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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, a long-term company vision, and awareness of the social and environmental concerns of its own business are traditionally closely interlinked in the Schaeffler Group.

In addition to the values of innovation, excellence, and passion, sustainability is deeply rooted in the Schaeffler Group's corporate culture, which is what makes sustainability a key component of the Schaeffler Roadmap 2025. In the reporting year, the company further developed the sustainability strategy into ten action fields for a holistic approach throughout the dimensions of Environment, Social, and Governance. These action fields describe relevant topics such as climate neutrality and form the underlying structure of this year's sustainability report.

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1.1 Fundamental information about the Schaeffler Group

AT A GLANCE

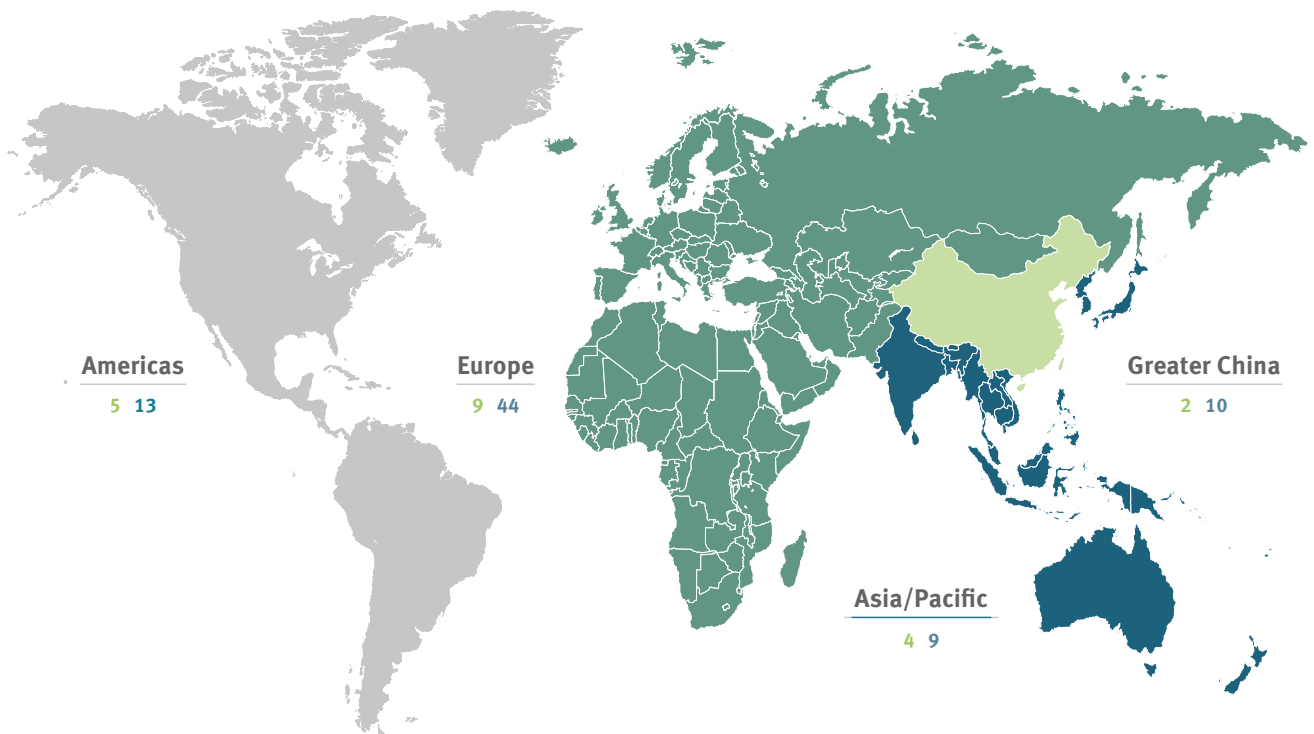
- The Schaeffler Group offers innovative product solutions in the Automotive Technologies, Automotive Aftermarket, and Industrial divisions
- Around 82,800 employees work together across divisions and countries at around 200 locations worldwide

Business activities and organizational structure

Ⓢ > The Schaeffler Group is a global automotive and industrial supplier. Employing a workforce of approximately 82,800, Schaeffler develops and manufactures components, systems, and services for powertrains and chassis, as well as rolling and plain bearing solutions 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.

Schaeffler Group plants and R&D centers



The regions represent the regional structure of the Schaeffler Group.

Thus, the Schaeffler Group’s business is managed based on the three divisions – Automotive Technologies, Automotive Aftermarket, and Industrial – which also represent the reportable segments. The Automotive Technologies division is headquartered in Buehl. The Automotive Aftermarket division has its headquarters in Frankfurt. The Industrial division is located in Schweinfurt. The corporate headquarters of the Schaeffler Group are located in Herzogenaurach. < Ⓢ



More information on the organizational and management structure as well as on the legal structure of the Group can be found on [page 2 et seq. of the Annual Report 2022](#).

Locations and production network

Ⓢ > The Schaeffler Group is always close to its customers through its 200 locations worldwide, that include 76 production facilities in 22 countries, 20 research and development centers as well as a tight-knit sales and service network. The company has a global production system. The plants, which employ approximately 64,000 staff, form the core of the Schaeffler Group’s operations and are managed based on uniform principles on a cross-divisional basis. < Ⓢ



More information on sustainability-related certifications and environmental declarations of the individual sites can be found in the [online report](#).

Corporate strategy

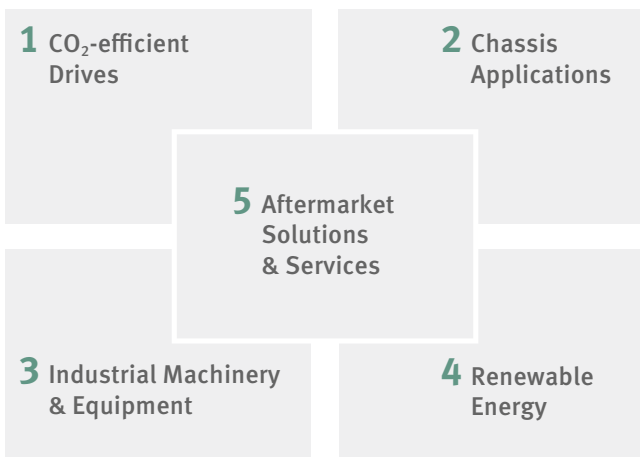
Ⓢ > Further developed in 2020 to continue the Schaeffler Group’s transformation with a forward-looking, targeted approach, the Group strategy pursues the vision of being the industrial and automotive supplier of choice, with the company boasting innovation, agility, and efficiency. In addition, digitalization and sustainability were identified as essential topics for success. The “Roadmap 2025” provides a summary of the Schaeffler Group’s holistic strategic focus based on a conceptual framework containing three essential elements:

- the “**Strategy 2025**” defines the strategic approach and the course of action
- the “**Execution Program 2025**” defines seven specific subprograms
- the “**Mid-term Targets 2025**” provide a financial objective and correspond with the overarching aim of generating value over the long term < Ⓢ

Strategy 2025

Ⓢ > Five central future trends had a major influence on the development of the “Strategy 2025”: (1) sustainability & climate change, (2) new mobility & electrified powertrain, (3) autonomous production, (4) data economy & digitalization, and (5) demographic change. On this basis, the Schaeffler Group defined five focus areas that form the content framework for potential growth initiatives and establish strategic investment fields. These focus areas should support efficient, long-term use of resources and are designed to ensure that the range of products and services covers all three divisions. The five focus areas of the “Strategy 2025” build on existing strengths and core areas of expertise in the business areas as well as on production technologies.

Five focus areas for growth initiatives



< Ⓢ

Execution Program 2025

Ⓢ > Implemented through the “Execution Program 2025”, the “Strategy 2025” features a total of seven subprograms, which are broken down into three divisional (vertical) and four cross-divisional (horizontal) subprograms. These were designed to help achieve the defined strategic priorities – innovation, agility, and efficiency – as well as support the strategic key topics of sustainability and digitalization. Bundling all of the relevant divisional and cross-divisional “Roadmap 2025” activities in the “Execution Program 2025” should help to advance the Schaeffler Group’s transformation.


Divisional and cross-divisional subprograms

Automotive Technologies	Automotive Aftermarket	Industrial
Innovation & Technology		
Digitalization & IT		
People & Culture		
Sustainability & Engagement		

The “Sustainability & Engagement” subprogram is dedicated to a variety of topics, including the establishment of environmental and social responsibility in the company’s value chain as a central success factor for sustainable management. It is extremely important to the Schaeffler Group to understand sustainability as an all-encompassing and overarching topic, which is why the subprogram is also structured along the dimensions of Environment, Social, and Governance. For example, this subprogram bundles and thus systematically manages all of the activities necessary to achieve the 2040 climate neutrality targets as well as those activities essential to reducing the annual accident rate, consequently promoting consistent implementation and execution of the sustainability strategy. In addition, any potential interdependencies of and interactions with additional strategic topics and the sustainability strategy can be identified and addressed early on. < Ⓢ

Mid-term Targets 2025

Ⓢ > The third component of the “Roadmap 2025” is the financial “Mid-term Targets 2025” that the company intends to attain by 2025. They sustain the overarching objective of sustainable value creation and express the planned result of the company’s strategy and the Execution Program in quantitative terms. < Ⓢ

 More information on the “Roadmap 2025” can be found on [page 10 et seq. of the Annual Report 2022](#).

1.2 Sustainability strategy

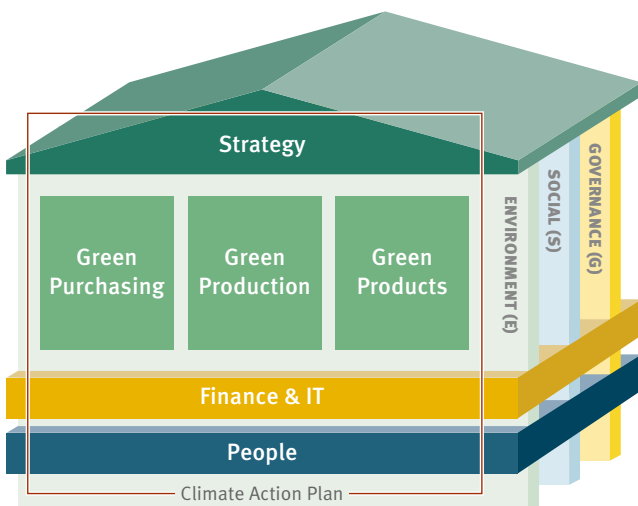
AT A GLANCE

- In 2022, the sustainability strategy was further developed along the dimensions of Environment, Social, and Governance
- Ten action fields were defined and adopted by the Executive Board

Strategic framework

Ⓢ > For the Schaeffler Group, sustainable company success means assuming economic, environmental, and social responsibility throughout the entire value chain, which is why sustainability is not only one of the Schaeffler Group’s four company values, but also a key component of the “Schaeffler Roadmap 2025”.

Strategic framework for the sustainability strategy



To be able to maintain these standards in the future as well, the sustainability strategy was further developed into ten action fields in the reporting year for a holistic approach throughout the dimensions of Environment, Social, and Governance (ESG). The defined climate strategy, in particular, served as the starting point for further development, with special attention paid to the overarching coordination and networking of the individual subtopics. < Ⓢ

Action fields

Ⓢ > Ten action fields were defined for the three dimensions of Environment, Social, and Governance (ESG) and specify the new structure of the report. In 2023, additional measurable targets and key figures will be defined for each of the action fields. The company has already developed targets and key figures for some of the action fields. In the context of the action field climate neutrality, for example, the company announced in October 2021 its target to achieve climate-neutral operations by 2040, which entails reducing greenhouse gas emissions to the highest degree possible and offsetting the remaining emissions, for instance, with carbon removal projects.

Action fields of the Schaeffler Group

	ENVIRONMENT	
	1 Climate neutrality	2 Circularity
	3 Resource efficiency and environmental protection	4 Green products
	SOCIAL	
	5 Diversity, employees, and people development	6 Occupational health and safety
	7 Responsibility in society and supply chain	8 Product safety and integrity
	GOVERNANCE	
	9 Corporate governance	10 Business integrity

The action field climate neutrality, in particular, requires significant efforts throughout the company and structured management, which is why a holistic, target-oriented Climate Action Plan was developed and approved by the Executive Board in 2022. In addition to projecting emissions as an analytical basis, the purpose of the Climate Action Plan is to prepare specified implementation measures and estimate the necessary costs and investments.

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action fields developed as a strategic framework for the sustainability strategy

In addition, comprehensive measures for managing and empowering the organization have been identified. The sustainability strategy department is responsible for monitoring the implementation of the derived measures by coordinating the “Sustainability & Engagement” subprogram as part of the “Execution Program 2025”. The plan in 2023 is to define specified content for other action fields and to implement additional measures. < (P)

1.3 Sustainability targets

AT A GLANCE

- Through its ten action fields, the company focuses on eight key Schaeffler ESG targets
- Selected Schaeffler ESG targets have been incorporated into short-term variable remuneration since the reporting year and are updated annually

Schaeffler ESG targets

(P) > To implement its sustainability strategy, the company is focusing on eight key Schaeffler ESG targets based on the ten action fields. Additional targets will be derived to cover all ten action fields in the future. The targets established thus far have been formulated in compliance with the United Nations’ 17 Sustainable Development Goals (SDGs).¹⁾

Overview of the Schaeffler Group’s ESG targets

Action field	Key indicator	Target	SDG	Target year	Base year	Status reporting year	Reference
Climate neutrality	Climate-neutral supply chain	Climate-neutral supply chain (Scope 3 upstream) by 2040 ¹⁾	12, 13	2040	n. a.	6,254 Thous. tCO ₂ e (2021: 6,199 Thous. tCO ₂ e)	see page 28
	Climate-neutral production	Climate-neutral production (Scope 1 and 2) by 2030 ¹⁾	12, 13	2030	n. a.	488 Thous. tCO ₂ e (2021: 699 Thous. tCO ₂ e)	see page 28
	Energy efficiency	100 GWh cumulated annual efficiency gains through implementation of energy efficiency measures by 2024	12, 13	2024	2020	64.2 GWh ²⁾ (2021: 46.8 GWh) ²⁾	see page 29
	Renewable energy	100% of purchased power from renewable sources by 2024	7, 13	2024	n. a.	76.3% (2021: 67.9%)	see page 29
Resource efficiency and environmental protection	Freshwater withdrawal	20% reduction of freshwater withdrawal by 2030 (compared to 2019 value: 5,784 Thous. m ³)	6	2030	2019	5,560 Thous. m ³ (2021: 5,618 Thous. m ³)	see page 31
Occupational health and safety	Employee safety	10% average annual reduction of accident rate (LTIR) by 2024 (compared to 2018 LTIR value: 6.2)	3	2024	2018	-25.6% ³⁾ (2021: -15.2% ³⁾)	see page 46
Diversity, employees, and people development	Diversity in top management	Increase in the share of women in top management to 20% by 2025	5	2025	n. a.	15.0% ⁴⁾	see page 43
Responsibility in society and the supply chain	Sustainable suppliers	90% of purchasing volume of production material from suppliers with sustainability self-assessments by 2022	8, 17	2022	n. a.	90.7% (2021: 68.6%)	see page 49

1) Efforts to achieve these targets focus on reduction measures; unavoidable emissions are offset with compensation measures.

2) Cumulative values since 2020.

3) Change in the accident rate (LTIR) compared to prior year (in %).

4) Figure was first reported in 2022.

1) Source: [UN Global Compact](#).

The Schaeffler Group is also committed to reducing absolute Scope 1 and Scope 2 greenhouse gas emissions by 90% compared to the base year 2019 by 2030. In addition, the company has set the target of decreasing the absolute Scope 3 greenhouse gas emissions resulting from purchased goods and services, fuel- and energy-related activities, upstream transport, and distribution by 25% in the same period. Compensation measures to achieve the two targets are not an option in this context. < (F)

The underlying greenhouse gas emissions for target validation are 1,043 thousand t CO₂e for Scope 1 and Scope 2 (market-based) and 6,138 thousand t CO₂e for Scope 3 for the base year of 2019. These values were determined in accordance with the required methods of the Science Based Targets initiative (SBTi) when target validation was submitted.

(F) > The SBTi has categorized these targets as compliant with the criteria and recommendations of the SBTi and thus the latest climate science for fulfilling the Paris Agreement. Established in 2015 to help companies define emission reduction targets in compliance with climate science and the targets of the Paris Agreement, the SBTi is a joint initiative of global nonprofit environmental organization CDP, the United Nations Global Compact, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF).

The company has also defined another target that combines the topics of decarbonization and energy security. The target stipulates that 10% of the energy demand worldwide will be fulfilled with self-generated renewable energy by 2025 and a total of 25% by 2030. < (F)

Relevance of remuneration for Schaeffler ESG targets

(F) > Selected targets were incorporated into the remuneration system for Managing Directors, the top management and employees to further incentivize the achievement of the ESG targets set by the company.

The remuneration systems that took effect for Managing Directors, the two management levels directly below the Board of Managing Directors, and non-tariff employees as of 2022 were assessed and further developed with a focus on the significance of sustainability for the Schaeffler Group.

The Schaeffler AG Supervisory Board decided that both the short-term bonus (STB) and the long-term bonus (LTB) of the Managing Directors should have a stronger focus on ESG targets. Since 2022, the total weighting of non-financial targets (particularly ESG targets) in STB is 20%.

The Supervisory Board defines up to two ESG targets based on Schaeffler's ESG targets every year, ensuring that remuneration reflects different ESG dimensions and that sufficient continuity in remuneration-relevant targets is sustained.

A climate neutrality goal was incorporated into the LTB with a weighting of 25%. For every LTB grant, the Supervisory Board defines one or more targets that contribute to the achievement of carbon neutrality in the Schaeffler Group by 2040.

The Board of Managing Directors then adopted these changes in the STB and LTB structure for further management levels in the Schaeffler Group. The following Schaeffler ESG targets were relevant for the STB in 2022:

- Implementation of water-related measures in 2022 that will lead to an annual reduction in the freshwater withdrawal of 150,000 m³
- Reduction of the accident rate (LTIR²⁾ to 3.5 for 2022

In the reporting year, a target to reduce the Scope 1 and Scope 2 emissions³⁾ by 2025 was set for the LTB.

ESG targets were also incorporated into the STB below the first management level in 2022. In countries in which this was not possible due to collective and individual laws, non-tariff employees were given the opportunity to voluntarily incorporate the ESG targets into the STB. As of 2023, ESG targets will be permanently incorporated into the STB for all of the Schaeffler Group's bonus-eligible employees worldwide. < (F)



Remuneration system for the Schaeffler AG Board of Managing Directors and Supervisory Board at: [Schaeffler AG remuneration system](#)



Schaeffler AG remuneration report: [Schaeffler AG Remuneration Report](#)



More information on freshwater withdrawal can be found on [page 31](#).



