ISO/IEC 27001 standard and take national and industry-specific regulations into account. They are designed to protect Schaeffler's intellectual property and the business secrets of business partners from theft, loss, unauthorized disclosure, unlawful access or misuse.

Preventative measures to protect against cybercrime in particular will be gradually expanded as part of the “Information & Cyber Security” program, among others, and accompanied by training and information offerings. In addition, a comprehensive “Information Security Training and Awareness Concept” was developed in 2018. It will be introduced globally by 2020.

In 2018, Schaeffler introduced an “IT Security by Design” process which is based on national and international standards. It will ensure that IT security is already taken into account when developing systems and applications. Corresponding protective measures are integrated in the process depending on the protection requirements. The global implementation of the “IT Security by Design” process is planned in the regions for 2019.

In 2018, Schaeffler also dedicated its compliance conference to the topic of information security and cyber security. Compliance officers from Schaeffler regions around the world attended the conference. The conference not only focused on the protection of their own data, but also about the development of an information security management system. This system also includes managing risks in the supply chain and implements customer requirements.

Business continuity and crisis management

In 2018, Schaeffler began combining and coordinating business continuity activities at the Group level. Elements such as effective emergency and crisis management have been established. A unified approach to a business impact analysis has been created and will be piloted in a plant in China in 2019. The introduction into relevant business areas will take place until 2021. Continuous measures for training and practice prepare the members of the crisis staff to deal with crisis situations.

GRI 102-11 | 102-15 | 102-17 | 102-18 | 205-2 | 410-1
UNGC 1-10

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

2.2 Responsibility in the supply chain and human rights due diligence

As an international automotive and industrial supplier, the Schaeffler Group maintains a globally branched supply chain. For Schaeffler, it is a part of Sustainable Corporate Leadership to make this supply chain responsible in terms of human rights and environmental and social aspects.

Sustainability standards in supplier relationships

Ensuring supply chains are responsible for social and environmental issues such as working conditions, fair wages, freedom of association, occupational safety, and environmental protection is a part of many national laws and internationally recognized policies. For example, the “Modern Slavery Act” requires that companies document concepts and measures to prevent modern slave labor in their supply chain. As a global family business, the Schaeffler Group supports these efforts. In its Supplier Code of Conduct (SCoC) adopted by the Executive Board in 2017, the company has formulated minimum requirements for suppliers based on the principles of the United Nations Global Compact and the core labor standards of the International Labour Organization.

Since 2012, new suppliers of production materials have been asked to accept the Schaeffler Code of Conduct (CoC) – and the SCoC since 2017 – as part of their approval. In 2018, the company began to apply this approach to existing suppliers and obtain written acceptance of the Supplier Code. A newly designed supplier evaluation supplemented by a sustainability element has provided the necessary emphasis since 2018. Suppliers who have neither implemented a certified environmental or occupational safety management system nor accept the SCoC/CoC are rated down by one level by Purchasing in the supplier evaluation. This procedure worsens their chances in the selection process for new projects or procurement volumes so that orders become less likely. The supplier information refers to the direct (Tier 1) suppliers of the Schaeffler Group.

In 2018, 111²⁾ new suppliers in the area of production material were checked for Schaeffler's supplier portfolio by way of an initial assessment. Applicants previously had to accept the SCoC and thereby commit to their social responsibility. On-site assessments were then carried out.

An integral part of this assessment is production tours during which questions are asked not only about the original quality issues but also about production-related aspects of occupational safety and environmental protection.

If the company does not accept the SCoC or is not ready to cooperate to address critical issues directly by taking immediate action, the approval process is stopped. Applicants who fail to adequately meet the requirements of the questionnaire during on-site assessments will need to identify appropriate remedies after a root cause analysis.

Future activities aimed at systematically developing sustainability in the supply chain include the use of questionnaires provided in cooperation with a platform service provider, conducting audits and assessments, and implementing improvements arising from industry-specific standards of the German Association of the Automotive Industry (VDA).

The Schaeffler Group also works closely with its production material suppliers regarding the materials and substances used (“Material Compliance”). The Material Compliance department supports the Purchasing department by continuously evaluating the requirements that are relevant for Schaeffler and determining criteria to be taken into account when choosing suppliers. Among other things, the department deals with responsibly procuring raw materials such as tin, tungsten, tantalum or gold, whose extraction in some countries contributes to financing armed conflicts and human rights violations. Schaeffler uses the “Reasonable Country of Origin Inquiries” (RCOI) procedure to ascertain from which regions sub-tier suppliers source components with critical materials, and, where appropriate, initiate targeted supply chain actions. From 2013 to 2018, the response rate³⁾ of the suppliers surveyed increased from 57.0%⁴⁾ to 94.3%⁴⁾ (prior year: 91.2%⁴⁾. 100%⁴⁾ of the smelting plants reported in Schaeffler's pre-supply chain that are located in affected countries under the RCOI are certified by the “Responsible Minerals Initiative”.⁵⁾

Customers are able to request and receive Schaeffler's Conflict Minerals Report. With further improvements to the material compliance process that Schaeffler is continuously working on, the company will meet the OECD guidelines for the responsible use of minerals from conflict and high-risk areas by 2021, and thus also the EU requirements in a timely manner.

2) Requested in 2018.

3) Response rate of relevant suppliers surveyed on the use of conflict minerals as defined under the Responsible Minerals Initiative.

4) Survey period from March to February of the following year.

5) Risk areas as defined in the RCOI.

Supplier management at Schaeffler

| | 2018 | 2017 | 2016 |
|--|------|------|------|
| Number of new suppliers reviewed in initial assessments ¹⁾ | 111 | 157 | 114 |
| Response rate of surveyed suppliers on the use of conflict minerals ^{2) 3)} | 94.3 | 91.2 | 88.0 |
| Coverage rate of certified smelting plants in the supply chain ^{3) 4)} | 100 | 100 | 100 |

1) Requested in 2018.

2) Response rate of relevant suppliers surveyed on the use of conflict minerals as defined under the Responsible Minerals Initiative.

3) Survey period from March to February of the following year.

4) Based in the in the risk areas defined according to the RCOI.

Initiatives and industry solutions for responsible supply chains

In national and international initiatives and associations, Schaeffler participates in standardizing content, processes, and measures to improve sustainability in supply chains. Schaeffler is a member of the “Sustainability in the Supply Chain” working group, an initiative of the German Association of the Automotive Industry (VDA). In this context, Schaeffler significantly contributed to standardizing the industry-wide sustainability questionnaire and sustainability protocol for sustainability-related supplier inspections.

Across industries, Schaeffler is also active in the “econsense” corporate network, which also works intensively on corporate standards and solutions to integrate social and environmental aspects in supply chains.

Human rights

As a global family business with a strong foundation in its values, respect for human rights is an indispensable part of corporate responsibility for the Schaeffler Group.

The company rejects any form of human rights violations such as child and forced labor or discrimination based on race, color or gender. This claim applies to all approximately 170 of our own locations as well as to all business partners and does not end with compliance with the respective local legal provisions, but goes beyond that. The company management commits to the “UN Guiding Principles for Business and Human Rights”, the ten principles of the “UN Global Compact”, the National Action Plan “Economy and Human Rights” from the German Federal Government (NAP), the “Dodd-Frank Act” and the “Modern Slavery Act”.

Accordingly, the requirement to respect and uphold human rights is a part of the current groupwide Code of Conduct and the Schaeffler Group's Supplier Code. They are aimed at every employee at the company and selected business partners. The HR management is responsible for human rights issues. If necessary, any human rights issues will also be reported on as part of Schaeffler AG's internal risk reporting. Any violations can be reported through the Schaeffler Group's global compliance whistleblower system. No violations of human rights⁶⁾ were reported through the system in the 2018 reporting year.

The employees and managers at the Schaeffler Group are trained on the Code of Conduct, which demands respect for human rights. To implement the NAP, the Schaeffler Group is in contact with the German Federal Foreign Office and the German Federal Ministry of Labour and Social Affairs. This ensures that the company is up to speed on new developments. Schaeffler's goal is to meet the thus-far voluntary EU requirements of the NAP by 2020 by continuing to develop the human rights due diligence process on time.


Compliance with international disclosure requirements

The “Modern Slavery Act”, which was passed in the U.K. in 2015, calls for companies to demonstrate their commitment to protecting human rights along their value chain. Since the Schaeffler Group maintains business relations in the U.K., it is impacted by this disclosure requirement. The subsidiary companies The Barden Corporation (UK) Ltd. and Schaeffler (UK) Ltd. have published declarations to this effect on their websites. The resulting requirements are met by the Schaeffler Group through structured and long-term activities.

 **The “Modern Slavery Statements” of the Schaeffler Group can be found at:**
www.schaeffler.co.uk/sustainability/msa
www.bardenbearings.co.uk/code_of_conduct

GRI 102-12 | 102-15 | 102-17 | 102-21 | 102-43 | 203-2 | 308-2 | 407-1 | 408-1 | 409-1 | 410-1 | 412-1 | 412-2 | 412-3 | 414-2

UNGC 1-10

 **You can find more information about the Sustainability Roadmap on Page 65 et seq.**

6) Contraventions of the prohibition on forced labor and child labor and cases of discrimination by origin, skin color, or gender.

3

Customers and products



The current megatrends of climate change, urbanization, globalization, and digitalization are constantly presenting the Schaeffler Group's automotive and industrial customers with new challenges. Schaeffler analyzes how the demands are changing due to these megatrends and develops innovative products for the demands of the future. At the same time, Schaeffler works closely with its customers and aligns its development work along their expectations.

Schaeffler focuses its innovative strength across divisions on four strategic areas where growth potential has been identified: “eco-friendly drives”, “urban mobility” (traffic within cities), “interurban mobility” (traffic between cities), and “energy chain”.

Energy efficiency, resource consumption and system reliability are key issues in all transport sectors, but also in many industrial processes. They also affect the upstream energy chain since sustainable mobility and industrial production will ultimately only be achieved with energy from renewable sources.

Schaeffler always abides by its extraordinarily high quality standards: Customers and users must be able to fully rely on the performance and durability of the products. To ensure this, the company continues to develop its comprehensive, systematic quality management system.

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The products of the Schaeffler Group make a direct contribution to achieving the SDGs. For example, technical developments for electrically powered cars, scooters, e-boards and e-bikes encourage the development of “sustainable cities and communities” (SDG 11). Products in the field of energy chains, such as stationary batteries, also contribute to achieving this aim. In addition, they help to realize “sustainable and modern energy for all” (SDG 7).



SDG overview in the online report:

www.schaeffler-sustainability-report.com/2018

3.1 Sustainable products and technologies

As a designer of excellent and sustainable technological solutions, Schaeffler faces rapid change in the drive sector. To this end, the company employs 7,991 people¹⁾ in research and development (R&D) at 20 R&D centers and other R&D sites. The extent and success of its innovation activity is illustrated by the number of patent registrations submitted to the German Patent and Trademark Office based on inventions reported throughout the Group. In 2018, it rose to 2,417²⁾ compared to the previous year (2,383).

Shaping the mobility of the future

Fundamental to the Schaeffler Group's R&D activities is the goal of helping to shape the mobility of the future with safe, economically successful products and technologies that are produced in an ecologically and socially responsible manner. This goal is anchored in the company strategy via the four target areas described below.

“Eco-friendly drives” target area

Schaeffler is working on a variety of technologies that will make the mobility of the future more sustainable and efficient. With innovative ideas, creative engineering, and comprehensive manufacturing expertise, the company is developing solutions for combustion-engine driven, hybrid, and all-electric drive trains.

Based on market analyses, a scenario was developed with the “Schaeffler Vision Powertrain” that in 2030, around 30% of new cars will be equipped with internal combustion engines, 40% with hybrid drives, and 30% with purely electric drives on average worldwide. Therefore, a holistic view of the powertrain and the interaction of electric motors, combustion engines, transmissions, chassis, and the associated infrastructure is of high ecological and economic importance. Based on the degree of electrification – micro, mild, plug-in hybrid, or pure electric vehicle – Schaeffler is developing new solutions in the engine, transmission, chassis and electric drive subsystems in a powertrain matrix.

This includes electromechanical actuators as well as 48-volt hybrid technologies and efficient electric drives.

According to the aforementioned scenario, 70% of all newly registered vehicles will have an electric drive in 2030. Therefore, Schaeffler sees E-mobility as one of the key opportunities for the future. In addition to Industry 4.0 and Digitalization, it represents a cornerstone of the strategy “Mobility for tomorrow”. As part of the program for the future “Agenda 4 plus One”, Schaeffler has combined the E-Mobility activities into its own business division. Since January 1, 2018, a majority of the products and system solutions for hybrid and all-electric vehicles have been managed centrally from the new E-Mobility division. By 2020, an investment budget of one billion euros will be available for the expansion of this new business division.

Schaeffler has been building three competence centers for E-Mobility worldwide since 2017: in Bühl in Germany, in Anting in China, and in Wooster in the USA. As part of the program for the future “Agenda 4 plus One”, Schaeffler is investing EUR 60 m in the Bühl location alone. Global E-Mobility activities will be managed from here in the future. Schaeffler created 350 new jobs in Bühl in 2018 to develop the E-Mobility business division. With the competence center in China, Schaeffler is addressing the growing importance of the Chinese E-Mobility market, while in Wooster, the company is working on U.S.-specific issues such as the electrification of larger cars.

The focus on electric mobility is reflected in the development of sector-specific revenues: Revenues rose from EUR 416 m³⁾ in 2017 to EUR 486 m in 2018.

The Schaeffler Group is growing organically, but at the same time secures future opportunities with the targeted procurement of technological expertise through acquisitions. For example, Schaeffler took over the company Elmotec Statomat, based in Karben near Frankfurt am Main, on January 31, 2019. The company is one of the world's leading manufacturers of manufacturing machinery for the large-scale production of electric motors and has expertise essential to the production of electric drive units.

1) The values reflect the workforce headcount at the end of the year. The figures for 2016 and 2017, which were based on average values in the 2017 sustainability report, were subsequently converted to a headcount at the end of the year.

2) Patent registrations concern first filings filed with the German Patent and Trademark Office.

3) Previous year's figures according to the segment structure reported in 2018.

The Schaeffler Group's research-related facilities cooperate intensively with leading universities and research institutes in the field of electromobility. This includes the Karlsruhe Institute of Technology (KIT): At the institute, a research facility is operated as part of the “Schaeffler Hub for Advanced Research” (SHARE at KIT) program. The SHARE at KIT facility's work focuses on energy storage, electric drives, and automated mobility. Schaeffler operates four such SHARE programs worldwide.

Electric vehicle innovations

Schaeffler already offers numerous innovative products and components for specific electrification levels: The spectrum ranges from electrically operated coupling devices to components and drives for mild hybrids, in which the electric motor has only a supporting function, to completely electric drives for hybrid and entirely electric vehicles.

Among the product innovations in the area of electric drives in 2018 was also an integrated complete system combining the electric axle and parking brake with software.

