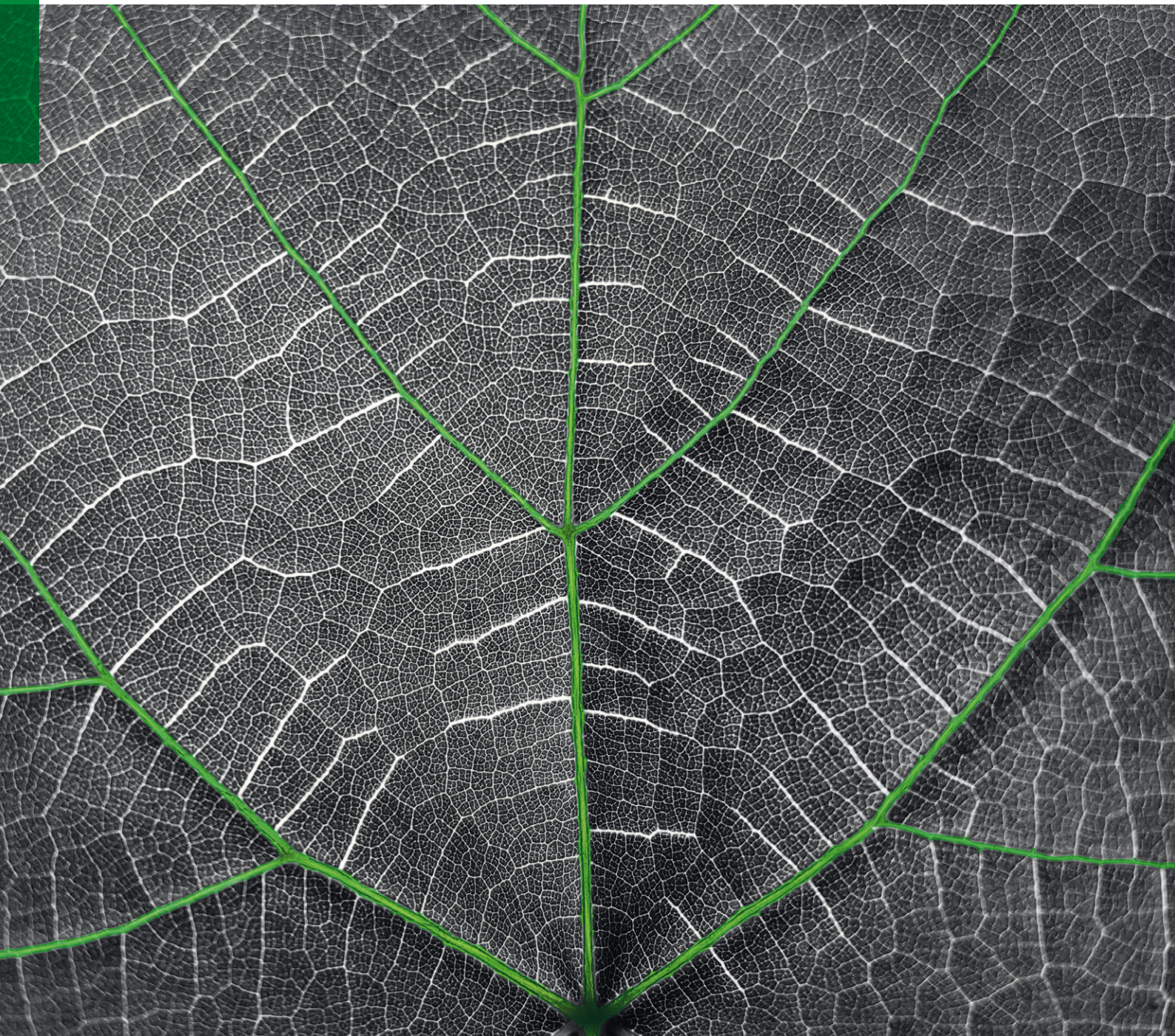


We pioneer motion

# Sustainability Report 2020



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## Note on non-financial reporting

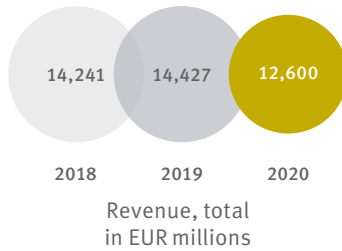
The Sustainability Report 2020 also includes the combined separate non-financial report (GNFK) of the Schaeffler Group. The company is thereby disclosing the required non-financial information in accordance with

the CSR Directive Implementation Act Sections 289, 315 German Commercial Code. GNFK-relevant contents are marked in the report with the following symbols: (P) > < (P)

# Key figures on sustainability

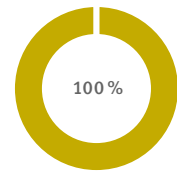


## Customers and products



1,875

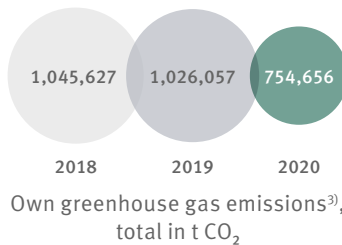
Patent applications<sup>1)</sup>



Coverage rate of quality management systems<sup>2)</sup>

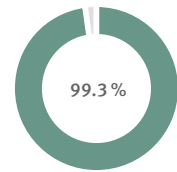


## Environment and energy



3,005

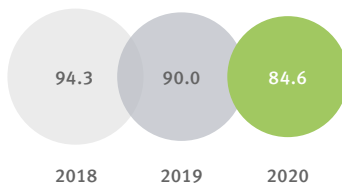
Energy consumption<sup>4)</sup>, total in GWh



Coverage rate for ISO 50001 certification<sup>5)</sup>

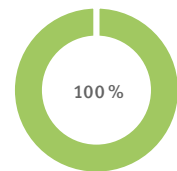


## Suppliers and materials



30.9

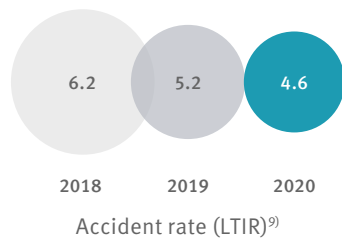
Percentage of the purchasing volume of production material suppliers with SAQs<sup>7)</sup>, in %



Coverage rate of certified smelters in the supply chain<sup>8)</sup>

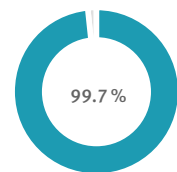


## Employees and society



83,297

Employees, total



Coverage rate for ISO 45001<sup>5)</sup>



A complete overview of all key figures on sustainability can be found on [page 51 et seq.](#)

1) Patent applications concern first filings at the German Patent and Trademark Office (DPMA). 2) According to the scope of the Schaeffler Group's management manual and valid certification rules. 3) 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). Total of Scope 1, Scope 2 (market-based). The reduction is primarily due to the purchase of 100% green electricity in Germany, Austria, Slovakia, Mexico, Spain, and the United Kingdom. 4) Energy sources included: electricity, natural gas, district heating, propane, fuel oil, without the amount of electricity produced by the gas-powered CHP. Including photovoltaic electricity generated internally as of 2020. 5) Relating to employees on the production sites. 6) Response rate of suppliers surveyed on the use of conflict minerals as defined under the Responsible Minerals Initiative. 2020 value checked in interim status in December 2020. 2019 figure adjusted compared to Sustainability Report 2019 in accordance with the regular survey period. Lower response rate in 2020 due to twice as many suppliers surveyed. 7) Self-Assessment-Questionnaire (SAQ). 8) Risk areas as defined in the RCOI. Survey period from March to February of the following year. 9) Measurement of Lost Time Injury Rate, LTIR = occupational accidents from one lost day per 1 million hours worked. Employees, including temporary staff, apprentices, and interns.



## Ladies and gentlemen,

Sustainability plays a key role in the implementation of our corporate strategy and is an integral part of our Roadmap 2025. The Roadmap 2025 defines not only our strategic focus and execution program, but also the mid-term targets that we want to achieve. Most notably, this also includes our sustainability targets, which we integrated into the remuneration of our top management in the reporting period.

Our production processes focus on energy efficiency, environmental compatibility, and conservation of resources as reflected in our targets. Our manufacturing processes will be carbon-neutral at all of our production sites worldwide by 2030, representing our contribution to climate protection. In parallel, we are continuously expanding our climate protection ambitions and are gradually incorporating the entire supply chain.

With its different facets and challenges, sustainability is becoming a key management task for the coming years. Sustainability is a mindset and requires a holistic approach. For the Schaeffler Group, creating sustainable value means focusing not only on our own processes and supply chain, but also on our products. Think, for example, of our expertise in electric mobility or wind power. We at the Schaeffler Group particularly see a potential in the generation and use of hydrogen. As a preferred technology partner, we want to be able to offer our customers and business partners sustainable solutions, so that we can master the challenges of the future together.

In the context of the United Nations' 75th anniversary, the Schaeffler Group has been selected as one of 50 Sustainability and Climate Leaders worldwide. We see this as recognition of the work we have done so far as well as motivation to continue along this path. By joining the United Nations Global Compact, we have committed ourselves to its ten principles. With this Sustainability Report, we also fulfill the associated requirement to report on our progress. We firmly believe that strong international partnerships are especially important when it comes to promoting and establishing sustainability around the world. Our Sustainability Report allows us to present and measure our progress.

I would like to take this opportunity to thank all Schaeffler Group employees, and partners having contributed to the joint success, for their dedication. I hope you find our Sustainability Report 2020 interesting and informative.

A handwritten signature in blue ink that reads "Klaus Rosenfeld". The signature is fluid and cursive, written in a professional style.

**Klaus Rosenfeld**  
Chief Executive Officer

# Systematically promoting sustainability

Corinna Schittenhelm, Chief Human Resources Officer and responsible for sustainability, and Thomas Fußhöller, Head of Sustainability, talk about the importance of sustainable management for the company.

2020 was an eventful year in many ways – the coronavirus pandemic required a new level of responsible behavior. What role does sustainability play for the Schaeffler Group?



“ Sustainability is part of the Schaeffler Group's DNA and a requirement for future growth.

**Corinna Schittenhelm**  
Chief Human Resources Officer  
and responsible for sustainability

**Corinna Schittenhelm:** Besides exposing social, geopolitical and macroeconomic interdependencies, the coronavirus pandemic also added to the complexity of challenges we have faced in the past year. Most importantly, we have kept our focus on sustainability and especially on climate protection measures. Our stakeholders support this approach, particularly when it comes to the ESG criteria regarding environment, social and governance. Sustainability is part of the Schaeffler Group's DNA and a requirement for future growth.

**Thomas Fußhöller:** Sustainability is a key priority of the Roadmap 2025. The Climate Neutrality, Sustainable Sites, and Reporting & Ratings initiatives were launched in 2020 as part of the execution program. In this way, we were able to bundle existing activities and clearly formulate our targets.

The company defined concrete sustainability targets in 2019. What measures were achieved and what progress was made in 2020?

**Thomas Fußhöller:** The Sustainability Committee, which consists of members of the Executive Board and employees of the first management level, adopted seven sustainability targets. Since 2020, the purchased power of all German production sites has come from 100 % renewable sources. The program will be rolled out at all of our plants worldwide by 2024. We also follow a systematic approach to increase energy efficiency. 100 measures were implemented at our plants in 2020, leading to improvements of more than 27 gigawatt hours in the production process. We have committed ourselves to cumulated annual efficiency gains of 100 gigawatt hours until 2024.

“ We have committed ourselves to cumulated annual efficiency gains of 100 gigawatt hours until 2024.

**Thomas Fußhöller**  
Head of Sustainability

**Corinna Schittenhelm:** It can be surely assumed that the availability of freshwater will continue to decline on a global basis as a result of climate change. Here, too, we have committed ourselves to systematically

reduce water usage over the next ten years. And our efforts are showing results. The Schaeffler Group managed to further improve its performance in key sustainability ratings in 2020. We are proud of the fact that we were able to improve our CDP climate rating from “D” to “A-” in just two years. It is worth noting that we achieved this goal one year earlier than originally planned.

“ We are proud of the fact that we were able to improve our CDP climate rating from “D” to “A-” in just two years.

**Corinna Schittenhelm**  
Chief Human Resources Officer  
and responsible for sustainability

Just like climate protection, the company's social responsibility takes key priority – in what ways will Schaeffler continue to accept this responsibility in the future?



“ Continuing professional development is key, which is why we will be offering our employees a sustainability training in 2021.


**Thomas Fußhüller**  
Head of Sustainability

**Corinna Schittenhelm:** Our employees are key pillars of the Schaeffler Group's success, which is why improving occupational health and safety on a continuous basis is a top priority for us. We have therefore set ourselves the target of reducing the

accident rate by an average of 10 % every year until 2024. Thanks to targeted measures, the annual reduction target was achieved for the fourth time in a row in 2020.

**Thomas Fußhüller:** We also view the advancement and continuing professional development of the workforce as a key factor in our efforts to successfully drive the transformation in our industries. Digital tools and their integration into day-to-day work are especially important and widely used, particularly in times of social distancing. For example, digitalization has allowed us to offer more than 100 of our trainings live and online. We will also offer our employees a web-based sustainability training in 2021.

**Corinna Schittenhelm:** Our sustainability report provides an insight into the focus of our efforts in 2020 and how the Schaeffler Group developed in terms of key figures and targets. In the magazine, we present global key challenges that had a major impact on our activities in 2020. More detailed information is published in our online report.

 **The online report contains additional statements from the members of the Board of Managing Directors of the Schaeffler AG with regards to sustainability.**

# GLOBAL CHALLENGES. JOINT SOLUTIONS.



Wind turbines play a decisive role in ensuring a sustainable energy supply for the future.



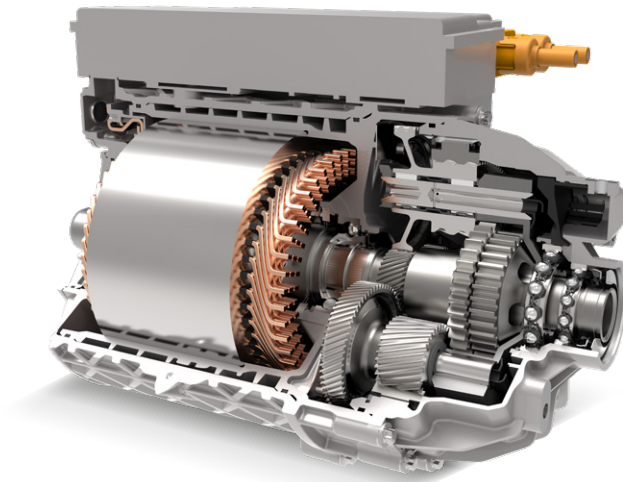
## Together for more climate action

Effective climate protection requires a high degree of agility and adaptability. As one of the world's leading automotive and industrial suppliers, Schaeffler develops solutions and components for a sustainable energy and mobility transition – and plans to introduce carbon-neutral production by 2030.



# “A-”

CDP climate rating  
achieved in 2020



With the innovative 3-in-1 electric axle system, Schaeffler combines an electric motor, power electronics, and a drive unit in a single system.

## Establishing climate protection

Effective climate protection requires management-oriented targets. With three specific targets, Schaeffler promotes climate-friendly measures throughout its value chain:

- Carbon-neutral production by 2030
- An increase in energy efficiency of 100 GWh by 2024
- 100 % of the power supply generated through renewable sources by 2024


## Promoting carbon-neutral production


Schaeffler has laid the groundwork to achieve carbon-neutral production by 2030, which includes measures to increase energy efficiency and the purchase of green electricity. As of 2020, 100 % of the company's purchased power in Germany comes from renewable sources. Other Schaeffler locations, e.g. in India, Mexico, and Austria, are also switching to green electricity. The needle-bearing plant in Elgoibar, Spain, has already achieved an important milestone, as its production has been 100 % carbon-neutral since 2020. In addition to introducing energy efficiency measures and compensating for unavoidable CO<sub>2</sub> emissions, the company managed to plant

# Carbon-neutral production

by 2030


more than 2,000 native trees by the end of 2020, which not only helps to trap CO<sub>2</sub>, but also promotes biodiversity in the region.

 **More information on reducing CO<sub>2</sub> in production can be found on page 33 et seq.**

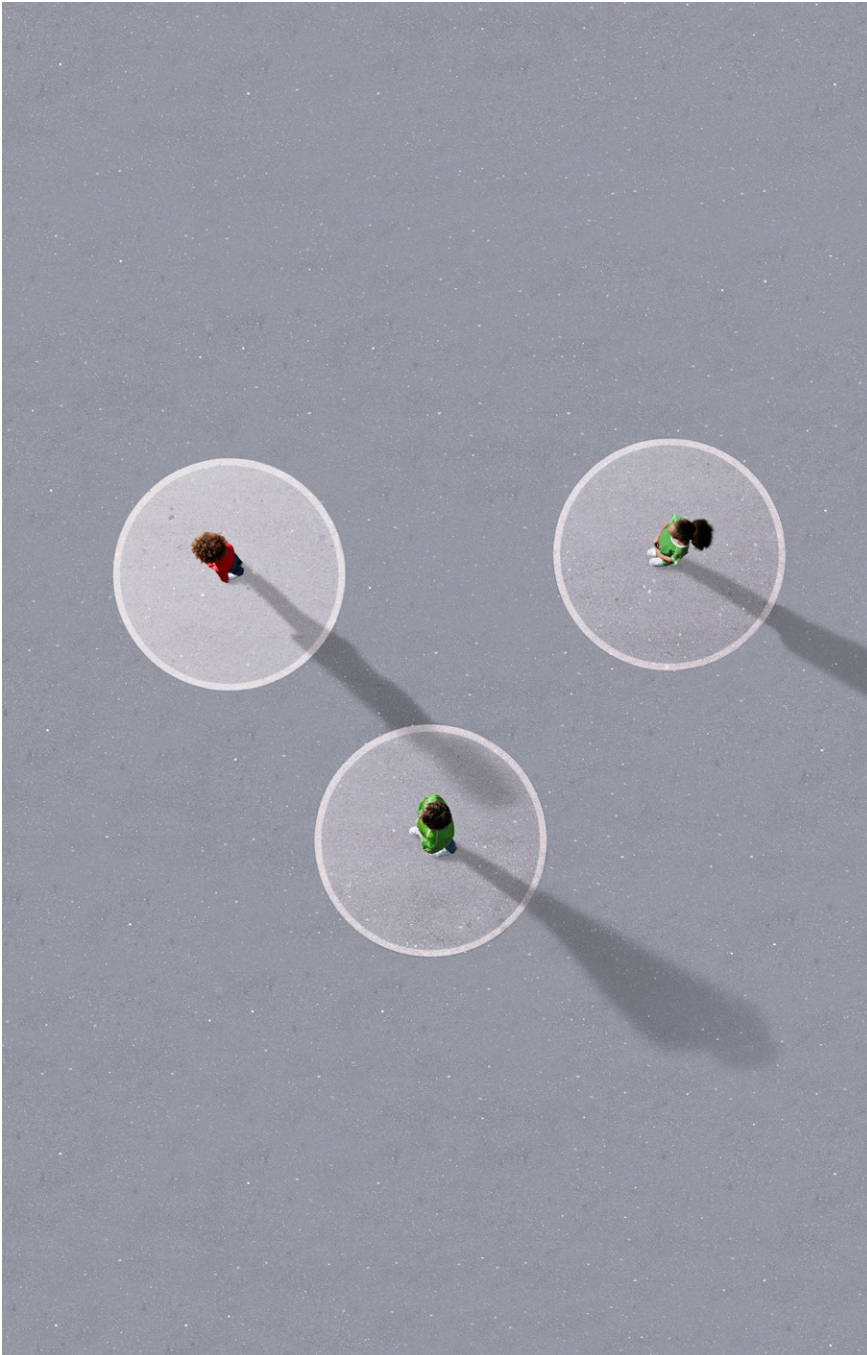
 **Additional information can be found in the [online report](#).**

## Promoting the mobility and energy transition

Above all, sustainable mobility will be achieved through an interplay of renewable energy generation, CO<sub>2</sub>-efficient drives, and the extension of the life cycle in accordance with the latest environmental standards. This topic is represented throughout Schaeffler's core business: In addition to developing future-oriented solutions that make the switch to renewable energies more economical – e.g. with low-friction bearings for wind turbines – Schaeffler also provides tailored solutions for a mix of different drives, with a key focus on E-Mobility. Schaeffler's product portfolio is full of drive solutions for electric vehicles that are ready for series production, including an electric axle used in a highly effective power-train for increased efficiency.