More information on employee safety can be found on [page 46](#).



More information on CO₂e emissions can be found on [page 26](#).

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

3) Scope 1 refers to the Schaeffler Group's direct emissions resulting from fuel combustion (defined as natural gas, heating oil, propane, and menthol as primary emission sources) in stationary systems. Scope 2 refers to the Schaeffler Group's indirect emissions resulting from the consumption of electricity and district heating.

1.4 Sustainability organization

AT A GLANCE

- Sustainability was transferred to the Chief Executive Officer’s division in the reporting year
- Central, strategic decisions are made by the Executive Board

Sustainability management

Ⓢ > After the last meeting in April 2022, the Sustainability Transformation Committee was dissolved as the central decision-making body for sustainability topics, with these responsibilities transferred to the regular agenda of the board meeting, which is attended by the eight members of the Schaeffler AG Executive Board and the four regional CEOs. Until April 2022, the Sustainability Transformation Committee met on a quarterly basis.

Responsibility for sustainability was transferred to the Chief Executive Officer’s division in the reporting year. The Supervisory Board is tasked with monitoring the fundamental decisions of the former Sustainability Transformation Committee and of the Executive Board.

The company also made the decision to introduce additional organizational changes to the sustainability structure in 2023 to ensure decentralized, topic-specific decision-making. As a central decision-making committee, the Executive Board is supported by topic-specific steering groups, which share information on a monthly basis, assess implementation progress, and prepare discussions for the Executive Board.

The steering groups are managed according to topic by sponsors defined at the Executive Board level and coordinated by the sustainability strategy department, which reports to the Chief Executive Officer. The company’s global sustainability network does preparatory work for the steering groups according to topic and consists of representatives of all the divisions, functions, and regions in accordance with the Schaeffler Group’s organizational structure. This approach shall ensure the integration of the appropriate departments as well as an efficient, targeted implementation. < Ⓢ

1.5 Stakeholder management and materiality analysis

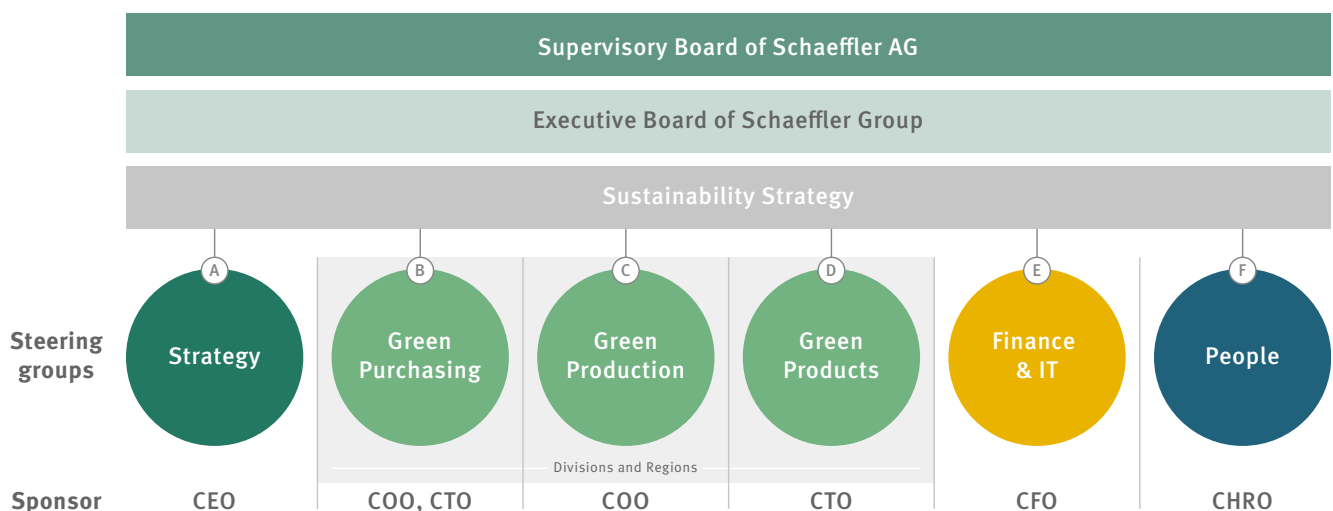
AT A GLANCE

- Selected partnerships and exchange with stakeholders strengthen the Schaeffler Group’s sustainability performance
- The 2021 materiality analysis was assessed and validated by internal stakeholders for 2022

Stakeholders and memberships

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 the development of a uniform standard for measuring and monetarily evaluating the environmental and social impacts of companies as part of the Schaeffler Group’s membership in the Value Balancing Alliance.

Steering groups



In addition to customers, employees, and suppliers, the most important stakeholders also include investors, analysts, associations, universities, and research institutes. Stakeholders are not only incorporated into the process of defining material topics but also encouraged to share information. Formats such as customer workshops, industry dialogues, and professional exchange with universities were used in the reporting year.

Additional focus is placed on exchange in multi-stakeholder formats such as automotive industry dialogue through the National Action Plan (NAP) for the economy and human rights. Working with industry representatives, trade unions, NGOs, and other stakeholders, the Schaeffler Group adopted guidelines for implementing core elements of Human Rights Due Diligence in 2022. For further implementation of the guidelines inside the company and in the value chain, the Schaeffler Group is regularly involved in industry dialogue initiatives, including the development of indicators for measuring the effectiveness of Human Rights Due Diligence.



List of memberships in important initiatives and associations:
[Selected memberships of the Schaeffler Group](#)



More information on selected stakeholder groups of the Schaeffler Group in the [online report](#).

Results of materiality analysis

Ⓟ > Based on the materiality analysis, the Schaeffler Group identified focus areas for the sustainability strategy and defined key topics for reporting. This in-depth analysis is conducted every two years and validated by internal stakeholders in the years between. The most recent detailed analysis was conducted in 2021, during which 13 material topics were identified that cover the five legally defined aspects of Section 315c in conjunction with Sections 289c to 289e of the German Commercial Code (HGB). These were validated with the relevant departments in 2022. Representatives included employees of the strategy, compliance, human resources, and finance functions and the three divisions. The results were confirmed by the Schaeffler Group’s Executive Board.

> **1,000**

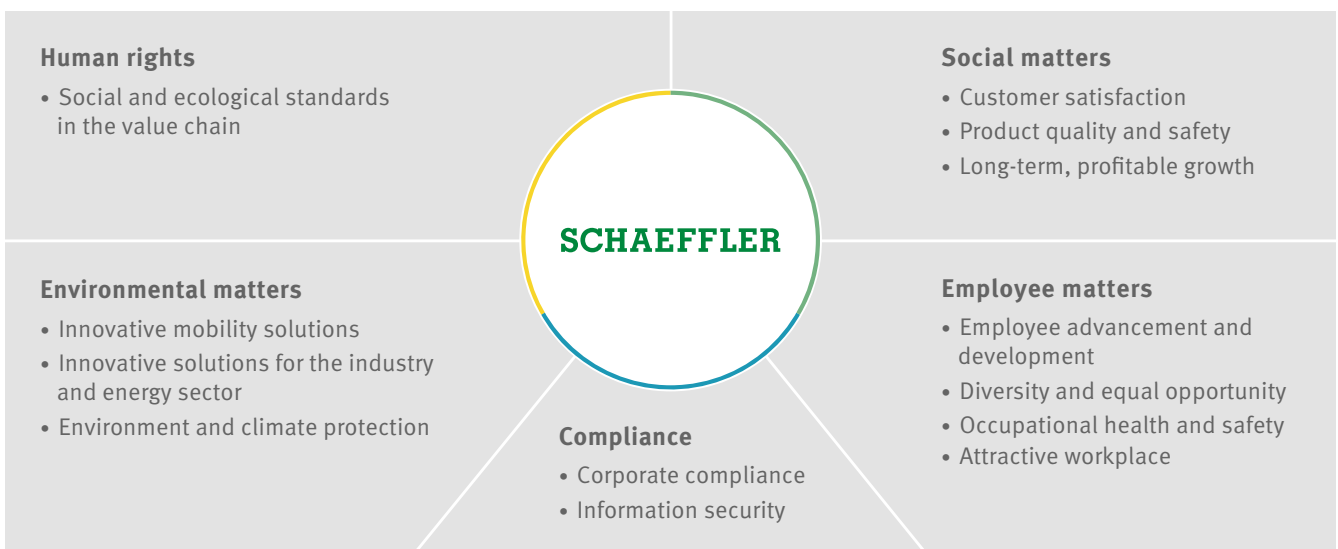
stakeholder responses received in connection with the materiality analysis

The detailed 2021 materiality analysis included a global questionnaire that targeted the most important stakeholder groups. More than 1,000 stakeholder responses were received, including those of employees, customers, and suppliers. The results provided important insights for the company’s sustainability strategy, sustainability management, and sustainability performance and were subsequently discussed with relevant internal stakeholder groups. < Ⓟ



More information on material topics in the NFB index can be found on [page 77](#).

Results of materiality analysis



Ratings and rankings

Ⓢ > The Schaeffler Group further improved its sustainability ratings and rankings in the reporting year through consistent implementation of the sustainability strategy.

“A”

listed in both the CDP climate change rating and water security rating in 2022






The **CDP climate change rating** has been improved to an “A” (prior year: “A-”) in the reporting year, for example, due to the 2040 target of the climate-neutral supply chain, e-mobility as an opportunity, and measures carried out through the 2021 energy efficiency program. The fact that 100% of the purchased power at all of the European plants came from renewable sources also had a positive impact. The company also managed to improve its **CDP water security rating** to “A” (prior year: “A-”), which takes into account selected measures from 2021, the management approach for water-related risks, and incorporation of the water target into the management’s short-term, variable remuneration. Thanks to the results in both categories, the Schaeffler Group is among the best 1% of the participating companies.

With 76 out of 100 points, the Schaeffler Group once again achieved Platinum status in the **EcoVadis** rating (prior year: Platinum status with 75 points), thus positioning the company in the top 1% of the peer group (Manufacture of parts and accessories for motor vehicles) for the second year in a row. Improvements were made particularly in the area of sustainable procurement.

Due to its active commitment, the Schaeffler Group increased its score in the **S&P global ESG rating** to 54 in 2022 (prior year: 41). Significant improvements were made particularly in the areas of Business Ethics, Information Security/Cybersecurity & System Availability, Product Quality & Recall Management, Climate Strategy, and Occupational Health & Safety.

With a score of 9.4 (prior year: 8.8) in the **Morningstar Sustainalytics ESG risk rating**, the Schaeffler Group was once again allocated to the “negligible risk” category. < Ⓢ

The Schaeffler Group’s rating results

Rating	Rating scale	Current rating	Previous rating
 climate	“A” to “D-”, whereby “A” is the best grade and “D-” the worst.	“A”	“A-”
 water	“A” to “D-”, whereby “A” is the best grade and “D-” the worst.	“A”	“A-”
	0 to 100 points, whereby 0 is the worst value and 100 the best.	76/100 Points and Platinum status	75/100 Points and Platinum status
	0 to 100 points, whereby 0 is the worst value and 100 the best.	54/100 Points ¹⁾	41/100 Points
	Five risk categories: negligible (0–10), low (10–20), medium (20–30), high (30–40), severe (40+)	9.4 “Negligible risk”-core framework	8.8 “Negligible risk”-core framework

1) The number of points refers to the score in the S&P Global Corporate Sustainability Assessment 2022, published on 02/17/2023.
 2) Copyright © 2023 Morningstar Sustainalytics. All rights reserved. More information is available at: [Sustainalytics](https://www.sustainalytics.com).

2

ENVIRONMENT

The Schaeffler Group considers its goal to minimize the environmental impact of its business activities as the basis of its future company success, which is why the company primarily focuses on potential impact on the climate and climate change in its sustainability strategy. The raw materials and products supplied should be climate-neutral by 2040, and internal production should be climate-neutral as of 2030. To achieve these targets, the company coordinates a comprehensive range of measures designed to reduce and offset its CO₂e emissions.

The Schaeffler Group supplies products and technologies that make movement and mobility more eco-friendly and efficient. As a leading technology company, the Schaeffler Group continuously strives to further optimize its internal processes and conserve resources and has therefore developed a Climate Action Plan that prescribes the framework for planning and implementing the necessary climate action measures.

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2.1 Climate neutrality

SDG 7, 12, 13

AT A GLANCE

- The Schaeffler Group created a complete Climate Action Plan to develop and implement the necessary climate action measures
- The Schaeffler Group’s production-related CO₂e emissions were reduced by around 30 % compared to the prior year

Determination of greenhouse gas emissions

☞ Climate change is one of the world’s most pressing challenges, which is why the Schaeffler Group is making every effort to significantly reduce its climate impact. The Greenhouse Gas (GHG) Protocol forms the foundation for the company’s CO₂e reporting. The Schaeffler Group’s overarching goal is to be climate-neutral by 2040. For the company, climate-neutral means reducing the impact of its operations on the climate to an absolute minimum and setting off any remaining emissions. Efforts to achieve these targets focus on reduction measures, and unavoidable emissions are offset with compensation measures. The form and scope of these measures have not yet been defined in greater detail.

To achieve the overarching goal of climate neutrality by 2040, the company set itself two sub-targets, which have been validated by the Science Based Targets initiative (SBTi). By 2030, the Schaeffler Group plans to reduce the emissions of input and raw materials (Scope 3 upstream¹⁾) that occur in the supply chain by 25 %. The aim is to prevent 90 % of emissions that are harmful to the climate in own production (Scope 1 and 2) by 2030. The base year for all the calculations is 2019.



More information on validation of climate targets by SBTi can be found on [page 21](#).

The climate neutrality targets have been adopted by the Executive Board. Progress reports regarding these targets are regularly provided at board meetings.

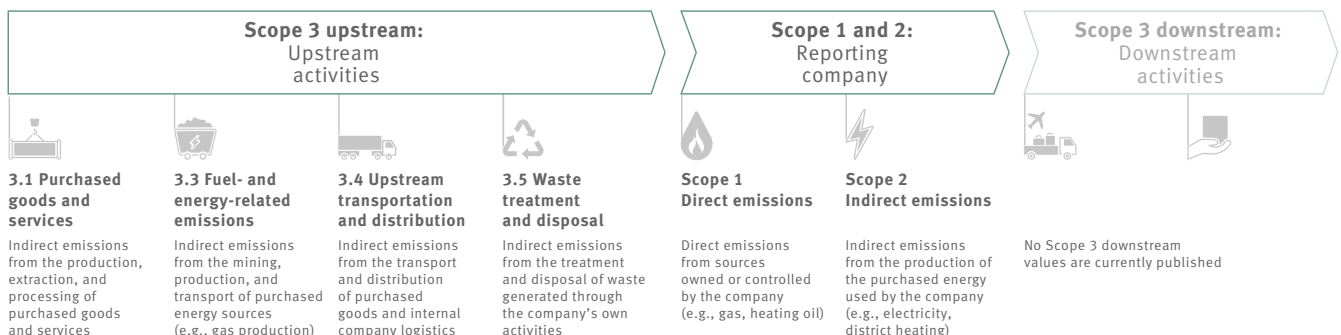
The Schaeffler Group currently considers four Scope 3 upstream categories. The method for calculating Scope 3.1, Scope 3.4 and Scope 3.5 values was adjusted in the reporting year. The greenhouse gas emissions of **Scope 3.1** “Purchased goods and services” include all upstream (cradle-to-gate) emissions resulting from the production of goods and services purchased or acquired by the Schaeffler Group in the reporting year. Using the estell model, the physical or monetary volume of purchased goods and services is multiplied with the sector- and country-specific emission factors to calculate Scope 3.1 greenhouse gas emissions.

The greenhouse gas emissions of **Scope 3.3** “Fuel- and energy-related activities” include greenhouse gas emissions associated with the production of fuels and energy that are purchased and consumed by the Schaeffler Group in the reporting year and are not yet included in Scope 1 and Scope 2. This includes the extraction, production, and transport of fuels used by the company either directly or indirectly through the generation of electricity, steam, heating, and cooling, as well as transmission and distribution losses. Scope 3.3 greenhouse gas emissions are calculated by multiplying consumption data specified in accordance with the generation technology with the emission factors of DEFRA (2022), VDA (2022) and the German Federal Environmental Agency (2022).

The greenhouse gas emissions of **Scope 3.4** “Upstream transportation and distribution” include emissions resulting from the transport and distribution of products purchased in the reporting year between the Schaeffler Group’s direct suppliers (Tier 1) and its locations using vehicles that the Schaeffler Group does not own or operate. ☞

Overview of GHG emissions

The Schaeffler Group’s greenhouse gas emissions included in accordance with the Greenhouse Gas Protocol in the year under review:



1) Scope 3 categories included: 3.1, 3.3 and 3.4.

Ⓢ > This also takes into account the transport and distribution services purchased by the company in the reporting year, including inbound and outbound logistics as well as transport and distribution between internal locations using vehicles that the Schaeffler Group does not own or operate. Scope 3.4 greenhouse gas emissions are calculated by determining the mass, distance, and statistically used mode of transport for each transport based on the specific emission factor using ecoTransIT.

The greenhouse gas emissions of **Scope 3.5** “Waste generated in operations” includes greenhouse gas emissions associated with the disposal and treatment of waste generated through the Schaeffler Group’s own or controlled activities in the reporting year. Scope 3.5 greenhouse gas emissions are calculated by multiplying the volumes of certain waste types – taking into account the waste treatment process – with the specific emission factors of DEFRA (2022).

Greenhouse gas emissions, total in thousand t CO₂e¹⁾

	2022	2021	2020
Greenhouse gas emissions, total ^{2) 3)}	6,742	6,898	6,278
Of which upstream greenhouse gas emissions, total	6,254	6,199	5,534
Of which Scope 3.1: Purchased goods and services	5,794	5,666	4,945
Of which Scope 3.3: Fuel- and energy-related emissions ²⁾	147	201	211
Of which Scope 3.4: Upstream transportation and distribution ^{2) 4)}	293	309	343
Of which Scope 3.5: Waste treatment and disposal ⁴⁾	20	23	35
Of which internal greenhouse gas emissions, total ^{2) 3)}	488	699	744
Of which Scope 1	180	207	180
Of which Scope 2 (market-based) ^{2) 3) 5)}	308	492	564

1) Values reported as CO₂ equivalents for the first time in 2022.
 2) The 2021 value has been adjusted.
 3) This reduction is primarily due to the purchase of 100% green electricity in Schaeffler Group’s Europe and Greater China regions.
 4) The prior year value has been adjusted in accordance with the new method of calculation.
 5) Prior to 2021, supplier-specific emission factors were used to determine Scope 2 (market-based).

