

SCHAEFFLER



Sustainability Report 2016

Responsibility for tomorrow

Company Profile

The **SCHAEFFLER GROUP** is a global automotive and industrial supplier. Top quality, outstanding technology, and exceptionally innovative spirit form the basis for the continued success of the company. By delivering high-precision components and systems in engine, transmission, and chassis applications, as well as rolling and plain bearing solutions for a large number of industrial applications, the Schaeffler Group is already shaping “Mobility for tomorrow” to a significant degree.

Sustainability at Schaeffler

Long-term thinking and responsible actions have always characterized the culture of the Schaeffler Group as a family business. To the Schaeffler Group, sustainability means enabling a future worth living by fostering the growth of the Schaeffler Group with a long-term view and continuity for the benefit of all stakeholders. Led by our company values “sustainable”, “innovative”, “excellent”, and “passionate” the company provides the basis for long-term, profitable growth.

With its Sustainability Strategy, the Schaeffler Group defines the framework for its corporate responsibility and in this way, among other things, makes a contribution to meeting the United Nations Sustainable Development Goals.

The Sustainability Strategy, with its four fields of action “Sustainable Management”, “Customers and Products”, “Environment and Energy”, and “Employees and Society” provides the framework for taking active responsibility at Schaeffler. The objective is to combine economic success with responsible activity – together with business partners, the environment, employees, and society.

Overview of Key Figures

Our strategically oriented sustainability work focuses on four fields of action. We have formulated principles for each of these fields of action as guidelines for our daily business activities. The shown key indicators show an example of the sustainability performance of the Schaeffler Group and refer to the year 2016. An extensive presentation of sustainability-related key figures can be found on pages 78-79.

Sustainable Management

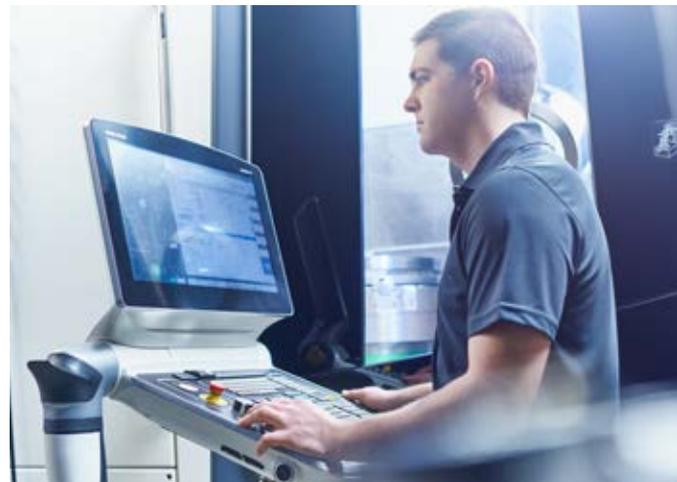
Company management characterized by moral integrity is the basis of all of our business activities. We expect the same of our business partners. Our integrated Sustainability Strategy helps us to continue optimizing social and environmental impacts throughout the value chain, even above and beyond the legal regulations, and based on concretely defined objectives and measures worldwide. It is our purpose to contribute to the United Nations Sustainable Development Goals with our business activities and to continue developing in the interest of all our stakeholders.

EUR 13,338 m

was the amount of revenue of the Schaeffler Group.

EUR 8,382 m

was the purchasing volume of the Schaeffler Group.



Customers and Products

We create tomorrow's mobility with our product offerings and allow our customers to implement future-oriented, climate-friendly product solutions. Our products and solutions stand out for their high quality and safety. Individual service to the customer and long-term business relationships are always the focus of what we do.

EUR 751 m

invested by the Schaeffler Group in research and development.

50 awards

received the Schaeffler Group in 2016 for customer satisfaction or product quality.



Environment and Energy

We consider ourselves a trailblazer and model in implementing sustainable production standards. Using a site-related management system, we work systematically on increasing our energy efficiency and to constantly reduce our emissions and use of resources.

-3.8 %

GWh of energy per EUR millions value-added was consumed by the Schaeffler Group.

-15.7 %

tons of CO₂ per EUR millions value-added were generated by the Schaeffler Group.