 **More information on innovative mobility and industrial solutions can be found on [page 24 et seq.](#)**

# Out of the crisis: Stronger together



Social distancing was a part of our daily life in 2020.

Schaeffler assumes social responsibility and does its part to mitigate the coronavirus pandemic, thus protecting employees, maintaining business operations, and minimizing social consequences. Collaborative partnerships with suppliers and customers as well as digital tools for supply chain management have helped Schaeffler avoiding supply shortages.

## Managing the crisis

The coronavirus pandemic is pushing people and companies to their limits, calling for pragmatic solutions and collaboration. Schaeffler plays an active role in mitigating the crisis. All locations have consistently introduced measures to reduce the risk of infection. In addition to distancing and hygiene rules, these measures also include redesigning workstations and enabling employees to work from home.




Schaeffler has been producing its own masks in Taicang, China, since spring 2020.

# 100,000

face masks are produced every day at Schaeffler

At Schaeffler, well-functioning crisis management is primarily the result of early collaboration across divisions and between central, regional, and local units and functions. Business processes were adapted without the weight of bureaucracy and, in some cases, within a very short period of time. For example, Schaeffler has been producing its own face masks for its employees at its plant in Taicang, China, since spring 2020, for which a fully automated production line was planned and implemented in just five weeks. 3D printing capacities at the company's locations in Mexico, Germany, and Turkey are also used to produce face shields.


 **More information on crisis management can be found on page 22 et seq.**

# 100%

delivery thanks to secured supply chains

## Securing the supply chain

Thanks to its diversified, global production network, Schaeffler can compensate for local shortages by means of redistribution, a benefit that can provide stability during the coronavirus pandemic and other crisis situations. Since Schaeffler needs to be able to analyze its supply chains in real time, so that it can anticipate potential shortages and respond promptly with mitigation measures, the company introduced the Risk Tower, a tool that helps to digitally secure supply chains. All relevant information converges at virtual supply chain control centers and activates an alarm any time a potential shortage is identified. However, digital analysis cannot replace personal exchange. Close coordination with its suppliers and contacts – e.g. in the form of regular supplier conferences that are now held digitally – also helped Schaeffler to avoid supply shortages.

 **More information on supplier management can be found on page 37 et seq.**


## Mitigating social consequences

The coronavirus pandemic has put health and social systems around the world to its limits, particularly in emerging and third-world countries.

# EUR 1.63 m

have been donated to organizations and social institutions to mitigate the consequences of the coronavirus pandemic

For example, rural communities in India have only limited access to timely health care. In order to improve the situation for the disadvantaged communities in Vadodara and Pune, Schaeffler India has launched the Mobi-Health initiative through its CSR program HOPE. Mobile health units play an important role in ensuring the provision of free, basic medical care for those in need in more than 80 villages.

 **More information on corporate citizenship can be found on page 48 et seq.**

# Navigating the digital future together



For Schaeffler, the digital transformation is an engine for new processes, innovations, and business models. Sustainable product solutions are at the heart of the transformation – which involves both technological and cultural changes – and are made even more efficient and durable with the aid of digital tools.

On the road to digital transformation.

## Managing digitalization

For Schaeffler, digitalization is a central, cross-sectoral topic that will advance the company along its entire value chain. Various departments shape the digital transformation accordingly within the Schaeffler Group. To underline the significance of the topic, the departments involved were united in early 2020 to create a new, strategic Digitalization department at the Nuremberg location – with a direct reporting line to the Chief Executive Officer. The restructuring also bundles the topic spatially: The team members of the central IT and Digitalization departments work together at the Air Campus in Nuremberg, which with its modern New



The new Air Campus Nuremberg bundles different areas of digital expertise.

Work concept offers a work environment that promotes innovation and transformation. Protecting information and data is extremely important to Schaeffler, which is why maximum cybersecurity is always ensured for all internal and external digital solutions.

**More information on data protection, information security, and cybersecurity can be found on [page 22 et seq.](#)**



OPTIME enables early detection of potential machine damage and errors.

## Condition monitoring

Schaeffler supplies its customers with intelligent, connected systems and components for different applications, whether wind turbine, production machine, or railway vehicle. Predictive machine monitoring receives special attention in order to control functionality, detect initial deviations from regular operation at an early stage, and schedule maintenance at the optimal time. One example is OPTIME, an application solution for automated, sensor-controlled condition monitoring for industrial systems. The newly developed system can predict malfunctions weeks in advance and provides information about the causes, as it continuously and automatically carries out analyses based on algorithms. This not only offers economic benefits, but also has a positive impact on the service life and energy consumption of the connected machines.

**More information on industrial solutions can be found on [page 24 et seq.](#)**

**Additional information can be found in [the online report.](#)**

## Aftermarket in transition

While digitalization takes a critical look at even the most established business models, it also offers new opportunities for data-based innovations. This trend is especially relevant when it comes to online trading for automotive spare parts. Schaeffler has responded to this development with an increased focus on digital sales opportunities and has already established a new platform for digital sales in China. Schaeffler has also completed the assembly and packaging center for Europe in Halle/Saale: The “Aftermarket Kitting Operation Europe” (AKO Europe) represents yet another step towards ensuring a tailored, agile delivery of spare parts. The AKO will cover at least 60 % of global stocks by 2023 and consolidate delivery of spare parts for the Automotive Aftermarket, thanks to digital solutions. CO<sub>2</sub> emissions will drop by around 20 % as a result of the shortened transport routes and higher transport capacities.

**More information on the Aftermarket can be found on [page 28 et seq.](#)**

# 1

## Strategy and management

The Schaeffler Group is a publicly listed family business with a strong foundation in its values that shape its entrepreneurial activity and corporate culture. Economic success, long-term orientation, and awareness of the social and environmental concerns of its own business are traditionally closely interlinked in the Schaeffler Group.

The new Roadmap 2025 defines three strategic priorities – innovation, agility, and efficiency. The company has established management structures and processes to implement these priorities and thus to ensure that all business activities along the entire value chain are legally compliant and meet highest ethical standards.

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With its activities in the action field Strategy and Management, the Schaeffler Group contributes to the Sustainable Development Goals (SDGs) “Decent work and economic growth” (SDG 8) and “Partnerships for the goals” (SDG 17). The new corporate strategy aims to reconcile social and environmental requirements with all company activities. The “Sustainability & Engagement” subprogram ensures consistent implementation.



## 1.1 Fundamental information about the Schaeffler Group

### AT A GLANCE

- The Schaeffler Group offers innovative products in the Automotive Technologies, Automotive Aftermarket, and Industrial divisions
- Around 83,300 employees work together across divisions and countries at around 200 locations worldwide

### Organizational structure and business activities

Ⓜ > The Schaeffler Group is a global automotive and industrial supplier. Employing a workforce of approximately 83,300, the company develops and manufactures high-precision components and systems for engine, transmission and chassis applications, electrified powertrain systems, as well as rolling and plain bearing solutions for several industrial sectors. These include innovative and sustainable technologies both for vehicles with internal combustion engines and for hybrid and electric vehicles, as well as components

and systems for rotary and linear motion, and services, maintenance products, and monitoring systems for a large number of industrial applications. Additionally, the company provides repair solutions in original-equipment quality for the automotive spare parts market worldwide.

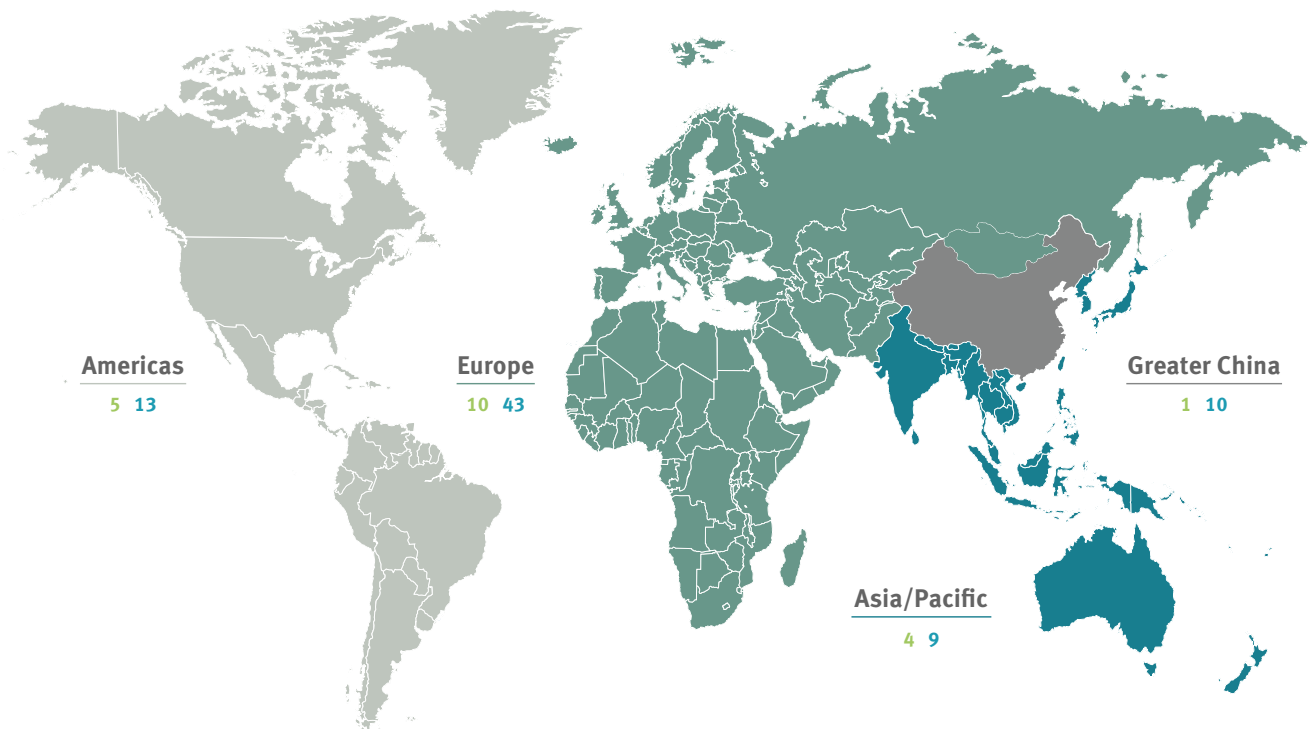
The Schaeffler Group is characterized by a three-dimensional organizational and leadership structure which differentiates between divisions, functions, and regions. The group's business is based on the three divisions – Automotive Technologies<sup>1)</sup>, Automotive Aftermarket, and Industrial – which also represent reportable segments. The Automotive Technologies division is based at the Buehl location, the Automotive Aftermarket division at the Langen location, and the Industrial division at the Schweinfurt location. The corporate head office of the Schaeffler Group is located in Herzogenaurach.

📖 More information on the organizational and management structure as well as the legal structure of the group can be found in the current Annual Report on [page 1 et seq.](#) < Ⓜ

# 200

locations worldwide

### Schaeffler Group plants and R&D centers



Regions reflect the regional structure of the Schaeffler Group.

1) The "Automotive OEM" division was renamed "Automotive Technologies" on October 26, 2020.

## Locations and production network

☎ > With its approximately 200 locations worldwide, 75 production facilities in 22 countries, 20 research and development centers, and a tight-knit sales and service network, the Schaeffler Group's customers always find it close at hand.<sup>2)</sup> The company has a global production system. The plants, which employ approximately 65,000 staff, form the core of the Schaeffler Group's operations and are managed based on uniform principles on a cross-divisional basis. < ☎

The Strategy 2025 should always be implemented in accordance with social and environmental requirements. The cross-divisional “Sustainability & Engagement” subprogram was thus defined in an effort to emphasize priority and properly accommodate the four company values: Sustainable, Innovative, Excellent, and Passionate.

☎ **More information on the Roadmap 2025 can be found in the current Annual Report on page 12 et seq.**

## 1.2 Corporate strategy

### AT A GLANCE

- Sustainability is an integral part of the Schaeffler Group's corporate values and thus both an obligation and opportunity
- The subprogram “Sustainability & Engagement” anchors sustainability in the corporate strategy Roadmap 2025

## 1.3 Sustainability management and organization

### AT A GLANCE

- The Sustainability Committee is the central decision-making body
- Sustainability targets have been integrated into the variable remuneration of top management since 2020

## Corporate strategy – Roadmap 2025

The Roadmap 2025 conceptual framework consists of three key elements:

- The Strategy 2025 defines the strategic approach and the course of action
- The Execution Program 2025 defines seven specific sub-programs
- The Mid-term Targets 2025 provide a financial objective and correspond with the overarching aim of generating value over the long term

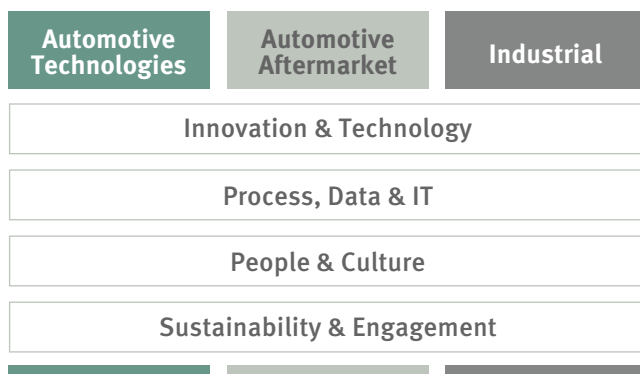
## Incorporating governance into sustainability management

For the Schaeffler Group, sustainable corporate success means assuming environmental and social responsibility – in production, in the use phase of customer's products and by incorporating suppliers. Sustainable behavior is viewed as a cross-sectoral topic throughout the entire company.

☎ > With the sustainability roadmap, the Schaeffler Group addresses key topics such as climate protection, occupational safety, and a sustainable supply chain. The company relies on a Sustainability Committee as a central decision-making body to give these topics the attention they deserve. The Sustainability Committee meets on a quarterly basis and consists of eight Schaeffler AG Executive Board members, four regional CEOs, and the function heads of departments associated with sustainability. Based on the Sustainability Coordination Council's preliminary work, the Sustainability Committee makes central strategic decisions for sustainable development, sets non-financial group targets, and monitors the progress of the execution programs. The Sustainability Committee has defined company-wide sustainability targets – the achievement of the energy efficiency target and the CDP score have an impact on the top management's remuneration.

☎ **An overview of the sustainability targets can be found on page 57 et seq.**

## Divisional and cross-divisional subprograms



<sup>2)</sup> The definition of locations was revised and adapted to the new structures in the reporting year.



### Sustainability organization



The Sustainability, Environment, Health and Safety (SEHS) department – as part of the HR function – is responsible for the group-wide sustainability management. It defines performance indicators, supports execution programs, conducts internal and external sustainability reporting, and organizes and supports dialogues with key stakeholders. The operational implementation of sustainability-related topics is executed decentralized in various functions, divisions, and regions of the Schaeffler Group. <img alt="Creative Commons License icon" data-bbox="300 468 318 483"/>

In the reporting year, the internal reporting was expanded to include a monthly Sustainability Performance Report, submitted to the Chief Executive Officer, among others. The report provides a summary of current sustainability developments as well as information about various topics, including the status of targets such as the reduction in occupational accidents.

To reinforce its global commitment to sustainable development, the Schaeffler Group is a signatory and supporter of the ten principles of the “UN Global Compact”. It reinforced this obligation by signing the “Statement from Business Leaders for Renewed Global Cooperation” in the reporting period.

 **Activities in the UN Global Compact can be found at:**  
[UN Global Compact](#)

### Sustainable projects refinanced by green Schuldschein loan

As part of its advanced Sustainability Strategy, the Schaeffler Group has also broken new ground in corporate financing. Based on current market standards for sustainable financing, the Schaeffler Group Green Finance Framework was developed. Following the portfolio approach, financing proceeds are used for qualified projects according to strictly defined eligible sustainability categories.

# EUR 300 m

refinanced sustainable projects for zero-emission mobility and climate-friendly energy production

As debut “green” financing transaction under its Green Finance Framework, the Schaeffler Group has placed a “green” Schuldschein loan in the second quarter of 2020. In this transaction sustainable projects from 2017 to 2019, particularly in the categories of zero-emission mobility and generation of climate-friendly wind power, were refinanced with a total volume of EUR 300 m.

With the Schaeffler Group Green Finance Framework and the Schuldschein loan transaction, the company has laid the foundation for prospective financing of sustainable investments.

 **Schaeffler Group Green Finance Framework and second-party opinion at:** [Green Finance Schaeffler Gruppe](#)

## 1.4 Materiality and stakeholder management

### AT A GLANCE

- The materiality analysis was validated by the Sustainability Committee in 2020 and expanded to include the topic of taxes in the sense of social responsibility
- Material progress in the implementation of the Sustainability Roadmap improved performance in sustainability ratings

### Identifying key topics

Ⓢ > Eleven key issues were identified for the Schaeffler Group through a comprehensive materiality analysis in 2019. These are relevant both for understanding the core business, business results, and the company situation as well as for understanding the impact on non-financial aspects. The individual steps of analysis can be found in the Schaeffler Sustainability Report 2019. The issues were validated by the Sustainability Committee in 2020 and expanded to include the topic of taxes in the sense of social responsibility. The Schaeffler Group also reports on other relevant sustainability issues. < Ⓢ

The Schaeffler Group not only incorporates stakeholders in the materiality analysis, but also continuously maintains close contact with them. In addition to customers, employees, and suppliers, the most important stakeholders also include investors, analysts, associations, universities, and research institutes. The following are just some of the exchange formats offered in the reporting period:

- Customer workshops in the automotive sector
- Dialogue with industry associations
- Exchange of professional expertise with universities

### Initiatives and associations

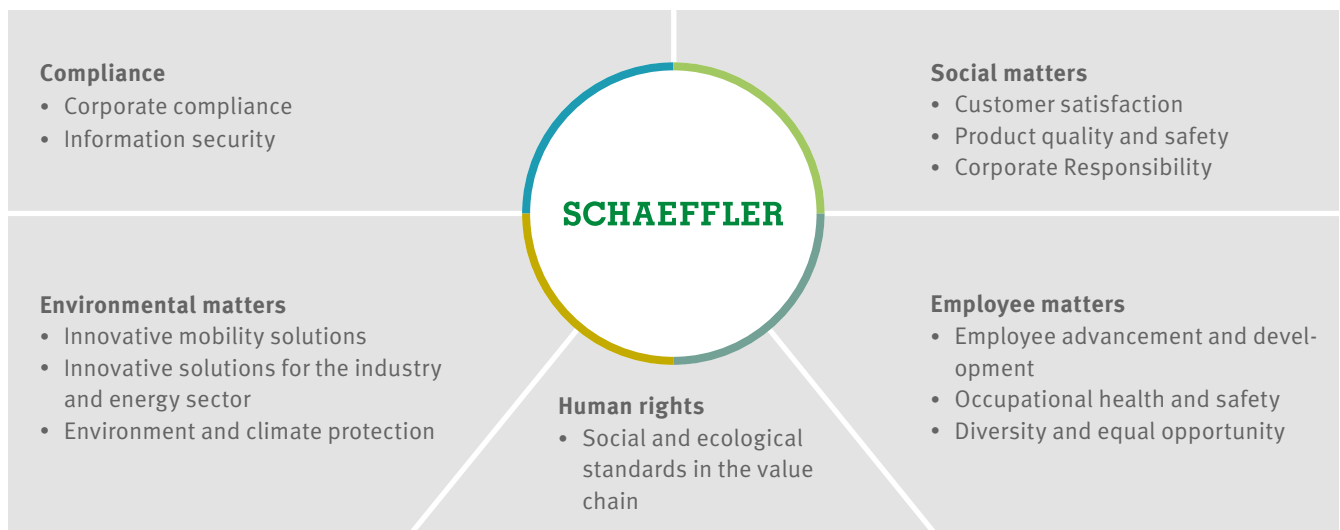
To establish a shared understanding of sustainability, the Schaeffler Group is involved in a variety of initiatives and associations that promote standardized measures and processes for effective sustainability management. This includes activities in relevant working groups such as the following organizations:

- German Association of the Automotive Industry (VDA)
- Mechanical Engineering Industry Association (VDMA)
- Responsible Minerals Initiative (RMI)
- European Association of Automotive Suppliers (CLEPA)
- Associazione Nazionale Filiera Industria Automobilistica (ANFIA)

The Schaeffler Group is also involved in multi-stakeholder initiatives such as the two industry dialogues of the National Action Plan on Business and Human Rights (NAP). As a member of the Value Balancing Alliance (VBA), the Schaeffler Group is also working with other companies to develop a consistent standard for measurement and monetary assessment of the environmental and social impacts of companies.