Scope 1 and Scope 2 greenhouse gas emissions are calculated using supplier-specific primary data, VDA (2022), DEFRA (2022), and the ProBas database of the German Federal Environmental Agency. The emission sources natural gas/LPG, heating oil, propane, and methanol are included in Scope 1, and the purchase of electricity and district heating/steam in Scope 2²⁾.

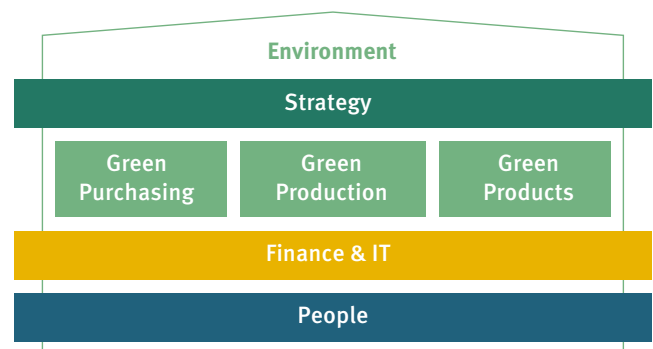
2) Methanol was not included in Scope 1 and Scope 2 greenhouse gas emissions for 2020.

Reducing **Scope 3 downstream** emissions requires measures that focus on the phase of product use. The company has established the corresponding working groups to further develop Scope 3 downstream calculation in the future. No corresponding figures are published at present. < Ⓢ

Climate Action Plan

Ⓢ > A comprehensive Climate Action Plan was developed in 2022 that forms the basis for the development and implementation of necessary climate action measures such as greenhouse gas reduction. The Climate Action Plan consists of six key elements: (1) strategy, (2) Green Purchasing, (3) Green Production, (4) Green Products, (5) Finance & IT, and (6) employees. Each of the six elements is allocated to one or more members of the Executive Board and features concrete implementation measures. < Ⓢ

Climate Action Plan



Strategy

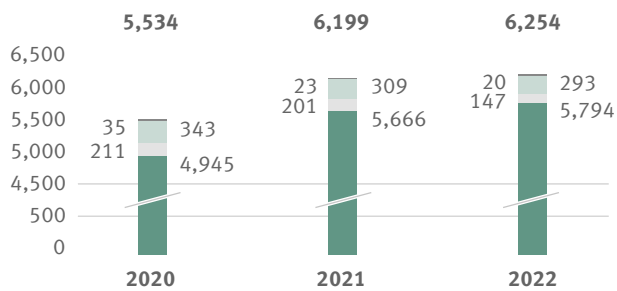
Ⓢ > The Climate Action Plan consists of concrete targets and measures to promote an emissions reduction path that goes beyond the 1.5-degree target of the Paris Agreement and achieves carbon neutrality in the Schaeffler Group by 2040. One of the key future tasks will be to increasingly incorporate non-financial figures into Group management alongside the financial figures. The planned establishment of sustainability criteria in key business processes such as product development, purchasing, and investment form the core of the strategy element, as do company-wide modeling of emissions projections, identification of the financial implications of the emissions reduction path, and the definition and monitoring of internal annual ambition levels. < Ⓢ

Green Purchasing

☞ The “Green Purchasing” element primarily refers to the purchase of low-emission materials and services. In the case of steel, aluminum, plastic, electronic components, and logistics, important aspects were identified that, due to the product portfolio, play a key role in decarbonization. On this basis, the Schaeffler Group is further developing its purchasing strategy and is looking to enter into an active dialog with potential suppliers – for example, for purchasing green roller bearing steel.

In the reporting year, emission values were calculated for all of the raw and other materials purchased, with potential for reduction identified in certain cases – all in an effort to achieve a climate-neutral supply chain by 2040 and reduce emissions by at least 25 % by 2030 (base year 2019).

Scope 3 upstream greenhouse gas emissions in thousand t CO₂e¹⁾



- Scope 3.1: Purchased goods and services
- Scope 3.3: Fuel- and energy-related emissions²⁾
- Scope 3.4: Upstream transportation and distribution³⁾
- Scope 3.5: Waste treatment and disposal^{2) 3)}

1) Values reported as CO₂ equivalents for the first time in 2022.
 2) The 2021 value has been adjusted.
 3) The prior year value has been adjusted in accordance with the new method of calculation.

Due to its large carbon footprint, the procurement of steel represents a significant sustainability challenge for the Schaeffler Group. Green hydrogen can make the steel production process climate-neutral over the long term. However, in the short to medium term, other measures will be necessary to reduce Scope 3 upstream emissions. Due to the large volume of steel used in the Schaeffler Group’s products, the company is conducting careful analysis of the primary influential factors relevant for using steel. The strategies for decarbonizing steel production are therefore being evaluated, after which recommended courses of action for combining short, medium, and long-term measures will be developed.

The company is holding talks with suppliers to monitor and explain concrete steps for reducing production-related CO₂e emissions. Concepts are also being developed that take into account efforts to achieve a circular economy and increase the use of green energy.

Measures include the **Green Steel Activation** program, which is open to new technologies and examines the multiple influential variables of steel production and finishing. At the end of 2021, the Schaeffler Group agreed to procure 100,000 metric tons of nearly carbon-free, hydrogen-produced steel annually from Swedish start-up H2 Green Steel beginning in 2027. The steel is produced in Sweden and does not require any fossil fuels. This deal represents the first important step toward making the company’s supply chain climate-neutral by 2040.

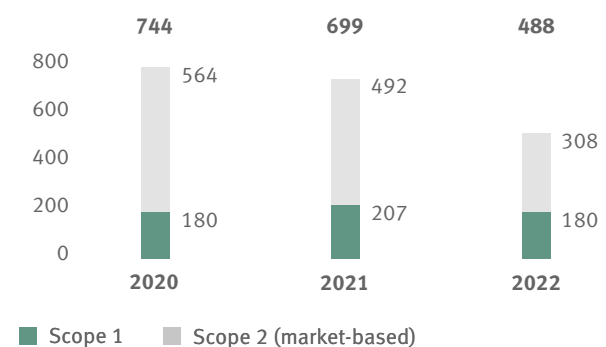
The Schaeffler Group also identifies suppliers that manufacture flat steel primarily using scrap. These suppliers were identified for the Europe and Americas region. The first test batches are already being acquired for products and validated in processing tests. Using scrap as a base material can reduce the carbon footprint by more than 60% compared to steel production based on iron ore.

The Schaeffler Group will be able to better manage upstream emissions in the future thanks to software solutions such as the “Schaeffler Supplier Data Base” as well as improved transparency in the presentation of supplier-specific data. ☞

Green Production

☞ **Decarbonizing production** (Scope 1 and 2) is based primarily on a transition to climate-neutral production processes, the procurement of green input and other materials, and the use of renewable energies through both internal production and purchase of green electricity.

Own greenhouse gas emissions in thousand t CO₂e¹⁾, including Scope 1 and Scope 2 (market-based)



1) Values reported as CO₂ equivalents for the first time in 2022. Supplier-specific emission factors were used to determine Scope 2 (market-based). The 2021 value has been adjusted.

As a result of ongoing improvement in energy efficiency and the increased share of renewable energies, the Schaeffler Group's production-related CO₂e emissions fell by around 30% from 699,000³⁾ to 488,000 metric tons of CO₂e compared to the prior year. Evaluating and considering both emission potential and costs, the company first developed concrete measures with an implementation deadline at the end of 2030, so that these can then be integrated into a comprehensive reduction path. The Schaeffler Group plans to consistently implement and optimize this reduction path in the years to come.

With CO₂e reduction potential, the Schaeffler Group's energy management defines minimum targets for all plants to increase **energy efficiency**. The plants themselves also set their own targets, with implementation and developments in energy consumption assessed in internal and external Energy, Environment, Health & Safety (EnEHS) audits. The company-wide documentation of energy consumption and an internally defined management approach form the basis for ongoing improvement in the area of energy efficiency. The Schaeffler Group also works with a globally standardized energy management system based on ISO 50001, which achieved a coverage rate⁴⁾ of 100% again in 2022 (prior year: 100%).

In 2020, the Schaeffler Group started bundling all relevant resources in a single **energy efficiency program** with an interdisciplinary team on a local, regional, and central level. The aim is to identify and implement energy efficiency measures between 2020 and 2024 that will result in cumulative annual energy savings of 100 GWh as of 2025. A total of 204 energy efficiency measures implemented and externally verified in 2020 and 2021 led to cumulative annual savings of at least 46.8 GWh as of 2022. Thanks to 69 measures implemented in the year under review, global improvements will increase to cumulative 64.2 GWh as of 2023. These comprise the further shift to intelligent LED lighting systems, and measures such as optimization of heating systems using waste heat from production and supply systems. In addition to optimizing infrastructural systems, the measures implemented also include improved heat insulation for hardening furnaces and reducing the temperature for high-energy cleaning processes.

The demand for electrical energy will continue to increase in the next years. **Self-generated** renewable energy will therefore be expanded at Schaeffler locations to complement the existing energy efficiency program. Since 2022, 100% of all the electricity used at the European and Chinese plants has come from renewable sources, with plants in the Americas region to follow in 2023 and the Asia/Pacific region in 2024.

Self-generated renewable energy should cover 10% of annual electricity demands worldwide by 2025 and 25% by 2030, which is why the Schaeffler Group is expanding its internal energy production with photovoltaic (PV) systems. The locations in Kitzingen (Germany), Pune and Savli (India), and Szombathely (Hungary) alone offer a total capacity of 2.3 MWp based on PV systems. In the reporting year, the company planned another 22 PV systems with a total capacity of 26.1 MWp for its own buildings. The systems should begin operating gradually by the end of 2023. For example, rooftop PV systems with an annual electricity generation of around 340 MWh were installed on a space measuring approximately 1,850 square meters in Herzogenaurach, Germany, in December 2022. A nearby solar farm should fully cover the electricity requirements of the Höchststadt location in Germany by mid-2024. In the reporting year, the Schaeffler Group also acquired a PV power station in Germany, which can cover around 2% of the electricity requirements of the Schaeffler locations in Germany.

Electricity consumption in GWh¹⁾

	2022	2021	2020
Consumption of externally produced electricity	2,237	–	–
Of which conventional	527	–	–
Of which from a renewable source	1,710	–	–
Consumption of internally produced electricity	31	–	–
Of which conventional (from cogeneration plants)	29	–	–
Of which renewably generated (by means of own photovoltaic systems)	2	–	–

1) Figure first reported in 2022.

A **Power Purchase Agreement (PPA)** was concluded in 2022 with a volume of approximately 60,000 MWh of green electricity for the Schaeffler plants in Germany as of 2023, which corresponds to around 11% of total electricity requirements in Germany. Additional plans for on-site, near-site, and off-site PPAs are in the pipeline. The Schaeffler Group also aims to cover all externally purchased power with renewable energy by 2024.

There is also a focus on retrofitting existing systems that provide process and infrastructure heat for use with renewable energies. The company classified the process and infrastructure heat systems according to feasibility in the fuel **technology shift** and calculated the corresponding emissions reduction potential and cost implications in order to develop a roadmap for the shift in fuel technology.

3) The 2021 value has been adjusted.

4) Relating to plant employees.

The company is also making every effort to ensure that newly built systems are climate-friendly and the corresponding requirements are integrated into the awarding and investment guidelines.

Energy consumption in GWh

	2022	2021	2020
Total energy consumption ^{1) 2)}	3,217	3,369	3,045
Of which electricity ^{2) 3)}	2,239	2,244	2,078
Of which natural gas/LPG ^{1) 2) 4)}	793	923	830
Of which heating oil ⁵⁾	3	6	6
Of which propane ²⁾	53	53	45
Of which methanol ^{2) 6)}	81	86	–
Of which district heating ⁷⁾	48	57	49

- 1) Reduction as a result of the gas crisis and the Schaeffler Group's associated reduction measures, including the effects of the initial measures to promote the fuel shift.
- 2) The 2021 value has been adjusted.
- 3) External electricity purchased and self-generated photovoltaic electricity. Combined heat and power (CHP) electricity is recorded via gas consumption.
- 4) LPG reported with natural gas since 2021.
- 5) Reduction resulting from implementation of the initial measures to promote the fuel shift.
- 6) Figure first reported in 2021.
- 7) Reduction due to mild weather conditions.

< ⓘ

Green Products

ⓘ > In the “Green Products” element, the company is developing a comprehensive concept for automated and holistic calculation of carbon footprints to ensure and monitor emissions reductions on a product level and beyond. In an effort to systematically decarbonize the product portfolio, the company is analyzing potential for reducing the CO₂e emissions of products as well as economic and technical feasibility, thus ensuring the most efficient and forward-looking decarbonization of the product portfolio possible. The early stage of product development focuses on decarbonizing the product portfolio, the aim of which is primarily to acquire climate-neutral materials and ensure climate-neutral production, as well as reducing the emissions of the Schaeffler Group's products during the use phase. < ⓘ



More information on Green Products is available on page 34.

Finance & IT

ⓘ > The “Finance & IT” element is concerned with further optimization of internal and external sustainability reporting and the development of consistent models for sustainability

data, a suitable IT infrastructure, and the necessary sustainability management models, which primarily entails further development of the system for documenting and providing company- and product-related emissions data. < ⓘ

People

ⓘ > The measures for achieving the defined emissions reduction path represent a major challenge for the Schaeffler Group and require a high degree of employee commitment, which is why the company will implement corresponding training and information campaigns to better acquaint all employees with sustainable behavior. A whole host of related ideas and suggestions were submitted following the Climate Action Day and will be gradually integrated into business processes.

The Schaeffler Group is also making every effort to minimize the carbon footprint associated with business travel and preparing to integrate climate aspects into the company car and business travel guidelines, which will be valid as of 2023.

< ⓘ



More information on the responsibilities of the elements is available on page 22 et seq.



More information on employees is available on page 41 et seq.



More information on climate action is available on page 8 et seq.

2.2 Resource efficiency and environmental protection

SDG 6, 7, 12, 13

AT A GLANCE

- The Schaeffler Group uses an Energy, Environment, Health & Safety (EnEHS) management system to manage its energy and environmental operations
- The company has set itself the goal of reducing its use of freshwater by 20% by 2030

Energy and environmental management

ⓘ > To manage its energy and environmental operations across the company, the Schaeffler Group maintains an Energy, Environment, Health & Safety (EnEHS) management system based on the energy and environmental standards ISO 50001 for energy management and ISO 14001 for environmental management, among others.

Internal and external audits are conducted on a regular basis to continuously improve energy management and further optimize environmental performance. This also includes measures designed to prevent waste, increase recycling, and protect biodiversity.

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 discuss these issues together on a regular basis. Key performance indicators are used to plan, assess, and manage environmental measures. The need for action and measures are regularly discussed and resolved with the Schaeffler AG Executive Board.

Local EHS and energy representatives conduct management reviews with site management at least once a year, providing an opportunity to discuss and document issues such as potential new targets and the status of current projects. These are also accompanied by regular opportunity and risk assessments. 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.

Plants with an environmental management system

	2022	2021	2020
Coverage rate for EMAS certification in % ¹⁾	99.2	98.5	98.6
Coverage rate for ISO 14001 certification in % ¹⁾	100	100	99.5
Coverage rate for ISO 50001 certification in % ¹⁾	100	100	99.3

1) Relating to plant employees.

The Schaeffler Group also established the environmental management system EMAS worldwide more than 25 years ago to continuously improve environmental performance and conduct expert assessments. One of the key indicators is biodiversity. To determine a key figure in the management system, the company collects extensive areal data at the locations and describes concrete biodiversity requirements. In the reporting period, definitions and criteria were developed to enable assessment and measurement of biodiversity and were incorporated into the EnEHS manual, which applies to all Schaeffler locations and outlines the requirements of the underlying management systems (EMAS, ISO 14001, ISO 45001, and ISO 50001).

Approval of the updated manual is planned for the first half of 2023. Locations need to complete implementation by the end of the second half of 2023. < (F)

5) The 2021 value has been adjusted.



More information on EMAS is available in the [online report](#).

Water management

(F) > Schaeffler locations primarily use water for sanitation and hygiene, cooling, and industrial applications. The company has integrated water management into its risk management system – for example, to identify the consequences of climate change and respond accordingly. The risk-based approach takes into account availability, quality, reputation risks, and regulatory developments.

The Schaeffler Group has set a goal of reduce its use of freshwater by 20% by 2030 when compared to 2019. In addition, water dependence is systematically being reduced in an effort to minimize water-related production risks. The manufacturing sites that are located in areas with severe or extremely severe water shortages were identified based on the results of the World Research Institute (WRI). A variety of projects were planned for these sites to reduce water usage and recycle withdrawn water using suitable circulatory systems and treatment plants such as water evaporation systems.

Freshwater withdrawal in thousand m³

	2022	2021	2020
Freshwater withdrawal, total ¹⁾	5,560	5,618	5,034
Of which surface water ²⁾	165	159	–
Of which groundwater ^{1) 2)}	2,300	2,209	–
Of which third-party water ^{1) 2)}	3,095	3,250	–

1) The 2021 value has been adjusted.

2) Figure first reported in 2021.

A total of 5,560 thousand m³ (prior year: 5,618 thousand m³)⁵⁾ of freshwater was used in the reporting year, which represents a drop of around 1.0%, due in part to the water saving measures implemented. No seawater or produced water is withdrawn. No water is lost in the manufacture of Schaeffler products, as withdrawn water is either reused internally or directed to third parties after treatment.

Since 2022, the Schaeffler Group has bundled all relevant resources in a single program dedicated to reducing the use of freshwater with a global interdisciplinary team. The aim is to identify and implement water saving measures between 2022 and 2030 in order to reduce the use of freshwater by 20% as of 2030 in comparison with 2019.

A total of 29 water saving measures implemented and externally verified in 2022 will lead to annual savings of at least 192.7 thousand m³ as of 2023. For example, evaporation systems were installed to reduce the amount of wastewater and reuse condensation for other processes. The implemented measures also included optimization of production systems and processes such as returning treated cooling tower water to the cycle.

All locations with industrial wastewater and large volumes of wastewater – which can occur as a result of electroplating or needle production – are equipped with a variety of systems, ranging from treatment to nearly 100 % recycling. A variety of technologies are used for this purpose, including evaporation technology, membrane filtration, ion exchange systems, and chemical and physical treatment processes. Where this is not possible, wastewater is treated in accordance with applicable guidelines and discharged into the public sewer system.