The system uses gear actuators (electromechanical drive units). In the reporting year, Schaeffler started series production for the electric axle actuator (EAA) including the integrated parking brake actuator (PLA). The company not only supplies the hardware, but also developed the software for the optimum performance of the complete system. The actuator is light and requires little installation space, so it can be optimally integrated in electric axle systems or hybrid transmissions.

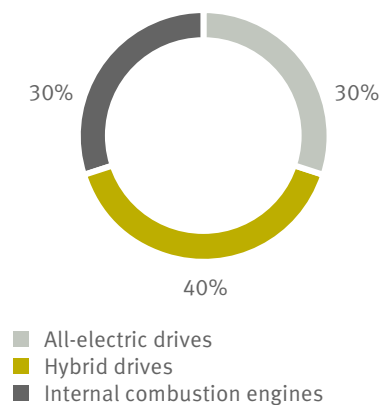
Together with a partner company, Schaeffler also developed an electric axle for inner-city buses in the reporting year. In further customer projects, all-electric and hybrid solutions for agricultural and construction machinery are being developed.

In addition, Schaeffler's involvement in the Formula E motorsports series helps make electromobility more attractive. With success: Winning the team title in 2018 crowned four successful years of cooperation with Audi ABT in Formula E. It testifies to outstanding expertise in the electrically-based powertrain. With the “Schaeffler 4ePerformance” concept vehicle, Schaeffler also demonstrates how innovations from the racing environment can be translated into a pre-series drive concept.

Low-emission combustion engines

According to the powertrain scenario, Schaeffler is assuming that 70% of newly registered vehicles will still be equipped with an internal combustion engine in 2030 (30% purely combustion, 40% hybrid). In order to make these engines as low-emission and energy-efficient as possible, Schaeffler is developing friction-reducing technologies throughout the powertrain that will reduce fuel consumption, for example through innovative surface coatings. Another focus is optimizing the “valve train system”. The goal is to provide the right amount of air at each operating point in the cylinder and thus to increase efficiency. In addition, Schaeffler is expanding its product portfolio in the area of thermal management: heat flows in the drive unit dynamically and as needed. This allows the engine to reach its operating

Powertrain scenario in 2030



temperature faster, among other things, which decreases fuel consumption. New types of valves (smart single valves) are to be used for this as standard.

Hybridizing, for example by using a “belt starter generator” can further reduce fuel consumption and emissions. The hybrid drive enables comfortable and efficient start-stop operation of the engine and can also be designed for brake energy recovery and boost operation.

In addition, Schaeffler has developed the coupling pendulum as an alternative to the classic centrifugal pendulum. The innovation was presented at the “Schaeffler Colloquium 2018” customer conference. In the coupling pendulum, special vibration dampers support each other via springs in the direction of rotation. This allows energy-saving decoupling of the engine while driving (active sailing) without any annoying vibrations.

Schaeffler also conducts research on synthetic fuels produced using renewable energy sources. Since no fossil fuels are used, these “synfuels” can also be used to power combustion engines in a CO₂-neutral manner in the future.

Schaeffler continues to see future potential in fuel cell technology for the drive sector. Existing manufacturing technology capabilities are being used to develop and produce powerful metallic bipolar plates. These plates are a central component of fuel cells.

“Urban mobility” target area

According to United Nations forecasts, two-thirds of people are expected to live in cities by 2050.⁴⁾ The need for individual mobility will change the way that people move around the city. And autonomous vehicles will play an important role. Schaeffler is providing the technical basis for this kind of urban mobility concept: the “Schaeffler Mover”. The electric vehicle, which is powered by four wheel hub motors, forms the basis for various utilization concepts from cars to robo-taxis to autonomous driving cargo solutions. Drive and suspension components are integrated in a compact unit, the “Schaeffler Intelligent Corner Module”. To make this key technology marketable, the Schaeffler Group entered into a joint venture with Paravan GmbH in the reporting year. The company originally specialized in vehicle conversions for persons with disabilities. The key technology for this is the Space Drive “drive by wire” system (failsafe electronic steering and braking). Originally developed for persons with disabilities, this multiple redundancy system eliminates the steering wheel and mechanical connection of the steering column. The vehicle is guided exclusively by electronic control signals. This technology is a fundamental requirement for safe autonomous driving.

Micromobility: Relieving city congestion

In the field of micromobility, Schaeffler is also helping to relieve congestion in metropolitan areas. Micromobility includes micro vehicles such as scooters, e-boards, and e-bikes. In 2018, Schaeffler presented the “Bio-Hybrid”, a four-wheeled vehicle powered by pedals pushed by the rider and supported by an electric motor, as a cargo

variant for the first time. To industrialize the “Bio-Hybrid”, the activities were included as a spin-off in Schaeffler Bio-Hybrid GmbH. The passenger and cargo versions were presented at the CES trade fair (Consumer Electronics Show) in 2019 in Las Vegas. The modular concept, which is planned for launch in 2020, offers numerous application possibilities. They range from transporting goods via a mobile coffee shop to sightseeing vehicles in the tourism sector.

“Interurban mobility” target area

In the course of progressing urbanization, rail traffic between urban centers is also increasing. Schaeffler is developing technologies to help make long-distance rail transport resource friendly and climate friendly.

A development focus is on predictive maintenance and servicing of wheel set bearings for railway vehicles. At the Innotrans 2018 trade fair, Schaeffler AG and a partner company presented a system in which different components, including those from different manufacturers, can be monitored online. The data is sent on directly to the railway operator. This allows maintenance intervals to be further optimized, increases running time, and reduces resource consumption. Production-related CO₂ emissions can also be reduced by over 90% thanks to this technology, along with resource-efficient preparation of used wheel bearings. The foundation is the Schaeffler Group's universal “Condition Analyzer System”. This system is also used in other industrial sectors, such as machine tools or wind turbines, as well as in the Schaeffler Group's own manufacturing processes, to increase process transparency and efficiency.

It also saves resources by reducing friction and wear, extending the service life of the components. Schaeffler has created its own seal of quality called “X-Life” to identify particularly long-lasting bearings. Among others, it is used for roller bearings in railway technology or industry. Their tracks must be very resilient, meaning hard, wear-resistant, stable and tolerate deformations caused by hard foreign particles. The Schaeffler Group achieves this through special heat treatment of the roller bearing steel. The result: Under normal lubrication conditions, the service life was increased by a factor of 2.5. In laboratory conditions, up to a sixfold increase in service life was shown.

4) United Nations: World Urbanization Prospects 2018, <https://population.un.org/wup>

“Energy chain” target area

The move away from fossil fuels and the transformation of mobility require a profound change in the entire energy sector, creating new market potential. It ranges from generating energy to providing and storing energy to concepts for energy use. Schaeffler's activities in the “energy chain” target area are aimed precisely at these market segments.

Renewable energies continue to be massively expanded worldwide. Wind and solar energy are the lion's share of this. However, these sources of energy are volatile, meaning they are subject to fluctuations depending on the weather, day, and season. These fluctuations pose a challenge for existing power grids, as the supply must always exactly meet the demand. “Buffers” that are quickly available are therefore becoming increasingly important. Scalable power storage would be a solution. To realize such a system, Schaeffler is cooperating with CMBlu Energy AG. CMBlu has developed the innovative “organic flow” technology and has now reached prototype maturity. As part of the development cooperation with Schaeffler, marketable products are now being developed. “Organic flow” batteries are based on the classic “redox flow” liquid storage technology. However, instead of the usual metallic storage media, they contain the natural plant substance lignin, a waste product from the paper and pulp industry. Using this substance makes the technology particularly resource-efficient. The “organic flow” technology therefore has the potential to play a decisive role in the development of a sustainable energy infrastructure and thus also for CO₂-neutral electromobility.

In its development work, the Schaeffler Group also relies on improved and completely new products for wind turbines. The focus is on friction and wear-resistant bearings as well as monitoring via cloud-based software. This also extends the operating times in this area and significantly increases the reliability of the systems.

Research and development as a systematic strategy and planning process

Schaeffler owes its innovative strength not least to its annual cross-departmental strategy and planning process, which consists of three phases: the technology, strategy, and planning dialogs. The phases build on each other. The process begins with the technology dialog. It aims for the long-term technological orientation of the company. Current megatrends and the resulting requirements for technologies and innovations are considered. In this way, Schaeffler lays the foundation for future development directions and products. The development time frame looks out five to ten

years into the future. In the subsequent phases (strategy and planning dialogs), the development activities are specified and detailed.

The strategy “Mobility for tomorrow” is a result of these dialog processes. The cross-departmental dialog process picks up on regional trends and develops a global perspective. Market trends are also examined from an individual customer perspective. Among other things, Schaeffler organizes annual “Top Technology Meetings” with key customers. The company uses the market analysis results for its customer-specific requirements management. Customer expectations are thereby systematically translated into sustainable products and technologies.

In order to represent customer expectations in new products, Schaeffler has created a standardized product development process (PDP). It specifies in detail which steps are necessary to develop a product that meets the requirements of all relevant stakeholders (customer, company, and legislators). This includes proof of the product functionality, stable production and logistics processes, and suitable suppliers. As part of the PDP, customer requirements for the entire product life cycle are agreed upon in writing, from production to operation and maintenance to disposal. The PDP also explicitly states compliance with sustainability criteria.

Schaeffler also works with other companies across the industry to improve the market and production conditions for more sustainable products in the future. For this reason, Schaeffler is involved in the “European Association of Automotive Suppliers” (CLEPA).

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3.2 Customer relationships

Customer expectations are decisive for the Schaeffler Group's product development, service, and quality assurance. Accordingly, with its initiative "Customer Excellence" as part of the strategy "Agenda 4 plus One" Schaeffler is aiming to further deepen its understanding of customer needs and customer relationships. In this way, the company wants to continuously improve its services and win over customers with individual support.

Consistent customer orientation

Schaeffler uses a central Global Key Account Management system (GKAM) to shape its customer relationships worldwide according to standardized principles. The GKAM works closely with the regional and divisional sales functions of the Automotive OEM (Original Equipment Manufacturer), Automotive Aftermarket, and Industrial business divisions. The necessary expertise is pooled from the relevant divisions for each key customer. Every major customer has a contact person who takes care of all of his or her concerns according to the "one face to the customer" principle. All relevant players in the strategy process, including the Executive Board and regional functional managers as well as functional managers also regularly discuss relevant market developments in collective "GKAM Strategy Alignments".

Schaeffler uses customer relationship management software as a way to further control customer relationships. The software will be updated to the newest version in all three divisions over the course of 2019, creating a cross-divisional system architecture.

Schaeffler uses international trade and consumer fairs and organizes individual customer events, such as in-house fairs, as classic tools to communicate with customers.

Spare parts business as a third business division

As of January 1, 2018, the Schaeffler Group has split its business into the three divisions of Automotive OEM, Automotive Aftermarket, and Industry in order to be able to meet the requirements of various customer segments more specifically. The former Automotive Aftermarket business division was established as a third division and assigned to an independent management division. It is responsible for the Schaeffler Group's spare parts business and provides

65

awards for
customer satisfaction/product quality

innovative OEM-quality repair solutions. Its customers include almost all well-known international and national retail companies, which in turn serve additional levels of trade all the way to the workshop with products from the Schaeffler Group.

Schaeffler wants to serve its customers worldwide even faster and more reliably, thereby further increasing the level of customer satisfaction and loyalty. For this purpose, the Automotive Aftermarket division is investing heavily in the global expansion of its logistical infrastructure and is currently building a European "Aftermarket Kitting Operation" (AKO) center in Halle (Saale), Germany. The level of investment is at around EUR 180 m. The center is scheduled to be put into operation in the first half of 2020. Furthermore, the Automotive Aftermarket division relies on digital tools such as a global product and service platform and a returns portal. In addition, it is further developing its e-commerce activities and striving for a closer integration of marketing, sales, and services.



You can find more about the repair business in the magazine section on [Page 14](#).

New survey and analysis concept for customer surveys

Schaeffler evaluates its customer relationships through periodic customer surveys. In 2018, a new survey concept was introduced that includes all Schaeffler Group divisions and regions and provides important insights into key success factors in customer business.

Winner of multiple awards

Each year, the Schaeffler Group receives numerous customer satisfaction and product quality awards from its customers. The company sees this as an indicator of its positive reputation in global markets. In the reporting year, it received 65 awards, seven more than in the previous year.

The "Best Quality Award" from the customer Honda Motor Co. Ltd. as well as the "Achievement Award" from Toyota Motor Europe and the "Trade Performance Excellence Award" from

the Mazda Motor Corporation for the automotive sector prove the effectiveness of the quality management of Schaeffler's Automotive division in Asia.

The Automotive Aftermarket division received the TEMOT Performance Award in the Global Supplier category. The award was presented in May 2018 at the Annual Spring Meeting & Executive Suppliers' Event in Barcelona, where around 400 managers from the workshop industry got together.

The Industry division was also honored by market players in 2018. At the beginning of June, the "Schaeffler VarioSense Bearing" that the company developed, received the Best of Industry award from the industry magazine MM Maschinenmarkt in the drive technology category. The Schaeffler VarioSense Bearings provide several sensor signals for machine and process monitoring in a compact unit. In this way, they make Industry 4.0 solutions possible. In addition, Schaeffler was honored by the magazine Logistra in October 2018 for the maintenance concept Maintenance 4.0 for Intralogistics developed in cooperation with a systems partner. Logistra readers also chose Schaeffler as the winner in the Warehouse and Picking category. Also of global importance is the LG-BIQS Certificate, with which LG Electronics honored Schaeffler as a successful quality supplier.

Seamlessly networked from the supplier to the customer

Schaeffler focuses on streamlining processes along its entire value chain, systematically involving customers and suppliers. In order to make its own processes more efficient, the company set up the MOVE (more without waste) program in 2009. Among other things, it examines the linking of value chains with business partners and customers. According to the C2C (customer to customer) principle, internal value streams are linked with those of customers and suppliers for this purpose.

The plants in Nanjing and Taicang in Greater China have already established this approach. In November 2018, the Pune plant in India also started a C2C pilot project. The key figures used for the project show significant efficiency gains of over 8% in the area of delivery reliability (punctuality) and more than 24% in the area of Schaeffler's internal processing time. The capacity of production lines was increased by 40%.

3.3 Quality management

The name Schaeffler stands for the highest quality. From this, the company derives the principle outlined in the corporate strategy "Mobility for tomorrow" to ensure outstanding quality and product safety requirements consistently and continuously across all application areas.

"Quality for Tomorrow" initiative

To ensure this, Schaeffler has launched the Quality for Tomorrow initiative as part of the "Agenda 4 plus One" program. To ensure that both products and processes are free from errors, the following priorities have been set:

- Continuous improvement of products and services in the core business
- Continuous improvement of the quality management system as well as the manufacturing and business processes
- Preventative measures in product development through product safety assessments on products selected according to the risk-based approach defined in IATF 16949

The "Quality for Tomorrow" initiative will be successfully completed by the end of 2020. Until then, Schaeffler wants to further reduce the number of complaints as an important quality indicator from year to year.