Employees and Society

Our self-image as a family business includes assuming responsibility for our employees and society. Satisfied, motivated, performance-oriented employees are the basis of our success. We want to position ourselves long-term as an attractive employer in the worldwide competition for the best talents and take early action to meet the needs of the working world and employees. At the same time, we support volunteer commitments by our employees and support local education and science programs, health and social measures, as well as sports and culture on a worldwide level.

11.2 years

is the average employment tenure of Schaeffler Group employees.

EUR 26.6 m

were spent by the Schaeffler Group for training and advanced training of employees.



Responsibility for Tomorrow



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Customers and Products



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MARIA-ELISABETH SCHAEFFLER-THUMANN

GEORG F. W. SCHAEFFLER

adies and gentlemen,

The Schaeffler Group is a listed family business strongly identified with the values established by its founders. The corporate culture of the Schaeffler Group includes an imperative will to succeed, the readiness and the capability to continuously meet new challenges and try out new things, and a pronounced long-term manner of thinking and striving to achieve the highest quality and leading technology. We summarize these aspects in 4 core values: sustainable, innovative, excellent, and passionate.

Based on these values, we take our responsibility for the Schaeffler Group's sustainability focus very seriously. We consider economic, environmental, and social aspects key standards for our lived responsibilities and the basis for long-term business success.

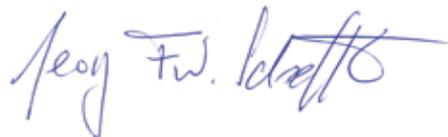
As a technological leader, Schaeffler contributes to success and to increasing the added value of our customers with our inventive spirit. At the same time, Schaeffler achieves its economic success by applying the highest company environmental and climate protection standards around the world. One example are modern management systems, which we are using to design production processes to be more environmentally friendly in all Schaeffler factories. The Schaeffler Group can only fulfill its goals regarding customers and our internal company processes thanks to the high level of personal commitment shown by our employees. They are encouraged to take on responsibility in their work, so that Schaeffler's customers around the world can rely on our quality products and services thanks to their performance. For this reason, our company places a high level of value on offering employees a safe, healthy, and attractive work environment. Furthermore, we are engaged in projects related to education and science, health and social issues, and sports and culture at our locations.

To document how Schaeffler takes on responsibility, the Executive Board is publishing the first Sustainability Report for 2016. Besides what we've already achieved, the report outlines the goals and measures we will take in the future to ensure all of those involved – family shareholders, Supervisory Board, Executive Board, the leadership team, and our employees – live up to their responsibilities.

We thank you for your interest and hope you enjoy reading.



MARIA-ELISABETH SCHAEFFLER-THUMANN



GEORG F. W. SCHAEFFLER



KLAUS ROSENFELD,
CHIEF EXECUTIVE OFFICER

Ladies and gentlemen,

The world is on the move. And it is picking up speed along the way. Continuing climate change, increasing urbanization and globalization, and, last but not least, digitalization, will have a lasting impact on the way we live and work. We on the Executive Board of the Schaeffler AG intend to make our mark as an automotive and industrial supplier by leaving the world a cleaner, safer, and smarter place. That is the vision we follow.

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

Our sustainable success is measured by whether we succeed at combining our long-term thinking and the success factors that have been our mainstays these many years – quality, technology and innovation – with a clear orientation towards the future. Intensive interaction with the leadership team and the Supervisory Board throughout the year 2016 resulted in our strategy “Mobility for tomorrow”. With it, we aim at setting the course for sustainable and profitable growth in the future. On the basis of the named long-term trends, our strategy concentrates on the 4 focus areas “Eco-friendly drives”, “Urban mobility”, “Interurban mobility”, and “Energy chain”. The core of the strategy comprises 8 strategic pillars that define our future course of action. Implementation is based on the excellence program “Agenda 4 plus One”, covering 16 strategic initiatives.

As a global family company with over 86,000 employees, we have 4 central values that bind us together: sustainable, innovative, excellent and passionate. These values are the basis of the continuing success of the Schaeffler Group in the interest of, and for the benefit of, our customers, business partners, employees, and our leadership team as well as our shareholders and family shareholders. Our goal is to continue our development to the satisfaction of all of our stakeholder groups with a long-term view and continuity in order to foster the growth of the Schaeffler Group, and thereby enabling a future worth living.