Facilities 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, inspections are conducted on-site under expert supervision and in coordination with local authorities. Additional measures are defined based on the assessment results. < (P)



The Schaeffler Group’s current CDP water rating is available at: [CDP water rating](#)

2.3 Circularity

SDG 9, 12

AT A GLANCE

- Work on an overarching circular economy strategy⁶⁾ continued in the reporting year
- A total of eight locations have achieved the status of 100 % recycling thus far

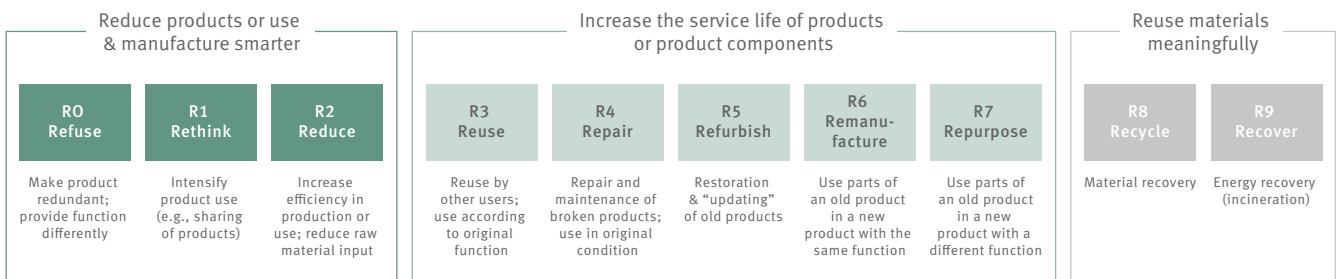
Strategic framework

(P) > The Schaeffler Group’s overarching goal is to optimize the use of resources beginning in the product’s design phase, and thus exploit the potential of material efficiency, reduce the use of critical and rare raw materials, and ensure product reparability. There is also a particular focus on efficient and repeated use of resources in the production process. The fundamental idea is to use raw materials, components, and products repeatedly and for as long as possible, which is essential to achieving targets such as climate neutrality.

It was on this basis that the circular economy strategy was further developed for the Schaeffler Group in 2022, with progress reported to the Executive Board on a regular basis. The circular economy strategy focuses in particular on five of the ten Rs:

- Reuse
- Repair
- Refurbish
- Remanufacture
- Recycle < (P)

Circular economy: 10-R-Strategy¹⁾



1) Source: Fraunhofer Institute (2022).

6) The circular economy strategy addresses the issue of the circularity.

Ⓢ > Life cycle analyses are an important element when it comes to developing measures particularly for products – and can be used, for example, to determine the influence that recycling activities or secondary materials have on the carbon footprint. < Ⓢ



More information on life cycle analyses is available on page 34 et seq.

Material compliance

Ⓢ > The substances used in the Schaeffler Group's products have a key impact on their recyclability. To implement its circular economy strategy, the Schaeffler Group has set a goal of observing all relevant guidelines for the materials and substances used and taking these into account when selecting suppliers. Therefore, the Material Compliance department works closely with the Purchasing department responsible for production materials. Legislation, public standards, and customer requirements relevant to the Schaeffler Group are regularly assessed, and criteria are developed for consideration when selecting suppliers. The material requirements also apply to chemical substances, purchased parts, and packaging and materials in manufacturing processes and products.

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.

Important criteria and relevant regulatory frameworks for both supplier selection and orders are outlined in the Schaeffler Group's “Prohibited and declarable substances” standard, which was updated in mid-2022 and provided to suppliers. In addition to internal training courses on purchasing, suppliers will also find a range of training courses accessible on the Schaeffler Group website.

Even if the use of hazardous substances is not legally prohibited, the Schaeffler Group aims to manufacture more eco-friendly products, as formulated, for example, in the EHS policy. At present, responsibility for material composition is assumed on a project level. The company provides information on “sunset dates”⁷⁾ for substances and systems to help with material declaration.

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 in purchased products and their materials.

In addition, the SCIP⁸⁾ database of the European Chemicals Agency (ECHA) has been used to declare substances of very high concern (SVHC) since 2021. < Ⓢ

Waste management

Ⓢ > The Schaeffler Group's products are primarily made from steel and only contain trace amounts of harmful substances. At the end of their service life, they can be melted down into crude steel without any issues.

At all locations that generate more than 25 tons of non-hazardous waste or two tons of hazardous waste per year, a waste representative must be appointed regardless of legal provisions.

In addition to monitoring waste generation, collection and disposal, this representative's responsibilities include the development and introduction of low-waste and 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 non-hazardous waste.

Amount of waste generated by the Schaeffler Group in thousand tons¹⁾

	2022	2021	2020
Waste generation, total	175	173	–
Of which non-hazardous	100	89	–
Of which hazardous	75	84	–
Of which waste for recycling	128	125	–
Of which waste for disposal	47	48	–

1) Excluding metals and scrap. Figures first reported in 2021. The 2021 values have been adjusted.

The Schaeffler Group aims to avoid waste wherever possible. If waste cannot be further reduced, it should be sent for approved recycling. A total of eight locations have achieved 100% recycling status so far by sending waste to be recycled in accordance with applicable law. The Schaeffler Group's goal is to increase the recycling rate to such a degree that no more production-related waste needs to be disposed of. Each production site works with the same waste database for global reporting, and to document nearly all waste operations. Categorization for hazardous and non-hazardous waste, for example, corresponds to the definitions prescribed by the countries in question. < Ⓢ

7) The date from which a chemical substance is no longer permitted or only permitted in limited quantities.

8) The electronic database of the European Chemicals Agency, which contains information about substances of very high concern in components or complex objects such as products.

2.4 Green Products

SDG 7, 9, 11, 12

AT A GLANCE

- Sustainability aspects are considered during the product development phase
- The company is working with partners to develop a hydrogen fuel cell

Ⓢ > The Schaeffler Group defines Green Products as those products whose production, transport, use, and disposal are responsible for less CO₂e emissions than those of their substitutes. CO₂e reduction is integrated into the product development process, which includes product design and material selection. The entire life cycle takes center stage, from the extraction of raw materials and production to product use and potential circular economy concepts at the end of the service life. < Ⓢ

Product carbon footprint (PCF)

Ⓢ > The Schaeffler Group conducts life cycle assessments (LCA) to measure the environmental impact of its products throughout their entire life cycle. Based on the ISO 14040 and ISO 14044 standards, internal guidelines were developed to regulate LCA administration, processing, reporting, and more for the entire life cycle. These methods were certified by TÜV Rheinland. The LCAs serve as a key tool for documenting the sustainability performance of products and processes, with a particular focus on the product carbon footprint (PCF). LCAs also enable analysis of the supply chain and production and identify suitable reduction measures. When conducting LCAs, the Schaeffler Group usually uses the system limited to the cradle-to-gate approach (primarily material and production). In special cases, aspects of the cradle-to-grave (plus use phase) and cradle-to-cradle (plus circular economy) approaches are also taken into account.

In parallel to this certified method, the Schaeffler Group has also been using additional tools to calculate the carbon footprint throughout the development process since 2022. A tool already used for cost-value analysis is currently being expanded to include a calculating metric for the carbon footprint and combined with corresponding databases, which makes it possible to efficiently prepare calculations for a whole host of products and integrate them into the product development process early on. The central database contains suppliers' emission factors, including the data of steel suppliers, with additional emission factors, suppliers, and material groups to be added over time.

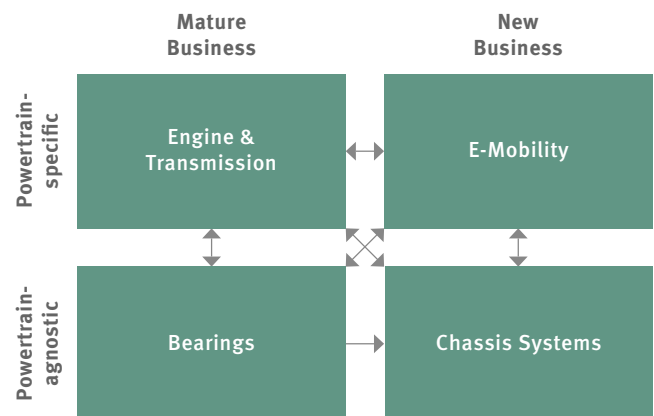
Training courses on the topic of "Design for Environment" are also being developed to acquaint employees with the opportunities provided by sustainable product development in particular.

The PCF comes into play during the design phase of product development. Take for instance innovative roller bearings. At present, each PCF is determined individually using LCA software, but there will be an automated calculation option available in the product configurator for roller bearings (Medias-®) as of 2023. < Ⓢ

Automotive Technologies

Ⓢ > The Automotive Technologies division partners with the global automotive industry for passenger cars and commercial vehicles in developing and manufacturing components and systems for all-electric and hybrid powertrains, the fuel cell powertrain, as well as for internal combustion engines and chassis systems. The division also offers a wide range of rolling bearings that is largely powertrain-agnostic. The Automotive Technologies division manages its business based on the four Business Divisions (BDs) E-Mobility, Engine & Transmission Systems, Bearings, and Chassis Systems which in turn comprise several business units.

Automotive Technologies division



In the Engine and Transmission Systems business division, additional synergies are being developed for the powertrains of internal combustion engines. The new Bearings business division bundles the extensive application and product portfolio of roller bearings in order to take advantage of synergies in a highly competitive environment, promote innovations, and generate growth in new markets. A new division structure should also continuously promote expansion of the E-Mobility and Chassis Systems business divisions. Reorganizing business divisions and overhauling the product portfolio of the Automotive Technologies division is part of the divisional subprogram of the Roadmap 2025. < Ⓢ

E-Mobility

Ⓢ > The Schaeffler Group is developing a variety of components and system solutions for electric mobility, with a portfolio that ranges from powertrains for hybrid and all-electric mobility to fuel cells.

The company's most sophisticated drive system to date for all-electric vehicles is the new 4-in-1 electric axle, which integrates the electric engine, power electronics, transmission, and thermal management into the axle drive. The 4-in-1 electric axle not only boasts a compact design, but also improves the interplay between the subsystems. Efficiency up to 96% is possible in an optimally designed system, with each additional percentage point increasing the range.

Especially thermal management has a significant impact on vehicle efficiency and comfort. The Schaeffler Group combines the thermal system with the drive components of a traditional electric axle, which are usually viewed as two separate entities, creating a highly integrated, compact overall system that requires much less space than non-integrated solutions. Because unnecessary tubes and cables can be eliminated, less energy is lost in the form of heat. Intelligent control of thermal management also ensures that excess heat is efficiently diverted from power electronics and the electric engine and can be used in the vehicle interior.

The Schaeffler Group has further improved efficiency with a new heat pump that works with the natural gas carbon dioxide, which has a much lower environmental impact than conventional coolants. Carbon dioxide also boasts physical properties that make vehicle heating more efficient. < Ⓢ



More information on E-Mobility is available in the [online report](#).

Engine and Transmission Systems

Ⓢ > New cars with internal combustion engines will continue to be produced in the coming years. The Schaeffler Group's goal is to make this drive as efficient and resource-friendly as possible, offering solutions for consumption-optimized internal combustion engines. The Schaeffler Group uses an extensive modular kit of technologies and products that, depending on requirements, can be mixed and matched to maximize efficiency. For example, the Schaeffler Group uses the combination of electric cam phasers and the newly developed eRocker System for highly variable valve control.

In full hybrid applications, this variability delivers high efficiency in the interaction between engine and innovative transmission, enabling a reduction in CO₂ of around 10% – while maintaining the same engine power and lower exhaust emissions. The Schaeffler Group's innovative vibration damping solutions ensure this potential can be exploited throughout all applications. < Ⓢ

Bearings

Ⓢ > Bearings play a key role in the safety and efficiency of future vehicles and offer enormous savings potential especially for commercial vehicles – whether electric or gas-powered. That is why the Schaeffler Group is developing special bearing solutions for an efficient powertrain that reduces wear on light commercial vehicles and even more so on heavy commercial vehicles and thus decreases resource consumption and CO₂ emissions. Particularly for commercial vehicles, the Schaeffler Group has developed a wheel bearing unit that further reduces friction loss. For a 13-ton rear axle, for example, the unit reduces friction by 56% and loss by up to 600 W. For a commercial vehicle with an electric range of 500 km, that results in energy savings of up to 11 kWh for each charge, meaning a battery of the same size would enable a longer range. Alternatively, the same range can be achieved with less resources and at a lower cost.

Another bearing innovation of the Schaeffler Group is the high-performance ball bearing with integrated centrifugal disc. The special feature of this bearing, which is unique in the world, is that the rubber seals which are normally firmly fixed to the outside of sealed bearings are replaced by a specially developed centrifugal disc in the inner ring.

Much like a sealed bearing, the centrifugal disc keeps contaminants out. But because the disc rotates freely, the bearing generates about 80% less friction than with conventional seals, resulting in a CO₂ reduction of up to 0.3 g per kilometer per vehicle. Reducing losses by up to 30 W per bearing can also improve the range of electric vehicles by up to 1%. The centrifugal disc bearing also lasts considerably longer. Compared to an open bearing, the service life can increase by a factor of up to ten, whereas the unit lasts twice as long as conventional sealed ball bearings. As a result, both the bearings and the transmission can be smaller in the future, thereby conserving material and weight. < Ⓢ



More information on Bearings is available in the [online report](#).

Chassis systems

Ⓢ > The Schaeffler Group is helping to transform mobility, including for new chassis applications that, for example, enable highly automated driving. Take for instance the steer-by-wire technology, a type of steering that eliminates the rigid connection between steering wheel and steering gear, opening up new design opportunities for vehicle interiors. The system also increases driving safety and comfort. And because steer-by-wire systems no longer have a mechanical connection between the steering wheel and steering gear, the steering wheel can be replaced with a joystick, for example, allowing people with physical disabilities to maintain their mobility. Thanks to the interplay between the brakes, environment recognition, and the steering system, the steer-by-wire systems of future vehicle generations will also increase safety.

In recent years, the Schaeffler Group has developed extensive expertise in chassis systems. The Chassis business division views itself as a link between chassis systems for large-series automotive production and new forms of mobility, as revealed, for example, by the first series rollouts of the mechatronic intelligent rear wheel steering (iRWS) and the development of a hand wheel actuator (HWA) with force feedback module. < Ⓢ

Automotive Aftermarket

Ⓢ > The Automotive Aftermarket division is responsible for the Schaeffler Group’s worldwide spare parts business for passenger cars and commercial vehicles and supplies innovative repair solutions in original-equipment quality. The company is thus helping to increase the service life of vehicles. Demand in the spare parts business is primarily influenced by three factors: the rising number of cars around the world, the increasing average age of vehicles, and growing vehicle complexity. These factors boost the demand for repair, which requires increasingly advanced repair solutions and services for workshops.

The portfolio offers an extensive selection of repair solutions and individual components for all vehicle classes, with a focus on expanding the range for full hybrids and plug-in hybrids. For many hybrids, the spare parts program encompasses a comprehensive portfolio of individual components and complete KITS for all key engine systems.⁹⁾ For hybrid vehicles, the division covers more than 85 % of chassis and engine components.

E-Mobility solutions are introduced in the aftermarket in close collaboration with the Automotive Technologies division. Trends such as electric and increasingly automated transmissions, autonomous driving, and the circular economy have a foreseeable influence on how vehicles will be used and serviced in the future.

Thanks to the Schaeffler E-Axle RepSystem - G, workshops can properly repair new electric aggregates for the first time, rather than replacing them entirely, which can be expensive. The cost of repairing a transmission is only about 20 % of that of a complete replacement. < Ⓢ

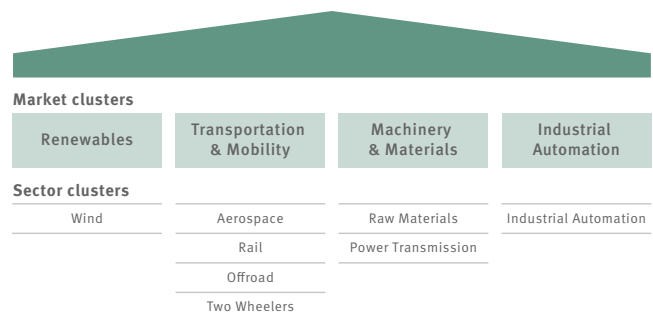
Industrial

Ⓢ > The Industrial division develops and manufactures precision components, both rotary and linear bearing solutions, drive technology components and systems, as well as service solutions such as sensor-based condition monitoring systems for a large number of industrial applications.

Through the divisional subprogram of the Roadmap 2025, the Industrial division is focusing on growth and expansion of the core business, the scaling of the service business, and development of new business fields in growing markets, with global production and overhead structures as well as sales and delivery processes overhauled in the process.

The product portfolio is divided into eight sector clusters: wind, aerospace, rail, off-road, two-wheelers, raw materials, power transmission, and industrial automation. Products are sold directly to end customers or through machine and plant manufacturers, trade partners, or service providers. The sector clusters are in turn divided into four market clusters: renewables, transportation and mobility, machinery and materials, and industrial automation.

Customer and product portfolio in the Industrial division



9) Key engine systems: timing drive, auxiliary drive, valve drive, and cooling system.

In terms of bearing solutions, the product portfolio for the core business primarily contains rolling and plain bearings, and linear guidance systems. This portfolio covers a wide spectrum, from high-speed, high-precision bearings with a diameter of 4 mm to larger bearings with a diameter of 4,200 mm. Bearings are used in all sectors, while linear guidance systems are primarily used in machine tools in the industrial automation sector cluster. Bearing solutions and linear guidance systems have always formed an essential basis for future growth in the division and are continuously optimized with technical advice and customer-specific products in order to further expand this core business in the individual sector clusters. < (P)

Renewables

(P) > As a partner of the energy industry, the Schaeffler Group supplies key components for the expansion of renewable energy production. Efficient bearing solutions boost energy production and the level of efficiency.

The wind industry strives to minimize the cost of generating electricity. 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.

The Schaeffler Group's large tapered roller bearings have undergone slip-free induction¹⁰⁾ hardening for some years now, which significantly improves the carbon footprint, as the bearing rings are always heated locally with renewable energy. Take for instance the tapered roller bearing showcased at the 2022 WindEnergy trade fair. CO₂-reduced steel, higher material utilization, and induction hardening can reduce the bearing's carbon footprint by 70% to 1.5 kg of CO₂ per kilogram of bearing. < (P)

Transportation & Mobility

The Transportation & Mobility market cluster represents a range of solutions that the Schaeffler Group offers for the aerospace, rail, off-road, and two-wheeler sector clusters. For rail transport, the Schaeffler Group develops and produces new product solutions with optimized functions, high energy efficiency, an extended service life, and longer maintenance intervals.