Schaeffler started the first pilot projects in 2018. The experience from this will be used to gradually introduce the set of measures throughout the Group.

Schaeffler ensures and improves the quality of its products and processes with a variety of tools: All Schaeffler Group production sites⁵⁾ have certified management systems in accordance with globally recognized quality standards and regulations.

In 2018, the company successfully implemented the requirements of the following certification-relevant standards in all Schaeffler plants concerned worldwide:

- IATF 16949:2016 quality management system (automotive industry standard)
- ISO/TS 22163 quality management system (with specific requirements for the application of ISO 9001:2015 in the railway sector)
- SAE AS 9100D:2016-09-20 quality management systems (requirements for aerospace and defense organizations)
- ISO 9001:2015 quality management system (industry standard)

The conformity of the products and processes with these standards is periodically checked and confirmed at the affected locations by way of internal and external audits. In addition, Schaeffler carries out audits in accordance with sustainability standards at its plants.

 **You can find more in the magazine section on [page 10](#).**

In 2018, Schaeffler was able to reduce the number of complaints once again. Two product liability cases⁶⁾ were reported that are currently being processed.

In fiscal year 2018, quality was also a part of the annual technology dialog. At the event, quality aspects were presented as part of the key topics. An example of this is the increasing use of additive manufacturing and its quality control in the Schaeffler Group. New quality assurance processes are being developed that correspond to this modern technology.

High standards in product safety

Product safety is an essential quality characteristic for industrial plants and transport systems. Schaeffler ensures safety through standardized and audited processes. In July 2018, the company management decided to introduce an integrated product safety management system throughout the Group by the end of 2019.

The Schaeffler Group's product safety officers are trained in combined online and face-to-face trainings. In addition, Schaeffler conducts industry-related product safety days during which automotive professionals and executives discuss safety matters with NGOs, authorities, and government organizations. The meetings serve to make the product safety and compliance processes even more reliable together. A product safety day was held in Bühl in 2018 – now the third time this has taken place. In addition to representatives from the German Federal Ministry for Economic Affairs and Energy, customers and other industry representatives also participated.


100 %

coverage rate of
quality management systems
in 2018⁷⁾

Trademark protection in real time via apps

Quality must also be protected from external threats. Trade in counterfeit products, for example, not only damages the manufacturer, but their use can also result in material damage to vehicles and industrial equipment or personal injury. The Schaeffler Group fights product piracy with a holistic approach. Since 2004, the Brand Protection Team has been responsible for this within the company. It coordinates preventative measures against trademark infringements and the legal prosecution of confirmed cases. In addition, Schaeffler provides its customers with solutions to authenticate suspected counterfeit products. Using the cloud-based “OriginCheck App” or “PrecisionDesk App”, end customers, resellers, and government agencies can quickly and easily check Schaeffler products, which are individually tagged with a Data Matrix code, for suspected counterfeiting. For its “OriginCheck App”, Schaeffler received an award in the “Excellent Places in the Land of Ideas 2018” competition, a location initiative from the German Federal Government and German industry in June 2018.

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 **You can find more information about the Sustainability Roadmap on [Page 65 et seq.](#)**

⁶⁾ Product liability cases (pursuant to the product liability law) are claims by end users against Schaeffler for compensation for damage occurred to the end user as the result of a safety-related product defect.

⁷⁾ According to the scope of the Schaeffler Group's management manual and valid certification rules.

4

Environment and energy



The topics of environmental and climate protection as well as energy efficiency are very important to the Schaeffler Group. Schaeffler supplies products and technologies that make mobility and industrial equipment more eco-friendly and efficient. As a leading technology company, Schaeffler is also committed to making its own processes as energy efficient, eco-friendly, and resource efficient as possible. For this purpose, Schaeffler relies on a continuous improvement process for all environmental and energy relevant processes. The active participation of every employee is particularly important here.

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With its energy efficient and eco-friendly processes, the company contributes to the SDGs “Sustainable forms of consumption and production” (SDG 12) as well as “Fighting against climate change and its effects” (SDG 13).



SDG overview in the online report:

www.schaeffler-sustainability-report.com/2018

4.1 Energy management and emissions

Schaeffler supports the goal of the United Nations Framework Convention on Climate Change to limit global warming to below 2° and 1.5° Celsius, compared to the pre-industrial era. The company contributes to achieving this objective by making the most efficient use of energy used for development and production.

More efficiency through data-based management

The company-wide measurement and management of energy consumption forms the basis to this end. Therefore, Schaeffler has been gradually introducing an energy management system in accordance with ISO 50001 as part of “Energy, Environment, Health and Safety” (EnEHS) management since 2013. In 2018, the coverage rate¹⁾ of this system reached 85.8% (prior year: 85.2%). Internal EnEHS specialists and auditors monitor the effectiveness of the efficiency measures using a standardized global energy data management system.

In 2018, the Schaeffler Group's absolute CO₂ emissions^{2) 3)} (Scope 1 and Scope 2 categories) increased by 3.7% compared to the previous year from 1,409,388 to 1,461,790 tons of CO₂. The development of the absolute CO₂ emissions corresponds to the growth of the company. However, Schaeffler will uncouple the increase in CO₂ emissions from growth in the future. In addition, the company is expanding its energy efficiency measures and is focusing on more energy-efficient alternatives.

In the course of the reorganization of the Sustainability department, Schaeffler has been working intensively since the beginning of 2019 to set corresponding new reduction targets.

 You can find more about the new organization in the “strategy and sustainability management” chapter on [Page 23 et seq.](#)

The climate and environmental targets reported last year have been withdrawn – with the exception of the waste management target.

 See section 4.3 Material and resource management on [Page 44.](#)

The company's climate protection activities will be accelerated using an improved data basis. These ambitions also relate to energy consumption and emissions that arise

Energy and CO₂ emissions

| | 2018 | 2017 | 2016 |
|--|-----------|-----------|-----------|
| Coverage rate for ISO 50001 certification in % ¹⁾ | 85.8 | 85.2 | 83.7 |
| Energy consumption broken down by categories | | | |
| Total energy consumption in GWh ²⁾ | 3,367 | 3,233 | 3,119 |
| Electricity consumption in GWh | 2,365 | 2,339 | 2,255 |
| Natural gas consumption in GWh | 876.7 | 798.0 | 742.0 |
| Fuel oil consumption in l | 880,462 | 748,143 | 850,959 |
| District heating consumption in MWh | 63,429.6 | 67,393.0 | 69,414.0 |
| Propane/LPG consumption in t | 4,097.9 | 3,938.0 | 3,401.0 |
| Greenhouse gas emissions in t of CO₂ | | | |
| Total ^{3) 4) 5)} | 1,461,790 | 1,409,388 | 1,474,864 |
| Scope 1 ^{3) 4)} | 193,708 | 175,635 | 163,828 |
| Scope 2 location based ^{3) 4)} | 1,268,082 | 1,233,752 | 1,311,036 |
| Scope 2 market based ^{4) 6)} | 851,916 | 833,350 | 937,839 |

1) Relating to employees.

2) Energy sources included: Electricity, natural gas, district heating, propane, fuel oil, without the amount of electricity produced by the gas-powered CHP.

3) The value for 2016 has been corrected in the course of a subsequent validation. It therefore differs from the value presented in the sustainability report 2017.

4) The calculation of greenhouse gas emissions is based on the emission factors of the VDA (2017) and the Probas database of the German Federal Environmental Agency. Emission sources covered: Scope 1 (natural gas, fuel oil, propane), Scope 2 (electricity, district heating).

5) Total of Scope 1 and Scope 2 (location based).

6) Supplier-specific emission factors were used to determine Scope 2 market based.

beyond its own plants and vehicles due to Schaeffler's activities.

Measures for increasing energy efficiency

Schaeffler already uses a wide range of different efficiency technologies: They range from energy-saving LED lighting for production lines, business premises, and open spaces to modern cogeneration plants that combine power, heating, and cooling and efficient refrigeration technology in administrative, workshop, and storage areas to buffer storage that enable waste heat and cooling to be used later on. As part of the global, internal “Energy, Environment, Health and Safety” (EnEHS) conference in 2018, possible pilot sites were assessed:

1) Relating to employees.

2) The calculation of greenhouse gas emissions is based on the emission factors of the VDA (2017) and the Probas database of the German Federal Environmental Agency. Sources of emissions covered: Scope 1 (natural gas, fuel oil, propane) and Scope 2 (electricity, district heating).

3) Total of Scope 1 and Scope 2 (location based).

At these sites, measures such as these will be combined to further reduce Schaeffler's greenhouse gas emissions. The selection subsequently fell to three pilot sites in Brazil, France, and Spain. About 300 experts in the areas of EnEHS and maintenance from all regions attended the conference. To ensure a consistent focus on environmental and energy management, Schaeffler organizes these conferences every three to five years. In addition, regional conferences are held at more frequent intervals.

At the Kitzingen logistics location, a photovoltaic system with a standard output of 750 kWp was put into operation in 2018. Against the background of the current electricity prices and the expected performance of the plants, it is expected that the acquisition costs will be amortized within seven years. Another PV system with a comparable capacity was installed at the Pune, India site.

Using employee knowledge for climate protection and energy efficiency

Schaeffler also focuses on the personal commitment of its employees when it comes to climate protection. Employees are regularly made aware of the topic by energy and environmental officers. There are tips to save energy where appropriate at the production facilities. Using the sleep mode consistently at times when the respective machines are not needed alone reduces energy consumption by 5 to 30%.

With the additional qualification as an Energy Scout, offered Germany-wide, the company is also introducing its apprentices – as the specialists of tomorrow – to the issue of energy efficiency.

There are various offers at the locations to promote knowledge exchange and discussion on the topics of energy efficiency and climate protection. One example is the Energy Day at the Schweinfurt location, which took place for the second time in January 2018. With expert interviews and short presentations, the employees at this location were informed about the challenges of climate change. At experiment stations, they had the opportunity to understand physical connections. In addition, the participants discussed the operational energy savings potential and the potential of electromobility in detail.

At various Schaeffler locations in 2018, events were held on the occasion of the worldwide “Earth Day”, which has been regularly celebrated on April 22 since 1970. In Singapore, the lights in all offices were switched off for one hour to point out the need for climate protection. In addition, the headquarters

in Herzogenaurach organized two biodiversity project days for nearly 500 elementary school students in grades two, three, and four. During the project days, the students learned about the basics of keeping honey bees and were able to create a flower strip under expert guidance.

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4.2 Environmental management

The Schaeffler Group manages environmental issues with a globally valid EnEHS management system. It takes account of existing national and international laws and goes even further in parts. The environmental management integrated in the management system is certified in accordance with the ISO 14001 standard and the EMAS eco-audit standard. Schaeffler continues to develop its environmental management and has the system audited regularly by an external auditor.

Worldwide standardization of environmentally relevant processes

In 2018, 88.2% of Schaeffler's production sites (based on number of employees) were EMAS certified and 88.7% were ISO certified. Compared to 2017, the coverage ratio increased by 0.3 and 0.5 percentage points respectively.

Production sites with an environmental management system

| | 2018 | 2017 | 2016 |
|--|------|------|------|
| Coverage rate for EMAS certification in % ¹⁾ | 88.2 | 87.9 | 89.3 |
| Coverage rate for ISO 14001 certification in % ¹⁾ | 88.7 | 88.3 | 89.9 |

1) Relating to employees.

The Schaeffler Group organizes its activities on environmental and energy topics in a matrix organization. Local environmental protection and energy representatives, regional coordinators, and experts from the strategic

departments work closely together in a network. Key performance indicators (KPIs) are used to plan, assess, and manage environmental measures.

There were no violations of environmental protection laws within the Schaeffler Group during the reporting period. Accordingly, no fines or sanctions were imposed.

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4.3 Material and resource management

The Schaeffler Group is sparing with resources. It has set quantitative savings targets for waste, supplies, and wastewater that will be achieved by 2020. These targets, for instance, include “wastewater-free operation” or “endless oil”, a method that eliminates the need to replace oil used in production. By increasing recycling rates, Schaeffler also wants to make the vision of the “zero waste to landfill factory” or “waste-free factory” a reality.

Waste-free factory successfully piloted

Schaeffler Brazil has already achieved this in its own project. Before its launch in March 2018, 62 tons of waste had to be disposed of in a landfill as residual waste every month. An interdisciplinary team explored possible alternatives, introduced a separate waste treatment system, and instructed employees on how to use it. The location was able to reduce the amount of residual waste to zero by February 2019.

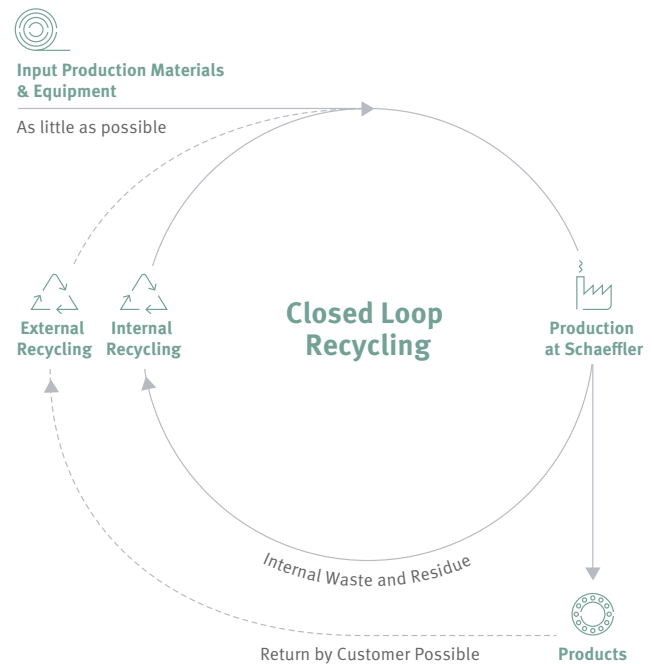
In the medium term, the goal is for a location in each region to meet the requirements of a “zero waste to landfill factory” with regard to production-related waste. Schaeffler introduced necessary tools in 2018, including a global waste database that allows standardized comparison of all waste worldwide. In Germany, the company has been using a uniform database

to approve, implement and bill all waste processes for four years. During the reporting period, the database was prepared for worldwide deployment. The adapted database has been in trial operation since September 2018. Effective January 1, 2019, all Schaeffler Group manufacturing sites worldwide are required to use this database to document all waste operations.

Closed loop recycling

Schaeffler wants to increase the use of recycled raw materials such as steel and aluminum. If possible, production waste is recycled or disposed of professionally, taking high quality standards into account. In this context, the company relies on the principle of recycling economy when dealing with all materials used. The goal is to avoid waste and conserve scarce raw material reserves worldwide. To contribute to closed loop recycling, Schaeffler designs its products in such a way that they can generally be recycled.

Partners of the Schaeffler Group have developed a process to completely recycle carbides in which metallic waste products can be separated into their physical elements. The advantage is that the material can be used afterward while maintaining the same high level of quality.