On this basis, we have designed and adopted our Sustainability Strategy centered on these fields of action: (1) Sustainable Management, (2) Customers and Products, (3) Environment and Energy, and (4) Employees and Society. We have big plans for the coming years: We want to expand upon our market position as a world leading automotive and industrial supplier and nurture new sustainable technologies, like electric drive systems, to breakthrough maturity. We also want to advance the rollout of our Supplier Code of Conduct and increase our energy efficiency by 40 % by the year 2020. It is also our goal to provide our employees in all fields with qualification and development that fits their needs now and in the future, because we are aware that it is their excellent innovative skills and performance capabilities that comprise the decisive competitive factors of Schaeffler. Especially employees in producing functions enjoy new development perspectives due to the worldwide introduction of our team leader concept.

It is our intent with this Sustainability Report 2016 to inform you in detail for the first time regarding the objectives and measures that comprise our Sustainability Strategy, and to fulfill our reporting obligation in this way.

Wishing you a pleasant read,



KLAUS ROSENFELD
CHIEF EXECUTIVE OFFICER



Above The involvement of stakeholders is an element of sustainability management at Schaeffler.

Taking Active Responsibility at Schaeffler

Sustainability Management at Schaeffler

Taking active responsibility is part of daily life at all corporate levels at Schaeffler. The Sustainability Strategy, with its four fields of action “Sustainable Management”, “Customers and Products”, “Environment and Energy”, and “Employees and Society” provides the framework. 24 topics with medium to high levels of relevance to the company have been identified within these four fields of action, due to the sustainability-related risks and opportunities they pose.

This is the scheme according to which the Sustainability Report is broken down. The chapter “Taking Active Responsibility at Schaeffler” presents the Sustainability Strategy and governance principles according to which the Schaeffler Group controls and implements its sustainability activities. This includes the involvement of stakeholders, communication, as well as regular validation and evaluation of the sustainability work. In the other chapters, the Sustainability Report describes the management approaches to the fields of action, the 24 material topics, and relevant projects and implementations.

Sustainability Strategy

- Sustainability Policy
- Fields of action and principles
- Sustainability-Roadmap comprising strategic objectives, KPIs and operative measures

Coordination and implementation by integrated Sustainability Governance

Four Fields of Action	Involve Stakeholder Groups	Communication
 <p>Sustainable Management</p>	<p>Internal/external:</p> <ul style="list-style-type: none"> Employees Customers Suppliers/Service providers NGOs Politics and authorities Residents Associations Trade unions Investors and analysts Universities/Science Media Forums Memberships Working groups Materiality analysis Surveys and dialogs 	<ul style="list-style-type: none"> Sustainability reporting Corporate reporting Events and lectures Internet and intranet Media publications
 <p>Customers and Products</p>		
 <p>Environment and Energy</p>		
 <p>Employees and Society</p>		

Validation and Evaluation

- Sustainability ratings and rankings
- Meetings and processes of the Sustainability Governance
- Guidelines, standards and norms
- Stakeholder dialogs

Sustainability Strategy and Governance

The Sustainability Strategy underlines the importance of sustainability expressed by our group strategy within the company. It comprises static (long-term) and dynamic (medium-term) elements.