Designed for an axle weight of up to 25 t, the improved wheelset bearing housing was introduced in 2022 at InnoTrans, the leading trade fair for railway transport. Weight reduction of 14% not only enables heavier payloads but also reduces production-related CO₂ emissions.

With development of the TwinTandem, ball bearings generate much less friction, which leads to lower temperatures even at high speeds and thus increases the service life of the greases used and the wheelset bearing as a whole. Comprehensive studies with Schaeffler's BEARINGX calculation tool reveal a geometry-related reduction in friction of 55% compared with conventional tapered roller wheelset bearings, which lowers CO₂ emissions in operation.

The TwinTandem development project is embedded in the "Gearbodies" project supported by the European Commission. In June 2022, the Schaeffler Group and the consortium received the Best Paper Award for the study "Extending the lifetime of journal bearings for high-speed trains" at the World Congress of Railway Research in Birmingham.

Machinery & Materials

(P) > In the Machinery & Materials market cluster, the Schaeffler Group is continuously working to develop solutions for optimizing friction and extending the service life of roller bearings, which also includes the remanufacturing of roller bearings. Due to high capital intensity, optimized machine operation is of the utmost importance particularly for the "raw materials" sector cluster. The Industrial Lifetime Solutions department, whose products and services are also used in other market clusters, specializes in intelligent solutions for roller bearing lubrication, monitoring, and assembly – with the goal of ensuring optimal machine operation and a particular focus on proper bearing lubrication, which can prevent many application problems. Uncertainty and a lack of transparency in terms of actual lubricant volumes and the condition of conventional, automatic lubrication systems are often a reason for maintenance companies to continue applying lubricant manually rather than relying on automatic lubrication systems. As a result, up to 60% more lubricant is used than necessary.

The intelligently connected OPTIME C1 lubrication system was developed for automatic application of lubricant in larger machine parks – for example, in cement production and wood processing. The app and online dashboard provide a transparent overview of current machine conditions for hundreds of lubrication points at all times. A digital service offers assistance with optimal adjustment of lubricant volumes and remote monitoring of lubricant dispensers, which not only reduces grease consumption and any work associated with lubrication but also increases machine availability.

10) The heat required for material hardening is generated by a coil that produces eddy currents locally in the workpiece. Because the heat is produced directly in the workpiece itself, it does not need to be transmitted via convection, radiation, or thermal conduction.

In addition to lubrication, condition monitoring can also contribute to efficient machine operation. The Schaeffler Group offers vibration-based condition monitoring solutions and services for this purpose, enabling early detection and prevention of machine failure or unfavorable operating conditions and thus reducing unplanned production downtime and losses. < (P)

Industrial Automation

(P) > As a development partner for customers in the sectors of medical technology, machine tools, robotics, foods, packaging, and general industrial machinery, the Schaeffler Group pursues sustainable progress with measures for increasing efficiency which includes innovative concepts for linear and rotary direct drives, with 30% less power loss and thus reduced energy requirements.

A typical application of this direct drive resulted in a reduction of 10,000 kWh per machine per year.

With the acquisition of Ewellix, the Industrial Automation department is also increasing its focus on highly efficient, electromechanical actuators to replace older technologies based on hydraulics, thereby doubling drive energy efficiency in many applications.

While maintaining the same performance data, RUE-F, a new generation of monorail guidance systems, was able to reduce the level of friction and thus drive power by up to 40% and lubricant consumption by an average of 30%. < (P)

Cross-divisional approach to hydrogen

(P) > The Schaeffler Group views hydrogen as a promising, renewable source of energy and raw material that is universal and suitable for storage and global transportation. Green hydrogen can also be used across all sectors, as it can supply different industry sectors and bring them together. Examples of the various applications include use as an electricity-based, industrial raw material for the steel and chemical industry, a stationary supply of electricity, and hydrogen-based electric mobility for road, rail, sea, and air.

The Schaeffler Group uses the opportunities provided by green hydrogen technology to develop its own products as well as decarbonize both the company and the supply chain. These activities are bundled at the hydrogen competence center in Herzogenaurach and managed by the internal "Schaeffler Hydrogen Council". Made up of leading specialists and members of the Schaeffler AG Executive Board, the Council discusses the program's progress on a quarterly basis and develops measures accordingly.

The Schaeffler Group's cross-divisional approach is based on production expertise and further development of fuel cells and electrolyzers. With the industrialized production of these core technologies for green hydrogen, the Schaeffler Group aims to help expand availability and make it more cost-efficient. In addition, the company is preparing to use green hydrogen as a replacement for fossil fuels in internal production. For that reason, the Schaeffler Group is developing production capacities for green hydrogen at the Herzogenaurach and Schweinfurt locations, which also use their own electrolysis technology.

An electrolysis plant will be built in Herzogenaurach in partnership with the Lhyfe company and will supply green hydrogen not only to the Schaeffler headquarters and the hydrogen competence center, but also to the metropolitan region of Nuremberg.

The Schaeffler Group is also promoting the global development of a hydrogen infrastructure through its investment in the Hy24 Clean Infrastructure fund. The company is a guiding member in the global Hydrogen Council and is involved in additional European initiatives. The CEO of the Schaeffler Group's Industrial division is also a member of the German National Hydrogen Council (NWR), which advises the German government on hydrogen issues. < (P)

Fuel cells

(P) > The Schaeffler Group firmly believes that hydrogen will play a key role in the sustainable mobility of the future, which is why the company relies on the fuel cell powertrain and efficient industrialization of the required technology. Collaboration in the "InnoPlate" joint venture is an important step on this journey. The partnership aims to produce bipolar plates, which are key components of fuel cells, in large numbers in the future.

Currently under construction in Haguenau, France, the joint facility is expected to produce four million bipolar plates annually as of early 2024 and around 50 million plates a year by 2030. The Schaeffler Group is contributing to industrialization and series production with two of its most important technologies: high-precision forming and punching technology as well as innovative coating processes with internally developed coating recipes that address the specific requirements of fuel cells.

The Central Technology department is responsible for developing new material and coating solutions such as Enerect PC+, which is used in metallic bipolar plates to increase sustainability in hydrogen technology.

This ultra-thin, non-precious metal coating in the nano to micrometer range makes it possible to use steel as a basic material rather than titanium or graphite. Steel is not only more affordable, but also easier to process, which simplifies large-scale series production. Compared to alternative, precious metal coatings, this coating reduces the carbon footprint by up to 99%. And thus the overall carbon footprint of the bipolar plate by around 20%. This process took second place in the 2022 CLEPA Innovation Award ceremony in the category “Clean and Sustainable Mobility”. < (P)



More information on Bipolar plates is available in the [online report](#).

Electrolyzers

(P) > The Industrial division supplies key components for electrolyzers, which are the underlying technology in the production of green hydrogen. The technologies and processes are similar to those associated with fuel cells. Both technologies benefit from the synergies of the jointly developed and used foundation in coating, material, and forming technologies.

The Schaeffler Group has also been involved in the government-funded H2 Giga program since 2021. As the consortium lead with industry and research partners, the company will further develop the future technology of electrolysis stacks, including the corresponding production processes, and promote industrialization through its activity in the Stack Industrialization Electrolysis (StacIE) subproject.

The StacIE consortium developed and successfully tested the first prototypes of proton exchange membrane (PEM) stacks in 2022. New material combinations and approaches to production address the efficiency of the electrolysis process, the scaling of the manufacturing process, and the sustainability of the materials used – with a particular focus on reducing utilization of rare metals such as iridium and platinum. The investments initiated at the end of 2021 led to the commissioning of three test benches at the hydrogen center in Herzogenaurach in 2022. Additional test benches have been ordered, with access scheduled for the first half of 2023.

This will further accelerate development of new electrolysis products at the hydrogen competence center in Herzogenaurach.

< (P)



More information on Green hydrogen is available in the [online report](#).

Research and development

(P) > In the area of research and development (R&D), the company employs 7,240 (prior year: 7,087)¹¹⁾ people at 20 R&D centers and additional R&D locations in a total of 25 countries. The company filed 1,806¹²⁾ patent applications with the German Patent and Trademark Office in 2021. In addition, the Schaeffler Group employees internally reported 2,201 (prior year: 2,761) inventions in 2022.

In the reporting year, the new innovation strategy “Innovation-to-Business” was developed. It transfers the five global megatrends to focus areas and maps them in 6+2 innovation clusters. Strategic projects are selected via a portfolio review and then implemented in the business. Sustainability is an integral part of the Schaeffler Group’s innovation strategy. < (P)



More information on the innovation clusters is available on [page 17 et seq. of the Annual Report 2022](#).

11) Workforce values are provided as full-time equivalents (FTEs); reporting date of 31/12/2022. The 2021 value has been adjusted.

12) The patent applications are first filings in Germany.

3

SOCIAL

Schaeffler Group employees contribute significantly to the company's success. Their expertise, skills, dedication, and creativity are key to ensuring ongoing progress and the success of the company, which is why the Schaeffler Group supports the professional and personal development of its workforce. In addition, the company provides fair, performance-oriented payment and company pensions and offers flexible working time models to accommodate the employees' individual needs.

The Schaeffler Group ensures and continuously improves the quality of its products and processes with globally recognized standards, which also includes a responsible approach to social and environmental aspects in the supply chain. For example, the company introduced systematic risk identification and reporting with the human rights risk assessment (HRRRA) in the reporting year.

The Schaeffler Group supports nonprofit organizations that comply with the Code of Conduct through its corporate citizenship activities and invests in research and social projects with its strategic partnerships, collaborations, and initiatives.

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3.1 Diversity, employees, and people development

SDG 4, 5, 8, 10

AT A GLANCE

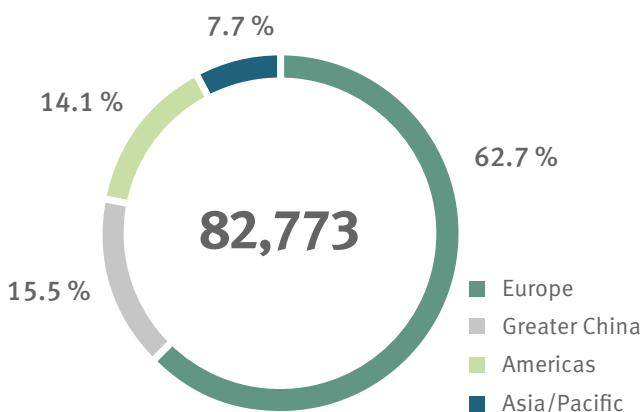
- The Schaeffler Group is investing extensively in training and education to promote future-oriented, targeted transformation
- In the reporting year, the company conducted an employee survey to reinforce commitment and identify potential for improvement

Workforce at a glance

☞ The Schaeffler Group views the development of its employees as an investment not only in the future of each and every one of them but also in the company’s competitiveness. The goal of Human Resources Management is to acquire and support the best employees as well as retain them over the long term as an attractive employer. To achieve these targets, the Schaeffler Group relies on innovative processes, systems, and instruments for modern human resources management. For example, the global launch of SAP Success Factors was initiated, and the processes for Performance & Goal Management, Succession & Development, Recruiting, Compensation, and Onboarding were consistently supported and standardized in the system.

The human resources strategy consists of five core elements: (1) employer branding and recruiting, (2) talent management, (3) management and company values, (4) training and learning, and (5) occupational health and safety and environmental protection. There are also three overarching action fields: (1) diversity, (2) strategic HR planning, and (3) digitalization. Each of the departments reports central developments to the Chief Human Resources Officer at regular intervals.

Distribution of employees by region¹⁾



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

The Schaeffler Group had 82,773 (prior year: 82,981) employees on December 31, 2022. At 12.2 years (prior year: 12.2), average employee tenure in the Schaeffler Group remained unchanged in 2022. The average age of employees was 40.9 (prior year: 40.8). < ☞

Attractive workplace

☞ As a global family business, the Schaeffler Group makes every effort to achieve the best work–life balance possible with family-friendly rules. In fact, conditions are available for remote working throughout all of the Schaeffler regions, with formal rules defined by regionally and locally applicable guidelines and regulations. In Germany, the Schaeffler Group makes an effort to enable hybrid work models based on responsibilities, business requirements, and personal preferences through its “Future of Work” initiative. Managers are responsible for implementing these hybrid work models.

82,773

employees worldwide

A “Future of Work” guide, containing information and tips on implementation, is available to all managers and employees. All employees can also refer to a workshop concept to develop a team-based work model, a concept that includes job sharing models structured in coordination with a manager. In close consultation, a full-time position can be split between two people, who then share the responsibilities.

To accommodate individual requirements such as caring for family members, the company enables all employees in Germany to reduce their working hours with an income adjustment. When it comes to parental leave, the company complies with legal provisions, which are complemented by regional programs that, for example, allow employees to work from home after their parental leave. A mentoring program for re-entry after parental leave is available for managers and, following consultation, for employees without management responsibilities.

Depending on their requirements, older employees have the option to shorten or extend their employment. Since early retirement is often associated with a decrease in subsequent retirement income, the Schaeffler Group can increase payment into retirement with collective bargaining agreements in Germany, thus minimizing reductions in income upon retirement. < ☞

Remuneration

☞ The Schaeffler Group makes every effort to ensure fair wages for all employees. Remuneration is structured in a way to acquire and hold on to talented individuals and reward good performance. Since rules differ around the world, remuneration is structured on a country-by-country basis. Just about every Schaeffler location uses either collective agreements or payment systems that have been agreed on with the Works Councils through a company agreement. Each location also observes the legally guaranteed minimum wage in the respective labor markets as well as principles such as equal pay.

The Schaeffler Group uses a job assessment system to enable comparison of the individual countries. This system guarantees that remuneration is defined free of discrimination on the basis of functions in the local markets. As established in the Code of Conduct, the company is dedicated to ensuring an unprejudiced working environment that appreciates everyone. Varying pay for virtually the same job description is primarily the result of work experience, expertise, and performance. In Germany, annual performance reviews and the variable non-tariff remuneration system are examples of selective, performance-based remuneration components. A profit-sharing model is in use in the Greater China region. < ☞

Considering the workforce's interests

☞ All employees have the freedom to express their concerns directly. The company also pursues constructive interaction with employee representatives, based on trust.

The company respects the right of its employees to freedom of association and to negotiate collective bargaining agreements, which is established in the Schaeffler Group Code of Conduct. Because collective bargaining agreements are subject to country-specific provisions, these are negotiated locally. Collective bargaining agreements cover around 97% (prior year: 98.0%) of all the employees in Germany.

As established in the Code of Conduct, the company is dedicated to ensuring an unprejudiced working environment that appreciates everyone.

The Schaeffler Group is interested in working with advocacy groups to shape the fundamental transformation taking place in the sector and identify balanced solutions. The company's approach to any necessary job cuts is as socially compatible as possible, implementing rules on partial retirement and severance agreements with the understanding of both parties. Internal relocation and normal fluctuation are also used as instruments.

Employee feedback is key to ensuring successful, sustainable transformation of the sector. In 2022, the Schaeffler Group conducted a survey of all employees¹⁾ to reinforce employee engagement and identify potential for improvement. The online survey was available in more than 50 countries and 22 languages, thus ensuring that all employees would be able to participate in the survey. Evaluated on the basis of both internal and external benchmarks, the survey focused on topics such as a sense of belonging, equal opportunity, empowerment, leadership, collaboration, and communication. On the whole, the results reveal a high degree of employee satisfaction as well as high identification with the company. Global and local measures should help to implement the identified potential for improvement. In the future, the survey will be conducted on an annual basis. < ☞

Diversity and equal opportunity

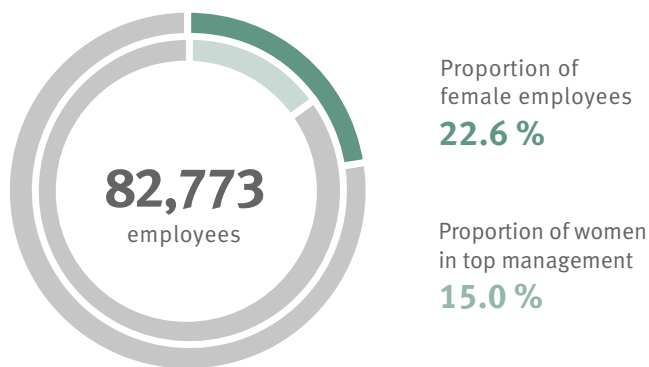
☞ The Schaeffler Group values the diversity of experience and backgrounds of its employees and views these as the global organization's strengths. Everything that sets employees apart and makes them unique is what promotes innovation and will make the Schaeffler Group more competitive in the future, which is why the company is making every effort to create a working environment free from discrimination, intimidation, and harassment. The company implements a variety of global measures to promote equal rights and a sense of belonging and thus ensure that all employees feel that they are valued and have the freedom to contribute their experience and ideas.

Based on the pillars of commitment, awareness, and transparency, the diversity and inclusion strategy aims to firmly establish diversity management at the company, make it more visible, and reinforce the issue's importance across all levels and, most importantly, on a management level. In 2017, the Schaeffler AG set target ratios for the proportion of women in top management – the first two levels below the Executive Board – with the aim of achieving them by 2022. These were 8% women on the first and 12% women on the second management level. These targets were achieved ahead of schedule in 2020 and 2021.


1) External employees, temporary workers, working students, and interns were not included in the survey.

To reinforce the issue throughout the entire company, a target ratio of 20% was introduced for top management in the Schaeffler Group for the first time in 2022 and should be achieved by the end of 2025. The proportion of women in top management positions was at 15.0% in the reporting year. Contrary to previous sustainability reporting, the scope of women in management positions was adjusted in the reporting year. The proportion of women in top management positions is reported in accordance with the Schaeffler ESG goal.

Proportion of female employees in the Schaeffler Group



To promote gender diversity at the company, female students and talented female employees have access to targeted mentoring programs with a variety of focuses such as e-mobility and STEM²⁾ subjects. Regular exchange as well as workshops and events provide them with valuable insight into company practices. Like these internal programs, collaboration with external companies and associations also aims to help women develop multi-sector networks and fill higher management positions. < (P)

 More information on the diversity and inclusion strategy is available in the [online report](#).

Employee advancement and development

(P) > The Schaeffler Group's sustainability activities play an important role in attracting new employees to the company. The company also relies on target group-oriented formats in employer branding and marketing for vocational training. In the reporting year, the Schaeffler Group initiated a global employer branding campaign to reinforce the employer brand.