Repair, processing, and testing with virtual components

Repairing and processing used components can save valuable resources and reduce costs. Schaeffler offers its customers tailor-made products and services for this purpose. These include, for example, used components in original part quality and a digital system for predictive maintenance of technical equipment.

Schaeffler also contributes to material efficiency through the use of simulation technology and virtual engineering. Many test series for product adjustments are now being carried out virtually by the company. This saves material because test series with actual components are no longer needed.

Schaeffler also expects to save materials and conserve resources through additive manufacturing (AM). Also known as 3D printing, the manufacturing process includes many technologies that simplify manufacturing processes. AM speeds up the design of manufacturing processes and is particularly suitable for the flexible production of small batches. It avoids the usual waste from traditional processes like machining.

 You can find more about this in the magazine section on [Page 18](#).

Saving water in production

Schaeffler strives to further reduce water consumption at all locations worldwide year after year. However, water consumption increased during the reporting period due to the company's growth. As part of the reorganization, the company-wide reduction target for water has also been revised since the beginning of 2019 in order to be able to manage processes even more effectively in the future. The design of the production facilities plays an important role in reducing water consumption. In planning new plants with a high need for water, for example, the developers generally anticipate the construction of reprocessing facilities. Existing plants are being upgraded in accordance with technical and economic assessments. For example, the electroplating (electrochemical surface coating) production area requires large quantities of water. In order to reduce water consumption in this area, the used rinse water is processed by means of ion exchangers and returned to the operating process.

Water consumption, waste, and recycling rate

| | 2018 | 2017 | 2016 |
|---|-----------|-----------|-----------|
| Water consumption in m ³ ¹⁾ | 6,089,564 | 5,964,821 | 5,018,560 |
| Recycling rate, Germany in % ²⁾ | 91.1 | 94.9 | 96.3 |
| Waste generation, Germany, in t | 312,383 | 302,969 | 313,259 |

¹⁾ Water consumption includes municipal and internal company water. 2017 value corrected based on subsequently reported data.

²⁾ Recycled or recovered amount of total waste, excluding metals and scrap.

“Factory for Tomorrow”

Schaeffler takes a holistic approach to further improve the sustainability of its production sites. With this in mind, the “Sustainable Factory” was defined as additional area of focus in August 2018 as part of the “Agenda 4 plus One” future-oriented program for the “Factory for Tomorrow” (F4T) initiative. This includes 21 subprojects on the topics of energy generation and consumption reduction, resource efficiency, production systems, employee mobility, and material transportation. Auditing and certification systems were also included. In a first phase, the project team looked at existing sustainability activities in the manufacturing sector from energy supply and use to maintenance and tool changes to material and passenger transportation. The goal is to be able to network and monitor relevant machines in a single system. In addition, uniform standards for the interface to the hall infrastructure are to be developed, both for internally and externally produced machines. Schaeffler has set a concrete goal for itself to realize the autonomous, digital, and sustainable factory by 2021 at a production site as part of a pilot project.

At individual locations, solutions for the sustainable “Production of the Future” are taking shape more and more. For example, a pilot project for holistic energy management was started at the Austrian plant in Berndorf. The project managers from central energy management teamed up with the site manager in 2018 to develop a concept for a condition monitoring system to digitally monitor the condition of the machines involved at the plant level and to control the media (for example, the coolant supply) as required.

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

They also defined KPIs for energy consumption, vibration values, and other metrics. The employees concerned will be trained to operate the new technology. The intermediate results include KPI monitoring (for example, kWh per part produced), visualizations, and solutions for a needs-based media supply. The KPIs will be used directly to control the processes in the production area. The current and future results in the areas of energy management, predictive maintenance, and data analytics will also be used to make the condition monitoring system usable for greenfield and brownfield projects (new factory builds and renovations).



You can find more information on the “Sustainable Factory” with regard to energy management in the magazine section on [Page 17](#).

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4.4 Logistics

As a matter of principle, Schaeffler concentrates its logistics activities in as few locations as possible in order to enable an efficient market supply and to improve delivery processes. For example, the company bundles freight processes using the new, modern European distribution center (EDC), optimizes route planning, and uses return-trip dispatching to supply the plants. In addition, reusable packaging is increasingly being used. At the same time, the company is optimizing energy and resource efficiency. Among other things, Schaeffler uses energy recovery systems in its logistics facilities and avoids energy losses and waste through the repeated use of undamaged disposable packaging.

Shorter routes and better utilization

During the reporting period, supply and traffic flows were further optimized in order to improve their energy and CO₂ balance. Meaningful key figures are important for the targeted reduction of CO₂ emissions in logistics. That's why Schaeffler is working on collecting data on Scope 3 emissions across the group in the future. In addition to freight transports, this includes business trips and access routes.

Automated transport management

The Schaeffler Group is also working on introducing a groupwide transport management system (TMS) that records transport orders and forwards them seamlessly and securely to the stakeholders involved. The TMS facilitates freight bundling, improves the utilization of the means of transportation used, and thereby saves energy and CO₂ emissions. At the same time, the regional transport management organizations are continuously examining the current transport network for ways of optimizing capacity on individual routes and making use of changes in the existing network for improvements.

New distribution centers reduce emissions in the supply chain

The Schaeffler Group has steadily consolidated its logistics in recent years, including 2018. On June 5, 2018, the company opened the new EDC Central in Kitzingen, Germany, the last remaining EDC center in the new distribution network for industrial products in Europe. The investments made make the industry supply chain faster and more energy and cost efficient. In the Automotive Aftermarket division, another central European logistics center will be built by the beginning of 2020.

New Silk Road as a low CO₂ railway connection and economic driver

When selecting transport routes, Schaeffler also pays attention to their CO₂ balance. For example, the company continued to use the rail link between China and Europe in 2018 as an alternative to air and sea transport. The connection is currently being significantly upgraded through the “One Belt, One Road” infrastructure program from the Chinese government. A key component of the program is closer trade relations between Asia and Europe. Specifically, it is about the expansion of railway connections, harbors, roads, electricity networks, industrial parks, and logistics installations. Schaeffler is a reliable partner for this with its solutions for urban and interurban mobility, environmentally friendly drives, and the energy chain.

Employee mobility electrified

Schaeffler also wants to further reduce the emissions caused by the travel of its employees. By 2020, the company aims to develop a pioneering holistic mobility concept for its locations. Among other things, it will include local infrastructure, sharing services, in-house Schaeffler developments, and the possibility of electrifying private transport. In 2019, Schaeffler started a pilot project for implementing the mobility concept at the Herzogenaurach location. Individual measures were also launched internationally.

Like in Germany, hybrid and electric vehicles are now available as company cars in Europe and the other Schaeffler regions. With its company car guidelines, Schaeffler is promoting the use of vehicles with low CO₂ emissions, especially electrified vehicles, on its own initiative in addition to the existing government subsidy programs. Following the revision of the Framework Directive for Europe in 2018, Schaeffler's German company car guidelines will now be adapted accordingly in other European countries.

A total of

25

sites have charging infrastructure for electric and hybrid motor vehicles

Schaeffler is consistently expanding its charging infrastructure for electric and hybrid vehicles worldwide. By the end of 2018, charging stations were available at 25 sites, including 13 in Germany. By 2020, there will be charging facilities at all German plant locations. In 2018, the focus was on charging stations where employees can also charge their private vehicles. For example, the company opened two double charging stations for employees at the Schweinfurt location, followed by the Herzogenaurach and Höchststadt locations. Charging stations for employees were also opened in China at the Anting, Nanjing, and Taicang sites. Due to the high utilization of the staff charging stations, Schaeffler is planning to build additional stations for Schweinfurt and Herzogenaurach. In the first half of 2019, charging stations for employees will also be opened at the Bühl site.

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You can find more information about the Sustainability Roadmap on [Page 65 et seq.](#)



5

Employees and society

The Schaeffler Group’s employees are one of the most important pillars of its success. Their expertise, their skills, their dedication, and their ingenuity ensure the continuous development of the company and thereby contribute significantly to its current and future success. In mutual interest, the Schaeffler Group supports the professional development of its employees from apprentices to specialists and executives, ensures effective occupational health and safety, and promotes targeted diversity in its workforces. It offers them fair, performance-based pay and retirement plans and helps them to achieve work-life balance through flexible working hours.


In addition, the Schaeffler Group is committed to the well-being of society in the areas surrounding its many sites according to the principle “In the region – for the region”.

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The Schaeffler Group's commitment to its employees and society contributes in many ways to achieving the SDGs. This applies in particular to “Good health and well-being for all” (SDG 3), “Education for all” (SDG 4), and “Gender equality” (SDG 5).



 **SDG overview in the online report:**
www.schaeffler-sustainability-report.com/2018

5.1 Employee advancement and development

Finding and continually developing efficient and motivated employees are core elements of human resources work at Schaeffler. In 2018, the focus was especially on realizing the three initiatives of the program for the future “Agenda 4 plus One”, which ensures the implementation of the company strategy with a total of 20 initiatives. The three initiatives are grouped under the category “Leadership & Talent Management” and are called “Leadership & Corporate Values”, “Qualification for Tomorrow”, and “New Work”.

Feedback and training for a better leadership culture

Being a role model, respect, and courage are essential characteristics of good leadership that are always important in principle, but especially in times of major transformations. Schaeffler's vision to help shape the mobility of tomorrow is part of such a transformation. Therefore, leadership training should be promoted further.

“Leadership & Corporate Values”

As part of the Leadership & Corporate Values initiative, Schaeffler introduced six leadership guidelines in 2017 to support managers in their role. In the reporting year, this understanding of leadership was presented worldwide and integrated in the relevant human resources tools. In many workshops that were held globally from the Executive Board to the team leader level and in all functions, the managers were able to familiarize themselves with the guidelines. At the same time, the members of the Executive Board exchanged personal views with managers about the new understanding of leadership as part of the Leadership Roadshows. A total of nine of these roadshows took place, the last of which was in March 2019. In addition, the global training landscape for executives was fundamentally revised

and aligned with the management guidelines. Since 2018, leadership behavior in terms of the new understanding has also been the subject of annual employee development discussions for executives.

Employees at Schaeffler¹⁾

| | 2018 | 2017 | 2016 |
|---|--------|--------|--------|
| Number of employees, total | 92,478 | 90,151 | 86,662 |
| Average age in years | 39.9 | 39.7 | 39.8 |
| Average tenure in years | 11.2 | 11.0 | 11.2 |
| Proportion of female employees in %, total | 22.0 | 21.7 | 21.4 |
| Proportion of female managers in %, total ²⁾ | 13.2 | 12.4 | 11.8 |
| Labor turnover rate in % ³⁾ | 4.8 | 3.9 | 3.6 |
| Permanent employees in % | 90.7 | 90.1 | 89.4 |
| Part-time ratio, Germany in % ⁴⁾ | 6.3 | 6.5 | 6.2 |

1) Unless otherwise indicated, the employee figures refer to the reporting date of December 31 of the respective year.

2) “Managers” are defined as employees in a supervisory function.

3) Initiated by employees; related to the average number of employees from 1/1/2018 to 12/31/2018.

4) The values for 2016 and 2017 have been corrected retrospectively. Instead of Schaeffler AG, they refer to Schaeffler in Germany.

Upward feedback and training

Another topic that affects leadership culture is upward feedback. It was introduced in 2018. In a moderated discussion, managers receive feedback from their direct employees about their leadership behavior. This way the managers can learn more about their effect on others and solve problems better. Following the upward feedback, development goals are set for the managers.

The manager training program was also revised in 2018. The new offerings include the “Leadership Reflections”: The training offers supervisors the opportunity to reflect on situations from everyday working life. During a two-day course, the practical implementation of the management guidelines is taught under professional guidance. The program is gradually being introduced in all regions, especially in Europe and China in the reporting period. In order to take a look at the effectiveness of the measures described, Schaeffler surveyed around 13,000 randomly selected employees worldwide on the topic of “Leadership at Schaeffler” in 2018. This representative survey will be repeated regularly in the coming years.

13,000

employees surveyed on
“Leadership at Schaeffler”

Youth development

Quality training and further development of young professionals has always been a high priority at Schaeffler. In 2018, Schaeffler employed 3,275 apprentices worldwide (prior year: 3,185) at 55 locations in 16 countries. In Germany, there were over 1,400 apprentices in 20 occupations.

Good qualification of young professionals begins with their trainers: Since 2017, all trainers in Germany have been familiarized with new learning methods, the use of modern media in day-to-day training, and the special expectations of generations Y and Z as part of a modular qualification program. At the beginning of 2019, the qualification program was also launched in Eastern Europe.

Apprentices, students, and trainees¹⁾

| | 2018 | 2017 | 2016 |
|--|-------|-------|-------|
| Apprentices | 3,275 | 3,185 | 2,982 |
| Trainees in Germany | 51 | 49 | 40 |
| Dual students in Germany | 182 | 173 | 165 |
| “Two in One” students in Germany ²⁾ | 159 | 163 | 178 |
| Master's degree students in Germany | 18 | 22 | 31 |

1) Unless otherwise indicated, the employee figures refer to the reporting date of December 31 of the respective year.

2) The “Two in One” study combines a Bachelor's degree with vocational training.

The training content is being developed to meet changing needs, such as for trends like Industry 4.0 or Digitalization. With innovative projects like building 3D printers, Schaeffler is preparing its apprentices for new requirements.

In addition, Schaeffler offers young people in Germany various higher education learning opportunities. These include a dual course of study, a “Two in One” course study with technical colleges, and a master's degree program.

Qualified young people from the company's own ranks are important for long-term success. Training at Schaeffler therefore serves to meet its own needs. As a rule, the company offers all apprentices further employment after the end of the apprenticeship period.

Attracting talent

In the year under review, human resource management began the marketing for its vocational training in order to continue to attract enough suitable applicants in the future. In addition, the locations address young people directly, for example at training fairs and informational events where they can get to know different job profiles and training offers. In order to attract qualified young professionals, Schaeffler also focused on partnership and sustainable cooperation with universities, student representatives, student associations, and organizations such as Formula Student Germany in 2018. As part of the university marketing, over 25 events were held in Germany alone in the reporting year.

Discovering and developing talent

Schaeffler ensures that key positions are refilled by way of globally standardized talent management. Employees with high potential are identified at an early stage and receive both professional and personal training. The Schaeffler Academy, the company's own education and training department, is continually expanding its range of corresponding qualifications.

The talent management process is based on the employee development interview (EDI) between the employee and manager. The interview is used to discuss behavior, performance, and potential. This information is used to screen for talent (“Global Talent Review”). The process is organized by the manager and moderated by the responsible HR employee. The results are used for development measures that must be implemented until the next EDI phase.