Ⓢ **List of selected memberships in initiatives and associations:**  
Selected memberships of the Schaeffler Group

### Material non-financial topics in 2020



## Ratings and rankings

The Schaeffler Group further improved its sustainability ratings and rankings in the reporting year through consistent implementation of the Sustainability Roadmap. Most noteworthy is, among other things, the further improvement of the CDP climate rating from “B-” to “A-”. The goal of “A-” by 2021 was thus achieved ahead of schedule.



Ⓢ > Measures to improve the rating included the targeted introduction of climate management across all relevant functions that help to improve the carbon footprint, identify and evaluate relevant climate-related opportunities and risks, and calculate upstream Scope 3 emissions in accordance with the GHG Protocol. Further measures for 2021 include increasing the percentage of green electricity in the electricity mix, expanding energy efficiency measures, and reporting CO<sub>2</sub> reductions per measure implemented. < Ⓢ

The Schaeffler Group achieved the following results in additional ratings and rankings:

Rating	Current rating	Previous rating
	<ul style="list-style-type: none"> <li>• Climate: score of “A-”</li> <li>• Water: score of “B-”</li> </ul>	<ul style="list-style-type: none"> <li>• Climate: score of “B-”</li> <li>• Water: score of “B”</li> </ul>
	Silver status 65/100 points	Silver status 60/100 points
	18.5 (“low risk” category) <sup>1)</sup>	19.5 (“low risk” category)

1) Assessment distinguishes between five risk categories, with 0 representing the best and 100 the lowest value.

## 1.5 Corporate governance

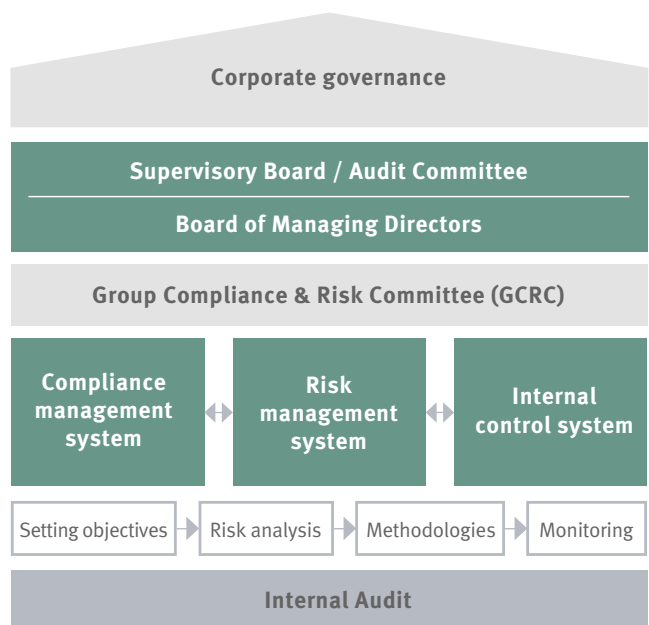
### AT A GLANCE

- The Group Compliance & Risk Committee is a key component of the governance structure
- No reportable non-financial risks were identified in the reporting period

### Responsible corporate governance


Ⓢ > Trusting customer relationships and acting with integrity are an integral part of corporate governance. In principle, business dealings and relationships are only entered into if they are in line with the corporate values Sustainable, Innovative, Excellent, and Passionate. The Schaeffler Group's governance structure supports this approach, creates the necessary transparency within the organization and with regards to responsibilities, and thus ensures coordinated collaboration.

### Schaeffler Group governance structure




The Group Compliance & Risk Committee (GCRC) represents the most important governance component, and is chaired by the Schaeffler Group's Chief Compliance Officer. The committee is made up of each of the heads of the relevant governance functions – including compliance, internal control system, internal audit, and risk management – and is responsible for 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

interfaces and to clearly delineate responsibilities. In addition, it is expected to create a consistent and complete view of the risk situation in all of the divisions, functions, and regions based on a uniform measurement and prioritization methodology. A further objective of the GCRC is developing and monitoring risk mitigation activities. The “Compliance & Risk Working Group”, consisting of employees from the functions represented on the GCRC, provides operational support to the GCRC.


The elements of the governance structure work together in accordance with the internationally recognized three-lines model (previously known as the “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. The governance structure was expanded to include the Global Risks & International Affairs function in 2020. < 

## Transparent risk reporting

 > The Schaeffler Group deliberately takes calculated business risks in order to achieve its corporate objectives and thus implement its corporate strategy and exploit the associated opportunities. The risk management system aims to identify these risks at an early stage and to manage them in accordance with the risk strategy.

The Schaeffler Group's opportunity and risk reporting in the group management report 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. It also includes risks related to the Schaeffler Group's business operations, business relationships, or products and services.



With the integration of the non-financial risk assessment into the Schaeffler Group's risk management system, the assessment of the non-financial risk impact of the five reportable aspects – in addition to the evaluation of their financial risk impact – is carried out using a similar assessment logic.

The risk survey showed that there were no reportable risks in 2020 in accordance with CSR-RUG (Section 289c, paragraph 3 HGB). As proactive risk management, the EnEHS (Energy, Environment, Health and Safety) management system serves to identify and avoid systematic risks and potential negative impacts from the Schaeffler Group on the environment and occupational health and safety at an early stage. The recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) provide guidance and represent a further development in the analysis of climate-related risks. < 

 **More information on the Schaeffler Group's opportunity and risk reporting can be found in the current Annual Report 2020 on [page 47 et seq.](#)**

 **More information on the TCFD can be found on [page 56.](#)**

## 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 reporting period. The digitalized Competitor Contacts and Associations Register (CARE), which promotes transparency and supports the pre-approval process for competitor contacts, was rolled out worldwide, as was the IT-supported workflow for assessing business contacts, “Know Your Business Partner”, which is integrated into the existing business processes. The process primarily addresses risks associated with corruption and export control and aims to facilitate and improve assessment. A new process for assessing the reliability of candidates applying for sensitive positions at the company was also implemented. With new, special company guidelines for preventing money laundering and the financing of terrorism, steps were taken to further improve management of the corresponding risks and the approach to informing employees about these topics. Guidance for identifying and addressing conflicts of interest was also revised and further defined to increase confidence in recognizing and responding to conflicts of interest. < 

## Compliance management

 > Integrity and compliance are fundamental values of the Schaeffler Group's business conduct. Accordingly, the company pursues stringent standards – particularly when it comes to preventing corruption, money laundering, and economic crime. Additional areas of focus include data protection and information and IT security.


As defined in the Schaeffler Group's Code of Conduct, all employees, managers and Executive Board members are to comply with the applicable local, national and international laws and guidelines down to the letter. The Schaeffler Group's Code of Conduct and compliance guidelines, which address behavior in accordance with antitrust and competition law, conflicts of interest, the fight against corruption, as well as the prevention of money laundering and the financing of terrorism, take laws and additional internal requirements into account. As required, all employees and managers can take part in a consultation on concrete issues via the compliance helpdesk.


 **The Schaeffler Group's Code of Conduct is available at: [Code of Conduct Schaeffler Group](#)**

To uphold its values and standards, the company maintains a compliance management system (CMS) within the framework of the overarching corporate governance structure, as well as a compliance organization that incorporates the entire Schaeffler Group. The head of this organization is the Group Chief Compliance Officer, who regularly reports to the Chief Executive Officer, the Chairman of the Supervisory Board, and the Chairman of the Audit Committee.

Based on national and international standards, the CMS was last audited in 2018 by an independent auditing company in accordance with the IDW AsS 980 standard for auditing compliance management systems. The Schaeffler Group's CMS has a protective function for both the company and its employees. The aim is to prevent and detect any legal violations in the areas of corruption, money laundering, competition and antitrust law, or economic crime (compliance violations) at an early stage. It also serves as a form of active risk control.

As a part of the central competence team for compliance, the "Forensics & Investigations" department is responsible for the independent investigation of alleged violations. Business processes and locations are routinely audited to identify and uncover such violations. Another component of this approach is a globally accessible whistleblowing system that enables anonymous reporting. Potential compliance violations are resolved independently and in full. In the event of violations, all appropriate and legally permissible measures up to the extraordinary termination of employment relationships are taken. < (P)

 **The Schaeffler Group's whistleblowing system is available at:** [Whistleblowing system Schaeffler Group](#)

 **More information on the topic can be found on [page 39 et seq.](#) in chapter "Material Compliance".**

### Compliance training

(P) > To ensure the necessary understanding of compliance among its employees and managers, the company employs face-to-face trainings and e-learnings.

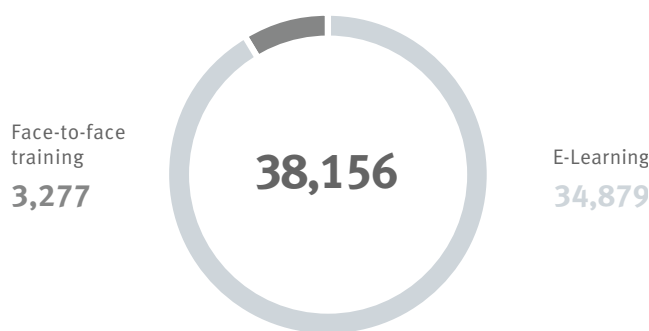
In 2020, the usual face-to-face compliance training courses were carried out as topic-based video conferences in accordance with the risk-based approach due to the coronavirus

pandemic. Topics included the Schaeffler Group's Code of Conduct, competition and antitrust law, and fighting corruption.


Online training courses ensure a consistent level of knowledge on the topic of compliance across all company levels and are continuously developed and tailored to the workforce's tasks. The mandatory basic training was revised in 2020. In addition to well-known compliance topics such as anti-corruption and antitrust and competition law, the "Integrity & Security@Schaeffler" e-learning course covers other topics related to the Code of Conduct, including data protection, information security, cybersecurity, and human rights. The mandatory training also contains information on new and updated compliance measures such as "Know Your Business Partner" and "CARE"<sup>3)</sup>. To establish the "Know Your Business Partner" process in practice, many virtual face-to-face training courses were offered around the world, and a specific online training course was rolled out. Additional online advanced courses will be offered in 2021 on the topics of preventing corruption and observing antitrust and competition law.

34,879 people<sup>4)</sup> (prior year: 6,461) took part in online compliance trainings within the reporting period. The global rollout of the new, mandatory "Integrity & Security@Schaeffler" online course, in particular, is responsible for the significant increase compared to the prior year. Around 95 % (prior year: 98 %) of the invitations to the mandatory online compliance training courses were accepted in 2020.<sup>5)</sup> The compliance rate in the reporting period therefore corresponds to the targeted level of 95 %.

### Participants<sup>4)</sup> in compliance training



Furthermore, 3,277 employees (prior year: 8,091) were trained in face-to-face training sessions and workshops. The significant drop is primarily the result of increased use of digital formats due to the coronavirus pandemic. < (P)

 **More information on the individual subsystems of the governance structure and the compliance management system of the Schaeffler Group can be found in the current Annual Report 2020 on [page 78 et seq.](#)**

3) The Competitor Contacts and Associations Register, CARE, is a database containing information on trade associations and their potential competition law risks.

4) Employees, including temporary office staff, apprentices, interns, and people working on a thesis.

5) Does not include those employees who were absent over a longer period of time during the year or for whom the deadline to complete the mandatory training courses had not yet passed by the end of the year. Employees were invited to participate, including temporary staff, apprentices, and interns. As of 12/31/2020. Figure first calculated for 2019. As of 1/7/2020.

## Data protection, information security, and cybersecurity

Ⓢ > Protecting personal rights is a high priority for the Schaeffler Group and is therefore part of the Code of Conduct. It handles the processing of data belonging to business partners and employees with the greatest care and sensitivity. The corresponding processes comply with legal data protection requirements. 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 function.

There is an “IT Security by Design” process within the Schaeffler Group that is based on national and international standards. This process takes IT security into account even during the early phase of system and application development. Protective measures are integrated and monitored on the basis of the protection requirements associated with the process.

The Schaeffler Group’s information security and cybersecurity measures are designed to protect the intellectual property and business secrets of business partners from theft, loss, unauthorized disclosure, unlawful access, and misuse. Protective measures were introduced to prevent, detect, and correct and are continuously optimized. The measures are based on the ISO/IEC 27001 standard and take national and industry-specific regulations and compliance with the VDA-ISA standard within the framework of Trusted Information Security Assessment Exchange (TISAX) into account where necessary.

A variety of rules were standardized through the “Information & Cyber Security” program in 2019 and have been gradually rolled out since 2020. The following represents a selection of targets that have been achieved through the program:

- Reinforced activities related to security awareness, such as the publication of the golden rules of information security
- Continuous expansion of operation technology (OT) security of the production facilities
- Modernization of the information security management system (ISMS)

Preventive measures and training, as well as information offerings, particularly those with a focus on cybercrime protection, are being expanded. Three Schaeffler locations successfully underwent a TISAX audit in 2020. < Ⓢ

## Business continuity and crisis management

The Schaeffler Group has been bundling and coordinating activities designed to ensure business continuity on a group level since 2018. Elements such as effective emergency and crisis management have been established.

Crisis management has proven its value during the global coronavirus pandemic. The company was able to detect risks associated with the coronavirus at an early stage and initiated crisis management measures to protect the workforce’s health, secure customer supply, and minimize the financial impact. All locations implemented strict measures to reduce the risk of infection and thus played a valuable role in curbing the rate of infection. Early collaboration across divisions and between central, regional and local units and functions proved to be of vital importance.

The central crisis management team and various task forces had already been active since January 2020 due to the increasing spread of the coronavirus. A travel ban between Germany and China was introduced in response to the outbreak in Wuhan. The Executive Board also set up the following centrally managed crisis response teams to address the associated tasks:

- Health, safety, and employees
- Customers, operations, and suppliers
- Finance and liquidity

The teams reported on their activities directly to the corresponding Member of the Executive Board.

The “Coronavirus Contingency Plan”, which proved to be an effective instrument of global crisis management, defines standardized measures to be prepared and implemented at the affected locations once a certain level of risk has been reached. In addition to distancing and hygiene rules, these measures also address the areas of crisis management, occupational health and safety, working from home and in the office, as well as travel and mobility. The level of risk is categorized based on clear criteria such as the presence of the virus in the region, government-instituted lockdown measures, and, most importantly, infections within the workforce. Thanks to the comprehensive bundle of measures and consistent, risk-oriented implementation, the company was able to protect its employees and minimize the negative impact on business.

Ⓢ More information on this topic can be found in the [online report](#).

# 2



## Customers and products

The fight against climate change requires forward-looking technologies that promote the switch to renewable energies and provide solutions for generating, transporting, storing, and efficiently using renewable energies. The Schaeffler Group takes a holistic approach to developing innovative product solutions for the demands of the future – from climate-friendly energy generation and alternative drives to intelligent repair solutions and new mobility concepts. For example, Schaeffler Industrial increases energy efficiency in wind turbines with its low-friction bearings. Automotive Technologies develops alternative drive technologies that help reducing the average CO<sub>2</sub> emissions of vehicles. Automotive Aftermarket solutions extend the life cycle of vehicles in accordance with the latest environmental standards. With its products and solutions, the company helps its customers to achieve their climate goals.

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The products of the Schaeffler Group directly contribute to achieving the Sustainable Development Goals (SDGs). For example, energy chain products help to achieve the goal of “Affordable and Clean Energy” (SDG 7). Predictive maintenance and industrial bearing solutions enable resilient and sustainable “Industries, Innovation and Infrastructure” (SDG 9). Technical innovations for electrically powered cars, scooters, eboards, and ebikes encourage the development of “Sustainable Cities and Communities” (SDG 11).



## 2.1 Innovative mobility and industrial solutions

### AT A GLANCE

- The Schaeffler Group offers forward-looking products for mobility, industry, and the energy sector
- The company actively supports its customers in designing environmentally and climate-friendly products and technologies

### Research and development

☎ > As an integrated automotive and industrial supplier, the Schaeffler Group develops product solutions in five focus areas: CO<sub>2</sub>-efficient Drives, Chassis Applications, Industrial Machinery & Equipment, Renewable Energy, and Aftermarket Solutions & Services. To this end, the company employs 7,380 (prior year: 7,444) people<sup>1)</sup> in research and development (R&D) at 20 R&D centers and other R&D sites. In 2020, the company has been submitted 1,875 (prior year: 2,385) patent applications<sup>2)</sup> to the German Patent and Trademark Office.

# 1,875

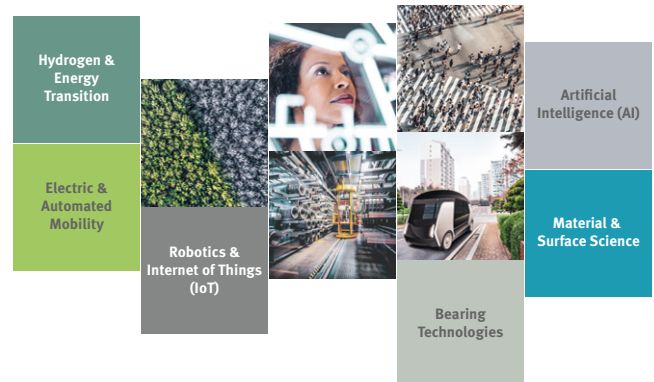
patent applications<sup>2)</sup>

The Schaeffler Group is committed to promoting CO<sub>2</sub> neutral mobility, relying in large part on a combination of different drives. Based on market analyses, the “Schaeffler Vision Powertrain 2030” scenario predicts rapid acceleration of electrification and a significant increase in battery- and fuel cell-powered vehicles (xEV). By 2030, 70 % of all new vehicles manufactured worldwide will already feature an electric powertrain: 30 % all-electric and 40 % hybrid (xHEV). By 2035, the number of all-electric vehicles is expected to rise to around 50 %.

At the beginning of the year, the Schaeffler Group anchored its product research and development topics in six innovation clusters with a focus on market-relevant unique selling points. Within the clusters, all of the departments and technology

functions relevant for the product development process work together at a cross-organizational project house. The Chief Technology Officer is incorporated into the cluster projects through routine steering committee meetings. < ☎

### Innovation clusters in research and development



☎ More information on the innovation clusters can be found in the [online report](#).

1) Workforce values are provided as a full-time equivalent (FTE) at the end of the year.  
 2) Patent applications concern first filings at the German Patent and Trademark Office (DPMA).  
 The counting method employed by the German Patent and Trademark Office was adapted in 2020.