A globally attractive employer brand is essential when it comes to motivating employees, acquiring new talented minds, and ensuring company loyalty over the long term. Additional measures include the following:

- Participation in (virtual) information days and events
- Collaboration with schools, universities, student bodies and associations, and organizations
- Many years of activity as the primary sponsor of Formula Student Germany

Like employer branding, the company also views recruiting as a key component for continued success in the future despite a challenging labor market. The "Talent Attraction" initiative accommodates both aspects on a global level to ensure the Schaeffler Group's competitiveness.

Schaeffler recruiters have been systematically addressing new talents in Germany since 2020.

The Schaeffler Group increasingly relies on active sourcing as targeted approach to contacting and acquiring the desired talents. Schaeffler recruiters have been systematically addressing new talents in Germany since 2020. During the year of this report the approach was further professionalized and introduced as a pilot project in the Central & Eastern Europe region. The existing talent management process enables new and internally nurtured talented individuals to shape their development and career on their own initiative in line with the "Drive your Career" philosophy.

The Performance & Goal Management process is transparent for employees, designed to promote their performance and ongoing development. Managers and employees agree on individual targets and discuss behavior, the necessary skills for a career in the Schaeffler Group, and development measures that are relevant for both the current position and the potential next step in their career.

"Career & Succession Discussions" take place annually on this basis to discuss potential future career steps as well as early succession for key positions in the company. < (P)

2) The abbreviation STEM stands for science, technology, engineering, and mathematics.

High-quality training opportunities

☞ > The Schaeffler Group not only develops its training courses on a continuous basis in an effort to achieve high quality, but also established and gradually implemented a global apprenticeship strategy in close coordination with the various regions. In particular, this strategy defines the focus areas of conduct as well as training principles that, along with the Schaeffler values and the “Employee Essentials”, describe the training culture in the Schaeffler Group. To acquaint trainers and apprentices with the strategy and implement the principles, a variety of activities were planned and carried out in collaboration with the regions. For example, the “Global Annual Apprenticeship Day” was held in 2022 for the first time as a kickoff event. In line with the motto “Success needs to be celebrated”, the aim was to honor the successes of Schaeffler apprentices and students as well as reinforce global exchange and the sense of belonging.

Schaeffler Group training uses modern learning environments and current learning methods to support apprentices’ and students’ self-learning expertise and prepare them for lifelong learning as a part of their professional life. One area of focus is virtual learning through virtual and augmented reality as well as its integration into hybrid and blended-learning scenarios. In 2022, the company employed 2,469 apprentices³⁾ (prior year: 2,643) at 41 locations in 16 countries worldwide. This includes 382 (prior year: 394) students. The company also employs 60 (prior year: 52) trainees worldwide. This increase is primarily the result of the growing number of participants in trainee programs in the Greater China region.

Apprentices, students, and trainees¹⁾

	2022	2021	2020
Trainees in apprenticeship, total ²⁾	2,469	2,643	2,724
Of which students, total ³⁾	382	394	491
Trainees, total	60	52	50

- 1) Key indicators for the reporting year in assessment scope for the first time.
- 2) People with academic or nonacademic qualifications.
- 3) Dual students, master's degree students, and “Two in One” students. The “Two in One” study program combines a bachelor's degree with vocational training.

- 3) Includes people with academic and nonacademic qualifications.
- 4) Relating to employees, total.

Trainee programs are available for young employees with above-average degrees in just about every region in the Schaeffler Group and prepare them for a career in the company with targeted rotation, network meetings, and accompanying training courses and mentoring. < ☞

Qualification of employees

☞ > The Schaeffler Academy organized re- and upskilling for employees as global qualification programs consisting of modular training options with defined learning paths that consider the target groups’ different backgrounds and areas of experience. While “Fit4Mechatronics” targets development and application engineers and “Fit4Production” is directed at production employees, the “Fit4Digital” program is available to the entire workforce.

Qualification and training¹⁾

	2022	2021	2020
Web-based training courses, total ²⁾	360	250	193
Average number of hours of training and education per employee, total ³⁾	7.4	8.2	–
Participants in e-learning courses, Germany, total ^{2) 4)}	93,724	169,795	136,307
Participants in classroom training sessions, Germany ^{4) 5)}	7,291	4,553	7,351

- 1) Key indicators for the reporting year in assessment scope for the first time.
- 2) Offered worldwide by Schaeffler Academy Germany.
- 3) Figure first calculated for 2021.
- 4) Participants may be counted more than once.
- 5) Offered by Schaeffler Academy Germany.

This gives Schaeffler Group employees the opportunity to complete training courses independent of time and place. The dedicated Learning Management System (LMS) used at the company is available in 51 countries, achieving a coverage rate of 99.9%⁴⁾ (prior year: 99.8%) of the total workforce. There were 360 web-based training courses (prior year: 250) available to employees worldwide in the reporting year. 93,725 people (prior year: 169,795) participated in e-learning courses in 2022. The drop is largely due to a decrease in the number of new obligatory training courses compared to the prior year. A total of 7,291 people (prior year: 4,553) also took part in classroom training sessions in Germany. These could be held more frequently in compliance with applicable hygiene measures. < ☞

Sustainability training

☎ > The Schaeffler Group's sustainability strategy can only be fulfilled successfully if all employees understand the larger context and actively support implementation, which is why the online Sustainability Roadmap training course was developed in 2021 with a focus on issues such as climate protection, sustainable supply chains, and occupational health and safety. The course has been available worldwide since May 2021 and is required for all Schaeffler Group employees⁵⁾ who have access to the Schaeffler Academy training portal. In 2022, around 6,500 employees (prior year: 42,100) successfully completed the training course.

The Schaeffler Group's sustainability strategy can only be fulfilled successfully if all employees understand the larger context and actively support implementation.

Since 2022, employees⁵⁾ have also had the opportunity to expand their knowledge on climate protection in a voluntary online climate training course, with a particular focus on climate change in a company context, the basics of calculating CO₂e emissions, and climate neutrality. In addition to providing insights into the company's emission values, the course also introduces concrete measures with which the company plans to reduce its emissions. More than 6,600 managers and around 1,600 employees completed the training course in the reporting year. < ☎



More information on climate training is available on [page 9](#).

Leadership development

☎ > The Schaeffler Group's Leadership Essentials define the behavior leaders across all levels should exemplify in daily collaboration. The following HR tools are designed accordingly:

- Performance & Goals Management
- Hiring process
- Upward- und global 360° feedback
- Executive training

With the new "Leadership Inspiration" virtual format, the Center for Leadership Excellence expanded the portfolio of open events for all Schaeffler leaders around the world, regardless of the different working time models. More than 600 persons worldwide took part in the first event in April 2022. The second event of this format was held in mid-November 2022 with more than 500 participants. < ☎



The Schaeffler Group's Leadership Essentials are available at: [Our principles for good management](#)

3.2 Occupational health and safety

SDG 3, 8

AT A GLANCE

- The Schaeffler Group's goal is to reduce the frequency of occupational accidents by an average of 10 % annually by 2024
- A global "Mental Health" day was held for the first time, with online presentations and in-person events

Workplace health

☎ > The working world is dominated by fundamental technological disruptions, growing competition around the world, and demographic change, ultimately leading to an aging workforce with increasing musculoskeletal complaints.

That is why it is so important to the Schaeffler Group to ensure a healthy and safe working environment for all employees. In addition to the Schaeffler Group's corporate health management (CHM) programs, regional EHS coordinators are planning relevant projects. CHM officers are also organizing corresponding measures at all Schaeffler locations.

To support the physical and mental well-being of all its employees, the Schaeffler Group's occupational health and safety relies first and foremost on preventive, tailored, target group-oriented, and health-promoting measures, which include medical checkups, online courses, and virtual training offered both during and outside of working hours. The measures should reduce general workplace stress such as shift-specific challenges, psychological demands, and insufficient workplace ergonomics, and contribute to healthy behavior.

The Schaeffler Group's CHM is based on the framework guidelines of the Luxembourg Declaration on Workplace Health Promotion in the European Union. < ☎

⁵⁾ Temporary workers and groups of people without access to a computer were not included.

Reduction of stress at the workplace

Ⓢ > Schaeffler health management considers employee needs in an effort to reduce workplace stress and implement consistent standards, which is why corrective training courses were continued in close proximity to the workplace in 2022 as part of the “active back pit stop” (“Boxenstopp Rücken Aktiv”) program. To achieve long-term effects, experts share concrete exercises with employees, who can then use them in their professional and personal lives.

The Schaeffler Group is also offering more and more web-based courses on the topic of “mental health at the workplace” as well as internal and external counseling options for employees and managers. To further highlight the issue, the global “Mental Health” day was held in 2022 for the first time, offering a wide variety of online presentations and attendance events. Employees had the opportunity to take part in the voluntary event during working hours. < Ⓢ

High occupational safety standards worldwide

Ⓢ > 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.

In the reporting year, the coverage rate⁶⁾ according to ISO 45001 was 100 % (prior year: 100 %) and has an impact not only on the company’s own workforce but also, for example, on service providers that work at a Schaeffler location.

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. Potential dangers are identified using task and workplace-related risk assessments and evaluated to determine whether countermeasures need to be established.

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.

100%

coverage of the production sites
in accordance with ISO 45001

The Schaeffler Group is committed to reducing the frequency of occupational accidents by an average of 10 % annually by 2024. The accident rate (LTIR)⁷⁾ was reduced to 2.9 (prior year: 3.9) during the reporting period, which is at least 25.6 % lower than the year before. The “Safe Work@Schaeffler” project was further developed to achieve the ESG goal. Human error such as inattentiveness is responsible for the majority of all work accidents. The aim of the project therefore is to raise awareness of occupational safety among all employees and executives. The project was introduced at five pilot locations in Germany in 2021 and another five locations in Germany and abroad in 2022. An accident map was also created to identify location and activity-related areas of focus at the various plants. Following four safety assessments, plant-specific measures were developed and 82 (prior year: 47) safety awareness training courses with coaching were offered. < Ⓢ

The goal of the “Safe Work@Schaeffler” project is to raise the necessary awareness of occupational safety among all employees and managers.

6) Relating to plant employees.

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

3.3 Responsibility in society and the supply chain

SDG 8, 12, 17

AT A GLANCE

- Respect for human rights is an indispensable part of the Schaeffler Group’s corporate culture
- A critical raw materials policy was developed and communicated to relevant suppliers in the reporting year

Human rights

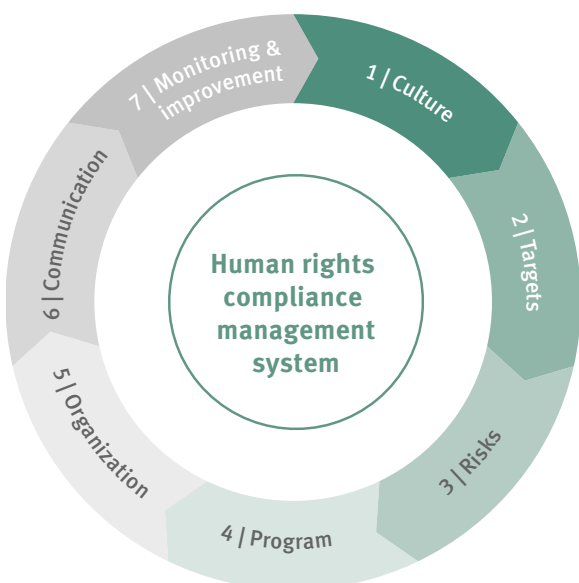
Ⓢ > Building on the previous management approach to human rights due diligence, a Human Rights Compliance Management System (HRCMS) is currently being developed. It builds on the IDW PS 980 auditing standard for compliance management systems and applies to both internal operations as well as the supply chain.

The HRCMS will also be extended to customers and other business partners of the Schaeffler Group. To this end the company conducted a risk analysis in 2022, evaluating the most important human rights issues.

The risk analysis focused on customers and business partners in sectors that, according to independent research reports, are associated with increased human rights risks.

The current status of HRCMS implementation will be described in greater detail below.

Human rights compliance management system



As a global family business with a strong foundation in its values, respect for human rights is an indispensable part of the Schaeffler Group’s corporate responsibility and corporate **culture**. The company therefore commits to the UN Guiding Principles for Business and Human Rights, the principles of the UN Global Compact, the general human rights declaration, the core labor standards of the International Labour Organization (ILO)

This value awareness was also incorporated into the Code of Conduct. A human rights policy and a declaration of principles for respecting human rights are currently under development, with publication planned for 2023. These documents were developed with a particular focus on human rights issues, which applies to all of the approximately 200 locations as well as all business partners. It is not only an issue of compliance with local legal provisions but also of focusing on the aforementioned global structures. Both the Code of Conduct and the human rights policy currently under development apply to all people, activities, and business relationships associated with the Schaeffler Group. < Ⓢ



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

Ⓢ > Human Rights Due Diligence is implemented in accordance with legal requirements and with a focus on global structures. Specific **targets** are currently under development.

The company also implemented systematic risk identification and reporting with the human rights risk assessment (HRRA) in 2022, identifying and evaluating potential or actual human rights **risks** internally. The HRRA identified country- and sector-specific human rights risks at Schaeffler locations and then conducted a detailed risk assessment. The following relevant issues were identified: discrimination, human trafficking, forced labor and modern slavery, living wages, maximum working hours, the right to freedom of association and to negotiate collective bargaining agreements, child labor, the use of security staff, land rights and indigenous populations, and occupational health and safety. < Ⓢ



More information on risks in the supply chain is available on [page 49 et seq.](#)

Ⓢ > In accordance with the German Supply Chain Due Diligence Act (LkSG), additional human rights issues will be added to the HRRA, which is conducted annually by Human Resources, in the 2023 fiscal year. Processes and measures designed to prevent violations and mitigate human rights risks will be introduced on the basis of the risk assessment.

The **program** also features a channel for complaints, allowing both employees and external persons to report potential human rights violations using the Schaeffler Group's global whistleblowing system. In addition to the various analog reporting channels, there is also an electronic system available in 20 languages that provides whistleblowers with a confidential, encrypted, and secure form of communication. Tips can be submitted in any language. A team consisting of employees from relevant departments and Compliance staff who specialize in internal investigations will assess any incoming tips, including whistleblowers into the process if possible. If a case of violation is confirmed, corrective measures will be introduced. In three (prior year: four) cases, measures were introduced to penalize human rights violations in the 2022 reporting year.⁸⁾ The cases confirmed in the reporting period were all related to discrimination or harassment. As required by the LkSG, a description of the whistleblowing system was published at the end of 2022 – with a particular focus on information about process accessibility, responsibilities, and implementation. < Ⓢ



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

Ⓢ > The Schaeffler Group is developing an effective program that defines process and structural **organization**, clear roles and responsibilities, structures, and procedures. Human rights issues are processed on an interdisciplinary basis and in close coordination with various functions in all regions. The supply chain is primarily the responsibility of Purchasing, while Human Resources is in charge of internal operations. At the end of 2022, the overarching task of coordination was transferred from Human Resources to Compliance, which reports to the Chief Executive Officer. The governance responsibility of respecting human rights was also structurally anchored in the Compliance function.

The Schaeffler Group routinely reports on the status of the human rights compliance management system (HRCMS) and current human rights issues. In the reporting year, comprehensive **communication** measures such as the development of human rights training courses were planned and implemented to teach employees about human rights and inform them about the corresponding internal regulations. The sustainability report keeps stakeholders up to date on a regular basis, while a stakeholder consultation, which was introduced in 2022 and will soon be routine, will more effectively incorporate stakeholders and interest groups into the HRCMS process and identify potential for improvement and development.

Human rights issues are processed on an interdisciplinary basis and in close coordination with various functions in all regions.

The British "Modern Slavery Act" also requires companies to demonstrate their commitment to protecting human rights along their value chain on an annual basis. A corresponding statement has been published for Schaeffler (UK) Ltd.

For the purpose of **monitoring and improvement**, the appropriateness and effectiveness of the HRCMS need to be assessed and documented on a continuous basis, which is why the Schaeffler Group is currently developing a process for reporting identified HRCMS weaknesses or violations to the management, correcting weaknesses, and continuously improving the system. < Ⓢ



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



More information on the stakeholder consultation of the HRCMS can be found in the [online report](#).

8) Violations of the prohibition on forced labor, child labor, and cases of discrimination by origin, color, or gender.

Sustainability in the supply chain

Ⓢ > In addition to legal requirements such as the German Supply Chain Due Diligence Act (LkSG), the purchasing strategy also observes the minimum social and environmental requirements of nongovernmental organizations (NGOs) as well as the evaluation criteria of investors. These guidelines are based on the principles of the United Nations Global Compact (UNGC) and the core labor standards of the International Labour Organization (ILO). All relevant suppliers of production and nonproduction materials need to accept the Schaeffler Group Supplier Code of Conduct or provide proof in the form of an equivalent document or equivalent goals. < Ⓢ



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



The Schaeffler Group's Sustainable Procurement Policy is available at: [Sustainable Procurement Policy](#)

Ⓢ > The Schaeffler Group takes a risk-oriented approach in order to fulfill due diligence obligations in the supply chain and further develop suppliers. In addition to the human rights risk analysis, the company also uses the results of the sustainability risk assessment, a standardized questionnaire, and additional internal processes, including social audits, which the Schaeffler Group, as a founding member of the Responsible Supply Chain Initiative (RSCI),⁹⁾ conducts in justified cases on the basis of this standard. This initiative allows suppliers to share the results with other business partners and thus avoid redundant auditing.

The Schaeffler Group uses the Drive Sustainability initiative's standardized survey (self-assessment questionnaire – SAQ) via the service provider NQC to verify the sustainability performance of its suppliers. The company's aim to purchase at least 90 % of its production materials from suppliers with an SAQ by the end of 2022 was achieved in the reporting year with a compliance rate of 90.7 % (prior year: 68.6 %), thanks in large part to individual supplier conversations and intensive follow-up. The next goal is currently under development.

The Schaeffler Group's sustainability-based risk analysis examines around 35,000 suppliers, taking into account all of those who have contributed to sales in the past 24 months. External service providers identify potential risks based on analyses of account statistics. In addition to assessing risk, the sustainability risk analysis also classifies measures and deadlines for implementation, with the processes between suppliers and the Schaeffler Group adapted accordingly.

This methodology was optimized in 2022 on the basis of the results of the 2021 pilot application. Annual validation takes a variety of factors into account – most notably, the findings of the established channel for complaints.

90.7%

coverage of the purchasing volume of production materials with sustainability SAQs

A sustainability team at the Shared Service Center in Wrocław (Poland) consistently and expertly oversees the measures derived from risk assessments – up through implementation. The agreed sustainability targets represent an important tool and outline the way in which targets are achieved with regard to environmental-related key figures.

A dashboard introduced in the reporting year not only standardizes evaluation of the sustainability performance of all suppliers, but also provides access to the status at any time and thus simplifies procurement decisions in the Sourcing Council and beyond.