“Qualification for Tomorrow”

As part of the Qualification for Tomorrow strategic education initiative, the Schaeffler Academy has created new target group-specific training opportunities for all employees in close cooperation with the strategic business fields. This is achieved via modern and global qualification programs, for example on agile project management and digitalization, as well as offerings for the Sales & Key Account Management target group. The Schaeffler Academy also has the task of identifying training needs and designing subject-specific training and educational programs together with the respective business divisions. These offerings are increasingly made available digitally, for example in the form of explanatory videos or online training with a gamification

approach. Employees can then learn at any time and at any location.

Among other things, Schaeffler is using new software to this end that has already been implemented in China, Germany, France, Canada, Slovakia, and the US. It should also be available in Romania and the Asia/Pacific region by the end of the first quarter of 2019 and worldwide by 2020.

During the reporting period, Schaeffler achieved a coverage rate of 70.5%¹⁾ worldwide for this learning management system. In total, 95 web-based training sessions were available to employees worldwide (prior year: 97). In addition, there were 3,648 classroom training sessions in Germany in 2018 (prior year: 3,514) with 31,874 participants (prior year: 30,646).

Employee qualification and training (Number in Germany)¹⁾

| | 2018 | 2017 | Change in % | 2016 |
|---|--------|--------|-------------|--------|
| Classroom training session | 3,648 | 3,514 | 3.8 | 4,054 |
| Participants in classroom training, Germany | 31,874 | 30,646 | 4.0 | 37,345 |
| Web-based training offers | 95 | 97 | -2.1 | 90 |
| Participants in e-learning courses, Germany | 65,580 | 15,593 | 320.6 | 25,074 |

1) Unless otherwise indicated, the employee figures refer to the reporting date of December 31 of the respective year.

Setting development goals in discussions

The Schaeffler mentoring program is an additional way for employees to continue to develop. In coordination with the respective managers and the human resources department, employees can specifically contact experienced specialists and executives to seek advice. This allows the employees to not only expand their knowledge, but also their personal network within the Schaeffler Group. Managers also receive information on the individual training needs of their employees.

The same applies to 360° feedback. In this procedure, employees ask their colleagues, supervisors, or coworkers to provide feedback on a set of standardized questions. The questions all relate to the six leadership guidelines. Employees from other departments who work together with these employees can also be involved. Participation is

voluntary for feedback providers and recipients and, with the exception of managers, anonymous for the feedback providers. After four weeks, the process is completed through a result report with individual development suggestions.

The 360° feedback tool will be introduced globally in 2019 and is set to become an integral part of global executive training programs. At the beginning of the training, participants will receive a holistic assessment of their behavior in relation to the leadership guidelines through the tool. Afterwards, they discuss the results with experienced coaches, which gives them the opportunity to change their behavior.

“New Work”

The working world of the future requires new workplace solutions that meet the needs of employees and support them in a flexible, dynamic working method. In order to meet these requirements, Schaeffler is testing new approaches to designing the workspace with its “New Work” concept, an initiative within the “Agenda 4 plus One” program. These approaches are meant to promote discussion between employees and interdisciplinary cooperation.

New Work at Schaeffler means open workspaces and modular room concepts. These include multifunctional spaces that can be adapted to the users’ needs and think tank spaces where employees can retreat for concentrated work. Another element is “gravity points”. The gravity points allow employees to discuss matters in a relaxed atmosphere. At the Fraunaurach (Erlangen) site, this concept not only improved work processes, but also offered space savings of 40%.

The “New Work” concept is currently being tested in three pilot projects, two at the Erlangen site and one in Nuremberg. Another pilot project in Schweinfurt was completed in 2018. In order to establish the concept internationally, the Executive Board adopted a global New Work strategy in 2018. The strategy details the goals of “New Work” for work organization, corporate culture, IT, and digitalization as well as architecture and space, and describes how these can be implemented, for example in furniture design, room concepts and change management. In the second quarter of 2019, a “New Work” toolbox with globally standardized processes and task descriptions was created.

1) Relating to employees.

Social partnership for qualification and promoting innovation

In 2018, Schaeffler AG's Executive Board, the Works Council and IG Metall signed a future agreement. The goal of this future agreement is to jointly manage and promote the further development and transformation of the Schaeffler Group in the interests of the company and its employees, especially with regard to the three major future topics of E-Mobility, Industry 4.0, and Digitalization. In addition to the qualification and further training of employees, the aim is to strengthen German Schaeffler locations economically and with a view to sustainable value creation. Under the terms of the future agreement, the Schaeffler Group will provide an innovation fund of EUR 50 m over a period of five years.

The "Schaeffler Award"

Schaeffler not only wants to actively promote employee performance, but also to value it. That's why the Executive Board, together with the family shareholders, decided to launch the "Schaeffler Award" in early 2018. The prize, which will be awarded for the first time in 2019 as part of the Executive Meeting, aims to award outstanding achievements year after year. The "Schaeffler Award" is based on the Schaeffler Group's four company values. It is therefore awarded in four main categories: (1) "Sustainability", (2) "Innovation", (3) "Excellence" and (4) "Passion". These four main categories are joined by the Special Award, which is redefined each year by the Schaeffler family. For 2019, Schaeffler wants to give out this award for special contributions in connection with the implementation of "Agenda 4 plus One".

Employee innovation potential

Schaeffler employees actively participate in the company's activities beyond their daily tasks. They introduce creative and innovative ideas and thereby take on responsibility and continuously improve processes and products. For this reason, Schaeffler operates the "ideenreich" (imaginative) online system, which is used at 53 locations in 14 countries. In 2018, the employees submitted a total of 40,161 ideas and achieved savings of around EUR 27.2 m.

With the "MOVE" (more without waste) qualification program, Schaeffler promotes inspiration, new impulses, and new approaches. Under the motto "Lean inspiration", innovative solutions were made available across the group via the Schaeffler CONNECT intranet. Employees can use an interactive map to look at implementation examples at their various locations.

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5.2 Occupational health and safety

Schaeffler's future corporate success depends on the qualification, motivation, and lasting health of its employees. The management of the Schaeffler Group attaches the greatest importance to maintaining the health and physical safety of its employees. For this reason, the occupational health management program (OHM) and occupational safety are essential elements of the global HR strategy. This also applies in countries where there are no government regulations.

Actively promoting health

The OHM is based on the framework guidelines of the Luxembourg Declaration on Workplace Health Promotion of the European Union. The starting points are ergonomic workplace design as well as courses to promote physical fitness and a healthy lifestyle.

The demographic development is leading to a profound change in the workforce structure. As the average age of the workforce increases, additional efforts are needed to maintain good health and performance throughout their working life. Accordingly, Schaeffler's health and safety policy aims not only at safe jobs, but also at health-promoting conditions in the work environment and personal lifestyle.

Reducing stress in the workplace

In 2018, the Schaeffler Group's Executive Board decided to introduce a workplace register under "Agenda 4 plus One" with the "Factory for Tomorrow" initiative. This database identifies and makes visible ergonomic strains in the workplace. The ongoing work to reduce improper physical stresses particularly supports the goal of enabling employees to live a healthy professional life until they retire. After a successful pilot phase in 2017, 20 locations in Germany had the new management tool at the end of 2018. The tool is scheduled to be available worldwide in 2021.

The company pools health-promoting measures for individual employees by target group in the "Boxenstopp" (pit stop) program. In addition, there is a wide range for groups with similar activities and health risks.

Concrete measures have been taken at selected locations to promote and maintain employee health. Schaeffler ran the "Fit4Shift" training program at seven German locations tailored specifically to shift workers. It helps to prevent health problems such as sleep disorders and stress.

Company bicycles were acquired at the Sorocaba, Brazil site in the reporting year. They are designed to provide employees with healthy and efficient mobility on site. This measure, originally a suggestion from the company's own "ideenreich" (imaginative) program, led to a measurable increase in employee satisfaction.

Maintaining a balance

Performance and time pressure as well as conflicts in the workplace can have a negative impact on employee health. Schaeffler wants to counteract these effects preventively and proactively. Managers can significantly contribute to this by helping their employees to better cope with stress. Therefore, the company developed the "Healthy leadership" seminar program especially for this target group. Participants are guided to reflect on how to deal with their own health. They also learn how leadership styles affect the motivation, ability to work, and commitment of employees and what they can do to align their needs and goals with the organization's goals. In addition, a training session was designed that is aimed at executives as well as project and technical managers. It is called "Staying balanced by recognizing and strengthening mental resources" and will help participants to better survive stressful situations in everyday life. They learn to rethink their

own behavior in stressful situations, to develop new coping strategies, and to correctly assess their options for action, including when it comes to their own health. Schaeffler successfully piloted both programs at selected locations in Germany in 2018. In the same year, "Healthy Leadership" was moved to the Schaeffler Academy, and "Staying in balance by recognizing and strengthening mental resources" followed in 2019.

In addition, Schaeffler provides its employees at German locations with the Schaeffler Health Coach, which is a comprehensive health portal.



You can find more information in the magazine section of this report on [Page 22](#).

Uniformly high occupational safety standards worldwide

In order to comply with legal requirements and to further develop internal processes and standards for occupational safety and health, the Schaeffler Group uses a comprehensive "Energy, Environment, Health and Safety" (EnEHS) management system. It takes into account international occupational safety standards among others. The coverage rate²⁾ according to the OHSAS 18001-standard, which was replaced by the ISO norm 45001 in 2018, is 88.7%. All Chinese production sites are already certified according to this new standard. The other production sites will be switched over within a three-year transitional period.

According to the EnEHS management system, all executives and employees are required to comply with occupational safety regulations. Executives are advised by specialists in occupational safety at the respective production sites when carrying out their responsibilities. The results of the discussions are reviewed regularly with the responsible members of the Executive Board with regard to residual risks, suggestions, and risk assessments. If necessary, further action will be taken. In this way, the EnEHS management system is being developed continuously.

In the reporting period, the accident rate^{3) 4)} was reduced by 12.7% from 7.1 to 6.2, thus exceeding the annual reduction target of 10% for the second year in a row.

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2) Relating to employees.

3) Accident rate (AccR) measurement = occupational accidents from one day of absence per 1 million hours worked.

4) Employees incl. temporary staff, apprentices, and interns.

5.3 Diversity

Workforce diversity has fundamental value to the Schaeffler Group. Diversity promotes lateral and divergent thinking – key prerequisites for innovation and flexibility. These are essential for Schaeffler in order to successfully handle the major changes that will affect the company and its customers in the future. In addition, diversity is a key factor for a company with global business relationships in order to recognize and serve the needs of culturally diverse markets.

Strategically promoting diversity

In order to anchor the topic successively in the company, the diversity concept adopted by the Executive Board in 2017 was strategically aligned. The main topics are gender, internationality, age/generations, and persons with disabilities. In implementing sustainable diversity management, Schaeffler focused on transforming the existing diversity concept into a sustainable strategy in 2018. Among other things, the focus was on integrating the topic into existing HR processes such as employer branding, recruiting, and talent management. The topic of diversity management will also be included in the onboarding process in the future. For 2019, cooperation with the individual managers of HR processes will be intensified in order to determine their needs and derive sustainable measures for them. Furthermore, Schaeffler is working on defining a reporting structure by 2020 and to develop possible diversity indicators.

Schaeffler signed the “Charta der Vielfalt” (diversity charter) back in 2008. Diversity and equal opportunities were integrated in the Code of Conduct – combined with the obligation to promote their implementation at the company. This attitude was reaffirmed by the Executive Board in 2018 with Schaeffler AG joining the “Charta der Vielfalt” association.

Promoting top female performers

In 2018, measures were initiated for each of the four focus topics of the diversity concept. Particular attention was paid to the focus area of “Gender” in the reporting period. Among other things, Schaeffler has started to expand the global mentoring concept with women's mentoring.

In addition, top female performers are highlighted in color in overviews of the succession planning and the percentage distribution of male and female candidates is pointed out. When it comes to finding new employees, more attention is paid to gender issues.

13.2%

proportion of female managers

In 2018, the proportion of women in the Schaeffler Group was 22.0% (prior year: 21.7%) and the proportion of female managers⁵⁾ was 13.2% (prior year: 12.4%). As of June 30, 2017, target ratios for the proportion of women were set within Schaeffler AG. The target rates are an 8% proportion of women on the first and a 12% proportion of women on the second management level below the Executive Board. Schaeffler AG should reach these goals by June 30, 2022.

Women in technical professions

Schaeffler wants to inspire girls and young women to enter technical careers and draw their attention to their career opportunities at an early stage. Therefore, the company is committed to girls' school education in STEM subjects. In 2018, for example, around 40 workshops for girls from grade 8 to 12 were held at the Schweinfurt location. The workshops were offered together with the University of Applied Sciences Würzburg-Schweinfurt. The Schaeffler Group opens its doors in Austria and Hungary each year on “Girls' Day”, offering young women interested in technology a glimpse into the everyday reality of the workplace and professions they might one day choose to pursue.

⁵⁾ “Managers” are defined as employees in a supervisory function.

Excellent female talent

In 2018, a Schaeffler employee received the “Digital Female Leader Award” (DFLA) in the “Career” category. Altogether, eleven categories were considered for the award in which female employees played a key role in advancing topics such as digitalization and sustainability in their organization. At the German-Italian economic forum WOMENOMICS in June 2018, the Schaeffler Group also presented several best-practice approaches in the field of diversity. The presentation took place as part of the activities on the “internationality” focus area. Schaeffler was a platinum sponsor of the event.

The added value of cultural diversity

Internationality is also one of the four focus topics of diversity management, as the Schaeffler Group employs people from 110 different countries worldwide. In 2017, an intercultural network was established that was actively supported in 2018 and continues to grow. The goal is to network employees across national borders. The possibilities for interaction and cooperation offered by the Schaeffler CONNECT intranet are used to this end.

An intercultural exchange also occurs through the temporary posting of employees to foreign branches. The expatriates (expats) are highly qualified specialists and executives who support the transfer of knowledge between locations and different markets. In 2018, a total of 331 expats were dispatched within the Schaeffler Group.

Old and young: Exchanging experience offers added value

Four generations meet at the workplace at Schaeffler as well. All of the generations have different attitudes towards work, values, norms, and priorities. The pilot phase for the “reverse mentoring” program was carried out in the reporting year. This program serves to promote the exchange of experiences between generations. The concept will be further developed and will be rolled out worldwide as part of the global mentoring program in 2019.

Enriching: people with disabilities

95% of all disabilities occur during the course of life, and thereby also during working life. People with disabilities need individually tailored working conditions so that they can perform their work or continue their work after the

onset of a disability. Schaeffler specifically identifies jobs that already meet these requirements or develops existing jobs as needed. In 2018, the discussion between Diversity Management and the Representative Board for Disabled Persons was intensified in order to strengthen networking and promote joint projects.

| | |
|-------------|--------|
| GRI | 102-15 |
| UNGC | 6 |

5.4 Compensation and retirement benefits

Attractive compensation models and additional services as well as needs-based retirement benefits are central components of the Schaeffler Group's HR strategy. They contribute significantly to employee satisfaction and help the company to profile itself as an attractive employer. The low turnover rate in recent years is a good indicator for evaluating employee satisfaction. In 2018, the labor turnover rate⁶⁾ was 4.8% across the company.