## 2.2 CO<sub>2</sub>-efficient drives

### AT A GLANCE

- CO<sub>2</sub>-efficient drives range from low-emission internal combustion engines to hybrid solutions and all-electric drive systems
- Hydrogen technology will one day build a sustainable bridge between energy generation and energy use

### Low-emission internal combustion engines

Ⓢ > To ensure low-emission and energy-efficient operation of internal combustion engines, the Schaeffler Group develops technologies to reduce friction throughout the entire power-train. These engines reduce fuel consumption, e. g. with innovative rolling bearings on balance shafts. Another focus is on optimizing variable valve train systems. The goal is to always provide the optimum amount of air at each operating point in the cylinder and thus reduce CO<sub>2</sub> and harmful emissions. The company also supports research on synthetic fuels produced by using renewable energy sources. Since no fossil energy sources are used, these “synfuels” should also be able to power combustion engines in a CO<sub>2</sub> neutral manner in the future. < Ⓢ

As part of the publicly funded “GasOn” program, the company made a significant contribution to the development of an internal combustion engine that runs on compressed natural gas, which reduces CO<sub>2</sub> by more than 25 % in the drive cycle. This means that the vehicle equipped with this engine already meets future emission limits today.

### Electric vehicle innovations

Ⓢ > The company also offers its customers innovations and development expertise in the area of electric mobility on both a system and component level. Examples include the electric axle drives, which are already in series production and have set a new benchmark in the market for the output density of electric transmissions. The Schaeffler Group covers many areas of electrification with its products, from mild hybridization to all-electric driving. < Ⓢ

# 25 %

CO<sub>2</sub> reduction in the drive cycle of a combustion engine that runs on natural gas

Ⓢ > Series production of the modular and highly integrated electric motors unveiled at IAA 2019 will start in 2021 for a variety of customer projects around the world. The range of applications of the electric motors designed for efficiency and reliability ranges from hybrid modules and dedicated hybrid transmissions (DHT) to electric motors for electric axle drives with voltage levels between 48 and 800 V and power classes from 15 to over 300 kW.

# EUR 657 m

revenues in the business division E-Mobility

The focus on electric mobility is also reflected in revenue development in the business division E-Mobility. Despite the worsened economic situation resulting from the coronavirus pandemic, revenues fell only slightly from EUR 681 m in 2019 to EUR 657 m in 2020.<sup>3)</sup> < Ⓢ

### The future of hydrogen

Renewable energies are fundamentally changing the entire energy and mobility sector. Yet while electricity from wind, sunlight, and hydropower is becoming increasingly affordable, availability fluctuates and is unequally distributed around the world. As a universal energy source that is both storable and transportable, hydrogen plays a decisive role.

Ⓢ > To ensure that hydrogen can be used in sufficient quality around the world, the Schaeffler Group has developed key components for fuel cells. Components for electrolyzers, which represent a cornerstone of the “green” hydrogen energy chain, are also viewed as another promising field of the future.

Thanks to its traditional core areas of expertise in metal-working, material sciences, and high-precision thin-film technology, the company is well-positioned for this and other hydrogen technologies. A decision was made in September 2020 to expand these capabilities and bundle them in a hydrogen competence center at the Herzogenaurach location.

3) Previous year's figures according to the segment structure reported in 2020.

The company is also actively involved in new regional, national and international networks that are devoted to developing the global hydrogen economy. The Schaeffler Group has been a guiding member of the global “Hydrogen Council” since 2020. The international initiative consists of 109 leading companies (as of January 2021) from the energy, transport and industrial sectors, and aims to further advance the establishment of hydrogen technology on a global scale. < (P)

## 2.3 Chassis applications

### AT A GLANCE

- The Schaeffler Group's chassis applications are centered around advancing automation of driving functionalities on the path to autonomous driving
- Series development of innovative by-wire solutions as well as consistent optimization of chassis components

### Autonomous driving

(P) > The mobility solutions of the future will introduce higher degrees of automation, all the way up to fully autonomous driving. In addition to increasing traffic safety, autonomous driving can also contribute to climate-friendly mobility through more efficient driving. Furthermore, self-driving vehicles can lead to greater social inclusion for people who are unable to drive a car themselves. To support and advance this transition, the company is working on systems that can fulfill high safety and availability requirements. These will also enable a continuous expansion of assistance systems in vehicles and thus promote a higher degree of autonomous driving. In addition, concept vehicles are being developed internally for mobility solutions such as the electric Schaeffler Mover, which enables fully autonomous mobility for people and goods. < (P)

### HIGHLIGHT

#### Schaeffler Mover

The Schaeffler Mover, which is an electric vehicle powered by four wheel hub motors, forms the basis for various utilization concepts – from cars and robo-taxis to autonomous cargo transport solutions.

In addition to the mechanical and electronic challenges of these new systems, software development in particular plays a key role, especially when it comes to connectivity. This new type of intelligent connected vehicles (ICV) represents an important component of digitalized mobility. Fully autonomous driving will only be possible by connecting ICVs and the environment, e.g. a traffic management system.

## 2.4 Industrial machinery & equipment

### AT A GLANCE

- Friction-reducing bearing technologies enable energy-efficient operation of machines and equipment
- The new OPTIME system allows automated condition monitoring

### Friction-reducing bearing technologies

(P) > The Industrial division offers a whole host of solutions with rotary and linear bearings for energy-efficient operation of machines and equipment. With diameters ranging from a few millimeters to several meters, the extensive bearing portfolio includes high-speed models for electric motors, high-performance spindles, and aircraft engines, and supports long-term solutions for the extractive industry as well as solutions with larger bearings for energy generation such as power plant turbines and wind turbines. < (P)

Smaller production dimensions and optimized heat treatment processes reduce the energy requirements of heat treatment plants. The development of new materials such as Cromadur makes it possible to increase load-bearing capacity and the service life of rolling bearings. Rolling elements made of high-performance ceramic reduce friction and enable higher limit speeds of up to 40%. The lower bearing

temperature increases the operating life of lubricants and, in many cases, can reduce requirements by 50 %. Another application of ceramic rolling elements is generator bearings in large wind turbines, where ceramic rolling elements ensure safe operation of bearing positions subjected to electrical and tribological stress. Unnecessary maintenance cycles are avoided, and production of renewable energy is made more efficient.

# 50 %

less lubricants due to rolling elements made of high-performance ceramic

## Advancing Industry 4.0

The portfolio of Industry 4.0 solutions consists of mechatronic linear and rotary products, condition monitoring systems and services, and the new field of digital services and software. The newly developed OPTIME condition monitoring system enables comprehensive, automated condition monitoring, which is more profitable for maintenance companies and plant operators. Unplanned machine and equipment downtime can only be reliably avoided by automatically recording and monitoring the condition of all units. This reduces energy consumption, conserves resources, and, with remote monitoring, increases workforce safety.

## Potential in rail transport technology

Recycling components is not only economical, but also conserves resources. The Schaeffler Group processes both its own and third-party wheelset bearings. However, not all operators have introduced a recycling process for the wheelset bearings used in railway vehicles. The company simplifies the switch to recycled wheelset bearings for railway operators with the aid of a data matrix code (DMC). This allows operators to electronically monitor the processing status of their stock and the history of individual bearings. Assembly processes can also be digitalized and electronically documented with ease.

## 2.5 Renewable energy

### AT A GLANCE

- As a partner of the energy industry, the company promotes the expansion of renewable energy production
- Bearing solutions make wind, solar, and hydropower energy generation more efficient and economical

### Wind power

➤ Further reducing electricity generation costs remains an enormous challenge in the wind industry. The reliability and durability of the bearings play a key role in making energy generation economical. Every bearing failure leads to a loss in energy generation as well as complex repairs and part replacement, which can be costly and time-consuming.

Larger and larger turbines are being used to make wind energy generation more efficient. Rather than using individual components such as main bearings, shafts, and housing, manufacturers increasingly source preassembled systems from the Schaeffler Group. This leads to reduced weight thanks to better integration of the bearing and housing, and reduces logistical costs, as the logistics chain can be simplified and, e.g. the subsystem can be delivered directly to the installation location. < Ⓜ

📄 More information on wind, solar, and hydropower energy can be found in the [online report](#).

### HIGHLIGHT

#### Powerful offshore wind power for China

In 2019, the Schaeffler Group supplied two of the largest main bearings so far for 10 MW offshore wind turbines in China, each measuring up to 3.2 meters in diameter. Just the rotor diameter of the corresponding wind turbines can be around 200 meters. The sheer size and challenging operating conditions call for main bearings with a high load-bearing capacity and operating safety. To increase its capacities and thus accommodate the growing wind market, the company will invest around EUR 100 m in China alone by 2022.

## 2.6 Aftermarket solutions & services

### AT A GLANCE

- The challenges associated with the increasing technical complexity and networking of vehicles are being resolved with innovative repair approaches
- The trend toward autonomous production reinforces the Schaeffler Group's cost-effective monitoring and service solutions

### Global spare parts business

Ⓢ > The Automotive Aftermarket division is responsible for the global spare parts business and supplies innovative repair solutions in original-equipment quality. The company is thus helping to increase the service life of vehicles. < Ⓢ

One example is repair solutions for hybrid vehicles, which form a central component of a holistic mobility shift. The technical challenges here are manifold and complex – in the case of hybrid cars with P0 drive, an electric motor in the belt drive is combined with the classic combustion engine. The 48-volt mild hybrid technology, in which the front-end auxiliary drive (FEAD) has evolved from a power consumer into a power supplier, plays a key role. The Schaeffler Group is the first supplier in the spare parts market to provide a repair solution for 48-volt hybrid vehicles: the INA FEAD KIT.

# 2,500

tons of CO<sub>2</sub> reduction through new assembly and packaging center

With its REPERT brand, the company also offers technical support for garages as well as for the repair and maintenance of vehicles of all brands and segments. In addition, customers receive new services that help the garage to identify and order spare parts. Further digital solutions are being developed to facilitate the diagnosis of faults and to support and simplify the repair process with data-based services.

Ⓢ > The new European Aftermarket Kitting Operation (AKO) aims to supply customers in the automotive aftermarket quickly and reliably at all times. Operations kicked off in August 2020. The AKO supplies spare parts and repair solutions not only to European regional warehouses, but also

to customers in Central Europe. The aim is to process up to 5,000 internal transport orders per hour in the future. The level of investment is at around EUR 180 m. The associated drop in transport between the locations and the increase in transport capacities will reduce CO<sub>2</sub> emissions by more than 2,500 tons a year. < Ⓢ

📖 **More information on reducing emissions can be found in the chapter “Energy and emissions” on page 33 et seq.**

### HIGHLIGHT

#### Maintenance 4.0

With automatic relubrication devices, the right amount of fresh lubricant is applied to the contact areas of the rolling bearing at just the right time. In the reporting period, the Schaeffler Group developed an E-Kit – a retrofit set for electric motors. Insufficient and excessive lubrication, which can lead to downtime, can thus be reliably avoided, as can system contamination resulting from excess lubricant.

## 2.7 Product quality and safety

### AT A GLANCE

- The Schaeffler Group has the highest aspiration for holistic product quality and safety
- All production sites have certified quality management systems

### Consistent level of quality

Ⓢ > The company ensures and improves the quality of its products and processes with a variety of tools: All Schaeffler Group production sites<sup>4)</sup> have certified management systems in accordance with globally recognized quality standards and regulations. The company has 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)
- SAEAS 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, systems, and processes is periodically checked and confirmed at the affected locations by way of internal and external audits. In 2020, product liability cases<sup>5)</sup> were able to be avoided thanks to the standard company processes and the integrated product safety management system that was introduced. < Ⓢ

### “Quality for Tomorrow” initiative

Ⓢ > To guarantee maximum quality, the Schaeffler Group has launched the “Quality for Tomorrow” initiative at executive level as part of the program for the future “Agenda 4 plus One”. To ensure that both products and processes are free from errors, the following priorities have been set:

# 100 %

coverage rate of quality management systems<sup>4)</sup>

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

The projects of the “Quality for Tomorrow” initiative were transferred to the corresponding line organizations and completed in the reporting year. < Ⓢ

### High standards in product safety

Ⓢ > Product safety is an essential quality characteristic for industrial plants and transport systems. The company would like to guarantee this safety with standardized and audited processes.

The Schaeffler Group's product safety representatives are trained in a combination of online and classroom training sessions. In addition, annual industry-related product safety days were introduced to provide automotive professionals and managers with the opportunity to chat with NGOs, authorities, and governmental organizations. The meetings serve to make product safety and conformity processes even more reliable. The product safety days were taken over by the VDA and continued on a cross-national level. The VDA established a working group of OEM and supplier representatives to further develop the issues of product safety, integrity and conformity under the direction of Schaeffler product safety and using the holistic approach developed by the Schaeffler Group. Within the Schaeffler Group, the product safety and conformity representative (PSCR) network and a lessons-learned process for each topic ensure implementation of the findings of external working groups for improving the effectiveness and efficiency of product safety management.

The Schaeffler Group is committed to ensuring brand protection and to fighting product piracy in an effort to further increase product safety for its customers. The brand pro-

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

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

tection strategy aims to force counterfeits out of the market worldwide – especially on civil and criminal-law measures. The company is also focusing on increasing market participant awareness and knowledge about this topic. In addition, the Schaeffler Group supports its authorized resellers with training courses, authentication offers, and in-house trade fairs. These measures also serve to minimize product liability risk for counterfeit products through product monitoring.

< (P)

## 2.8 Customer satisfaction

### AT A GLANCE

- Consistent customer orientation is the basis for product development, service, and quality assurance
- 72 awards in the reporting year for customer satisfaction and product quality confirm positive reputation worldwide

### Consistent customer orientation

(P) > The Schaeffler Group uses a Global Key Account Management (GKAM) system to shape its customer relationships worldwide according to standardized principles. The GKAM works closely with the regional and divisional sales functions of the Automotive Technologies, Automotive Aftermarket, and Industrial business divisions. The necessary expertise is pooled from the relevant divisions for key customers. All major customers have a dedicated contact person who takes care of all of their concerns according to the “one face to the customer” principle. Customer satisfaction surveys are conducted at regular intervals. The results are reported to and monitored by the Executive Board.

As an additional tool to further control customer relationships, the Schaeffler Group uses “customer relationship management” software, which has displayed system architecture across divisions since 2019.

# 72

awards for customer satisfaction  
and product quality

To communicate with customers, the Schaeffler Group attends international trade and consumer fairs and organizes individual customer events such as the Schaeffler Colloquium. These traditional communication tools have been largely restricted as a result of the coronavirus pandemic. The focus is now on virtual trade fairs and events, digital showrooms, and multimedia trade communication with a growing percentage in social media. < (P)

### Winner of multiple awards

Every year, the Schaeffler Group receives numerous awards for customer satisfaction and product quality from its customers. The company sees this as an indicator of its positive reputation in global markets. In the reporting year, the Schaeffler Group received 72 (prior year: 66) awards.

For example, General Motors, a globally operating US automobile manufacturer, awarded 13 Schaeffler Group plants for outstanding quality performance.

# 3



## Environment and energy

The Schaeffler Group supplies products and technologies that make mobility and industrial equipment more eco-friendly and efficient. As a leading technology company, the Schaeffler Group is also committed to creating its own processes as energy-efficient, eco-friendly, and resource-conserving as possible. For this purpose, it relies on a continuous improvement for all environmental and energy relevant processes. Climate protection is a key focus of its sustainability targets, especially achieving CO<sub>2</sub> neutral production by 2030.

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The energy-efficient and eco-friendly processes of the Schaeffler Group contribute to achieving the Sustainable Development Goals (SDGs) “Clean Water and Sanitation” (SDG 6), “Affordable and Clean Energy” (SDG 7), “Responsible Consumption and Production” (SDG 12), and “Climate Action” (SDG 13). With four strategic targets in the areas of carbon-neutral production, energy efficiency, renewable energies, and water withdrawal, the company promotes measures for climate and environmental protection throughout its value chain.



## 3.1 Environmental management

### AT A GLANCE

- The integrated environmental management is certified in accordance with the ISO 14001 and the EMAS eco-audit standard
- The Schaeffler Sustainable Sites initiative reinforces sustainability performance at all of its production sites

### Worldwide standardization of environmentally relevant processes

☞ > To manage its energy and environmental issues across the company, the Schaeffler Group maintains an EnEHS (Energy, Environment, Health & Safety) management system, based on the energy and environmental standards ISO 50001 for energy management, ISO 14001 for environmental management, and the EMAS eco-audit standard, among others. Internal and external audits are conducted on a regular basis to continuously improve energy management and further optimize environmental performance.

In the reporting year, stakeholder analyses and a subsequent group-wide opportunity and risk assessment were carried out, from company management to each and every location. The analyses are a component of the EnEHS management system and are conducted at all of the locations on a regular basis. The results are taken into account when defining location targets. Both the stakeholder analyses and the opportunity and risk assessments are relevant for location recertification.

A matrix organization manages environmental and energy issues in the Schaeffler Group. Local environmental protection and energy representatives, regional coordinators, and experts from the strategic departments work closely together. Key performance indicators (KPIs) are used to plan, assess, and manage environmental measures. The need for action and measures are discussed and resolved in the context of regular management reviews with the Executive Board.

To ensure a consistent focus on environmental and energy management, the company organizes EnEHS conferences with all EHS and energy representatives every three to five years. In addition, regional conferences are held at more frequent intervals, with the participation of regional coordinators and competence centers.

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

### Production sites with an environmental management system

	2020	2019	2018
Coverage rate for EMAS certification in % <sup>1)</sup>	98.6	98.1	98.1
Coverage rate for ISO 14001 certification in % <sup>1)</sup>	99.5	98.8	98.7
Coverage rate for ISO 50001 certification <sup>1)</sup>	99.3	98.0	97.9

1) Relating to employees on the production sites.

< ☞

# 98.6 %

of Schaeffler production sites are EMAS certified<sup>1)</sup>

### “Sustainable Sites”-concept implementation

☞ > In the reporting year, the “Sustainable Sites” program was initiated under review to structure and continuously improve sustainability performance at all production sites, beginning with a transparent assessment of their sustainability performance.

There are six action fields: (1) climate protection, (2) environment and resource efficiency, (3) occupational health and safety, (4) sustainable supply chain, (5) off-campus mobility, and (6) certifications and life cycle assessments (LCAs). By addressing these on a plant level, short- and long-term developments in (relative) figures and criteria are identified on an annual basis and ultimately documented in future status reports. Key indicators include electricity and natural gas consumption, accident rate, water withdrawal, and the quantity of waste generated or the recycling rate achieved.

After evaluating sustainability performance, the locations are provided with a catalog of concrete measures featuring best-practice examples, which allow them to systematically improve their sustainability performance. < ☞

1) Relating to employees on the production sites.



## 3.2 Energy and emissions

### AT A GLANCE

- The Schaeffler Group is committed to the Paris Agreement to limit global warming to well below 2°C or 1.5°C
- The Schaeffler climate program bundles a variety of measures throughout the value chain

### Schaeffler climate program adopted

Ⓢ > The Schaeffler Group pursues an integrated approach to fighting climate change across all divisions, functions, and regions. The Schaeffler climate program addresses the company's entire value chain and is based on three pillars: supply chain, production, and product. The supply chain pillar includes all of the climate-relevant measures of sustainable procurement, including dialogues with strategically relevant steel suppliers about their climate performance. It also encompasses the topics of sustainable logistics and packaging.