A partnership with a provider of training platforms should allow suppliers to implement the German Supply Chain Due Diligence Act. The Schaeffler Group's Tier 1 suppliers can complete around 250 courses in different languages and around 70 courses in English free of charge. The page is accessible to all of the suppliers' employees on the Schaeffler landing page. < Ⓢ



Purchasing and supplier management is available at: [Sustainable Procurement Policy](#)

Critical raw materials

Ⓢ > The responsible procurement of raw materials such as tin, tungsten, tantalum, and gold is an important issue for the Schaeffler Group, as their distribution can finance armed conflicts or contribute to human rights violations in some countries.

9) The RSCI is a group of companies and associations in the automotive sector dedicated to exchanging proven processes and knowledge and promoting a shared understanding of sustainability topics throughout the sector. The suppliers' performance data are also centralized, with data shared confidentially inside the system.

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. Certified smelting plants are surveyed annually with Responsible Minerals Initiative (RMI) templates.

The responsible procurement of raw materials is an important issue for the Schaeffler Group.

Compared to the previous year (87.5 %¹⁰⁾, the response rate¹¹⁾ of the suppliers¹²⁾ surveyed fell to 84.5 %¹³⁾ in the reporting year, due in part to the fact that Russian RMI auditors were withdrawn from certification as a result of the war in Ukraine. Because Russia was classified a war zone, it falls under the definition of a risk area as defined in the RCOI. In 2022, 96.3 %¹²⁾ of the smelting plants reported in the pre-supply chain were certified by the RMI or are not located in the risk areas defined in the RCOI. The Schaeffler Group’s conflict minerals report provides a summary of the findings and is available to customers upon request. After incorporating cobalt into the report, the company examined its supply chains with a focus on the conflict mineral mica.

Based on the material change report,¹⁴⁾ the Schaeffler Group defined a list of materials with high priority. As prescribed in the OECD policy, all relevant suppliers were contacted with the aim of better acquainting them with the topic and providing them with an initial look at the status quo in the supply chain with a focus on critical raw materials. The company also developed and published a critical raw materials policy. ©



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

Transparency in the supply chain

	2022	2021	2020
Response rate of surveyed suppliers on the use of conflict minerals ¹⁾	84.5	87.5	87.5
Coverage rate of certified smelting plants in the supply chain ²⁾	96.3	99.7	100

- 1) Defined according to the Responsible Minerals Initiative. 2022 value checked in interim status in December 2022. 2021 figure adjusted compared to Sustainability Report 2021 in accordance with the regular survey period. Regular survey period from March to February of the following year.
- 2) Smelters certified by the Responsible Minerals Initiative or not located in risk areas as defined in the RCOI. 2022 value checked in interim status in December 2022. Regular survey period from March to February of the following year.

Corporate Responsibility

At € 2.2 m (prior year: € 2.1 m), the amount donated in 2022 was marginally larger than in the previous year.

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). Humanitarian donations connected to the war in Ukraine totaled € 0.3 m.

326

CSR projects implemented worldwide

The Schaeffler Group implemented a total of 326 (previous year: 398) CSR projects worldwide in 2022. 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. With its CSR activities, the Schaeffler Group primarily supports strategic partnerships, collaborations, and employee initiatives.

With a “Matching Fund” to benefit the “Emergency Aid for Ukraine” initiative organized by the German Red Cross (DRK), Schaeffler AG and IHO Holding supported Ukrainians in need and refugees in the reporting year. Over the past weeks, this central platform has allowed Schaeffler employees to donate directly to “Emergency Aid for Ukraine” and thus support the local work of aid organizations. Schaeffler AG and IHO Holding doubled the employees’ individual donations.

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

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

12) Tier 1 suppliers (including information about their suppliers)

13) 2022 value checked in interim status in December 2022.

14) Published as part of the Drive Sustainability initiative of the original equipment manufacturers.

Employees donated more than € 29,000 to the “Matching Fund”, which Schaeffler AG and IHO Holding doubled for a combined € 60,000. The company and IHO Holding had already donated a combined € 500,000 shortly after the war broke out.

In June 2022, all of the Schaeffler Group’s approximately 82,800 employees had the opportunity to learn about the climate in workshops. The “climate ride” concept with a point system encouraged employees of all Schaeffler locations to make their commute as climate-neutral as possible on the day of the initiative. The Schaeffler Group transformed the points earned in this way into donations to nonprofit organizations with a clear focus on sustainability in a certain region. By switching to alternative, climate-friendlier mobility, Schaeffler Group employees were able to raise around € 30,000, which was donated in equal parts to the following nonprofit organizations in the Schaeffler Group regions: Rainforest Trust for the Americas region, the Planet Water Foundation for the Asia/Pacific region, the China Environmental Protection Foundation for the Greater China region, and Viva con Agua for the Europe region.

As of this reporting year, Schaeffler Austria is a new partner of Österreichischer Behindertensportverband (ÖBSV – Austrian Disabled Sports Association). To kick off the partnership, Schaeffler Austria donated € 5,000 to an active sports week for kids between the ages of 4 and 14 who are in wheelchairs. As an event sponsor, Schaeffler Austria not only offered young people the opportunity to enjoy an extensive, week-long recreational program, but also provided comprehensive support, giving their parents and relatives a welcome break.

Following its success the two years prior, the Schaeffler Group continued the “Score a point – plant a tree” initiative in 2022 and thus demonstrated that even motorsport can contribute to sustainability. The company planted a tree for each point that brand ambassadors and race car drivers Carrie Schreiner and Marco Wittmann earned in races such as the German Touring Car Masters (DTM) series in 2022. In this way, the company ultimately transformed 237 points into trees.

3.4 Product safety and integrity

SDG 12

AT A GLANCE

- The Schaeffler Group aims to be the preferred technology partner for customers
- In the reporting year, the company integrated product safety into the newly founded “Technical Compliance” organization

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 sites¹⁵⁾ 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
- SAE AS 9100D:2016-09-20 quality management systems, requirements for aerospace and defense organizations
- ISO 9001:2015 quality management system, industry standard

100%

coverage rate of plants in accordance with quality management systems¹⁵⁾

The conformity of the products, systems, and processes is regularly checked and confirmed at the affected locations by internal and external audits. Standard company processes and the integrated product safety management system introduced made it possible to avoid product liability cases¹⁶⁾ in the reporting year.

The SHAPE quality program was introduced in 2021 to continue fulfilling the Schaeffler Group’s high-quality standards.

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

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

The central departments of the Chief Executive Officer, the Chief Operating Officer, and the Chief Technology Officer work with the divisions to develop the future structure of Schaeffler quality in the four focus areas:

- Technical expertise and reputation
- Agile processes and methods
- Quality principles and mindset
- Sustainable quality and performance

A total of 20 initiatives have been defined for SHAPE thus far and are being addressed gradually, with targeted use of the potential provided by digitalization. One of the initiatives is the introduction of a new CAQ system,¹⁷⁾ which shall be rolled out at all plants by 2028. SHAPE is an integral component of the “Execution Program 2025” and is represented in the three divisional subprograms RACE, SCALE, and VALUE. SHAPE also helps to achieve targets in two cross-divisional subprograms (Digitalization & IT and Innovation & Technology). Both the Execution Program and SHAPE shall be completed in 2025.

< (P)

Technical compliance

(P) > Product safety and conformity are key quality characteristics for industrial plants and transport systems, which the company would like to ensure with standardized and audited processes. The purpose of the integrated product safety management system developed and introduced by the Schaeffler Group is to effectively and efficiently implement legal and official regulations pertaining to product safety and compliance in line with social expectations. Products that prove to be defective during use are dealt with in accordance with current standards of knowledge and technology. Potential risks that could occur as a result of the development of innovative products are minimized thanks to holistic product safety evaluation during the prototype phase.

The term product integrity is used to describe the combination of product safety and compliance. With the integrated product safety management system, compliance is also monitored in accordance with new European regulations such as Regulation (EU) 2019/1020 on market surveillance and compliance of products, which took effect on January 1, 2021, and the regulation for the safety management systems of maintenance organizations for aviation components, which went into full effect on December 22, 2022.

Consisting of vehicle manufacturers and suppliers, the permanent product integrity working group was founded in the German Association of the Automotive Industry (VDA) under the leadership of Schaeffler product safety with the aim of advancing this issue. The Schaeffler Group’s Product Safety and Conformity Representatives (PSCRs) continuously undergo training in combined online and face-to-face courses. In addition to defining and establishing functional and characteristic safety targets for new products and applications, the topics of the PSCR training program also include information about new or changed reporting obligations that are required by local authorities and refer to unsafe products in circulation. As a result, this information fulfills the product safety-relevant reporting obligations of the new EU Digital Service Act.

The term product integrity is used to describe the combination of product safety and compliance.

The reporting year saw integration of product safety into the newly founded “Technical Compliance” organization as well as introduction of a technical compliance management system. These measures will not only improve collaboration between the technical departments but also simplify evaluation of product and service safety and compliance in line with the Schaeffler Group’s company values. < (P)

17) A computer-aided quality (CAQ) system is responsible for implementing all quality management processes such as interfaces to planning and management systems.

Consistent customer orientation

Ⓢ > The Schaeffler Group aims to be the preferred technology partner for customers, which is why it has developed a Global Key Account Management (GKAM) organization as a foundation for customer relationships. The issue of sustainability is increasingly important to customers, which is why the necessary measures are regularly defined at GKAM meetings.

The GKAM organization operates in accordance with standardized principles around the world and is closely interlinked with the divisions, regions, and functions of the business divisions. The necessary expertise is pooled from the relevant business divisions for key customers. In accordance with the “one face to the customer” principle, major customers have a dedicated contact person, who manages all of the business activities associated with the Schaeffler Group and the customer. Customer satisfaction surveys are conducted at regular intervals. A global customer survey was conducted in 2022, and its results reported to the Schaeffler AG Executive Board, the regions, and the divisions.

In the reporting year, the sustainability dimension was included in the customer satisfaction analysis for the first time.

A global customer survey was conducted in 2022, and its results reported to the Schaeffler AG Executive Board, the regions, and the divisions. In the reporting year, the customer satisfaction survey included sustainability for the first time. On average, customers of all the divisions gave the Schaeffler Group’s sustainability performance an above-average rating in a comparison of selected competitors.

In addition to routine operational project communication, the Schaeffler Group also uses individual customer events for customer interaction, including in-house trade fairs, innovation days, the Schaeffler Colloquium, and international trade and consumer fairs and conferences. Virtual trade fairs and events, digital showrooms, and multimedia trade communication with a growing percentage in social media form another pillar of customer communication.

Transparency for customers and certification associations form the basis for collaboration based on trust. 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 67 (prior year: 75) awards. < Ⓢ

4

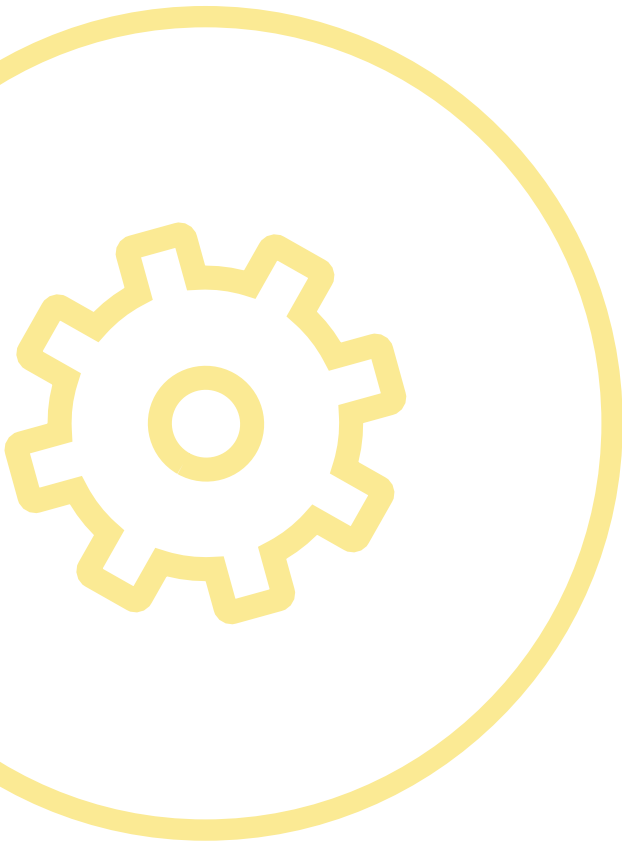
GOVERNANCE

Integrity plays an important role in the Schaeffler Group's business activities, which need to comply with the company's values of sustainability, innovation, excellence, and passion at all times.

Clearly defined areas of responsibility and rules as well as transparent processes are a cornerstone of the Schaeffler Group's success. To ensure proper behavior in line with values and standards, the company established a group-wide compliance management system.

Governance responsibilities include the monitoring and management of relevant business risks as well as compliance with the company's due diligence. Implementation of a responsible tax strategy and development of crisis management are also integral parts of the Schaeffler Group's corporate governance. In the reporting year, this crisis management also entailed implementation of coronavirus protection measures at Schaeffler locations around the world.

The company is involved in a variety of initiatives and associations. Dialog with stakeholders should promote the exchange of ideas and a shared understanding of sustainability, with the aim of developing effective solutions.

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4.1 Corporate governance

AT A GLANCE

- Members of the Schaeffler AG Executive Board include the Group CEO and the Managing Directors of divisions and functions
- The Group Compliance & Risk Committee (GCRC) supports the Schaeffler AG Executive Board with its organizational duties related to compliance and risk management

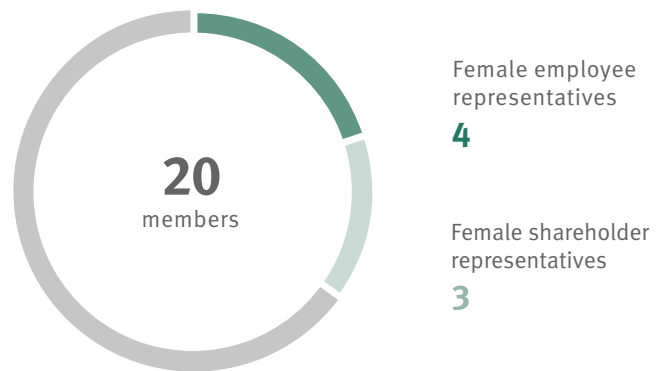
Governance structure

Ⓢ > The Schaeffler Group is managed by the Schaeffler AG Executive Board, whose members include the Chief Executive Officer (Group CEO) as well as the Managing Directors of the divisions and functions. Its actions and decisions are made in line with the interests of the company, taking into account the interests of shareholders, employees, and other interest groups connected to the company (stakeholders). The aim is sustainable value creation. The members of the Executive Board conduct their business in accordance with regulations, the articles of association, and bylaws. They must reserve consent in accordance with the Supervisory Board’s bylaws. The Executive Board manages the company under its own responsibility, defines its targets and strategic focus and coordinates these with the Supervisory Board, controls implementation of the corporate strategy, and regularly discusses implementation progress with the Supervisory Board. The Chief Executive Officer (Group CEO) coordinates management at the company and in the Schaeffler Group.

In addition to divisions and functions, the matrix organization also includes the Europe, Americas, Greater China, and Asia/Pacific regions, each of which is managed by a regional CEO. The regional CEOs report directly to the Chief Executive Officer and, in combination with the Executive Board, form the Schaeffler Group Executive Board. The management structure therefore reflects the organization structure.

The Supervisory Board is responsible for advising and monitoring the Board of Managing Directors in managing the company. The Board of Managing Directors has to involve the Supervisory Board in any decisions that are fundamental to the company. Specifically, the Supervisory Board’s internal rules of procedure set out which legal transactions and measures taken by the Board of Managing Directors require approval by the Supervisory Board or the executive committee. The Supervisory Board fulfills its responsibilities in accordance with the requirements of the law, the company’s articles of association, and the internal rules of procedure. The internal rules of procedure of the Supervisory Board govern the Board’s organization and activities.

Schaeffler AG Supervisory Board



The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, which consists of 20 members. Half of these members are appointed during the annual general meeting, while the other half are chosen by employees in accordance with the German Codetermination Act. The term of office for the shareholder representatives in the Supervisory Board ends with conclusion of the official 2024 annual general meeting, while the employee representatives’ term of office ends with the official 2025 annual general meeting.

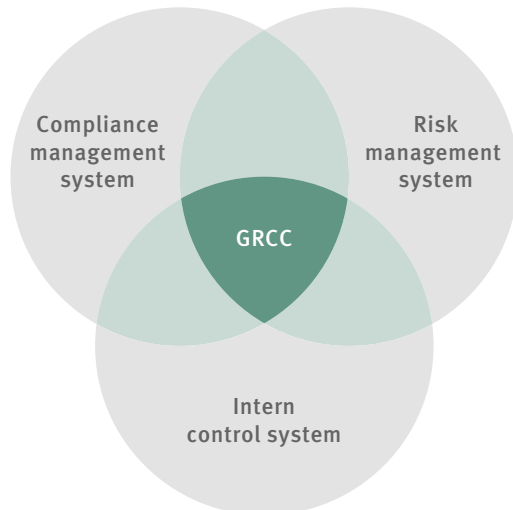
On December 31, 2022, 80% of shareholder members of the Supervisory Board were selected independently. The proportion of women in the Schaeffler AG Supervisory Board was 35% in the fiscal year, consisting of four employee representatives and three shareholder representatives. Schaeffler AG Supervisory Board consists of ten employee representatives and ten shareholder representatives.

The Schaeffler Group’s governance structure



The Group Compliance and Risk Committee (GCRC) represents a key governance component in this regard, increasing transparency in internal structures, the organization, and in responsibilities. The Group Chief Compliance Officer of the Schaeffler Group chairs the GCRC, which consists of the managers responsible for the relevant governance functions (including Compliance, Legal, Risk Management, Internal Control System, and Internal Audit). The GCRC is responsible for assisting the Board of Managing Directors with its organizational responsibilities with respect to compliance and risk management. Among the key objectives of the GCRC are defining and delineating responsibilities and interfaces and preventing redundancies in the process. In addition, it is expected to create a consistent and complete view of the risk situation in 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 staff representatives from the functions represented on the GCRC provides operational support to the GCRC.

Holistic approach to further integration of governance functions



In the fourth quarter of 2022, the Board of Managing Directors decided to enhance the GCRC. The CEO and CFO will chair the body, which will be named Governance, Risk & Compliance Committee (GRCC) in future, starting in 2023. The GRCC will focus even more closely on further integrating the governance functions in accordance with a comprehensive approach. < (P)



More information on the Schaeffler AG Supervisory Board can be found on [page 62 et seq.](#) of the Annual Report 2022.



