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Press and IR Release

Schaeffler publishes 2022 Sustainability Report

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- Schaeffler Group sustainability strategy clearly aligned with all three ESG Dimensions
- Holistic Climate Action Plan for attaining climate targets
- Field of sustainability to be owned directly by the CEO
- Global Climate Action Day generates around 23,000 ideas
- "A"-grade assessments from the prestigious CDP sustainability rating organization for both climate protection and water security

Sustainability is an integral part of the company strategy and one of the four corporate values of the Schaeffler Group. The company accepts environmental and social responsibility along the entire value chain. In 2022, the Schaeffler sustainability strategy was aligned even more clearly with the three dimensions of Environment, Social, and Governance. Superposed on this realignment are ten action areas, through which the Schaeffler Group defines content priorities and addresses external stakeholder expectations. For controlling purposes, some new measurable performance indicators were added to the system of performance targets, and integration with the compensation system was further progressed. "Sustainability is one of the major challenges of our time. Schaeffler intends to be a climate-neutral business by 2040. Achieving that will require decisive, rapid, and purposeful action across all divisions of the company," explains CEO Klaus Rosenfeld.

To highlight the importance of the three dimensions of Environment, Social, and Governance, ESG goals have been given higher priority for management compensation, in both the short term and long term. Each year, the Supervisory Board defines up to two ESG goals, which reflect the different ESG dimensions in managers' compensation. Examples of short-term compensation factors in the year under review included reducing the accident rate and the implementation of water-related measures during 2022, leading to an annual reduction of 150,000 cubic meters of fresh water use. In the words of Andreas Schick, the Schaeffler AG Chief Operating Officer responsible for Production, Supply Chain Management and Purchasing, "reducing our consumption of fresh water is a major step towards the goal of sustainable production. Successful measures such as cooling water production via a circulating water system and rainwater capture bring us

significantly closer to our objective of a 20 percent reduction in our fresh water consumption by 2030, in comparison with 2019."

Central role for climate neutrality

The "climate neutrality" action area has been assigned a central role in the implementation of the Schaeffler sustainability strategy. The Schaeffler Group has set itself the target of running a climate-neutral business as from 2040 and reducing CO2 emissions both in its own production and in the supply chain, through the use of renewable forms of energy, for example. To achieve these goals, the company developed a Climate Action Plan in 2022. The plan comprises specific measures for reducing greenhouse gas emissions and adapting controlling and decision-making processes. Key elements of the plan include "green purchasing", "green production" and "green products". The "green purchasing" component focuses on measures for the procurement of low-emission materials and services. This includes the "Green Steel Activation" program, which addresses the merits and impacts of the available technology options for steel production and refining. As part of this process, the Schaeffler Group signed an agreement with the Swedish startup H2 Green Steel for an annual supply of 100,000 metric tons of nearly CO2-free steel, produced with hydrogen, as from 2027.

Since 2022, 100 percent of the electricity used by all European and Chinese Schaeffler plants has come from regenerative sources. This led to a reduction of approximately 530,000 metric tons of greenhouse gas emissions in 2022 (in comparison with 2019). By 2024, all Schaeffler locations worldwide will be running on 100 percent regeneratively produced electricity. And by 2030, a total of 25 percent of the annual electricity requirement of Schaeffler plants worldwide will be met from internally generated renewable energy.

In the area of green product development, Schaeffler is currently working on an integrated blueprint for the automated holistic calculation of carbon footprints. This will create the basis for achieving and tracking emission reductions at the individual product level. "Sustainability begins with product development. A large part of the carbon footprint is determined here. To reduce that footprint, we focus on sustainability as well as the economic and technical feasibility during our development process", says Chief Technology Officer Uwe Wagner, responsible for research and development. "Only by taking all these criteria into account it is possible to manufacture future-oriented products."

To boost employee awareness and encourage buy-in, in 2022 Schaeffler organized a company-wide Climate Action Day. In workshops held across many different locations, employees developed around 23,000 suggestions, that are now being systematically evaluated and implemented. Schaeffler is also providing staff training input by increasingly including sustainability and climate protection aspects in its internal training programs.

For successful attainment of the climate neutrality objective, it is also essential to reduce emissions generated in supply chains. For example, in 2022, Schaeffler formed a joint venture with the Norwegian firm REEtec A for rare earth oxide procurement, to further enhance the sustainability of electric motors for hybrid modules, hybrid transmissions, and all-electric axle drive systems. The Schaeffler Group also creates sustainable value for its customers by offering innovative solutions for electric mobility, regenerative energy generation or the production and use of hydrogen. At the same time, the company is moving towards maximum climate neutrality in its own production processes. Its Automotive Aftermarket division supplies innovative repair solutions in OEM quality, for example. This makes a valuable contribution towards longer vehicle service lives.