The primary focus of the production pillar is the new Sustainable Sites program and all of the measures dedicated to reducing Scope 1 and Scope 2 emissions. The aim is to achieve carbon-neutral production worldwide by 2030. The product pillar addresses topics such as life cycle assessments and product innovations for an improved carbon footprint. < Ⓢ

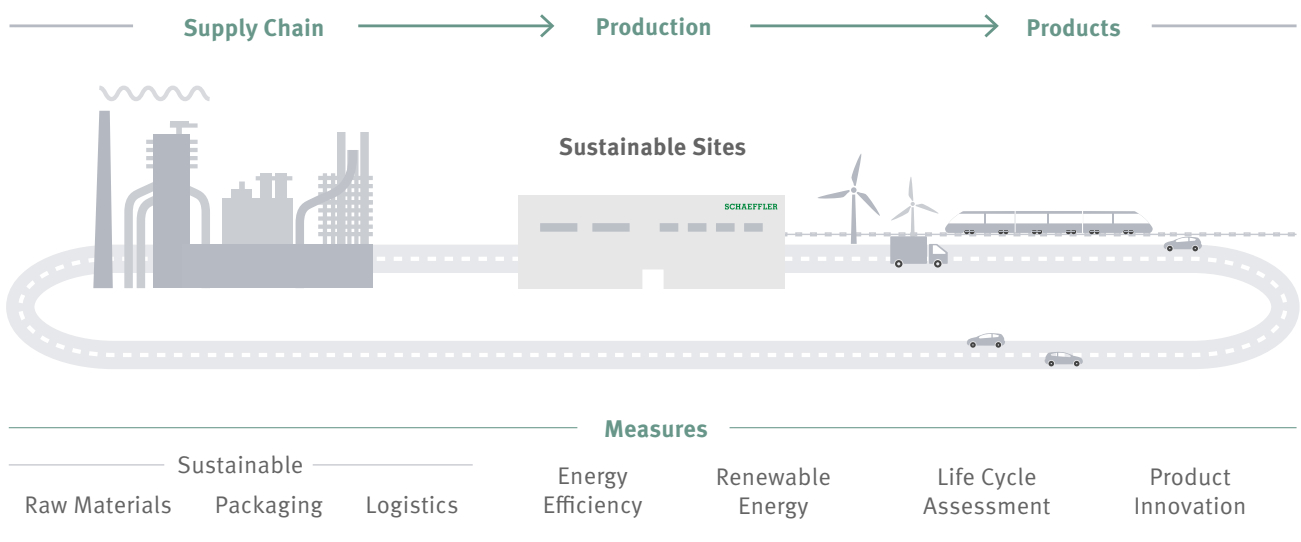


### HIGHLIGHT

#### The growing importance of life cycle assessments

To reduce the environmental impact of its products, the Schaeffler Group is increasingly dedicated to circular economy and is conducting life cycle assessments (LCAs). These can reveal a product's environmental impact throughout its entire life cycle and be used to develop measures for improvement.

### Climate program



### Increasing energy efficiency

Ⓢ > The fundamental aim is to increase energy efficiency in relation to business development. The Schaeffler Group's energy management defines minimum targets for all plants. The plants also set their own targets, with internal EnEHS audits conducted to verify implementation.

The Schaeffler Group determines energy consumption throughout the company as a foundation for improving energy efficiency over the long term. In 2013, the company began rolling out an energy management system in accordance with ISO 50001, ultimately achieving a coverage rate<sup>2)</sup> of 99.3 % in 2020 (prior year: 98.0 %).

Internal EnEHS specialists and auditors monitor the development of energy consumption using a standardized, global energy data management system.

In 2020, the Schaeffler Group started bundling all relevant resources in a single energy efficiency program through an interdisciplinary team of specialists on a plant, regional, and central level with the aim of increasing cumulative annual energy efficiency of 100 GWh from 2020 to 2024. The sub-target for 2020 was to implement energy efficiency measures that would lead to annual savings of at least 25 GWh from 2021 onwards. During the reporting year 100 measures achieved improvements of 27.4 GWh worldwide. Measures included intelligent LED lighting concepts as well as optimizing heating and compressed-air systems and production facilities.

# 100

measures achieved improvements of energy efficiency equivalent to more than 27 GWh

TARGET

### Energy Efficiency

100 GWh cumulated annual efficiency gains through implementation of energy efficiency measures by 2024

12 ∞

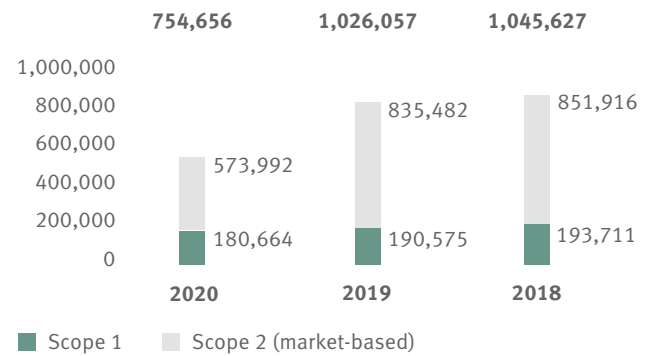
13

**27 %**

Status 2020

As a result of ongoing improvements in energy efficiency and the initial results of the switch to renewable energies, the Schaeffler Group's absolute direct and indirect CO<sub>2</sub> emissions<sup>3)</sup> fell by around 27 % compared to the prior year, from 1,026,057 to 754,656 tons of CO<sub>2</sub>. All German production sites have exclusively used green electricity since 2020. However, the significant drop can be also explained due to the impact of the coronavirus pandemic.

### Own greenhouse gas emissions in t CO<sub>2</sub>, including Scope 1 and Scope 2 (market-based)<sup>1)2)</sup>



1) 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). Supplier-specific emission factors were used to determine Scope 2 "market-based".  
2) The reduction is primarily due to the purchase of 100 % green electricity in Germany, Austria, Slovakia, Mexico, Spain, and the United Kingdom.

TARGET

### Renewable Energy

100 % purchased power from renewable sources by 2024

7

13

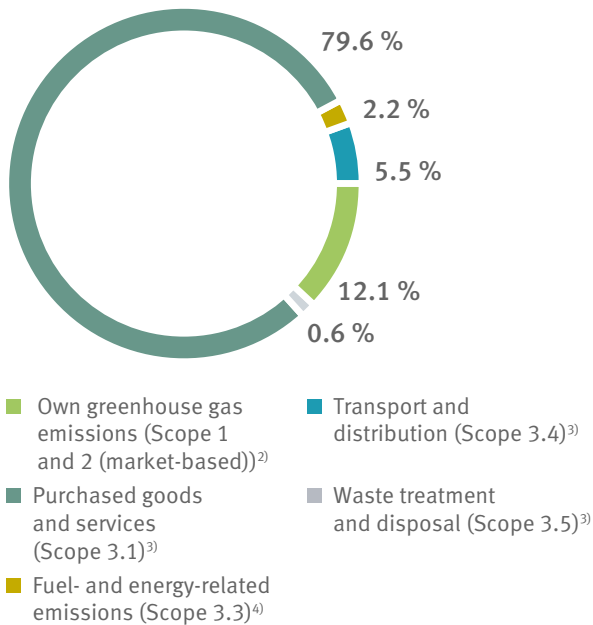
**56 %**

Status 2020

Projects were carried out to identify, classify, and potentially reduce Scope 3 emissions. Emissions were calculated for the entire purchasing volume on the basis of macroeconomic input-output models. Material emission sources were then identified through hot spot analysis. < Ⓢ

2) Relating to employees on the production sites  
3) 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). Total of Scope 1 and Scope 2 (market-based).

**Total greenhouse gas emissions, including Scope 1, Scope 2 (market-based), and Scope 3<sup>1)</sup>**



1) The calculation of Scope 3 currently includes four upstream categories.  
 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. Emission sources covered: Scope 1 (natural gas, fuel oil, propane) and Scope 2 (electricity, district heating). Supplier-specific emission factors were used to determine Scope 2 "market-based".  
 3) Scope 3.1, Scope 3.4, and Scope 3.5 greenhouse gas emissions are calculated on the basis of a recognized input-output model that uses the method of multiregional input-output calculation and quality-assured data from international environmental, resource, and social statistics (OECD, BEA, World Bank indicators, and EXIOBASE). Calculation is based on Schaeffler's purchasing volume in 2020 and takes additional steel-specific factors into account.  
 4) Not contained in Scope 1 or 2. Scope 3.3 greenhouse gas emissions are calculated on the basis of the emission factors of Defra (2020) and the emission factors of the German Federal Environmental Agency (2018, emission values of renewable energy sources). Upstream chain emissions and T&D losses are calculated on the basis of the emission sources considered for Scope 1 (natural gas, fuel oil, propane) and Scope 2 (electricity, district heating).

**Energy consumption**

	2020	2019	2018
Energy consumption, total in GWh <sup>1) 2)</sup>	3,005	3,290	3,367
Electricity consumption in GWh <sup>2) 3)</sup>	2,083	2,316	2,365
Natural gas consumption in GWh <sup>2)</sup>	825	872	877
Fuel oil consumption in GWh <sup>2)</sup>	5	7	9
District heating consumption in GWh	48	48	63
Propane/LPG consumption in GWh <sup>2)</sup>	44	47	53

1) Energy sources included: electricity, natural gas, district heating, propane, fuel oil, without the amount of electricity produced by the gas-powered CHP. Including photovoltaic electricity generated internally as of 2020.  
 2) Drop primarily due to the impact of the coronavirus pandemic and the resulting reduction in production capacity.  
 3) Only external electricity purchases since CHP electricity is recorded via gas consumption. Including photovoltaic electricity generated internally as of 2020.



**Shorter routes – better capacity**

During the reporting period, supply and traffic flows were further optimized in order to improve their energy and carbon footprint. Additional sea transports were also reallocated to selected intercontinental rail routes. Meaningful key figures are important for the targeted reduction of CO<sub>2</sub> emissions in logistics. Therefore, the Schaeffler Group is working on collecting data on Scope 3 emissions across the group in the future.

More information on logistics emissions can be found in the chapter "Global spare parts business" on page 28 et seq.

**3.3 Material and resource management**

**AT A GLANCE**

- One of the Schaeffler Group's central aims is to use resources sparingly
- Material and energy requirements are taken into account at an early stage when designing production processes

**Avoiding waste**

At all locations that generate more than 25 tons of non-hazardous waste or two tons of hazardous waste per year, one waste representative must be appointed regardless of legal provisions. In addition to monitoring waste generation, collection and disposal, this representative's responsibilities also include the development and introduction of low-waste, eco-friendly processes. Providers of disposal services are assessed in accordance with the requirements of the EnEHS manual. The type and frequency of assessment are dependent on whether the service provider disposes of hazardous waste, scrap, or nonhazardous waste.

**4**

**locations have so far achieved 100 % Recycling**

The main priority, however, should be to avoid waste wherever possible. If waste cannot be further reduced, it should be sent for approved recycling. Four locations have so far

achieved “100 % Recycling” status by sending waste to be recycled in accordance with applicable law.

Another goal is to increase the recycling rate to such a degree that no more production-related waste needs to be disposed of. The aim is to achieve a recycling rate of 95 % across all waste categories. Each production site works with the same waste database for global reporting, and to document nearly all waste operations. < (P)

### Using state-of-the-art technologies

Repairing and processing used components can save valuable resources and reduce costs, which is why the Schaeffler Group offers its customers tailored products and services. The company 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 and it 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 with metal and plastic. AM speeds up the designing of manufacturing processes and is particularly suitable for the flexible production of small batches. Flakes, which are the usual waste produced by traditional processes such as machining, are almost entirely avoided. The company manufactures more than 5,000 parts annually with AM in Herzogenaurach.

#### HIGHLIGHT

##### Rethinking proven processes

The Schaeffler Group is also working on new solutions for tool technologies. The high-energy forging process previously used was replaced with cold forming for several semifinished products. This production method eliminates the need for various follow-up processes, reduces CO<sub>2</sub> emissions, and increases material efficiency.

### Saving water in production

(P) > The scarcity of global water resources is steadily progressing. The issue of water was integrated into Schaeffler's risk management in order to respond to potential water shortages in certain regions. The manufacturing sites that are located in areas with severe water shortages were iden-

tified based on the results of the World Research Institute (WRI). A variety of projects were planned for these sites to reduce water withdrawal and recycle withdrawn water using suitable circulatory systems and treatment plants.

Also developers make sure to use appropriate installations when it comes to planning new water-intensive production facilities. Existing locations are also being upgraded in accordance with technical and economic assessments. The plants treat the industrial wastewater in such a way that it can be reused or discharged into the public sewer system. The minimum standards for water recirculation are defined by local authorities. Independent laboratories regularly monitor compliance with the discharge limits.

In an effort to minimize water-related production risks by systematically reducing water dependence, a long-term goal for reducing the freshwater withdrawal by 20 % by 2030 was adopted in the reporting year. The water withdrawal<sup>4)</sup> fell significantly by around 16 %, from 5,783,781 m<sup>3</sup> to 4,957,818 m<sup>3</sup>, partly due to effects of the coronavirus pandemic. One successful example is the plant in Taicang, China. The electroplating process associated with the coating systems generates a great deal of wastewater. For the purpose of reusing this wastewater, vacuum evaporation systems with membrane filters filtering out harmful substances from the water were installed in an electroplating system, thus achieving a recycling rate of nearly 90 %.



Locations that pose a risk to natural bodies of water must be operated in such a way that there is no fear of contamination of water or soil. However, if there is a leakage of fluids or unintended contamination, these are to be rectified immediately. Depending on the scope of damage, investigation measures are implemented under expert supervision and in coordination with local authorities. Additional measures are defined based on the assessment results. < (P)

<sup>4)</sup> Water withdrawal includes municipal and internal company water.

# 4



## Suppliers and materials

Supplier management requirements have expanded beyond a globally connected world. Modern technologies are requiring raw materials that often come from unstable regions in the world. Climate change is also having an impact on supply chains. The Schaeffler Group views sustainable procurement, which applies to the responsible use of critical materials, human rights, and environmental and social standards, as key to integrity-based governance.

The fundamental values that shape supply chain requirements are based on internationally recognized standards and principles, which are also anchored in the Schaeffler Group's Codes of Conduct. To reinforce these values, the company relies first and foremost on active communication with all of its business partners, effective monitoring, and assessments. For instance, rather than sourcing conflict minerals, the Schaeffler Group works with certified suppliers.

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The Schaeffler Group's supplier and raw material activities contribute to the following Sustainable Development Goals (SDGs): “Decent Work and Economic Growth” (SDG 8), “Responsible Consumption and Production” (SDG 12), and “Partnerships for the Goals” (SDG 17). The company's strategic target is to source 90 % of the purchasing volume of production materials from suppliers with sustainability self-assessments by 2022.



## 4.1 Minimum requirements for suppliers

### AT A GLANCE

- All suppliers are required to accept the Supplier Code of Conduct
- Standardized self-assessment questionnaires (SAQs) have been in use since 2020

### Supplier Code of Conduct as basis

☞ > The group's aim is to develop socially and environmentally responsible supply chains. Therefore, its Supplier Code of Conduct (SCoC) contains minimum requirements for direct suppliers that go beyond national laws and internationally recognized guidelines. These minimum requirements are based on the principles of the United Nations Global Compact (UNGC) and the core labor standards of the International Labour Organization (ILO). The Schaeffler Group is working towards preventing human rights violations in the form of child and forced labor as well as discrimination based on racial/ethnic origin, color, or gender for all business contacts. < ☞

📖 **More information on human rights can be found in the chapter "Human rights" on page 40 et seq.**

☞ > All existing direct suppliers of production materials (tier 1) that have neither implemented a certified environmental or occupational safety management system nor accept the SCoC are rated down by Purchasing during supplier evaluation. This reduces their chances of consideration for new projects or larger procurement volumes. In addition, suppliers with insufficient overall performance or assessments – e.g., in terms of quality, logistics, sustainability – cannot achieve "strategic supplier" status. This is a benefit limited to exceptional suppliers, which are the Schaeffler Group's preferred development business partners in selected projects and workshops.

# 30.9%

**coverage of the purchasing volume of production materials with sustainability SAQs**

In 2020, 64<sup>1)</sup> (prior year: 86) new suppliers of production materials were evaluated for the supplier portfolio by way of an "initial assessment" and thus incorporated into the Schaeffler supplier pool. All new suppliers of production materials are obliged to accept the SCoC in writing during the approval process. SCoC compliance is also referenced in orders. If suppliers refuse, or if the supplier's code of conduct (CoC) does not have the same commitment to values and a comparable level of protection, the approval process is terminated.

In the reporting year, "initial assessments" were also conducted as virtual "remote assessments" due to coronavirus restrictions. One integral part of this assessment is production tours, during which questions are asked not only about quality issues, but also about production-related aspects of occupational safety and environmental protection. Elements of the questionnaire were sourced from the VDA Sustainability working group. Suppliers that do not adequately meet questionnaire requirements during the assessment will need to take suitable remedial action to resolve the fundamental problem responsible for deviation following root cause analysis. If suppliers are unwilling to cooperate – e.g., by taking immediate action to address critical issues directly – the approval process will be terminated.

No serious negative environmental or social impacts in the supply chain were identified in the reporting period. < ☞

📖 **The Schaeffler Group Supplier Code of Conduct is available at: [Schaeffler Group Supplier Code of Conduct](#)**

### Further development through self-assessments

☞ > The Schaeffler Group systematically promotes sustainability in its supply chains with the aim of sourcing 90 % of its purchasing volume from suppliers of production materials with self-assessments by 2022. Standardized self-assessment questionnaires (SAQs) have been sent to selected suppliers via the platform NQC Ltd. since 2020. Four campaigns were carried out in 2020 that increased coverage of the purchasing volume of production materials to 30.9 %.

The Schaeffler Group is also involved in working groups, industry initiatives, and industry dialogues in its efforts to incorporate expertise and actively help shaping development in this area. Additional risk-oriented measures are planned

1) Completed in 2020.

for the supply chain, including sustainability audits based on a VDA questionnaire codeveloped by the Sustainability working group.



< ⓘ

## 4.2 Material compliance

### AT A GLANCE

- Material compliance is managed through an audited management process
- Processes to ensure the responsible procurement of minerals from conflict and high-risk areas are being expanded

### Comprehensive material requirements

ⓘ > The Schaeffler Group aims to comply with all relevant guidelines for the materials and substances used as well as consider these when selecting suppliers. The Material Compliance department works closely with suppliers of production materials. It supports the Purchasing department by continuously evaluating the requirements relevant for the Schaeffler Group and defining criteria for choosing suppliers. These include all relevant material requirements based on legislation, public standards, and customer requirements, and apply to:

- Chemical substances and preparations
- Packaging and materials in manufacturing processes and products
- Product transport

Important criteria and key regulatory frameworks for both supplier selection and the orders themselves are outlined in the Schaeffler standards on “Prohibited and declarable substances”. Suppliers are required to immediately inform the company as soon as more recent information is available than that already reported to the Schaeffler Group. Relevant regulations include “Registration, Evaluation, Authorisation and Restriction of Chemicals” (REACH), “Restriction of Certain Hazardous Substances” (RoHS), the EU Directive on End-of-Life Vehicles (ELV), the EU Directive on Persistent Organic Pollutants (POP), the chemical regulation and the Dodd–Frank Act.

The Schaeffler Group primarily uses the automotive industry's International Material Data System (IMDS) for declaring substances. This system is required for labeling the substances of purchased products and their materials. < ⓘ

ⓘ **More information on the comprehensive material requirements can be found under:** [Prohibited and declarable substances](#)

### Responsible procurement

ⓘ > In addition to the appropriate use of hazardous substances, the responsible procurement of raw materials such as tin, tungsten, tantalum, and gold is an important issue for the Schaeffler Group, as their extraction contributes to financing armed conflicts or human rights violations in some countries. The company 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.

Compared to the prior year, the response rate<sup>2)</sup> of the suppliers surveyed fell to 84.6 %<sup>3)</sup> (prior year: 90.0 %<sup>4)</sup>). The lower response rate is due to the fact that twice as many suppliers were surveyed. 100 %<sup>4)</sup> of the smelters reported in the pre-supply chain that are located in affected countries under the RCOI are certified by the “Responsible Minerals Initiative”.<sup>5)</sup>

ⓘ **The Schaeffler Group's Conflict Minerals Policy is available at:** [Conflict Minerals Policy Schaeffler Group](#)

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

3) 2020 value checked in interim status in December 2020.

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

5) Risk areas as defined in the RCOI.

The corresponding conflict minerals report is provided to customers upon request. The ongoing improvements being made by the Schaeffler Group to material compliance processes will enable the company to meet the OECD guidelines for the responsible use of minerals from conflict and high-risk areas by 2021, and thus also EU requirements in a timely manner. The Schaeffler Group started the supply chain assessment for reporting on the conflict mineral cobalt in 2020. The company released its first cobalt report at the end of 2020.