UNGC 1-10  SDG 4, 5, 7, 8, 9, 11, 12, 13, 17 | GRI G4-35, G4-36, G4-37, G4-42, G4-43, G4-45, G4-47, G4-48, G4-56

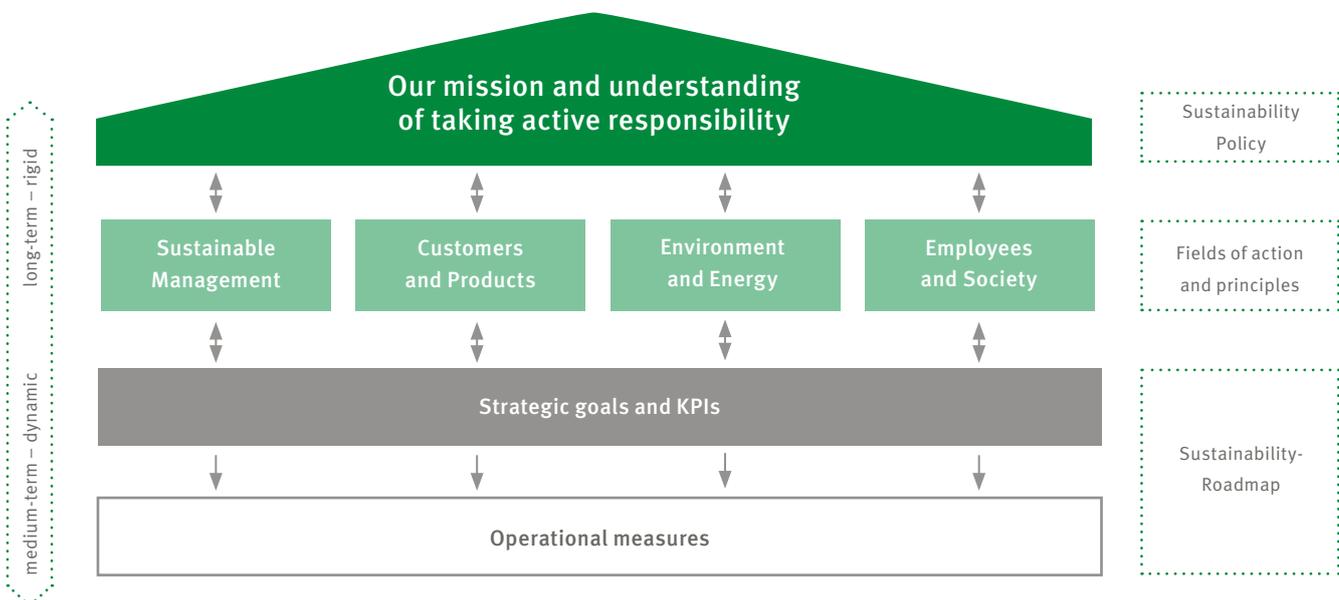
The Sustainability Policy defines our understanding of taking active responsibility and emphasizes the principles that guide our activities within the four fields of action “Sustainable Management”, “Customers and Products”, “Environment and Energy”, and “Employees and Society”. Also, while developing the strategy, a Sustainability-Roadmap was defined that bundles the medium-term strategic sustainability objectives and operative measures. These are based on material topics for our sustainability work, which we define at regular intervals in a materiality process in conjunction with internal and external stakeholders. The

Sustainability-Roadmap is reviewed at regular intervals by the Sustainability Governance of the Schaeffler Group and is updated as needed.

Financial and Non-Financial Performance Indicators

Based on a principle of value-based management, the Schaeffler Group has already begun to track its sustainability performance with the help of operative financial and non-financial key figures. To this end we have defined a set of key figures for each field of action in the reporting year, used for the operative control

Our Sustainability Strategy



Sustainability at Schaeffler Pays into Nine of the 17 SDGs

The Sustainability Report shows what Schaeffler does to meet the UN Sustainability Development Goals. Sustainability at Schaeffler pays into nine of the 17 goals. These are listed in the chart below, marked in color. The  references marked in the sub-sections of the report provide additional orientation.



of sustainability-related measures. In the future key figures relevant to the Sustainability Strategy, in addition to the operative figures, will contribute increasingly to our strategic management. One of our medium-term goals is to define, for each field of action, non-financial key performance indicators (KPIs), which will become a part of the group management.