Harmonizing global compensation procedures

Schaeffler bases its compensation on the market median and ensures that it complies with the legal requirements. In Germany, this means observing the General Equal Treatment Act (AGG), among others. In addition, the company fulfills its obligations to provide information in accordance with the new Pay Transparency Act in Germany. Together with the Works Council, the Executive Board has taken all the necessary measures for this act.

Compensation at Schaeffler is individually based on the tasks and also includes performance-related components. The “Schaeffler Global Job Grading System” introduced in 2016 enables further development of career paths and succession planning processes. In addition, the “job catalog” project was launched in 2018. It is intended to enable a globally harmonized “job landscape” for all employee groups. The project also improves the basis for transparent compensation at Schaeffler.

⁶⁾ Initiated by employees, related to the average number of employees from 1/1/2018 to 12/31/2018.

To harmonize the compensation models, the variable components were also redesigned. The compensation-relevant key figures are now consistently based on the target values of “Schaeffler value added” and “cash flow”. Additionally, employees below the top management level can set individual quantitative and qualitative goals.

Employees in Germany can learn about different retirement plans via a company-internal retirement portal and can calculate the income they can expect to receive from the various retirement models.

GRI 102-15

5.5 Work-life balance

Flexible working hour models and opportunities that promote work-life balance are prerequisites for satisfied employees today. At the same time, they help to sustainably anchor the diversity program in the company because they offer people with different lifestyles the same career opportunities. The Schaeffler Group also offers its employees a variety of employee and family-friendly solutions based on demand. These include daycare centers, parent-child offices, and vacation programs for children.

Flexible working hours

In its HR strategy, Schaeffler takes into account flexible working hours solutions such as part-time, partial retirement, and reverse shift models. Reverse shift models are offers for couples who work shifts. The spouses can be assigned to opposing shifts, for example, to ensure alternating care of their children. In Germany, 6.3% of Schaeffler employees work part time.

In addition, two telecommuting models are being offered across Germany. The “sporadic telecommuting” model is used by 11.4% of the workforce, and the “regular

telecommuting” model is used by 0.8%. Up to 40% of the monthly working hours are allowed to be performed from home as long as a suitable working space is available and the employee’s duties can be organized appropriately. Schaeffler is also examining the possibility of comparable offers in locations outside of Germany.

In order to simplify and improve the accuracy of personnel planning and to achieve better comparability of employee-related data to the outside, Schaeffler introduced the key figure “full time equivalent” on January 1, 2019. As a result, the actual number of hours of employment will be considered as the basis of human resources work as of January 2019. Requests for part time work can be planned and budgeted more easily in personnel planning.

40%

of the monthly working hours
may be performed from home

Childcare extended

Day care spaces for children of employees were created at multiple sites in Germany. There are also parent-child offices at the locations in Steinhagen and Herzogenaurach. In addition, special family programs are offered that Schaeffler supports. An example is the project “Summer Kids”, which arranges child-friendly vacation care under qualified supervision with various opportunities to play, do arts and crafts, and go on excursions.

GRI 401-3


5.6 Corporate citizenship

The Schaeffler Group is committed to social well-being around its core business and beyond. It follows the mission statement “In the region – for the region”. The core areas of engagement are “Education and science”, “Health and social issues”, and “Sports and culture”. Donations are monitored by the Compliance department, while sponsorships are managed by the Communications and Branding department.

Common good in view

A groupwide sponsoring guideline ensures that funds provided by the company are used in a targeted manner. Any payments to organizations and initiatives that do not work towards the common good are excluded, as are payments intended to generate profits or those that do not conform to the Schaeffler Group’s Code of Conduct. Schaeffler introduced a management system to centrally record worldwide sponsorship activities in 2017.

In the year under review, a total of 412 CSR projects were initiated and implemented worldwide. Selected project examples are listed below.

 You can find an interactive presentation of the worldwide CSR projects in the online report at: www.schaeffler-sustainability-report.com/2018

Education and science

Education, training, and scientific research are key factors for success in the Schaeffler Group’s business model. The company is therefore active in education and science through strategic partnerships and collaborations. Schaeffler has been the main sponsor of the “Formula Student” for over ten years. In this program, aspiring engineers from all over the world have the opportunity to use their skills to design their own race cars in a team and test them under racing conditions. As part of this event, Schaeffler has been organizing a networking event called “Motorsport Academy” for talented young engineering students at European universities every year since 2014. In 2018, 14 teams participated with a total of 62 students from Germany and Switzerland.

As part of the “Experience Europe” education initiative, Schaeffler offers short internships to unemployed people between the ages of 18 and 25 in other European countries. The initiative is supported by the German Federal Employment Agency, Caritas, and the German Employees Academy. Since its launch in January 2018, 27 young people have already participated in the initiative. Within four weeks, they completed short internships at two different company locations. Thanks to the diverse program and the intensive support during the stay abroad, the participants can significantly improve their career opportunities and enhance their understanding of a united Europe.

Schaeffler sponsored the “Handelsblatt University Innovation Challenge” 2018 as a premium partner in the year under review. The competition is organized by the Johann Wolfgang Goethe University Frankfurt and the Handelsblatt Media Group and is under the patronage of the German state of Hesse. It recognizes outstanding technical innovations from student creators and researchers.

Schaeffler's Brazil-based social education program “Formare” targets young people from poor households. The goal is to help them successfully complete their school career. Around 60 volunteers from the workforce teach – after a didactic and pedagogical introduction – 20 participants for six months comprehensively in terms of key qualifications and technical subjects. The curriculum also includes communication, teamwork, health and safety, business, and the German language. Community activities and social work are also part of the program. In addition, participants collect food and clothing for the disadvantaged and develop plays and ideas for general leisure activities. By October 2018, 406 young people (80% of the participants) had completed the program.

The Schaeffler Group is also involved in environmental education. A good example is the support of the SCHUBZ Environmental Education Center near the company's site in Braşov, Romania. The facility was designed based on the model of the SCHUBZ Environmental Education Center in the Hanseatic city of Lüneburg, Germany, and has been supported by the Schaeffler Group since 2017. Its goal is to make environmental education a higher priority in the Romanian education system and to sensitize children and young people to sustainable development.

The Schaeffler FAG Foundation, established in 1983, is a major player in the Schaeffler Group’s involvement in education and science. The purpose of the foundation is to

support science, research, and teaching in scientific and technical fields related to bearing technology. The foundation sees itself as a bridge between science and the economy that brings together people's visions and goals in research, teaching, and the economy. Since its founding, the Schaeffler FAG Foundation has distributed over EUR 1 m in funding.

Health and social issues

Schaeffler wants to positively influence its environment and support people in need or in difficult living conditions. The Schaeffler Group also creates targeted job opportunities for people with disabilities outside of the company. For this reason, it awards orders to the Lebenshilfe workshops, for example in safeguarding assembly processes. The goal is to promote the personal and professional opportunities of each individual and to involve them individually in the work process up to a possible integration into the open labor market.

In 2018, the Schaeffler Group honored the long-standing partnership with people with disabilities in a special way. As part of the citizens' celebration initiated by German Federal President Frank-Walter Steinmeier, Schaeffler, together with the Lebenshilfe workshops, presented the nearly 20-year cooperation as an example of how economic success can be combined with sustainable social commitment.

Furthermore, Schaeffler has been working with AfB GmbH, Europe's largest non-profit second-hand IT recycling company, for over ten years. Schaeffler supports the company's efforts to provide people with disabilities employment opportunities in the primary labor market. Over the past ten years, the company has had over 400 tons of used IT hardware picked up and processed by AfB, creating an average of three jobs for people with disabilities. Since then, almost 2,700 tons of iron equivalents⁷⁾, 5,600,000 kWh of energy, and 1,770 tons of CO₂ equivalents have been saved. In October 2018, Schaeffler was honored by AfB for its commitment.

In 2018, Schaeffler India continued its involvement in the HOPE initiative, which began in 2015. In the reporting period, the company defined four focus areas in order to better structure its involvement in India. The focus is on health care, promoting employability, protecting national art and cultural heritage, and strengthening social institutions.

In Vadodara, Gujarat, mobile health teams were sent on their way. Young women and girls were able to take part in medical check-ups. Children were also tested for malnutrition, and treated if necessary. Commercial, service, and technical skills were conveyed to women's groups and mixed teams in various programs. The project "Quest on Wheels" organized trips for students to cultural sites, gardens, and exhibitions. In addition, Schaeffler India has supported schools with construction issues such as sanitation and administration. Finally, Schaeffler provided funding for the construction of a hostel for girls.

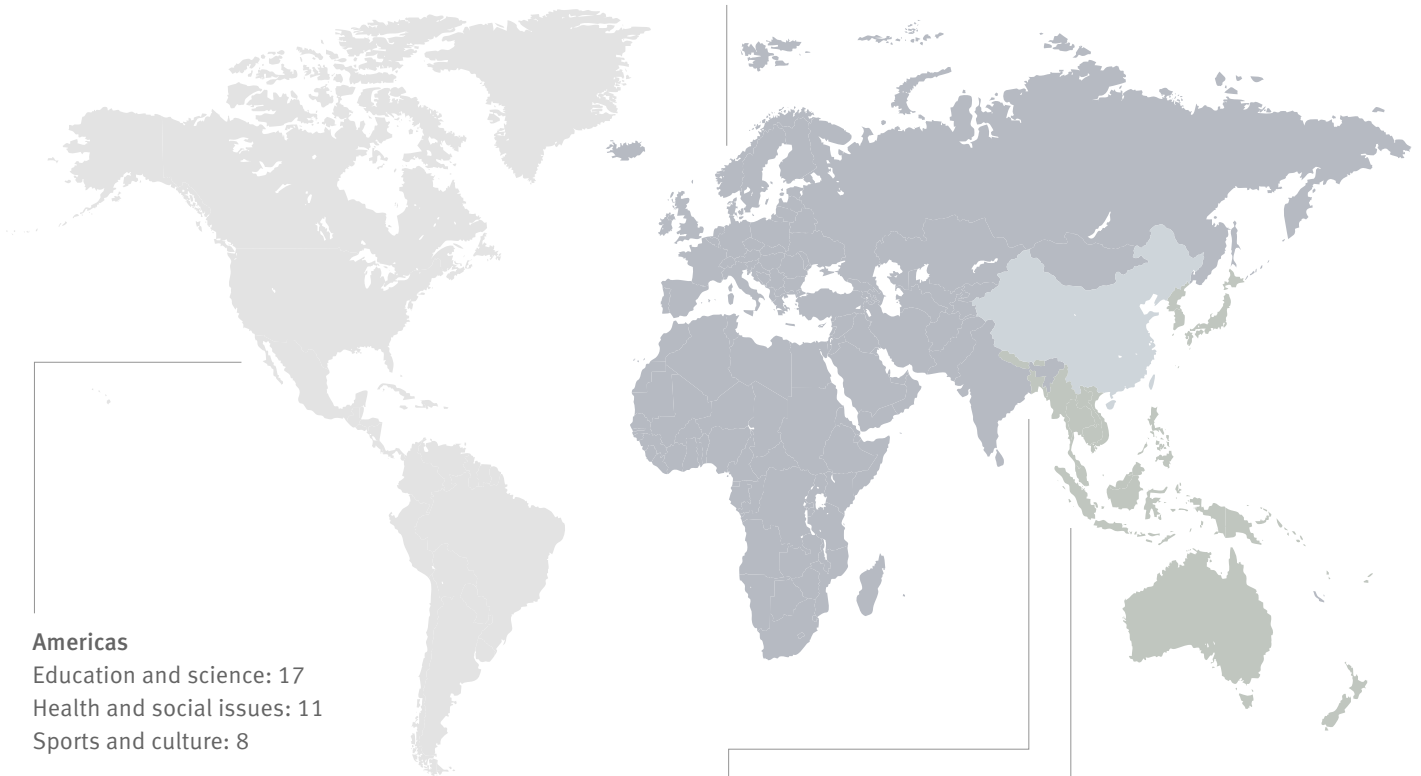
Schaeffler Iberia has been supporting projects in the Indian region of Anantapur for twelve years. In 2016, the company launched a project to help people with disabilities live a decent life in this particularly poor area. The project involved the construction of 33 handicapped-accessible houses by the end of 2018.

In 2018, the Automotive Aftermarket division donated a total of EUR 25,500 to the South African children's home "Khayaletu Youth Centre" in Port Elizabeth. With this contribution, the construction of a new classroom building was possible. In addition, the division supports a project that is caring for street children at the site of Schaeffler South Africa.

In 2018, an international volunteer program was launched in collaboration with the student organization AIESEC. The organization arranges internships at non-governmental organizations abroad. The Schaeffler Group selected a total of ten participants and paid the fees for their placement and organizational tasks. The goal is to promote intercultural skills and student exchange and to position to company as an attractive employer. In addition, Schaeffler has been operating an extensive corporate volunteering program in South Korea called EVERGREEN since 2013. In 2018, 15 participants traveled to Danang, Vietnam, for one week. There, they supported educational institutions for orphans with a self-developed program. Key areas included environmental education and cultural exchange as well as the maintenance of technical facilities.

⁷⁾ The harmonized indicator was calculated using the ReCiPe method and describes the relative severity of the environmental impact.

CSR projects worldwide



The regions depict the regional structure of the Schaeffler Group.

Sports and culture

Schaeffler also contributes to conveying values by supporting sports and cultural activities contributes and thus generates momentum for positive social development.

The company stands for a long tradition in motorsports. Since the first season 2014/2015, Schaeffler has been one of the key actors in the Formula E scene, also underscoring its position as an electromobility pioneer on the racetrack. Winning the title in the 2016/2017 season with Lucas di Grassi in the cockpit is a testament to the work done so far by Schaeffler in Formula E. Even after Audi joined for the 2017/2018 season, Schaeffler continues to participate in the work of the cooperation partners in the areas of the electric motor, transmission, chassis suspension, and power electronics. The drive for the Audi Sport ABT Schaeffler team

continues to come from Schaeffler. In 2018, the Audi Sport ABT Schaeffler team won the team title.

In Brazil, on the other hand, Schaeffler is committed to classical music and offers high-quality music programs by national and international artists to local people. An event for children and the deaf was hosted for the first time in 2018. In 2019, the project will celebrate its tenth anniversary.

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 You can find more information about the Sustainability Roadmap on [Page 65 et seq.](#)

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Appendix

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6.1 Key figures on sustainability


Financial and non-financial key figures that are important for measuring the sustainability performance of the Schaeffler Group are presented below.

If not otherwise indicated, the information refers to the Schaeffler Group. The reference period covers the business years from 2016 to 2018. Due to a revision of the key figure set, key figures from the previous year are occasionally no longer reported. Furthermore, selected key figures broken down by region are only shown in the online report.