### Material compliance

	2020	2019	2018
Response rate of surveyed suppliers on the use of conflict minerals <sup>1) 2)</sup>	84.6	90.0	94.3
Coverage rate of certified smelters in the supply chain <sup>2) 3)</sup>	100	100	100

1) Response rate of relevant suppliers surveyed on the use of conflict minerals as defined under the Responsible Minerals Initiative. 2020 value checked in interim status in December 2020. 2019 figure adjusted compared to Sustainability Report 2019 in accordance with the regular survey period.

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

3) Risk areas as defined in the RCOI.



## 4.3 Human rights

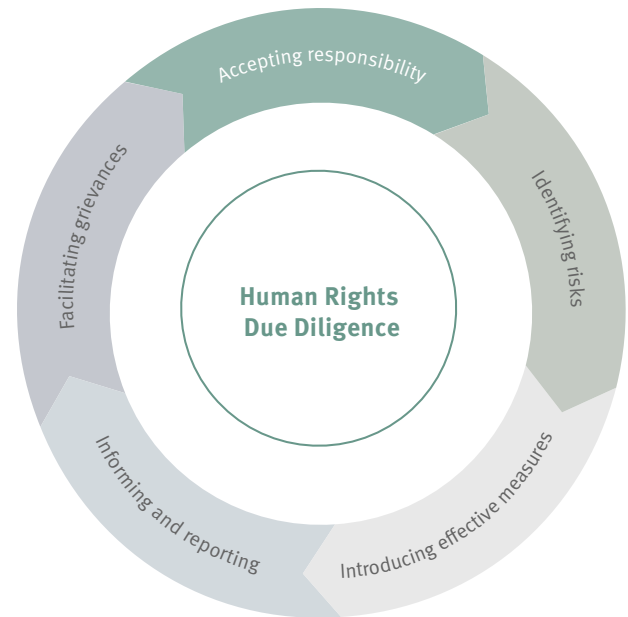
### AT A GLANCE

- Based on the UN Guiding Principles on Business and Human Rights as well as the National Action Plan for Business and Human Rights
- Launch prepared for an enhanced management system for human rights

### Establishing Human Rights Due Diligence

Ⓢ > The Schaeffler Group is a global family business with a strong foundation in its values. Respect for human rights is an indispensable part of corporate responsibility. The sustainability department - as part of the HR function – is responsible for human rights issues. This department works closely with a variety of functions across all regions to implement human rights due diligence.

### Human Rights Due Diligence



#### 1) Accepting responsibility

The Schaeffler Group rejects any form of human rights violations such as child and forced labor or discrimination based on racial/ethnic origin, color, or gender. This claim applies to all of the approx. 200 Schaeffler locations as well as to all business partners and goes beyond compliance with local legal provisions. The company management commits to the “UN Guiding Principles for Business and Human Rights”, the ten principles of the “UN Global Compact”, and the core labor standards of the International Labour Organization (ILO).

Respect for human rights is part of the group-wide Code of Conduct (CoC) and the Schaeffler Group's Supplier Code of Conduct (SCoC). Employees and managers undergo CoC training. The relevant training was expanded in the reporting year, and additional training courses on human rights are being prepared.


📖 **More information on compliance training courses can be found on page 21.**

#### 2) Identifying risks

Depending on the situation, human rights are reported to the Sustainability department within the framework of internal risk reporting. Elements for managing risks associated with human rights violations are developed and coordinated by the Sustainability department. In the reporting year, the company prepared for the launch of an enhanced management system for human rights that calls for a human rights impact



assessment. Moreover, the company made arrangements to launch future processes and systems for the purpose of identifying human rights risks in the supply chain. These processes and systems are based on a variety of components, including the ramp-up of the self-assessment questionnaires (SAQs) on the NQC platform.

 **More information on the SAQs can be found in the chapter “Minimum requirements for suppliers” on page 38 et seq.**

### 3) Introducing effective measures

In an effort to increase the analysis of human rights risks, the company is also systematically implementing measures to prevent or mitigate potential or actual human rights violations in the future. This includes activities within the Schaeffler Group and throughout the value chain. The existing Energy, Environment, Occupational Health & Safety processes in the EnEHS management system will be expanded to include measures to promote human rights due diligence in accordance with ISO 26000. In the future, the risk analysis process and stakeholder consultations will also allow the company to regularly assess the effectiveness of the measures defined in the management system and make any necessary changes.

The following measures are being planned for supplier management:


- Fields of activity (e. g. corrective action plans, CAP) to be defined based on supplier risk assessments and agreed upon and implemented with business partners
- Preparation for the introduction of third-party audits
- Development of training courses addressing the NAP industry dialogue, which can be used for supplier qualification

### 4) Informing and reporting

The Schaeffler Group routinely reports on the status of the human rights compliance system and current topics related to human rights.

In addition, the Modern Slavery Act, which was passed in the United Kingdom, calls for companies to demonstrate their commitment to protecting human rights along their value

chain on an annual basis. The Schaeffler Group maintains business relations with the UK and is therefore impacted by this disclosure requirement. A corresponding statement is published for Schaeffler (UK) Ltd. Stakeholders are also informed through the Sustainability Report.


 **The “Modern Slavery Statement” of Schaeffler (UK) Ltd. is available at: [Modern Slavery Statement](#)**


### 5) Facilitating grievances

In the reporting year, the Schaeffler Group expanded the global compliance whistleblowing system to include human rights. The system is available in six languages and provides company employees as well as any third parties affected with a confidential, encrypted and secure form of communication.

Incoming hints are assessed by a team consisting of compliance and sustainability employees, incorporating the whistleblower in the process if possible. When a case of violation is confirmed, corrective measures are introduced. In six<sup>6)</sup> cases, measures were introduced to correct human rights violations, including employee dismissals, in the reporting year.

In the reporting period, the Schaeffler Group also started to extend the process for remedial measures to include those affected by human rights violations.

Based on the expansion of the risk analysis processes and the associated integration of stakeholders, the next step will be to continue developing the complaint management system beyond the compliance whistleblowing system. < 

 **The Schaeffler Group's whistleblowing system is available at: [Schaeffler Group whistleblowing system](#)**

<sup>6)</sup> Violations of the prohibition on forced labor, child labor, and cases of discrimination by racial/ethnic origin, color, or gender. The cases confirmed in the reporting period were all related to discrimination.

# 5



## Employees and society

The employees of the Schaeffler Group are one of the most important pillars of its success. Their expertise, skills, dedication, and ingenuity ensure the continuous development of the company. In mutual interest, the Schaeffler Group supports the professional development of its workforce, from apprentices to specialists and managers. It also promotes effective occupational health and safety as well as diversity. The company offers fair, performance-oriented payment and retirement plans and helps to achieve work-life balance through flexible working time models. In addition, the Schaeffler Group is committed to societal well-being in the areas surrounding its numerous sites according to the “global company with local presence throughout the world” principle.

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The Schaeffler Group's commitment to its employees and society contributes in many ways to achieving the Sustainable Development Goals (SDGs). This applies to “Good Health and Well-Being” (SDG 3) in particular. The Schaeffler Group has therefore set itself the occupational safety target of reducing the annual accident rate by an average of 10%. The company also promotes equal opportunity and training and is socially active in an effort to strengthen “Quality Education” (SDG 4) and “Gender Equality” (SDG 5).



## 5.1 Employee advancement and development

### AT A GLANCE

- Attracting, promoting, and retaining the best employees worldwide are the core elements of human resources work
- Internal talents are systematically identified and supported on the basis of employee dialogues promoted with the talent management processes

### Attracting and developing talents

Ⓢ > In order to attract and recruit new talents, the Schaeffler Group relies on target group-oriented measures in employer branding and vocational training marketing. Specific measures include:

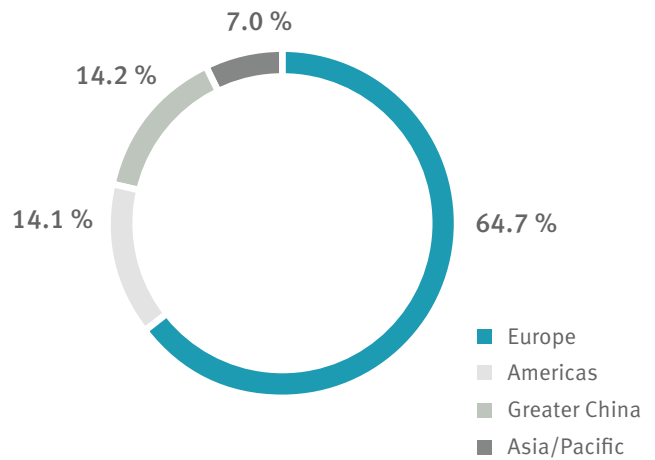
- Participation in information days and events
- Partnership-based and sustainable cooperation with universities, student bodies, student associations, and organizations
- Main sponsor of Formula Student Germany for many years

An annual talent management process takes place to systematically monitor the development of internal talents. The basis of this process is the Employee Development Dialogue (EDD) between employee and manager. In this dialog, behavior, performance and development are discussed. In 2020, the EDD was postponed by a quarter, due to a new Performance & Goal Management approach as part of the “Digital HR” initiative was set to start in January 2021. The performance review for 2020 and the goal setting discussion for 2021 take place in a joint meeting between employee and manager. The new performance approach has replaced the former EDD.

During the “Global Talent Review” (GTR), managers get together to discuss and calibrate employee assessments. Part of the GTR is also the strategic succession management to ensure a sustainable talent pipeline for key positions at Schaeffler. Talents are identified at an early stage and get the tools and development to design their career professionally and personally.

As part of the “Digital HR” initiative, the existing systems and processes are being expanded globally with the launch of “SAP Success Factor”, and further professionalized on a digital basis. The global rollout of the modules on “Recruitment”, “Onboarding”, “Performance & Goal Management” and “Succession & Development” started in 2020.

Distribution of employees by region<sup>1)</sup>



1) The regions represent the regional structure of the Schaeffler Group.

< Ⓢ

### High-quality training opportunities

Ⓢ > Quality training and the development of young talents has always been a high priority in the Schaeffler Group. In 2020, the company employed 2,724 apprentices<sup>1)</sup> (prior year: 3,078) at 50 locations in 16 countries worldwide. They are prepared for new challenges in pioneering projects – e.g. using augmented reality concepts in the form of virtual welding simulators and 3D printer construction. Working with the Schaeffler Academy, additional pilot projects were launched in 2020 to develop qualification opportunities associated with Industry 4.0. New job profiles were also incorporated into the apprentice program portfolio and take the company's technological developments into account – e.g. in the areas of mechatronics, electronics, and IT.

# 2,724

apprentices<sup>1)</sup>

The Schaeffler Group also offers a variety of study opportunities, including the dual study, and “Two in One” study in collaboration with technical colleges. The study programs cover both technical and business topics, ranging from mechanical engineering, automation and computer science to the automotive trade, as well as tax and commercial law.

< Ⓢ

Ⓢ More information on the modern learning environment in training can be found in the [online report](#).

1) Includes people with academic or nonacademic qualifications.

**HIGHLIGHT****Initial training in Vietnam**

In October 2020, the Schaeffler Group started training qualified young employees in Vietnam. One class of 20 apprentices commenced initial vocational training in collaboration with the renowned Lilama College. The global network of trainers worked closely together to develop the Schaeffler apprenticeship model in Vietnam, promoting the transfer of knowledge across country borders.

## Training employees independent of time and place

☞ > Over the past three years, the Schaeffler Academy has developed a variety of Fit4 qualification programs in order to support the required re- and upskilling of employees. The programs consist of modular training options with defined learning paths that consider the target groups' different backgrounds and areas of experience. The "Fit4Mechatronics" program is currently being offered with around 111 training courses, providing research and development engineers with knowledge about mechatronics and electronics. The Schaeffler Academy has also been an AZAV<sup>2)</sup>-certified educational institution since December 2019, meaning the Schaeffler Group can offer employees retraining qualifications and continued professional development through the Skills Development Opportunities Act (QCG).

## Qualifying trainers

☞ > Well-qualified young professionals require well-qualified trainers. All trainers in Germany are 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. Tailored trainer qualification programs are being developed for use in the Schaeffler regions of the Americas, Greater China, and Asia/Pacific in 2021. All of the trainer qualification measures aim to prepare them for a role change "from teacher to coach" and for the opportunities provided by digital learning. < ☞

# 99.8 %

coverage of Learning Management System<sup>3)</sup>

The new conditions resulting from coronavirus require a high degree of willingness to change when it comes to digitizing training content. For example, around 30 % of the classroom training sessions originally planned in Germany were offered in digital learning formats in the reporting period. The new forms of learning are available through the internal Learning Management System (LMS), as are the classic classroom training sessions. Apart from Russia, the global rollout of the LMS was successfully completed at the end of 2020. The system is therefore available in 53 countries for a coverage rate of 99.8 %<sup>2)</sup> (prior year: 93.0 %) of the total workforce. Overall, 193 online training courses were globally available to employees (prior year: 134). 7,351 people (prior year: 27,906) also took part in classroom training sessions in Germany in the reporting year. Due to the coronavirus pandemic, a majority of the classroom training sessions were translated into virtual formats. Compulsory classroom training sessions were also held in accordance with applicable hygiene measures.

## Apprentices, students, and trainees<sup>1)</sup>

	2020	2019	2018
Apprentices, total <sup>2)</sup>	2,724	3,078	3,275
of which, students, total <sup>3)</sup>	491	-	-
Trainees, total	50	76	69

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

2) People with academic or nonacademic qualifications.

3) Dual students, master's degree and "Two in One" students. The "Two in One" study program combines a bachelor's degree with vocational training. Due to a change in the collection methods, there are no global data for 2019 and 2018. Figures have so far only been collected for Germany. The values for the number of students in Germany can be found in the Sustainability Report 2019.

2) The Further Training Approval Ordinance (AZAV) is a regulation of the Federal Ministry of Labor and Social Affairs.

3) Relating to employees.

## Qualification and training<sup>1)</sup>

	2020	2019	2018
Online training courses, total	193	134	95
Participants in e-learning courses, Germany <sup>2)</sup>	136,307	35,780	65,580
Participants in face-to-face trainings, Germany	7,351	27,906	31,874

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

2) Increased use of e-learning offers due to the coronavirus pandemic and compulsory online training courses increase the number of participants.

< (P)

## Leadership & Corporate Values

(P) > As part of the “Leadership & Corporate Values” initiative, the Schaeffler Group introduced six Leadership Essentials. They describe the behavior managers should exemplify across all levels in daily collaboration. The following measures were taken, e. g. to implement the Leadership Essentials within the company:

- Upward feedback in which managers see how well their employees live up to the guidelines
- Standardized and global 360 feedback provides managers with a comprehensive form of feedback on the six Leadership Essentials from their manager, employees, colleagues, and other collaboration partners. The 360 feedback is voluntary and anonymous
- Alignment of all executive training content with the Leadership Essentials

To support the company transformation, change management offers for managers have been revised and adapted in line with the current increase in tailored needs. A global leadership program has also been developed for the E-Mobility department to support managers in their role of leadership during the transformation.

The new “Leadership Campus Talk” format, which is designed to give managers the opportunity to reflect on and share information about current topics of relevance, was also introduced in the reporting period. Managers around the world actively took advantage of the digital pilot event in October, which runs under the motto “Diversity – Unleashing the Power of Inclusive Leadership”.

Developed in 2019 in collaboration with employees and managers as from different regions, the “Employee Essentials” were successfully communicated and are expected to be rolled out in all four Schaeffler regions in 2021. The “Employee Essentials” will also be integrated into all relevant HR processes in 2021, including Performance & Goal Management and training courses.

The aforementioned Leadership Essentials, “Employee Essentials”, and the accompanying communication and implementation measures were developed in close collaboration with the corresponding members of the extended Executive Board. < (P)

(P) More information on diversity can be found in the chapter “Diversity and equal opportunity” on page 47 et seq.

## 5.2 Occupational health and safety

### AT A GLANCE

- The physical and mental performance and motivation of employees are key to the success of the company
- Corporate health management (CHM) and occupational safety are the basis for this – even in countries where there are no government regulations

### Actively promoting health


(P) > The health and well-being of its employees are important to the Schaeffler Group. As part of occupational health and safety activities work-related threats are being identified to reduce the risk of illness and accidents. The comprehensive approach of occupational health and safety also improves the working situation as well as the management and corporate culture in equal measure. Health programs go beyond what is legally required, e. g. the company not only accepts social responsibility but also promotes the best-possible performance. At the same time, increased health awareness improves competitiveness over the long term.

The Schaeffler Group also encourages personal empowerment through preventive health programs and provides information on healthy and safe behavior, e. g. in workshops on ergonomic workstations and personal consultations at the workplace. All employees can take advantage of a variety of training courses both during and outside of their working hours.

Responsible for the corporate health management (CHM) and occupational safety is the head of health and safety, as part of the HR function. CHM is based on the framework guidelines of the Luxembourg Declaration on Workplace Health Promotion of the European Union. Developed to ensure consistent quality across all locations, the CHM guidelines serve as a basis for healthy behavior for CHM officers at all

locations. Information about health management and its operational requirements can also be found in the group-wide Energy, Environment, Health & Safety (EnEHS) management manual. Accordingly, each location has an appointed CHM officer who is responsible for these operations.

In order to identify suitable health improvement measures, the current state of health is analyzed, e. g. on the basis of workforce questionnaires and health reports available through health insurance providers. Based on these analyses and specific location-related requirements, local management works with the occupational health and safety officers to develop annual CHM plans, with a particular focus on implementing sustainable measures. < (P)

 **More information on CHM in the coronavirus pandemic can be found in the [online report](#).**

#### HIGHLIGHT

##### **Awarded gold as part of Germany's "Healthy Companies" initiative**

The Schaeffler Group has implemented a whole host of projects and measures in recent years to maintain and continuously improve employee health and performance. Germany's "Healthy Companies" initiative acknowledged the effectiveness and innovative approach of these projects in 2020.

### Reducing stress at the workplace

(P) > The Schaeffler Group relies on measures tailored to certain target groups, action fields, and general topics to effectively reduce stress at work. Numerous projects and measures were also implemented to maintain and continuously improve psychological, cognitive and physical performance.

- The "Schaeffler Health and Ergo Scout" project is worth mentioning in particular. The ergonomics project carried out at each of the locations significantly reduces sick leave resulting from musculoskeletal illnesses, focusing on preventing certain employee behaviors.
- A global workplace register identifies and visualizes physical and organizational stress as well as stress from the working environment. For employees with health

limitations, a matching process can be used to identify suitable workplaces and thus promote reintegration.

- "Fit4Shift" is offered specifically for shift workers. Employees are made aware of shift-specific problems and how to prevent them during workshops. < (P)

### Consistently high occupational safety standards worldwide

(P) > In order to comply with legal requirements and to further develop internal processes and standards for occupational health and safety, the Schaeffler Group uses a comprehensive Energy, Environment, Health & Safety (EnEHS) management system. This takes a variety of factors into account, including international occupational safety standards, and is audited group-wide in accordance with ISO 45001. Audits that could not be conducted on-site in 2020 were carried out digitally. Microsoft HoloLens made it possible to accompany plant inspections digitally. On-site inspections were reduced to a minimum and complied with the applicable guidelines. The coverage rate<sup>4)</sup> according to ISO 45001 is 99.7 % (prior year: 99.0 %) and has an impact not only on the company's own workforce, but also, e. g. on service providers that work at a Schaeffler location.