More information on the three-lines model of the governance structure and on the Schaeffler Group's compliance management system can be found on [page 80 et seq.](#) of the Annual Report 2022.

Risk management

(P) > The Schaeffler Group's risk strategy calls for the group to cautiously take on calculated business risks in order to execute the company's strategy and take advantage of the related opportunities. The aim of the risk management system is to identify these at an early stage and to manage them in line with the risk strategy.

The Schaeffler Group's report on opportunities and risks in the management report provides comprehensive information on the company's risk management system as well as on significant risks that have a medium or high damaging effect on the Schaeffler Group's earnings, financial position, and net assets. The Executive Board defined a € 5 m threshold for incorporating identified and evaluated risks into the risk inventory, which includes risks related to the Schaeffler Group's business activities, business relationships, and products and services. Climate risks are also a component of the risk management system.

The risk survey showed that there were no reportable risks in 2022.

With the integration of the non-financial ESG risks into the top-down risk assessment process of the Schaeffler Group's risk management system, the non-financial risk impact of the five reportable aspects – in addition to the evaluation of their financial risk impact – is assessed using a similar assessment logic. The risk survey showed that there were no reportable risks in 2022 in accordance with CSR-RUG (Section 289c, paragraph 3, HGB).

As proactive risk management, the Energy, Environment, Health and Safety (EnEHS) 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. < (P)



More information on the Schaeffler Group's opportunity and risk reporting can be found on [page 43 et seq.](#) of the Annual Report 2022.



More information on the risks associated with human rights can be found on [page 47 et seq.](#) of the Annual Report 2022.

Opportunities and risks of climate change

☞ In addition to analyzing the aforementioned non-financial ESG risks, the Schaeffler Group also continues to optimize its analysis of climate-related opportunities and risks in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

The company analyzes a variety of transitory and physical risks associated with climate scenarios and incorporates these potential developments into its strategy. For the purpose of analysis, the Schaeffler Group selected the International Energy Agency’s “sustainable development scenario” as an optimistic physical climate scenario, and the “RCP 8.5” of the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) as a pessimistic scenario. The parameters, assumptions, and methods of analysis of each of these were adopted without modification, with the results ultimately serving as a foundation for developing scenario-specific action plans with climate-relevant targets.

Climate-relevant risks are included in the Schaeffler Group’s risk management system, which applies to all climate-related risk categories that have a strategic, operational, financial, or legal impact on the Schaeffler Group and exceed the threshold. “Strategic” refers to climate-related risks associated with a change in the market situation (e.g., the transition to E-Mobility). “Legal” refers to, for example, climate-related risks connected to current and future requirements. “Operational” refers to acute physical risks that result in production losses. Every six months, the evaluated risks and opportunities are updated in the risk management tool within a binding structure that ensures a consistent approach. A quality assessment is required when the degree of monetary damage cannot be determined – for example, damage to reputation is qualitatively evaluated on the basis of relevance for public interest (e.g., low, medium, high). The corresponding risk class is selected: “low”, “medium”, or “high”. Risks in the “medium” and “high” risk classes have a significant strategic impact.

Risk reaction refers to all measures designed to reduce the effects of the risk, including risk termination (risk is eliminated by refraining from the risky business or process), risk mitigation (suitable measures are introduced to reduce scope or likelihood of damage), risk transfer (risk is transferred to a third party), and risk acceptance (all of the risks that cannot be terminated, mitigated, or transferred to a third party must be tolerated as business risks).

Risks associated with climate change

Regulations	Emissions trading systems and CO ₂ prices and taxes could lead to increasing costs for energy, transport services, or raw materials – and thus increasing manufacturing costs.
Market	Different mechanical components will no longer be necessary in the future. The climate-related supply and corresponding demand are observed within the context of a defined risk catalog with a particular focus on OEMs – in some cases, using scenario analyses.
Technology	The switch to low-emission technologies requires an increase in the development and manufacture of products and system solutions – for example, for electrifying the powertrain.
Legal framework	Despite increasing regulations worldwide, in most cases, the Schaeffler Group is not directly affected by climate-relevant regulations and requirements at present. The Schaeffler Group’s relevant departments pay very close attention to regulatory developments at all times.
Reputation	Growing awareness of the many different aspects of climate change has also led to increased stakeholder expectations such as improved CO ₂ efficiency and CO ₂ neutrality. Unfulfilled expectations can potentially damage the reputation with an impact on stock prices, profits, and balance sheets – and possibly even with effects that are more difficult to measure such as continuous brand deterioration.
Acute and chronic physical climate risks	Increased severity and frequency of extreme weather events such as hurricanes and flooding can affect operations or the supply chain. Chronic, physical risks are relevant especially in regions with high water stress in India, Mexico, China, and Romania. Other plants in Germany, South Africa, Spain, and the US will likely experience high water stress in the decades to come. For the Schaeffler Group, this will result in increased need for adaptation (investments), new requirements, and technological changes – e.g., for water usage or recycling.

In the context of global climate change and as a result of climate policy, worldwide demand for renewable energy is growing. The Schaeffler Group supports the expansion of renewable energy generation with the necessary components and solutions. Primarily the Schaeffler Group’s innovative bearing solutions for wind turbines help make wind turbines more reliable and reduce the cost of generating renewable energy. Opportunities for the product portfolio or Schaeffler Group employees are covered in the corresponding chapters. < ☞



More information on the Schaeffler climate strategy is available on [page 27 et seq.](#)



More information on the governance of sustainability topics is available on [page 22 et seq.](#)



More information on all TCFD requirements is available in the [Schaeffler CDP climate report.](#)

Responsible tax strategy

Ⓢ > For the Schaeffler Group, compliance with all national and international tax laws is part of Sustainable Corporate Leadership. The tax strategy therefore relies on the lawful, tax-optimized handling of all issues both domestically and abroad, including prevention of double taxation. The Schaeffler Group pays taxes wherever it generates value, meaning it does not pursue any inappropriate tax planning strategies such as shifting profits from one country to another or using tax havens to minimize tax payments. The pricing for intra-group activities is consistent with the arm’s length principle¹⁾.

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, promoting open dialog with the tax authorities. The Corporate Directive Tax 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.

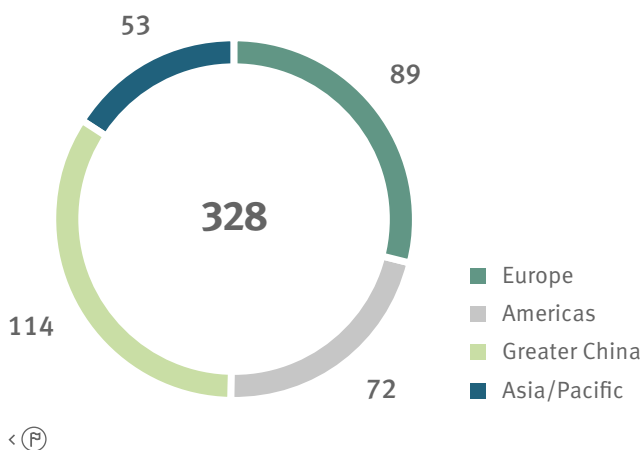
The Schaeffler Group’s risk management system is an integral part of the management structure and covers tax opportunities and risks. The Schaeffler AG Executive Board is in charge of the risk management system. It regularly reports to the Audit Committee and ensures that the necessary risk control measures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

The Schaeffler AG 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 2022, € 328 m (prior year: € 348 m) was paid in income taxes, which can be allocated among the four Schaeffler regions as follows:

Overview of income taxes paid in 2022 by region in € millions



< Ⓢ

4.2 Business integrity

SDG 17

AT A GLANCE

- In order to preserve its values and standards, the compliance management system (CMS) is aligned with the core elements of IDW PS 980
- The appropriateness and effectiveness of the CMS was confirmed by an independent auditor in the reporting year

Compliance

Ⓢ > Integrity and compliance are significant cornerstones of the Schaeffler Group’s manner of conducting business. Therefore, the company pursues stringent standards, particularly when it comes to preventing corruption, lobbying, money laundering and economic crime, observing antitrust and competition law, and protecting human rights. Additional areas of focus include data protection as well as information, cyber, and IT security.

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.

1) The arm’s length principle ensures that the amount that one related party charges another for a product or service is the same as the amount charged between unrelated parties.

The Schaeffler Group’s Group Chief Compliance Officer heads up the compliance organization and reports directly to the Chief Executive Officer. The Group Chief Compliance Officer also has a reporting line to the Chairman of the Supervisory Board and reports to the chairman of the audit committee on a regular basis.

The Code of Conduct defines the Schaeffler Group’s values and principles of behavior.

At the end of the reporting year, the Executive Board made the decision to entrust the Group Chief Compliance Officer with the responsibility of standardizing implementation of compliance requirements based on accepted industry and auditing standards in the future. With this transfer of method expertise in subsequent management systems, the Schaeffler Group is taking yet another step in its pursuit of a holistic approach to the governance structure.

The CMS comprises, in particular, managing and monitoring the activities necessary to prevent, or detect early on, violations of law in the area of corruption, money laundering, competition and antitrust law, and economic criminal activity. It also serves to actively manage risk and protect the company and its employees.

The CMS is aligned with the seven core components of IDW AsS 980: compliance culture, compliance objectives, vulnerability analysis, compliance program, compliance organization, communication, and monitoring and improvement. The appropriateness, implementation, and effectiveness of the CMS was confirmed by an independent audit firm in accordance with the Principles for the Proper Performance of Reasonable Assurance Engagements Relating to Compliance Management Systems, IDW AsS 980, during the year. The review of the compliance management system regarding anti-corruption, antitrust law, and preventing economic crime covered the entire Schaeffler Group.

The Code of Conduct defines the Schaeffler Group’s values and principles of behavior, which need to be observed by the Executive Board, managers, and employees. These represent the binding foundation for the company’s global business activities, which is why the company expects all of its employees to feel responsible for observing the Code of Conduct and helping others to do the same. The Schaeffler Group also expects its business partners to observe these values and principles of behavior.

To prevent corruption and bribery, gifts may only be presented or accepted in certain situations. Gifts refers to presents, hospitality, participation in events, and coverage of travel and accommodation costs for business partners or third parties. Gifts to persons in official agencies are only permitted in very rare cases. Conflicts of interest are to be avoided. Any existing conflicts of interest need to be reported to the management and resolved. < (P)

Global compliance management with responsibility for methodology with Group Chief Compliance Officer



1) Including data privacy in accordance to ISO 27701.
2) Oriented to audit/industry standards.

Ⓢ > Cash transactions exceeding € 10,000 are prohibited to prevent money laundering and the financing of terrorism. Financial transactions that could result in suspicion of laundering or the financing of terrorism are to be reported.

The Schaeffler Group also introduced a variety of compliance processes to help employees observe internal and legal requirements, including the rule for compliance with antitrust and competition law, which among other things applies to interaction with competitors (horizontal) and suppliers, customers, and dealers (vertical). Rules regarding hardcore restrictions prohibit price fixing, agreements on conditions and quantities, quantity restrictions, and sales area and customer allocation, particularly among competitors. A digital “Competitor Contacts and Associations Register”²⁾ promotes internal transparency and thus supports the pre-approval process for competitor contacts. The antitrust policy also defines unacceptable, coordinated behavior in various scenarios, including the exchange of information and misuse of a dominant market position. There are also additional antitrust and competition law guidelines that explain the background of antitrust rules and communicate an in-depth understanding of the issues regulated by antitrust and competition law.

The Schaeffler Group introduced a variety of compliance processes to help employees observe internal and legal requirements.

The Schaeffler Group also defines group-specific compliance regulations regarding donations and the auditing of business partner compliance. As such, no donations may be made to political parties, their representatives, politicians, elected officials, candidates for political office, or individual persons. Each donation must comply with applicable laws and the Schaeffler Group’s internal rules and requires special permission from the Compliance department. In addition, the IT-supported business partner assessment – “Know Your Business Partner” – is integrated into existing business processes and addresses risks associated with corruption and export control. Those business partners who, due to the type of business relationship, represent an increased risk for the Schaeffler Group – e. g., distributors, sales agents, and consultants – must also undergo an in-depth business partner assessment. < Ⓢ



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

Compliance training

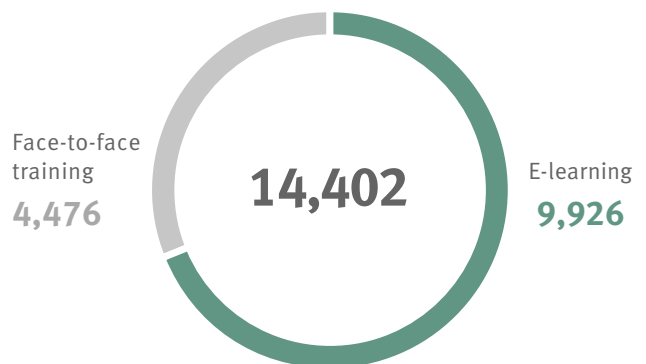
Ⓢ > With a systematic, target group-specific training program, the Schaeffler Group provides its employees and managers with the necessary understanding of compliance and makes them aware of compliance risks in their day-to-day business. Online and in-person training courses acquaint them with the Schaeffler Group Code of Conduct and relevant Group policies. The training courses are continuously developed and tailored to employee profiles.

The face-to-face compliance training courses were primarily conducted as video conferences again in 2022 due to the ongoing coronavirus pandemic. In accordance with the risk-based approach, the topics covered in the training courses included integrity, the Schaeffler Group Code of Conduct, competition and antitrust law, anti-corruption, tax compliance, and export control compliance.

The Schaeffler Group introduced the “Horizon Next” integrity workshop to establish value-based compliance within the organization and promote awareness of integrity by encouraging participants to reflect on their internal value system with the aid of interactive case studies.

Web-based 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 profile. In addition to the basic training course “Integrity & Security@Schaeffler”, there are also advanced online courses on the topics of anti-corruption and compliance with antitrust and competition law. These mandatory web-based courses were developed for all executives as well as employees who have been allocated a compliance-related activity profile such as purchasing or sales. A refreshment course on “Integrity & Security@Schaeffler” was developed in the reporting year and will be rolled out globally in 2023.

Participants in compliance training courses



2) The Competitor Contacts and Associations Register (CARE) is a database containing information about trade associations and their potential risks associated with competition law.

9,926 people³⁾ (prior year: 19,980) took part in online compliance training within the reporting period. Approximately 96%⁴⁾ (prior year: 95%) of the invitations to compulsory online compliance training courses were accepted in 2022. The compliance rate in the reporting period therefore exceeded the targeted level of 95%. Furthermore, 4,476 employees (prior year: 3,033) were trained in face-to-face training and workshops. < (F)

Due diligence and whistleblowing system

(F) > As a part of the central competence team for compliance, the Forensics & Investigations department is responsible for the independent investigation of alleged compliance violations. The Internal Audit department also conducts annual process-specific checks at the Schaeffler companies with a risk-based approach as part of its governance audits, most notably for the approval process for competitor contacts and donations as well as for compliance training courses.

To address inappropriate behavior, employees can contact someone in their direct work environment such as managers, regional compliance officers, the HR, legal, and audit departments, and employee representatives. In addition to a variety of analog reporting channels, whistleblowers can also use the globally accessible whistleblowing system to report potential violations – most notably, illegal business practices. The system is available in 20 languages and provides whistleblowers with a confidential, encrypted, and secure form of communication. Tips can be submitted in any language.

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. Retaliation against employees or external persons who express concerns or provide tips about misconduct at the company is prohibited and represents a serious violation of the Schaeffler Group Code of Conduct.

In quarterly reports, the Group Chief Compliance Officer informs the Schaeffler AG Executive Board of potential compliance violations that have been reported to the Forensics & Investigations department. The reporting specifies the number of tips and details surrounding the potential misconduct, the compliance investigations conducted, and circumstances in which misconduct could be identified. For more serious compliance investigations – for instance, when there is a risk of potential fines for the Schaeffler Group or during official investigations – ad-hoc reporting is submitted to the Executive Board.

The Compliance & Corporate Security and Mergers & Acquisitions (M&A) departments are involved in all M&A projects. The Compliance & Corporate Security department is in charge of the initial investigation of transaction partner compliance as well as Compliance & Corporate Security M&A due diligence, and votes in M&A draft resolutions. It is also the Compliance & Corporate Security department's responsibility to introduce compliance, information security, cybersecurity, data privacy management systems, and a site security concept following acquisition. < (F)

Data privacy, information and IT security

(F) > 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 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.

3) Employees, including temporary office staff, trainees in apprenticeship, interns, and people working on a thesis.

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 compulsory training courses had not yet passed by the end of the year.

The Schaeffler Group's information security and cybersecurity measures are designed to protect the intellectual property, business secrets, and confidential information 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.

These are just some of the targets the Information & Cybersecurity program achieved in 2022:

- Increasing internal awareness measures and cybersecurity training courses
- Boosting the transparency and cyber resilience of shop floor systems and production facilities
- Further development of the information security management system (ISMS)
- Increased cyber resilience thanks to further development of IT security
- Successful implementation of the Schaeffler TISAX certification strategy < (F)

Business continuity and crisis management

The Schaeffler Group bundles and coordinates activities designed to ensure business continuity at the Group level. Elements such as effective emergency and crisis management have been established.

Coronavirus protection measures were implemented at Schaeffler locations around the world again in 2022. Consistent monitoring of internal case numbers and regular status reports made it possible to tailor measure implementation to the current situation. At the beginning of the year, government-imposed lockdowns in Shanghai and other Chinese provinces posed enormous challenges for crisis management and all of those employees affected. Strict implementation of concepts to prevent infection made it possible to continue fulfilling customers' needs.

The massive price increases and logistical bottlenecks in the **global supply chains** at the beginning of the reporting year normalized again in the same year. Geopolitical developments have prolonged uncertainties and higher volatility in supply and demand, which the company continuously evaluates and manages.

Advocacy

The Schaeffler location in Berlin coordinates development and communication of company positions regarding political institutions and stakeholders. As a mediator between the Schaeffler Group and politics, the company aims to help create the best possible political, economic, and social conditions. Areas of focus include the climate and sustainability, digitalization, competition, a changing sector, and innovative technologies.

The Schaeffler location in Berlin coordinates development and communication of company positions regarding political institutions and stakeholders.

The Schaeffler Group is listed in the lobbyist registry for interest groups that interact with the German Bundestag and the German federal government. As a company, the Schaeffler Group provides information about the number of employees and annual expenditure dedicated to lobbying as well as on collaboration with associations, and public grants and funding. The Schaeffler Group is also registered in the Transparency Registry of the State Parliament of Baden-Württemberg and in the lobby registries of the Bavarian State Parliament and the Bavarian state government.