In the course of preparing the combined separate non-financial report of the Schaeffler Group, selected qualitative

and quantitative details were submitted to an external business audit taking into consideration the International Standards on Assurance Engagements (ISAE) 3000 (Revised) for the purpose of obtaining a limited assurance engagement with respect to the information required by law as per Sections 315b and 315c in conjunction with Sections 289c to 289e HGB. Key figures audited in this context are marked with a ✓ sign. Key figures that were audited as part of the business reporting process (2018 and 2017) are marked with a ✓✓.

The figures are generally rounded, which can lead to slight deviations in the calculation of sums.

 An expanded key figure set is available in the online report: www.schaeffler-sustainability-report.com

Sustainable management

| | | 2018 | 2017 | 2016 | Percentage change (2017–2018) | Assessment |
|---|--------------|--------|--------|--------|-------------------------------|------------|
| Total revenue | EUR millions | 14,241 | 14,021 | 13,338 | 1.6 | ✓✓ |
| Revenue Automotive ¹⁾ | EUR millions | 8,997 | 8,991 | 10,338 | 0.1 | ✓✓ |
| Revenue Industrial ¹⁾ | EUR millions | 3,385 | 3,150 | 3,000 | 7.5 | ✓✓ |
| Revenue Automotive Aftermarket ¹⁾ | EUR millions | 1,859 | 1,880 | N/A | -1.1 | ✓✓ |
| Revenue Europe | % | 51.3 | 51.2 | 53.1 | 0.2 | ✓✓ |
| Revenue Americas | % | 20.2 | 20.8 | 21.0 | -2.9 | ✓✓ |
| Revenue Greater China | % | 18.0 | 17.5 | 15.4 | 2.9 | ✓✓ |
| Revenue Asia/Pacific | % | 10.5 | 10.5 | 10.5 | 0 | ✓✓ |
| Net income ²⁾ | EUR millions | 881 | 980 | 859 | -10.1 | ✓✓ |
| Shareholders' equity ^{3) 4)} | EUR millions | 3,060 | 2,581 | 1,997 | 18.6 | ✓✓ |
| Net financial debt | EUR millions | 2,547 | 2,370 | 2,636 | 7.5 | ✓✓ |
| New suppliers reviewed in initial assessments ⁵⁾ | Number | 111 | 157 | 114 | -29.3 | ✓ |
| Web-based compliance training participants in the reporting year ⁶⁾ | Number | 9,578 | 8,160 | N/A | 17.4 | ✓ |
| Response rate of surveyed suppliers on the use of conflict minerals ^{7) 8) 9)} | % | 94.3 | 91.2 | 88.0 | 3.3 | ✓ |
| Coverage rate of certified smelting plants in the supply chain ^{8) 10)} | % | 100 | 100 | 100 | 0 | ✓ |
| Confirmed cases of human rights violations ¹¹⁾ | Number | 0 | 0 | N/A | 0 | ✓ |

Customers and products

| | | 2018 | 2017 | 2016 | Percentage change (2017–2018) | Assessment |
|--|--------------|-------|-------|-------|----------------------------------|------------|
| Research and development (R&D) expenses | EUR millions | 847 | 846 | 751 | 0.1 | ✓✓ |
| R&D ratio | % | 5.9 | 6.0 | 5.6 | -1.7 | ✓✓ |
| R&D employees ¹²⁾ | Number | 7,991 | 7,790 | 7,304 | 2.6 | ✓ |
| R&D centers | Number | 20 | 18 | 17 | 11.1 | ✓✓ |
| Patent registrations ¹³⁾ | Number | 2,417 | 2,383 | 2,316 | 1.4 | |
| Awards for customer satisfaction/product quality | Number | 65 | 58 | 50 | 12.1 | ✓✓ |
| Coverage rate of quality management systems ¹⁴⁾ | % | 100 | 100 | 100 | 0 | ✓✓ |
| Revenue business division E-Mobility ¹⁾ | EUR millions | 486 | 416 | N/A | 16.8 | ✓✓ |

Environment and energy¹⁵⁾

| | | 2018 | 2017 | 2016 | Percentage change (2017–2018) | Assessment |
|---|-------------------|-----------|-----------|-----------|----------------------------------|------------|
| Coverage rate for EMAS certification ¹⁶⁾ | % | 88.2 | 87.9 | 89.3 | 0.3 | ✓ |
| Coverage rate for ISO 14001 certification ¹⁶⁾ | % | 88.7 | 88.3 | 89.9 | 0.5 | ✓ |
| Coverage rate for ISO 50001 certification ¹⁶⁾ | % | 85.8 | 85.2 | 83.7 | 0.7 | ✓ |
| Total energy consumption ¹⁷⁾ | GWh | 3,367 | 3,233 | 3,119 | 4.1 | ✓ |
| Electricity consumption | GWh | 2,365 | 2,339 | 2,255 | 1.1 | ✓ |
| Natural gas consumption | GWh | 876.7 | 798.0 | 742.0 | 9.9 | ✓ |
| Fuel oil consumption | l | 880,462 | 748,143 | 850,959 | 17.7 | ✓ |
| Propane/LPG consumption | t | 4,097.9 | 3,938.0 | 3,401.0 | 4.1 | ✓ |
| District heating consumption | MWh | 63,429.6 | 67,393.0 | 69,414.0 | -5.9 | ✓ |
| Greenhouse gas emissions ^{18) 19)} , total ²⁰⁾ | t CO ₂ | 1,461,790 | 1,409,388 | 1,474,864 | 3.7 | ✓ |
| Greenhouse gas emissions ^{18) 19)} (Scope 1) | t CO ₂ | 193,708 | 175,635 | 163,828 | 10.3 | ✓ |
| Greenhouse gas emissions ^{18) 19)} (Scope 2) location based | t CO ₂ | 1,268,082 | 1,233,752 | 1,311,036 | 2.8 | ✓ |
| Greenhouse gas emissions ¹⁹⁾ (Scope 2) market based ²¹⁾ | t CO ₂ | 851,916 | 833,350 | 937,839 | 2.2 | ✓ |
| Water consumption ²²⁾ | m ³ | 6,089,564 | 5,964,821 | 5,018,560 | 2.1 | ✓ |
| Amount of waste, Germany | t | 312,383 | 302,969 | 313,259 | 3.1 | ✓ |
| Recycling rate, Germany ²³⁾ | % | 91.1 | 94.9 | 96.3 | -4.0 | ✓ |
| Transport volume, outbound ^{24) 25) 26)} | Million tkm | 161 | 161 | N/A | 0.0 | |
| CO ₂ emissions, outbound ^{24) 25) 26)} | t | 144,675 | 149,153 | N/A | -3.0 | |

Employees and society²⁷⁾

| | | 2018 | 2017 | 2016 | Percentage change (2017–2018) | Assessment |
|------------------------------------|--------|--------|--------|--------|----------------------------------|------------|
| Number of employees, total | Number | 92,478 | 90,151 | 86,662 | 2.6 | ✓✓ |
| Labor turnover rate ²⁸⁾ | % | 4.8 | 3.9 | 3.6 | 23.1 | ✓✓ |
| Average age | Years | 39.9 | 39.7 | 39.8 | 0.5 | ✓✓ |
| Average tenure | Years | 11.2 | 11.0 | 11.2 | 1.8 | ✓✓ |

6.1 Key figures on sustainability

| | | 2018 | 2017 | 2016 | Percentage change (2017–2018) | Assessment |
|---|--------------|--------|--------|--------|----------------------------------|------------|
| Permanent employees | % | 90.7 | 90.1 | 89.4 | 0.7 | |
| Part-time ratio, Germany ²⁹⁾ | % | 6.3 | 6.5 | 6.2 | -3.1 | ✓ |
| Total personnel costs | EUR millions | 4,600 | 4,437 | 4,167 | 3.7 | ✓✓ |
| Provisions for pensions, total | EUR millions | 2,173 | 2,124 | 2,182 | 2.3 | ✓✓ |
| Management positions ³⁰⁾ | Number | 5,666 | 5,526 | 5,118 | 2.5 | |
| Proportion of female managers, total ³⁰⁾ | % | 13.2 | 12.4 | 11.8 | 6.5 | ✓✓ |
| Proportion of female employees, total | % | 22.0 | 21.7 | 21.4 | 1.4 | ✓✓ |
| Proportion of severely disabled employees, Germany ³¹⁾ | % | 5.5 | 5.5 | 5.5 | 0 | ✓✓ |
| Classroom training sessions, Germany | Number | 3,648 | 3,514 | 4,054 | 3.8 | ✓✓ |
| Participants in classroom training, Germany | Number | 31,874 | 30,646 | 37,345 | 4.0 | ✓✓ |
| Participants in e-learning courses, Germany | Number | 65,580 | 15,593 | 25,074 | 320.6 | ✓✓ |
| Web-based training offers | Number | 95 | 97 | 90 | -2.1 | ✓✓ |
| Accident frequency/AccR ^{32) 33)} | AccR | 6.2 | 7.1 | 8.4 | -12.7 | ✓✓ |
| Coverage rate OHSAS 18001/ISO 45001 ¹⁶⁾ | % | 88.7 | 88.3 | 83.7 | 0.5 | ✓ |
| Coverage rate of learning management system ¹⁶⁾ | % | 70.5 | 51.9 | 0 | 35.8 | ✓ |
| Apprentices | Number | 3,275 | 3,185 | 2,982 | 2.8 | ✓✓ |
| Trainees in Germany | Number | 51 | 49 | 40 | -6.1 | ✓✓ |
| Dual students in Germany | Number | 182 | 173 | 165 | 5.2 | ✓✓ |
| “Two in One” students in Germany ³⁴⁾ | Number | 159 | 163 | 178 | -2.5 | ✓✓ |
| Master’s degree students in Germany | Number | 18 | 22 | 31 | -18.2 | |

1) Previous year’s figures according to the segment structure reported in 2018.

2) Attributable to shareholders of the parent company.

3) Including noncontrolling interests.

4) Retrospective adjustment of the 2017 figure due to a change in the accounting for income tax benefits. See explanatory information in the annual report 2018 in the Appendix Note 1.4 Method change IAS 8.

5) Requested in 2018.

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

7) Response rate of relevant suppliers surveyed on the use of conflict minerals as defined under the Responsible Minerals Initiative.

8) Survey period from March to February of the following year.

9) 2018 value checked in interim status in December 2018.

10) Risk areas as defined in the RCOI.

11) Contraventions of the prohibition on forced labor and child labor and cases of discrimination by origin, skin color, or gender.

12) The values reflect the workforce headcount at the end of the year. The figures for 2016 and 2017, which were based on average values in the 2017 sustainability report, were subsequently converted to a headcount at the end of the year.

13) Patent registrations concern first filings filed with the German Patent and Trade Mark Office.

14) According to the scope of the Schaeffler Group’s management manual and valid certification rules.

15) The key environmental indicators of emissions and energy and water consumption are based on the consumption of the 75 production sites at 71 locations. The calculation is based on certification in accordance with ISO 14001, ISO 50001, and OHSAS 18001 and entry in the EMAS site registry; reporting date 12/31/2018.

16) Relating to employees.

17) Energy sources included: Electricity, natural gas, district heating, propane, fuel oil, without the amount of electricity produced by the gas-powered CHP.

18) The value for 2016 has been corrected in the course of a subsequent validation. It therefore differs from the value presented in the sustainability report 2017.

19) The calculation of greenhouse gas emissions is based on the emission factors of the VDA (2017) and the Probas database of the German Federal Environmental Agency. Emission sources covered: Scope 1 (natural gas, fuel oil, propane) and Scope 2 (electricity, district heating).

20) Total of Scope 1 and Scope 2 (location based).

21) Supplier-specific emission factors were used to determine Scope 2 market based.

22) Water consumption includes municipal and internal company water. 2017 value corrected based on subsequently reported data.

23) Recycled or recovered amount of total waste, excluding metals and scrap.

24) Not included are rail transports and special transports, such as machine transports during removal.

25) Distribution of Schaeffler products to the end customer (last-mile transports).

26) Calculation of CO2 emissions according to DIN EN 16258.

27) Unless otherwise indicated, the employee figures refer to the reporting date of December 31 of the respective year.

28) Initiated by employees; related to the average number of employees from 1/1/2018 to 12/31/2018.

29) The values for 2016 and 2017 have been corrected retrospectively. Instead of Schaeffler AG, they refer to Schaeffler in Germany.

30) “Managers” are defined as employees in a supervisory function.

31) Schaeffler Group Germany, without temporary workers.

32) Accident rate (AccR) measurement = occupational accidents from one day of absence per 1 million hours worked.

33) Employees incl. temporary staff, apprentices, and interns.


34) The “Two in One” study combines a Bachelor’s degree with vocational training.

6.2 GNFK index and GRI content index

Index to the separate non-financial report

The Schaeffler Group has prepared a separate non-financial report (GNFK) for 2018 that fulfills the Group's obligation to declare non-financial information according to the CSR Directive Implementation Law in accordance with Sections 289, 315 of the German Commercial Code (HGB).

Included in GNFK is a description of concepts and due diligence processes and their results for the five non-financial aspects “environmental concerns”, “employee matters”, “social matters”, “respect for human rights”, and “compliance”. 15 essential issues that were previously determined as part of the materiality analysis are reported in detail. The information contained in the GNFK is also represented in the sustainability report. The index below provides an overview of the pages of the sustainability report on which this information can be found.

 You can find the separate non-financial report for 2018 at: <https://www.schaeffler.com/sustainability/nfr2018>

| | Pages in the sustainability report 2018 |
|--|---|
| Environmental concerns | |
| Sustainable products and technologies | 34-37 |
| Environmental management | 43-44 |
| Energy management and emissions | 42-43; 46-47 |
| Material and resource management | 44-46 |
| Employee matters | |
| Employee advancement and development | 49-52 |
| Occupational health and safety | 52-53 |
| Diversity | 54-55 |
| Compensation and retirement benefits | 55-56 |
| Work-life balance | 56 |
| Social matters | |
| Customer relationships | 38-39 |
| Responsibility in supplier relationships | 31-32 |
| Quality management | 39-40 |
| Human rights | |
| Human rights | 31-32 |
| Compliance | |
| Compliance including anti-corruption and material compliance | 29-32 |
| Data protection, information, and IT security | 30 |

GRI Content Index

The Schaeffler Group's sustainability reporting is conducted in accordance with the GRI standards of the Global Reporting Initiative according to the “core” option. The interactive index, which can be found online, shows the indicators that Schaeffler addresses in the report and leads the users to the report pages containing this information.

The Schaeffler Group is committed to the ten principles of the UN Global Compact in the areas of human rights, occupational standards, environmental protection, and anti-corruption measures. The GRI Content Index therefore also indicates which GRI indicators simultaneously cover one or more of the UN Global Compact principles. Reference will also

be made to Schaeffler's respective contribution to the United Nations Sustainable Development goals (SDGs).


 The interactive GRI index is available at: www.schaeffler-sustainability-report.com/2018

6.3 Sustainability Roadmap

The Sustainability Roadmap is based on the Schaeffler Group's materiality analysis and is divided into the four fields of action of “sustainable management”, “customers and products”, “environment and energy”, and “employees and society”. It presents the Schaeffler Group's non-financial strategic objectives and related United Nations Sustainable Development Goals (SDGs) on the materiality matrix issues.