# 99.7 %

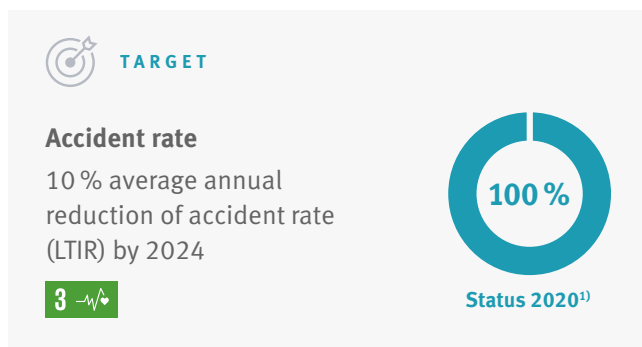
of all production sites  
are ISO 45001 certified<sup>4)</sup>

According to the EnEHS management system, all managers and employees are required to comply with occupational safety regulations. They are also obliged to report unsafe situations or hazards to their supervisors. Managers 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 relevant members of the Executive Board. If necessary, further action will be taken. This ensures the ongoing development of the EnEHS management system.

The Schaeffler Group is committed to reducing occupational accidents annually by an average of 10 %. During the reporting period, the accident rate (LTIR)<sup>5)</sup> was reduced to 4.6 (prior year: 5.2), thus exceeding the annual reduction target of 10 % for the fourth year in a row. < (P)

4) Relating to employees on the production sites.

5) Measurement of Lost Time Injury Rate, LTIR = occupational accidents from one lost day per 1 million hours worked. Employees, including temporary staff, apprentices, and interns.



1) Interim target set for 2020 of 4.7 was exceeded.

The “Safe Work@Schaeffler” project was initiated to maintain this positive trend and achieve the strategic objective. Focus areas in terms of actions and plants were identified using a differentiated approach. On the basis of safety assessments and awareness workshops, plant-specific measures are developed within the project to increase awareness of occupational safety and thus reduce occupational accidents over the long term. Due to the impact of the coronavirus pandemic, implementation at the first pilot plants has been postponed until 2021.

**More information on occupational safety in the supply chain can be found in the chapter “Minimum requirements for suppliers in” on page 38 et seq.**

### Occupational safety during the coronavirus pandemic

Due to the spread of the coronavirus in China, crisis management teams were called into action across all regions in January 2020. An additional central crisis management team initially coordinated with the Executive Board on current developments on a daily basis.

## 0

### coronavirus infections at the workplace

The health of all employees was a top priority. A multistage, risk-based pandemic plan containing over 150 individual measures was developed and continuously updated to minimize infection. All of the workplaces were also evaluated in terms of the risk of infection and adapted in line with the applicable distancing and hygiene rules. A comprehensive communication concept ensured that all employees could be reached through various media. Daily information contained

the latest developments, current measures, and the state of infection. The concept also demanded global communication of revised hygiene standards.

In March 2020, the Schaeffler Group began using capacities to test local suspected cases early on. In October, the company also started offering rapid testing to all employees at the European locations, thus preventing any coronavirus infections at the workplace in 2020.

**More information on Schaeffler crisis management can be found on page 22.**

## 5.3 Diversity and equal opportunity

### AT A GLANCE

- In 2020, the primary focus of the diversity management strategy was to increase the visibility
- A Diversity Council was established and trained to anchor the topic more firmly in the company

### Strategically promoting diversity

> The Schaeffler Group employs people from 129 nations. The aim is to anchor diversity management at the company over the long term, make it more visible, and emphasize the management's obligation to the topic. In order to underline its commitment, the company signed the “Charta der Vielfalt” (Diversity Charter) in 2008 and has been an active member of the “Charta der Vielfalt” association since 2018. Again in 2020, the company took part in all general meetings, the diversity conference, and in the preparations for the 2021 diversity business forum.

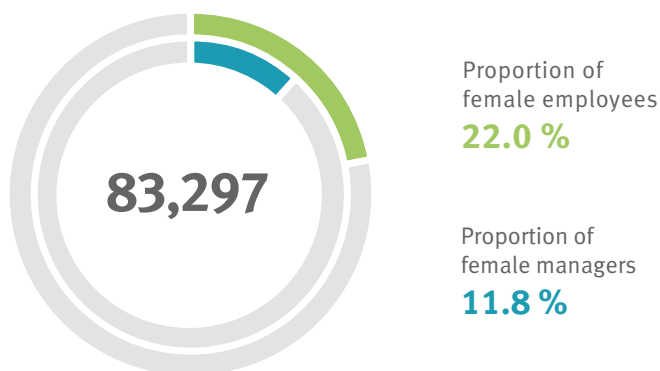
To promote diversity and inclusion, a global network was set up in 2020 to allow managers across all regions to share information and advance these topics regionally. The Diversity Council, which was established in 2019 and consists of members of the extended Executive Board as well as managers, also intensified its work. In addition to continuously performing communication work, the council completed a diversity training, which served as a pilot and will be expanded to management level in the next step. The idea is to establish the training across all levels.

# 129

different nations are represented at the Schaeffler Group

Diversity management primarily serves to prevent discrimination. Still, the department is closely networked with various stakeholders, such as the complaints office for cases of discrimination and the Sustainability department for issues related to human rights. Training courses called for by the General Act on Equal Treatment, which are compulsory in Germany, are also offered for managers and employees. < P

### Proportion of women at Schaeffler Group



### Gender diversity

< P > In 2020, the proportion of women in the Schaeffler Group was 22.0 % (prior year: 22.1 %) and the proportion of female managers<sup>6)</sup> was 11.8 % (prior year: 11.5 %). 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. These targets will ultimately be achieved group-wide, beginning with Schaeffler AG by June 30, 2022.

On the topic of gender diversity, the rollout of the women's mentoring pilot program in Europe, which kicked off in 2019, continued in the reporting period, with the number of participating mentors and the number of mentees more than tripling. Increased focus was also placed on gender diversity in the area of E-Mobility – e.g. university collaborations and mentoring programs were piloted. Female STEM students were systematically selected for the program in the reporting period. Beginning in 2021, they will be mentored by female managers of the Schaeffler Group and take part in training series. < P

<sup>6)</sup> Managers are defined as employees in a supervisory function.

## 5.4 Social responsibility

### AT A GLANCE

- Tax payments are part of responsible corporate governance for the Schaeffler Group
- Donations and sponsorships are managed under separate guidelines throughout the Group

### Responsible tax strategy

< P > Compliance with all national and international tax laws is part of Sustainable Corporate Leadership for the Schaeffler Group. The tax strategy therefore pursues the lawful, tax-optimized handling of all issues both domestically and abroad. The company promotes an open and honest dialogue.

The Schaeffler Group does not pursue any inappropriate tax planning strategies and pays taxes wherever it generates value. The Schaeffler AG Executive Board is aware of the company's social responsibility and the necessity of appropriate government funding. The Schaeffler Group contributes to tax revenue on the basis of its performance both domestically and abroad, and promotes open and respectful collaboration with the tax authorities.

The Corporate Tax Directive defines the tasks and tax responsibilities of the people who interact with tax authorities on behalf of the Schaeffler Group, tax-related processes, the integration of the group Tax department into Schaeffler Group processes, and reporting and documentation obligations.

The Schaeffler Group's risk management system is an integral part of the management structure and covers tax opportunities and risks. The Executive Board is in charge of the risk management system. It regularly reports to the Schaeffler AG audit committee and ensures that the necessary risk control measures are adopted.

The Executive Board has also introduced a "Tax Compliance Management System" (Tax CMS) based on loss prevention and risk control, which is designed to ensure compliance with tax requirements throughout the company and conforms with the Schaeffler Group's governance model. In 2020, an independent auditing company confirmed the appropriateness and implementation of the Tax CMS of Schaeffler AG and its domestic companies, the majority of whose interests are held indirectly or directly by Schaeffler AG. The audit was carried out in accordance with the IDW AsS 980 standard for auditing compliance management systems as well as the IDW Practice Statement 1/2016: "Design of and Assurance Engagements Relating to Tax Compliance Management Systems in Accordance with IDW AsS 980".



A globally accessible whistleblowing system for identifying potential misconduct enables anonymous reporting of alleged violations.

In line with legal requirements (country-by-country reporting), the company provides the Federal Central Tax Office (BZSt) with tax information on all group members on the basis of the consolidated financial statements audited by an independent auditing firm. < (F)

### Focusing on the common good

The company donates to those organizations and initiatives in particular that work towards the common good, are non-profit, and operate in compliance with the Schaeffler Group's Code of Conduct (CoC). Donations of around EUR 4.4 m (prior year: EUR 1.6 m) were made in 2020. The significant increase is primarily the result of donations made to mitigate the coronavirus pandemic. The Compliance department monitors donations and sponsorships. Sponsorship funds are used systematically in accordance with a group-wide policy, and measures are controlled by an associated global management system. In the reporting period, a total of 374 CSR projects were implemented worldwide.

# 374

CSR projects were implemented worldwide

### Education and science

Education 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.

Through its CSR program HOPE, Schaeffler India supports a variety of educational measures to encourage underprivileged children and children with disabilities to complete a vocational training program. Schaeffler India enables virtual learning options to ensure that children's education is not compromised by the acute coronavirus crisis in remote villages.

The Schaeffler Group is a premium partner in a project dedicated to the future of work. Initiated by Futury, this project is also implemented in collaboration with other partners such as Harley-Davidson, Nestlé, Deutsche Bank, Werte-Stiftung, Bain & Company, and Handelsblatt. The idea behind it is to develop sustainable, value-based innovation for the work of the future. The fundamental values of the criteria include specific ESG aspects, the SDGs, and the planetary boundaries.

20 talented minds were selected from more than 1,000 applicants from all over Europe to take part in a three-month intrapreneur program. Working in five groups, they have the opportunity to develop sustainable and innovative ideas in this area.

### Health and social issues

The Schaeffler Group has a positive influence on its environment and supports people in need or in difficult living conditions. In the reporting year, the coronavirus crisis required special dedication.

Schaeffler AG and the Schaeffler family together donated EUR 1 m to the Red Cross in April 2020 to enable rapid assistance. In February, the company donated around EUR 770,000 to local Chinese aid organizations and supported the Red Cross in China. Global financial and material donations focused on providing hospitals with the equipment they need. For example, the company provided a diverse range of medical equipment amounting to EUR 70,000 in Pune, India. In 2020, around half of all donations went to organizations and social institutions dedicated to mitigating the coronavirus pandemic.

In Romania, the Schaeffler Group is a key supporter of the national project "Mobility for Heroes", which was initiated by Autonet, the Romanian Automotive Aftermarket sales partner. At garages throughout the country, a project relief fund covers the costs for repairing and maintaining ambulances and other first responder vehicles.

### Sports and culture

The Schaeffler Group joined the new HYRAZE League as partner in an effort to elevate the successful work on electric drive systems and key fuel cell components to a whole new level. The new racing series with hydrogen cars is set to kick off in 2023. Prototypes are expected to be developed by the end of 2021 and tested on the racecourse beginning in 2022. Motorsport with hydrogen technology is as ambitious as it is pragmatic and demonstrates new opportunities for series production.

The Schaeffler Música project in the Brazilian city of Sorocaba was launched in 2007. The idea is to bring classical music to local communities and cultivate an audience for this type of art. City theaters host performances by national and international musicians every season. Admission is affordable and some concerts are even free. Due to the pandemic in 2020, the concerts were offered as a free online program for everyone. The series of concerts, which usually spans the entire year, was complemented by presentations and workshops about classical music, reaching not only a larger audience than expected, but also an audience throughout Brazil and Europe.

# 6

## Appendix

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## 6.1 Key figures on sustainability

Financial and non-financial key figures for measuring sustainability performance are presented below.

If not indicated otherwise, the information refers to the Schaeffler Group. The reference period covers the business years from 2018 to 2020.

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 revised International Standard on Assurance Engagements (ISAE 3000) 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 ✓. Key figures marked with ✓✓ were taken from the consolidated financial statements or the combined management report. The figures are generally rounded, which can lead to slight deviations in the calculation of sums.

### Strategy and management

		2020	2019	2018	Change (2019/2020)	Assessment
Employees trained in face-to-face trainings and workshops on the topic of compliance <sup>1)</sup>	Number	3,277	8,091	8,793	-59.5 %	✓
Employees trained online on the topic of compliance <sup>2) 3)</sup>	Number	34,879	6,461	9,578	439.8 %	✓
Compliance rate of compulsory online compliance training courses <sup>4)</sup>	%	94.6	98.2	-	- 3.6 % pp	✓

1) The significant drop is primarily the result of increased use of digital formats due to the coronavirus pandemic.

2) Employees, including temporary office staff, apprentices, interns, and people working on a thesis.

3) Global rollout of the new, compulsory "Integrity & Security@Schaeffler" online course, in particular, is responsible for the significant increase compared to the previous year.

4) Does not include those employees who were absent over a longer period of time during the year or for whom the deadline to complete the mandatory training courses had not yet passed by the end of the year. Employees were invited to participate, including temporary staff, apprentices, and interns. As of 12/31/2020. Figure first calculated for 2019. As of 1/7/2020.

### Customers and products

		2020	2019	2018	Change (2019/2020)	Assessment
Revenue, total	EUR millions	12,600	14,427	14,241	-12.7 %	✓✓
Of which Automotive Technologies <sup>1)</sup>	EUR millions	7,821	9,044	8,996	-13.5 %	✓✓
Of which the business division E-Mobility <sup>1)</sup>	EUR millions	657	681	493	-3.5 %	✓✓
Of which Industrial <sup>1)</sup>	EUR millions	3,138	3,535	3,383	-11.2 %	✓✓
Of which Automotive Aftermarket <sup>1)</sup>	EUR millions	1,641	1,848	1,862	-11.2 %	✓✓
Schaeffler Group value added before special items	EUR millions	84	284	557	-70.2 %	✓✓
Research and development (R&D) expenses	EUR millions	758	849	847	-10.7 %	✓✓
R&D ratio	%	6.0	5.9	6.0	0.1 % pp	✓✓
R&D employees <sup>2)</sup>	FTE	7,380	7,444	-	-0.9 %	✓
R&D centers	Number	20	20	20	0.0 %	✓✓
Internal inventions reported	Number	2,291	3,298	3,452	-30.5 %	✓✓
Patent applications <sup>3)</sup>	Number	1,875	2,385	2,417	-21.4 %	✓
Awards for customer satisfaction/product quality	Number	72	66	65	9.1 %	✓
Coverage rate of quality management systems <sup>4)</sup>	%	100	100	100	0.0 % pp	✓

1) Previous year's figures according to the segment structure reported in 2020.

2) Workforce values are provided as a full-time equivalent (FTE) at the end of the year. Due to a change in the collection methods, there are no data available for 2018.

3) Patent applications concern first filings at the German Patent and Trademark Office (DPMA). The DPMA adapted the counting method in 2019, which is why the 2019 figure differs from that of the Sustainability Report 2019.

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

Environment and energy<sup>1)</sup>

		2020	2019	2018	Change (2019/2020)	Assessment
Coverage rate for EMAS certification <sup>2)</sup>	%	<b>98.6</b>	98.1	98.1	0.5 % pp	✓
Coverage rate for ISO 14001 certification <sup>2)</sup>	%	<b>99.5</b>	98.8	98.7	0.7 % pp	✓
Coverage rate for ISO 50001 certification <sup>2)</sup>	%	<b>99.3</b>	98.0	97.9	1.3 % pp	✓
Total energy consumption <sup>3) 4)</sup>	GWh	<b>3,005</b>	3,290	3,367	-8.7 %	✓
Of which electricity consumption <sup>4) 5)</sup>	GWh	<b>2,083</b>	2,316	2,365	-10.1 %	✓
Of which natural gas consumption <sup>4)</sup>	GWh	<b>825</b>	872	877	-5.4 %	✓
Of which fuel oil consumption <sup>4)</sup>	GWh	<b>5</b>	7	9	-28.6 %	✓
Of which propane/LPG consumption <sup>4)</sup>	GWh	<b>44</b>	47	53	-6.4 %	✓
Of which district heating consumption	GWh	<b>48</b>	48	63	0.0 %	✓
Greenhouse gas emissions, total <sup>6) 7) 9)</sup>	t CO <sub>2</sub>	<b>6,212,088</b>	-	-	- %	✓
Own greenhouse gas emissions (Scope 1 + 2 market-based), total <sup>6) 8) 9)</sup>	t CO <sub>2</sub>	<b>754,656</b>	1,026,057	1,045,627	-26.5 %	✓
Greenhouse gas emissions (Scope 1) <sup>6)</sup>	t CO <sub>2</sub>	<b>180,664</b>	190,575	193,711	-5.2 %	✓
Greenhouse gas emissions (Scope 2) market-based <sup>8) 9)</sup>	t CO <sub>2</sub>	<b>573,992</b>	835,482	851,916	-31.3 %	✓
Greenhouse gas emissions (Scope 2) location-based <sup>6)</sup>	t CO <sub>2</sub>	<b>1,078,274</b>	1,179,534	1,268,082	-8.6 %	✓
Greenhouse gas emissions (Scope 3.1) Purchased goods and services <sup>10) 11)</sup>	t CO <sub>2</sub>	<b>4,944,867</b>	-	-	- %	✓
Greenhouse gas emissions (Scope 3.3) Fuel- and energy-related emissions <sup>11) 12)</sup>	t CO <sub>2</sub>	<b>135,089</b>	-	-	- %	✓
Greenhouse gas emissions (Scope 3.4) Transport and distribution (upstream) <sup>10) 11)</sup>	t CO <sub>2</sub>	<b>342,864</b>	-	-	- %	✓
Greenhouse gas emissions (Scope 3.5) Waste treatment and disposal <sup>10) 11)</sup>	t CO <sub>2</sub>	<b>34,612</b>	-	-	- %	✓
Nitrogen oxides (NO <sub>x</sub> )	t	<b>83</b>	90	90	-7.8 %	
Sulfur dioxide (SO <sub>2</sub> )	t	<b>3</b>	3	4	0 %	
Fine particles <sup>13)</sup>	kg	<b>119</b>	135	100	-11.9 %	
Water withdrawal <sup>14)</sup>	m <sup>3</sup>	<b>4,957,818</b>	5,783,781	6,089,564	-15.8 %	✓
Amount of waste, Germany <sup>4) 15)</sup>	t	<b>228,764</b>	284,558	312,383	-19.6 %	✓
Of which hazardous waste <sup>11)</sup>	t	<b>27,517</b>	-	-	- %	✓
Of which nonhazardous waste <sup>11) 15)</sup>	t	<b>201,247</b>	-	-	- %	✓
Scrap and metals, Germany <sup>4)</sup>	t	<b>188,851</b>	237,877	260,428	-20.6 %	✓
Waste for disposal, Germany <sup>4)</sup>	t	<b>2,754</b>	3,267	4,493	-15.7 %	✓
Waste for recycling, Germany <sup>4)</sup>	t	<b>37,158</b>	43,915	47,463	-15.4 %	✓
Recycling rate, Germany <sup>16)</sup>	%	<b>93.1</b>	93.1	91.1	0.0 % pp	✓

1) The environmental indicators of emissions and energy and water consumption are based on the consumption of the 75 plants in 22 countries. The calculation is based on certification in accordance with ISO 14001, ISO 50001, and ISO 45001 and entry in the EMAS site registry; reporting date 12/31/2020.

2) Relating to employees on the production sites.

3) Energy sources included: electricity, natural gas, district heating, propane, fuel oil, without the amount of electricity produced by the gas-powered CHP. Including photovoltaic electricity generated internally as of 2020.

4) Drop primarily due to the impact of the coronavirus pandemic and the resulting reduction in production capacity.

5) Only external electricity purchases since CHP electricity is recorded via gas consumption. Including photovoltaic electricity generated internally as of 2020.

6) 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).

7) Total of Scope 1, Scope 2 (market-based), and Scope 3. Figures differ from those of the Sustainability Report 2019 or do not exist due to changes in the composition. Scope 3 calculation currently includes four upstream categories.

8) The reduction is primarily due to the purchase of 100 % green electricity in Germany, Austria, Slovakia, Mexico, Spain, and the United Kingdom.

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

10) Scope 3.1, Scope 3.4, and Scope 3.5 greenhouse gas emissions are calculated on the basis of a recognized input-output model that uses the method of multiregional input-output calculation and quality-assured data from international environmental, resource, and social statistics (OECD, BEA, World Bank indicators, and EXIOBASE). Calculation is based on Schaeffler's purchasing volume in 2020 and takes additional steel-specific factors into account.