Social responsibility and respect for human rights

In addition to climate protection, social responsibility is also a top concern at Schaeffler. The continuous improvement of occupational health and safety has highest priority for the company. It also intends to increase the share of women in senior leadership roles to 20 percent by 2025. The employees play an essential part in the company's success. Schaeffler therefore strongly fosters professional and personal development and invests heavily in training and professional development to ensure an effective transformation for the world of tomorrow.

Respect for human rights is an indispensable element of the Schaeffler Group's corporate culture. Therefore, a Human Rights Compliance Management System (HRCMS) is currently being developed. In due course the system will also include customers and business partners. In addition, a human rights guideline document and a declaration of principles on compliance with human rights are being drawn up. The company is implementing processes and measures to prevent abuses and reduce human rights-related risks. The program also includes a worldwide whistleblower system: Employees and also anyone outside the company can use it to report potential human rights breaches.

Responsible governance

At the Schaeffler Group, corporate governance stands for responsible and value-based management geared towards long-term value creation. Integrity and compliance are of fundamental importance for company's business dealings. That is why it observes the highest standards, particularly with regard to the prevention of corruption, lobbying, money laundering and economic crime, and the protection of human rights. Other key priorities include data protection and information, cyber, and IT security. To safeguard its values and standards, the company operates a compliance management system (CMS) and has a compliance organizational structure spanning the entire Schaeffler Group.

The Schaeffler Group has also implemented a number of compliance processes, to help employees comply with internal and legal requirements. This includes a systematic, precisely targeted training program to impart the required understanding of compliance issues to Schaeffler employees and managers and make them aware of the compliance risks involved in their everyday work activities. Through webinars and face-to-face training courses and presentations, they are familiarized with the Schaeffler Group code of conduct and relevant Group guideline documents. These online and face-to-face training events were attended by a total of 14,402 employees in 2022. The courses are constantly being further developed and enhanced and tailored to the specific employee tasks.

Two "A" grade assessments from the CDP sustainability rating organization

During the year under review, the increased efforts of the Schaeffler Group to make its own actions as transparent as possible were again acknowledged by the international sustainability rating platform of the CDP (Climate Disclosure Project) not-for-profit organization. For both climate change and water security, Schaeffler yet again improved its performance, being awarded the maximum "A" assessment, which places it in the top 1 percent of participating businesses. Schaeffler also improved its sustainability rating with EcoVadis, to a total of 76 points out of 100. This denotes "Platinum" status, and places it in the top 1 percent within our peer group.

As a global commitment to sustainable development, the Schaeffler Group has adopted the ten principles of the United Nations Global Compact and the EU Sustainable Finance Action Plan, which requires companies to invest capital in sustainable activities, for the successful implementation of current climate and sustainability goals. In the words of Schaeffler CEO Klaus Rosenfeld: "The Schaeffler Group has set itself ambitious but achievable goals on the path towards climate neutrality, and over the last few years has taken decisive steps towards sustainability. A more strictly defined sustainability strategy and the decision to transfer responsibility for sustainability to the CEO emphatically highlight the central importance of this issue for Schaeffler. Our initial successes confirm that we are on the right path and motivates us to stay the course."

The Schaeffler Group sustainability report shows where the company focused its efforts during 2022, and how the Schaeffler Group has developed in terms of key performance indicators and objectives. A digital version of the report is available for download at the company's microsite:
www.schaeffler-sustainability-report.com/2022

Find here press photos of the management board members:
www.schaeffler.com/en/group/executive-board/

Forward-looking statements and projections

Certain statements in this press release are forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties and assumptions could adversely affect the outcome and financial consequences of the plans and events described herein. No one undertakes any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. You should not place any undue reliance on forward-looking statements which speak only as of the date of this press release. Statements contained in this press release regarding past trends or events should not be taken as representation that such trends or events will continue in the future. The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that Schaeffler, or persons acting on its behalf, may issue.

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Schaeffler Group – We pioneer motion: The Schaeffler Group has been driving forward groundbreaking inventions and developments in the field of motion technology for 80 years. With innovative technologies, products, and services for electric mobility, chassis solutions, and renewable energies, the company is a reliable partner for making motion more efficient, intelligent, and sustainable – over the entire life cycle. Schaeffler describes its comprehensive range of products and services by means of eight product families: from bearing solutions and all types of linear guidance systems through to repair and monitoring services. With around 110,000 employees and more than 250 locations in 55 countries, Schaeffler is one of the world's largest family-owned companies and ranks among Germany's most innovative companies.

Sustainability Report 2022 Image: Schaeffler

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