The strategic objectives include measures that the company wants to use to make its business activities have positive environmental, social and economic effects and to create sustainable company value. In addition, the Roadmap sets out time frames within which Schaeffler intends to implement the measures and the progress achieved by the end of the 2018 reporting period.





The Sustainability Roadmap is evaluated and adjusted or expanded annually based on the materiality analysis. The Schaeffler Group's 2018 materiality matrix identifies 17 essential issues.

 An interactive presentation of the Sustainability Roadmap is available in the online report: www.schaeffler-sustainability-report.com/2018

















Sustainable management

| Strategic goal | Related to SDG | Measures (extract) | Goal deadline | Status 2018 |
|---|----------------|---|---------------|-------------|
| Compliance | | | | |
| Continuous development of the compliance management system | | Successful auditing of the appropriateness and implementation of the compliance management system (CMS) by an independent auditing firm (IDW PS 980) | 2018 | fulfilled |
| | | Groupwide implementation of a uniform business partner due diligence process as part of the CMS | 2020 | in progress |
| Data protection, information, and IT security | | | | |
| Improving the protection of and respect for the personal rights of our employees and business partners to ensure compliance with valid requirements and laws by implementing appropriate measures | | Implementation of the EU General Data Protection Regulation | 2018 | fulfilled |
| | | Carefully coordinated components of an information security management system (ISMS); organizational, personal, and physical IT security measures based on a security risk analysis that aims to have a preventative, protective, and informative effect both internally and externally | continuous | in progress |
| Improving the protection of information of business relevance that represents a competitive factor of decisive importance for Schaeffler's technological business | | Development of a comprehensive “Information Security Training and Awareness Concept” | 2018 | fulfilled |
| | | Rollout of awareness training within the “Information & Cyber Security” program | 2020 | in progress |





Sustainable management

| Strategic goal | Related to SDG | Measures (extract) | Goal deadline | Status 2018 |
|--|---|--|---------------|-------------|
| Implementing data protection and information security protection requirements with information technology tools to ensure the availability, integrity, confidentiality, and authenticity of company data and related data processing systems | | Introduction of the global "IT Security by Design" process | 2018 | fulfilled |
| | | Rollout of the "IT Security by Design" process in the regions | 2019 | in progress |
| | | Establishment of a groupwide crisis management structure to safeguard the economic existence of the company in parts and as a whole, even in the event of a major loss | 2019 | in progress |
| Further development of groupwide business continuity management | | Introduction of a business impact analysis in relevant business areas | 2021 | in progress |
| | | Ongoing development of crisis management competence at the Schaeffler Group through crisis exercises and training of crisis team members | continuous | in progress |
| Responsibility in supplier relationships | | | | |
| Implementing the OECD guidelines for the responsible use of minerals from conflict and high-risk areas |  | Implementation of internationally recognized standards in the material compliance process landscape as part of the groupwide management system | 2021 | in progress |
| Written recognition of the Schaeffler Supplier Code of Conduct (SCoC) by existing production material suppliers |  | Implementation of the Supplier Code of Conduct in existing processes (phased, prioritized integration) | 2020 | in progress |
| |  | Rollout of the Supplier Code of Conduct and confirmation by suppliers according to priority | 2020 | in progress |
| Human rights | | | | |
| Complete alignment of all relevant business activities according to requirements formulated in the principles of the UN Global Compact and the German National Action Plan on Business and Human Rights |  | Further development of human rights due diligence and alignment of the entire process landscape of the Schaeffler Group according to human rights principles | 2020 | in progress |





Customers and products

| Strategic goal | Related to SDG | Measures (extract) | Goal deadline | Status 2018 |
|--|--|--|---------------|-------------|
| Sustainable products and technologies | | | | |
| Eco-friendly drives | | | | |
| Expansion of the E-Mobility field to realize eco-friendly drive concepts | 9  | Establishment of an E-Mobility business division | 2018 | fulfilled |
| | 11  | Development of total technological solutions for E-Mobility (e.g. wheel hub drives and electric axles); Electrification of conventional power trains (e.g. integration of the 48-V electric motor into the motor-transmission-network and development of a high-voltage hybrid model for plug-in hybrid drives) | continuous | in progress |
| | 9  | Development of basic solutions for the electric machine, power electronics, and regulations as part of the "SHARE at KIT" program | continuous | in progress |
| Increasing the efficiency of internal combustion engines to reduce harmful emissions | 11  | Expansion of the product range in the area of thermal management with series use of smart single valves | 2019 | in progress |
| | 11  | Expansion of skills in the area of PO hybridization through joint development of the decoupler and FEAD clamping systems product fields | 2019 | fulfilled |
| | 11  | Further development of the variable valve train for hybrid and non-hybrid drives, e.g. with the series introduction of the variable eRocker system | 2022 | in progress |
| | 11  | Mechanical and tribological optimization of engine components (e.g. through surface coatings to minimize wear and friction) | continuous | in progress |
| Synthetic fuels | 9  | Participation in the EU Horizon 2020 GasOn (monovalent natural gas engine) program | 2019 | fulfilled |
| | 9  | Participation in the EU research project "CO ₂ EXIDE – CO ₂ -based electrosynthesis of ethylene oxide" and development of a coating process for catalysts with nanostructured coatings | 2021 | in progress |
| | 9  | Participation in the MethQuest (CNG) and NamoSyn (OME) research projects | 2022 | in progress |
| Entry into fuel cell technology to realize CO ₂ -neutral mobility | 11  | Development of metallic coated bipolar plates | continuous | in progress |
| | 11  | Development of systematic bases in the fields of electrochemistry and fluid flow as part of the "SHARE at KIT" program | continuous | in progress |
| Urban mobility | | | | |
| Entry into the market for "light" E-Mobility | 11  | Spin-off of Bio-Hybrid GmbH | 2018 | fulfilled |
| | 11  | Industrialization of the Bio-Hybrid | 2020 | in progress |
| Entry into the market for robo-taxis | 11  | Acquisition of the "Drive-by-wire" technology "SpaceDrive" from Paravan and the founding of the Schaeffler Paravan technology joint venture | 2018 | fulfilled |
| Interurban mobility | | | | |
| Development of "smarter" bearings for rail transport | 9  | Implementation of the "Predictive Maintenance" approach to realize optimum maintenance intervals and longer running times for trains | continuous | in progress |







Customers and products

| Strategic goal | Related to SDG | Measures (extract) | Goal deadline | Status 2018 |
|--|---|--|---------------|-------------|
| Energy chain | | | | |
| Entry into the industrialization of large stationary storage (organic redox flow battery) |  | Development of a development cooperation with the start-up CMBLu | 2018 | fulfilled |
| |  | Industrialization of the redox flow technology together with CMBLu | 2021 | in progress |
| Entry into battery technologies |  | Development of skills in the field of cell chemistry as well as battery models and management systems as part of the "SHARE at KIT" program | continuous | in progress |
| Optimization and new development of products for wind turbines |  | Development of low-friction bearings for wind power to increase running times; development of a cloud-based software solution to monitor wind turbines | continuous | in progress |
| Customer relationships | | | | |
| Deepening of our employees' multifunctional global customer concept to provide optimized solutions and further intensification of our customer relations | | Cross-divisional standardization of the customer relationship management tool (Salesforce) | 2018 | fulfilled |
| | | Global rollout of a system architecture for customer relationship management | 2019 | in progress |
| | | As part of the Corporate Sales & Key Account Management Training curriculum, the Schaeffler Group's sales employees are provided with training courses worldwide | continuous | in progress |
| Quality management | | | | |
| Avoid product liability cases with measures taken from product safety | | Global rollout of an integrated product safety management system | 2019 | in progress |






Environment and energy

| Strategic goal | Related to SDG | Measures (extract) | Goal deadline | Status 2018 |
|--|---|--|---------------|-------------|
| Environmental management | | | | |
| Medium-term fulfillment of the requirements for a "zero waste to landfill factory" in one location per region, based on production-related waste |  | Analysis of relevant KPIs; selection of potential locations taking state regulations into account; formulation of a project plan to meet objectives per location | continuous | in progress |
| Material and resource management | | | | |
| Increase of material efficiency through the use of recycled material |  | Reuse of raw materials, such as steel and aluminum | 2020 | in progress |
| Fundamental anchoring of sustainability in the entire production environment of the Schaeffler locations as part of the "Sustainable Factory" |  | Development and coordination of the concept of a sustainable factory, including approval by the Executive Board | 2020 | in progress |
| |  | Successful piloting of a production facility as an autonomous, digital, and sustainable factory | 2021 | in progress |










Environment and energy

| Strategic goal | Related to SDG | Measures (extract) | Goal deadline | Status 2018 |
|---|---|---|---------------|-------------|
| Logistics | | | | |
| Reduction of CO ₂ emissions in logistics |  | Development of a methodology for recording controllable Scope 3 emissions | 2020 | in progress |
| |  | CO ₂ and cost reduction in logistics through the EDZ Industry Logistics Initiative (European distribution centers) | 2020 | in progress |
| Worldwide expansion of climate-friendly employee mobility |  | Creation of a holistic and sustainable mobility concept for the locations, including the local infrastructure, sharing services, Schaeffler in-house developments, and the possibilities of electrification in private transport, pilot in Herzogenaurach | 2020 | in progress |
| |  | Increase in the share of electric vehicles in the vehicle fleet; monetary incentives for the use of electric vehicles, in particular plug-in hybrids and electric cars | continuous | in progress |
| All German sites have charging infrastructure for electric vehicles |  | Creation of a technical standard for charging infrastructure; framework call-off contracts; introduction of a software backend | 2018 | fulfilled |
| |  | Construction of charging infrastructure at all German plant locations | 2020 | in progress |

Employees and society

| Strategic goal | Related to SDG | Measures (extract) | Goal deadline | Status 2018 |
|--|---|--|---------------|-------------|
| Employee advancement and development | | | | |
| Demand-oriented and predictive qualification and development for all employees |  | Succession planning as a part of the global talent management process | 2019 | fulfilled |
| |  | Worldwide implementation of the new learning management system as part of the "Qualification for Tomorrow" initiative | 2020 | in progress |
| Occupational health and safety | | | | |
| Ensuring a healthy occupation until retirement age is reached by avoiding unhealthy physical stresses at the workplace |  | Review of all workplaces to detect potential unhealthy physical stresses and application of an ergonomic analysis tool prior to revision worldwide | 2021 | in progress |
| Continuous reduction of occupational accidents by 10% per year (measurement: AccR) |  | Conversion of the sites certified according to OHSAS 18001 to ISO 45001 | 2021 | in progress |
| |  | Implementation of appropriate measures taking into account site-specific conditions | continuous | fulfilled |

Employees and society

| Strategic goal | Related to SDG | Measures (extract) | Goal deadline | Status 2018 |
|--|--|--|---------------|-------------|
| Diversity | | | | |
| Targeted support of diversity within the corporation through diversity management | 5  | Piloting a “mentoring” program | 2018 | fulfilled |
| | 5  | Expansion and global rollout of the “reverse mentoring” program | 2019 | in progress |
| | 5  | Expansion of diversity management in HR core processes | 2019 | in progress |
| | 5  | Introduction of targeted mentoring for women | 2019 | in progress |
| | 5  | Definition of internal reporting and diversity KPIs | 2020 | in progress |
| Compensation and retirement benefits | | | | |
| Global development, harmonization, and simplification of Schaeffler compensation models | 8  | Global rollout of job grading (job assessment method) | 2020 | in progress |
| Global implementation of the job catalog as the basis for the main compensation, supplemental, and other HR processes | 8  | Global rollout of the job catalog incl. technical mapping in the HR core systems | 2020 | in progress |
| Work-life balance | | | | |
| Expansion of flexible and mobile working conditions to keep up with the demands of changing work environments and future generations | 8  | Flexible working hours solutions such as part-time, partial retirement, and reverse shift models | continuous | in progress |
| Corporate citizenship | | | | |
| Realize transparent corporate citizenship and integrate it within the specific business divisions | 17  | Introduction of a globally valid sponsoring concept for the Schaeffler Group | 2020 | in progress |

6.4 Report profile

With the sustainability report 2018, the Schaeffler Group is informing its stakeholders, including employees, customers, and business, finance, and research partners, about goals, measures, and progress toward responsible corporate governance for the third time in a row.

The underlying data management has been optimized to transparently present the sustainability performance in the fields of action “sustainable management”, “customers and products”, “environment and energy”, and “employees and society”. For the first time, the performance indicators are shown for three years. In the magazine section, two concrete examples per field of action also show how Schaeffler advances its sustainability projects.

The report was formulated in keeping with the GRI standards for sustainability reporting of the Global Reporting Initiative (GRI) according to the “core” option. The information relates to the entire Schaeffler Group with its business fields. Where it seems useful, a reference is made to supplementary information in the annual report or to further sources. The reporting period corresponds to the business year that runs from January 1 to December 31, 2018. The editorial deadline for this report was March 15, 2019.

The report was written up by order of the Executive Board of the Schaeffler Group. The Board reviewed and released the report content. The information on economic matters in the sustainability report 2018 is based on the Schaeffler Group information from the annual report 2018. The report additionally contains non-financial information that was reviewed in a business audit in the context of preparing the separate non-financial report 2018.


This document contains forward-looking statements that reflect management’s current views with respect to future events. Such statements are subject to risks and uncertainties that are beyond the Schaeffler Group’s ability to control or estimate precisely, such as future market and economic conditions, the behavior of other market participants, the

ability to successfully integrate acquired businesses and achieve anticipated synergies, and the actions of government regulators. If any of these cases or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. The Schaeffler Group does not intend or assume any obligation to update any forward-looking statements to reflect events or circumstances after the date of this report.


The Schaeffler Group's sustainability report is available in German and English. In case of discrepancies, the German version is binding.

As in previous years, the sustainability report is published in PDF and online versions. In the course of digitalization and in order to conserve resources, a printed version has been deliberately omitted for the first time.

The company accepts questions and comments about responsible corporate management at the Schaeffler Group via the email address sustainability@schaeffler.com.

 **Further information on sustainability can be found at www.schaeffler-sustainability-report.com/2018**

Editorial note: For better readability, this report generally uses only the masculine form when referring to groups of persons. Unless indicated otherwise, these statements should not be construed to refer to a specific gender. In addition to “Schaeffler Group”, the term “the company” or the short form “Schaeffler” are also used. Deviations of individual pieces of information from this report framework are cited accordingly.

 **Additional information on the Schaeffler Group's contribution to the United Nations Sustainable Development Goals (SDGs) can be found in the online report at www.schaeffler-sustainability-report.com/2018**
An expanded key figure set is available at www.schaeffler-sustainability-report.com/2018

GRI 102-32 | 102-46 | 102-49 | 102-50 | 102-51 | 102-52 | 102-53 | 102-56