11) Figure first calculated for 2020.

12) Not contained in Scope 1 or 2. Scope 3.3 greenhouse gas emissions are calculated on the basis of the emission factors of Defra (2020) and the emission factors of the German Federal Environmental Agency (2018, emission values of renewable energy sources). Upstream chain emissions and T&D losses are calculated on the basis of the emission sources considered for Scope 1 (natural gas, fuel oil, propane) and Scope 2 (electricity, district heating).

13) 2019 figure different from that of the Sustainability Report 2019 due to changes in the calculation method.

14) Water withdrawal includes municipal and internal company water.

15) Excluding metals and scrap.

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

## Suppliers and materials

		2020	2019	2018	Change (2019/2020)	Assessment
Suppliers reviewed in initial assessments <sup>1)</sup>	Number	64	86	111	-25.6 %	✓
Percentage of the purchasing volume of production material suppliers with SAQs <sup>2)</sup>	%	30.9	-	-	- %	✓
Response rate of surveyed suppliers on the use of conflict minerals <sup>3) 4)</sup>	%	84.6	90.0	94.3	-5.4 % pp	✓
Coverage rate of certified smelters in the supply chain <sup>4) 5)</sup>	%	100	100	100	0.0 % pp	✓
Confirmed cases of human rights violations <sup>6)</sup>	Number	6	0	0	- %	✓

1) Completed in 2020.

2) Figure first calculated for 2020.

3) Response rate of suppliers surveyed on the use of conflict minerals as defined under the Responsible Minerals Initiative. 2020 value checked in interim status in December 2020. 2019 figure adjusted compared to Sustainability Report 2019 in accordance with the regular survey period. Lower response rate in 2020 due to twice as many suppliers surveyed.

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

5) Risk areas as defined in the RCOI.

6) Violations of the prohibition on forced labor, child labor, and cases of discrimination by racial/ethnic origin, color, or gender. The cases confirmed in the year reporting period were all related to discrimination. Limited data comparison due to changes in the reporting system.

Employees and society<sup>1)</sup>

		2020	2019	2018	Change (2019/2020)	Assessment
Number of employees, total <sup>2)</sup>	Number	83,297	87,748	92,478	-5.1 %	✓✓
Of which in Europe <sup>2)</sup>	Number	53,865	60,155	63,165	-10.5 %	
Of which in the Americas	Number	11,785	12,264	13,138	-3.9 %	
Of which in Greater China	Number	11,787	12,182	12,976	-3.2 %	
Of which in Asia/Pacific <sup>2)</sup>	Number	5,860	3,147	3,199	86.2 %	
Labor turnover rate <sup>3)</sup>	%	2.9	4.4	4.8	-1.5 % pp	
New employees, total	Number	3,574	4,644	9,871	-23.0 %	
Of which women	Number	1,000	1,412	2,643	-29.2 %	
Of which in age category < 30 years <sup>4)</sup>	Number	1,600	2,128	4,744	-24.8 %	
Of which in age category 30–55 years <sup>4)</sup>	Number	1,897	2,390	4,883	-20.6 %	
Of which in age category > 55 years	Number	77	126	244	-38.9 %	
Number of employees leaving, total	Number	8,227	9,277	8,300	-11.3 %	
Of which women	Number	1,993	2,233	1,951	-10.7 %	
Of which in age category < 30 years <sup>4)</sup>	Number	1,946	3,102	2,981	-37.3 %	
Of which in age category 30–55 years	Number	3,917	4,731	4,097	-17.2 %	
Of which in age category > 55 years	Number	2,364	1,444	1,222	63.7 %	
Average age	Years	40.8	40.5	39.9	0.7 %	
Age structure/distribution < 30 years	Number	13,474	15,877	19,429	-15.1 %	
Age structure/distribution 30–55 years	Number	60,404	61,603	61,194	-1.9 %	
Age structure/distribution > 55 years <sup>4)</sup>	Number	9,419	10,268	11,855	-8.3 %	
Average tenure	Years	12.3	11.9	11.2	3.4 %	

Employees and society continuation<sup>1)</sup>

		2020	2019	2018	Change (2019/2020)	Assessment
Employees covered by collective bargaining agreements, Germany	%	95.1	95.0	94.6	0.1 % pp	
Permanent employees	%	92.2	91.5	90.7	0.7 % pp	✓
Part-time ratio, Germany	%	7.0	7.1	6.3	-0.1 % pp	✓
Number of men/women on parental leave, Germany	Number	367	426	360	-13.8 %	
Management positions <sup>5)</sup>	Number	8,475	8,755	8,826	-3.2 %	
Proportion of female managers, total <sup>5)</sup>	%	11.8	11.5	10.9	0.3 % pp	✓
Proportion in Europe <sup>2) 5)</sup>	%	9.7	9.0	8.5	0.7 % pp	
Proportion in Americas <sup>5)</sup>	%	16.6	16.2	13.9	0.4 % pp	
Proportion in Greater China <sup>5)</sup>	%	19.4	18.6	18.0	0.8 % pp	
Proportion in Asia/Pacific <sup>2) 5)</sup>	%	7.7	13.8	14.5	-6.1 % pp	
Proportion of female employees, total	%	22.0	22.1	22.0	-0.1 % pp	✓
Proportion in Europe <sup>2)</sup>	%	21.0	20.3	20.3	0.7 % pp	
Proportion in Americas	%	26.2	25.9	25.9	0.3 % pp	
Proportion in Greater China	%	28.6	29.0	28.4	-0.4 % pp	
Proportion in Asia/Pacific <sup>2)</sup>	%	9.8	15.0	14.7	-5.2 % pp	
Proportion of severely disabled employees, Germany <sup>6)</sup>	%	5.6	5.9	5.5	-0.3 % pp	
Number of nationalities, total <sup>4)</sup>	Number	129	125	110	3.2 %	✓
Apprentices, total <sup>7)</sup>	Number	2,724	3,078	3,275	-11.5 %	✓
Of which students, total <sup>8)</sup>	Number	491	-	-	- %	
Trainees, total <sup>9)</sup>	Number	50	76	69	-34.2 %	
Online training courses, total	Number	193	134	95	44.0 %	✓
Participants in e learning courses, Germany <sup>10)</sup>	Number	136,307	35,780	65,580	281.0 %	✓
Participants in face-to-face trainings, Germany	Number	7,351	27,906	31,874	-73.7 %	✓
Coverage rate of learning management system <sup>11)</sup>	%	99.8	93.0	70.0	6.8 % pp	✓
Ideas submitted	Number	31,283	41,018	40,161	-23.7 %	
Accident rate (LTIR) <sup>12)</sup>	LTIR	4.6	5.2	6.2	-11.5 %	✓
Coverage rate for ISO 45001 <sup>13)</sup>	%	99.7	99.0	98.8	0.7 % pp	✓

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

2) Change from previous year due to reallocation of the Schaeffler subregion of India from Europe to Asia/Pacific.

3) Initiated by employees; related to the average number of employees from 1/1/2020 to 12/31/2020.

4) Change from previous year due to changes in the calculation method.

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

6) Schaeffler Group Germany, without temporary workers.

7) People with academic or nonacademic qualifications.

8) Dual, master's degree, and "Two in One" course students. The "Two in One" study program combines a bachelor's degree with vocational training. Due to a change in the collection methods, there are no global data for 2019 and 2018. Figures have so far only been collected for Germany. The values for the number of students in Germany can be found in the Sustainability Report 2019.

9) Drop primarily due to the impact of the coronavirus pandemic and the resulting budget cuts.

10) Increased use of e-learning offers due to the coronavirus pandemic and compulsory online training courses increase the number of participants.

11) Relating to employees.

12) Measurement of Lost Time Injury Rate, LTIR = occupational accidents from one lost day per 1 million hours worked. Employees, including temporary staff, apprentices, and interns.

13) Relating to employees on the production sites.

## 6.2 GNFK index and GRI content index

### Index to the combined separate non-financial report

The Schaeffler Group has prepared a combined separate non-financial report (GNFK) for 2020 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).


The GNFK includes 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”. Twelve essential issues that were previously determined as part of the materiality analysis are reported in detail. The index on the right provides an overview of the pages of the Sustainability Report on which this information can be found.

	<b>Pages in the Sustainability Report 2020</b>
<b>Environmental concerns</b>	
Innovative mobility solutions	23-28
Innovative solutions for the industry and energy sector	23-28
Environment and climate protection	31-36
<b>Employee matters</b>	
Employee advancement and development	43-45
Occupational health and safety	45-47
Diversity and equal opportunity	47-48
<b>Social matters</b>	
Product quality and safety	29-30
Customer satisfaction	30
Corporate Responsibility	48-49
<b>Human rights</b>	
Social and ecological standards in the value chain	37-41
<b>Compliance</b>	
Corporate compliance	20-22
Information security	22

### 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 the company 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 the company's respective contribution to the United Nations Sustainable Development Goals (SDGs).

 **The interactive GRI index is available at:**  
[GRI Content Index Sustainability Report](#)

## 6.3 TCFD index








The requirements of the Task Force on Climate-related Financial Disclosures (TCFD) apply to the following areas: Governance, Strategy, Risk Management, and Metrics & Targets. The aim of TCFD-compliant reporting is to properly report on the risks and opportunities of climate change and thus strengthen the stability of the financial market. Since the CDP climate questionnaire incorporates most of the TCFD requirements, the Schaeffler Group already reports on the following information:

TCFD core elements	Required information	CDP questionnaire 2020 reference
<b>Governance</b> Disclosure of the organization's governance around climate-related risks and opportunities	A. Executive Board's oversight of climate-related risks and opportunities	C1.1b
	B. Management's role in assessing and managing climate-related risks and opportunities	C1.2, C1.2a
<b>Strategy</b> Disclosure of the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	A. Description of climate-related opportunities and risks	C2.1, C2.1a, C2.2, C2.3, C2.3a, C2.4, C2.4a
	B. Impact of climate-related risks on the organization's businesses, strategy, and financial planning	C2.3, C2.3a, C2.4, C2.4a, C3.1d, C3.1e
	C. Resilience of the organizational strategy	C3.1a, C3.1b
<b>Risk Management</b> Disclosure of how the organization identifies, assesses, and manages climate-related risks	A. Organization's processes for identifying and assessing climate-related risks	C2.2, C2.2a
	B. Organization's processes for managing climate-related risks	C2.2
	C. Integration of processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	C2.2
<b>Metrics &amp; Targets</b> Disclosure the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	A. Metrics used by the organization to assess climate-related risks and opportunities	C4.1, C4.2, C9.1
	B. Disclosure of Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions	C6.1, C6.3, C6.5
	C. Targets used by the organization to manage climate-related risks and opportunities	C4.1, C4.1a, C4.2

 **Answers and results of the Schaeffler Group CDP questionnaire at:**  
[CDP Schaeffler Group](#)



## 6.4 Sustainability targets

Strategic target	Measures (extract)	Status	Target deadline
<b>Energy Efficiency</b>			
100 GWh cumulated annual efficiency gains through implementation of energy efficiency measures by 2024	<ul style="list-style-type: none"> <li>• Implementation of measures for optimized heating and compressed air systems</li> <li>• Implementation of measures for optimized machines and machine cooling</li> <li>• Implementation of intelligent lighting concepts on LED basis</li> </ul>	 27 %	2024
<b>Renewable Energy</b>			
100 % purchased power from renewable sources by 2024	<ul style="list-style-type: none"> <li>• Increase the share of purchased green power to 100 %</li> <li>• As of 2020, 100 % of purchased power in Germany with renewable energy</li> </ul>	 56 %	2024
<b>Carbon-neutral Production</b>			
CO <sub>2</sub> reduction by 2030 compared to base year 2019	<ul style="list-style-type: none"> <li>• Implementation of the Schaeffler Climate Program to reduce CO<sub>2</sub> emissions in the production</li> <li>• Increasing the share of renewable energies</li> <li>• Expansion of energy efficiency measures</li> </ul>	 26 %	2030
<b>CDP Rating</b>			
“A-”-rating for CDP Climate Score by 2021	<ul style="list-style-type: none"> <li>• Increase the transparency regarding climate-relevant data, e.g. Scope 3 emissions</li> <li>• Cooperation with customers and suppliers to reduce emissions in the value chain</li> <li>• Based on a scenario analysis, description of climate-relevant opportunities and risks, as well as their influence on the business strategy</li> <li>• Description and expansion of the supply chain engagement</li> </ul>	 100 %	2020/21
<b>Freshwater Supply</b>			
20 % reduction of freshwater supply by 2030	<ul style="list-style-type: none"> <li>• New target adopted by the Sustainability Committee</li> <li>• Conducting risk analyses and developing a strategic concept</li> </ul>	 new target	2030
<b>Sustainable Suppliers</b>			
90 % of purchasing volume of production material from suppliers with sustainability self-assessments by 2022	<ul style="list-style-type: none"> <li>• Implementation of four initiatives or campaigns for onboarding more suppliers to NQC platform</li> <li>• Specific onboarding for suppliers from divisions or regions in selected projects</li> </ul>	 34 %	2022
<b>Accident Rate</b>			
10 % average annual reduction of accident rate (LTIR) by 2024	<ul style="list-style-type: none"> <li>• Implementation of appropriate measures taking local conditions into account</li> <li>• Conceptual design of the Safe Work@ Schaeffler project</li> </ul>	 100 % <sup>1)</sup>	2024



1) Interim target set for 2020 of 4.7 was exceeded.

## 6.5 About the report

- The reporting is in accordance with the standards of the Global Reporting Initiative (GRI) in the “Core” option
- The report includes the combined separate non-financial report in accordance with the CSR Directive Implementation Act

The Schaeffler Group publishes an annual sustainability report. The Schaeffler Sustainability Report 2019 was published in March 2020. The current reporting period corresponds to the business year that runs from January 1, 2020, to December 31, 2020. The editorial deadline for this report was February 12, 2021. The information relates to the entire Schaeffler Group with its business fields. If the details and representations of concepts pertain to other entities, this is pointed out accordingly. The Sustainability Report including the combined separate non-financial report is publicly available on the company's website. The Sustainability Report was written up by order of the Executive Board of the Schaeffler Group. The Board reviewed and released the report content.

### Combined separate non-financial report

In this report, the Schaeffler Group discloses the required non-financial information for the 2020 fiscal year in accordance with Sections 289, 315 of the German Commercial Code (HGB) (in accordance with the CSR Directive Implementation Act). The company exercises the option, in accordance with Section 315b (3) HGB, to produce a combined separate non-financial report (GNFK) apart from the group management report. The separate non-financial report was thereby combined with the separate non-financial report of the parent company in accordance with Section 315b (1) (2) HGB and integrated into the Sustainability Report. The corresponding passages are marked with  > < . References to information outside of this icon are to be understood as additional information; these are not mandatory components of the GNFK.

The combined separate non-financial report for the 2020 fiscal year for the Schaeffler Group and Schaeffler AG was reviewed by the Supervisory Board of Schaeffler AG and by the auditing firm KPMG AG on behalf of the Supervisory Board with respect to the legally required information in accordance with Sections 315b 315c in conjunction with 289b to 289e HGB for the purpose of obtaining limited assurance engagement. This follows the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information” issued by the International Auditing and Assurance Standards Board (IAASB). Further information on the Independent Auditor's Report on checking

the combined separate non-financial report for the purpose of obtaining limited assurance engagement can be found at [page 60](#).

### Guidelines for data collection and presentation

The following guidelines on the key figures and data points are valid for the entire report unless otherwise stated: This report includes all major domestic and foreign subsidiaries that are directly or indirectly controlled by Schaeffler AG. The companies are included from the date on which the Schaeffler Group gains control until the date control is lost. The survey period is from January 1, 2020, to December 31, 2020.

When preparing the report, it is necessary in some instances to make appropriate estimates/projections, which are documented internally, to present the complete survey period. Actual values may differ from these estimates and will be corrected in the following year's reporting. Methodical and structural changes are corrected in principle. Additional comments are provided for deviations greater than 5%. Differences may occur due to commercial rounding of amounts and percentages. Contrary to the above-mentioned principles, the cutoff deadline for key figures and employee relationships is generally December 31, 2020. The persons referred to as employees in this report are members of the internally defined “workforce” category. Temporary staff, apprentices, interns, and contract workers as well as inactive employees are not included.

The scope of key figure consolidation for greenhouse gas emissions, total energy consumption, water withdrawal, waste generation, and recycling rates in the environmental area refers to the production sites defined as essential in the EnEHS Group manual. The majority of these production sites already have ISO 14001, ISO 50001, ISO 45001, and EMAS site registrations; the reporting date is December 31, 2020.

### Forward-looking statements

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.

### **Editorial notes**

This report has been formulated in a gender-neutral language wherever possible. Using masculine, feminine, or diverse terms have been refrained due to readability reasons. Of course, all texts refer equally to all gender identities.

The company accepts questions and comments about responsible corporate management at the Schaeffler Group via the e-mail address [sustainability@schaeffler.com](mailto:sustainability@schaeffler.com).

## 6.6 Limited Assurance Report of the Independent Auditor regarding the Combined Separate Non-financial Report<sup>1)</sup>

### To the Supervisory Board of Schaeffler AG, Herzogenaurach

We have performed an independent limited assurance engagement on the non-financial statement of Schaeffler AG, Herzogenaurach, (further “Schaeffler AG” or “Company”) according to § 315b of the German Commercial Code (HGB), that is combined with the non-financial statement of the parent company in accordance with § 289b HGB, as well as the chapter “Organizational structure and business activities” of the group management report (further “combined separate non-financial report”) for the period from January 1 to December 31, 2020.

### Management's Responsibility

The legal representatives of the Company are responsible for the preparation of the combined separate non-financial report in accordance with §§ 315b, 315c in conjunction with 289b to 289e HGB.

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

### Practitioner's Responsibility

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

We conducted our work in the form of a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information”, published by IAASB. Accordingly, we have to plan and perform the assurance engagement in such a way that we obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the combined separate non-financial report of the Com-

pany for the period from January 1 to December 31, 2020, has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB. We do not, however, issue a separate conclusion for each disclosure. As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The choice of assurance procedures is subject to the auditor's own judgement.

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

- Inquiries of personnel on group-level, who are responsible for the materiality analysis, in order to understand the processes for determining material topics and respective reporting boundaries for Schaeffler AG
- A risk analysis, including media research, to identify relevant information on Schaeffler AG's sustainability performance in the reporting period
- Evaluation of the design and the implementation of systems and processes for the collection, processing, and monitoring of disclosures, including data consolidation, on environmental, employee and social matters, respect for human rights, and anti-corruption and bribery matters
- Inquiries of personnel on group-level who are responsible for determining disclosures on concepts, due diligence processes, results and risks, performing internal control functions, and consolidating disclosures
- Inspection of selected internal and external documents
- Analytical procedures for the evaluation of data and of the trends of quantitative disclosures as reported at group level by all sites
- Evaluation of local data collection, validation, and reporting processes as well as the reliability of reported data based on a sample of the sites in Buehl (Germany) and Kysuce (Slovakia)
- Assessment of the overall presentation of the disclosures

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

<sup>1)</sup> Our engagement applied to the German version of the combined separate non-financial report 2020. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

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

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

## Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the combined separate non-financial report of Schaeffler AG for the period from January 1 to December 31, 2020, has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

## Restriction of Use/ Clause on General Engagement Terms

This assurance report is issued for purposes of the Supervisory Board of Schaeffler AG, Herzogenaurach, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of Schaeffler AG, Herzogenaurach, and professional liability as described above is governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (<https://kpmg.de/bescheinigungen/lib/aab.pdf>).

By reading and using the information contained in this assurance report, each recipient confirms notice of the provisions contained therein including the limitation of our liability as stipulated in No. 9 and accepts the validity of the General Engagement Terms with respect to us.

Munich, February 19, 2021

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Wirtschaftsprüfungsgesellschaft

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