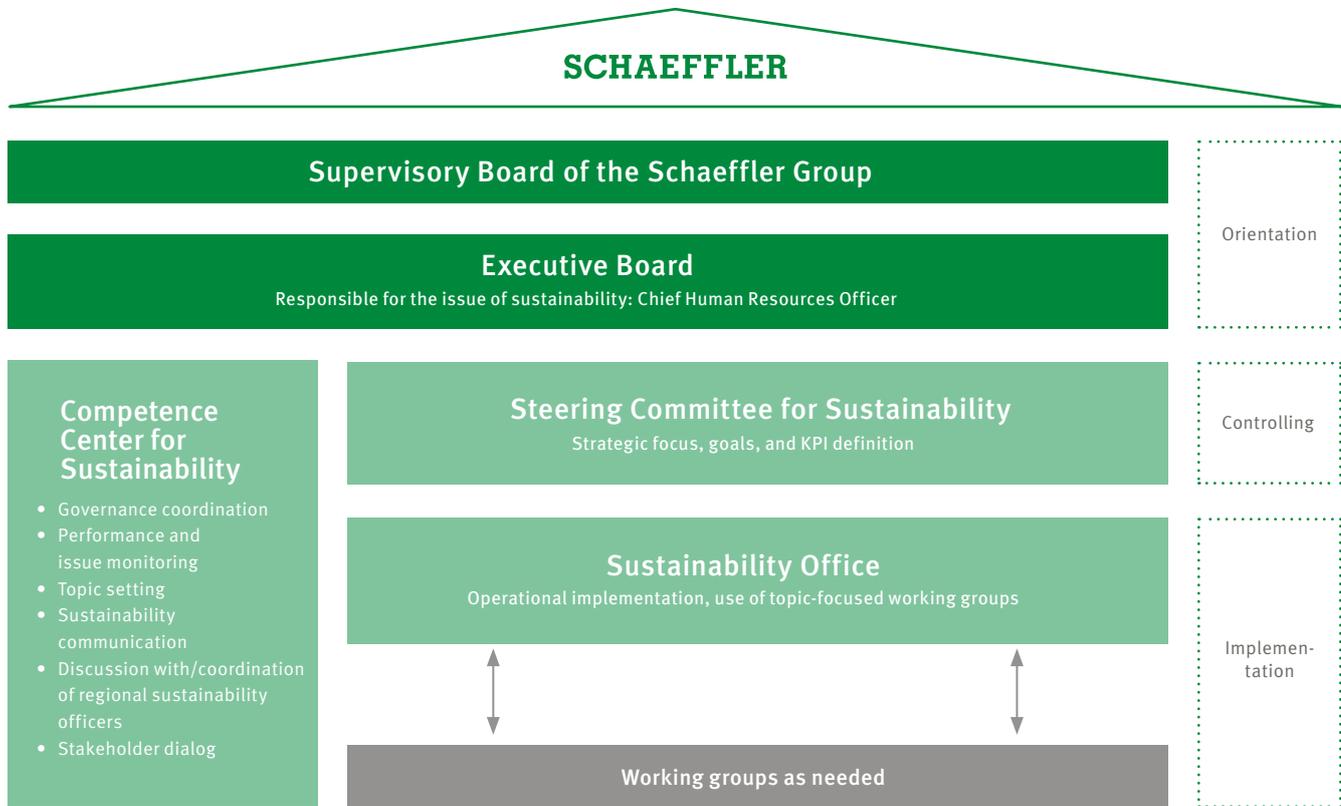
When evaluating our sustainability performance we also make reference to external sustainability ratings and rankings like the CDP (formerly Carbon Disclosure Project) and the scoring by the sustainability ratings platform EcoVadis, which Schaeffler provides with detailed information on its corporate responsibility.

Sustainable Development Goals at Schaeffler

The 17 United Nations Sustainable Development Goals (SDGs) form a recognized framework for the orientation of our corporate responsibility. These objectives are integrated in the strategic and operative developments of the sustainability work at Schaeffler. Our focus is on nine of the 17 objectives (see graphic above).

The non-financial KPIs of Schaeffler are also to be used for quantitatively documenting the contribution of the Schaeffler Group to the SDGs and the German National Sustainable Development Strategy.

The Sustainability Governance Structure at Schaeffler



Sustainability Governance

To implement the Sustainability Strategy, the Schaeffler Group has implemented an integrated Sustainability Governance structure. The Supervisory Board of the Schaeffler Group is at the top of this organization and the Executive Board reports to it on relevant sustainability developments once a year. A key role is held by the Competence Center for Sustainability, which reports directly to the Executive Board as a source of impulses, coordinates groupwide sustainability activities, is in charge of the performance and issue monitoring and is responsible for transparent communication and stakeholder dialogs. The Steering Committee for Sustainability is a panel of experts comprised of representatives of relevant departments that meets four times a year. Its tasks include cooperation with the Com-

petence Center for Sustainability on determining the content of sustainability reporting, development of strategic sustainability objectives and KPI definitions.

The Sustainability Office, in cooperation with the Competence Center for Sustainability, is responsible for the operative sustainability work. Together they develop appropriate measures and projects that are designed to exert a positive influence of the Schaeffler Group on the 24 material topics. To this end, members of the Sustainability Office convene topic-based working groups as needed for targeted work on conception and implementation of suitable solutions. If a new material topic has been identified to which no objectives or measures have been allocated, working groups are used to handle the topic accordingly.

Stakeholder Dialog, Material Topics, and Materiality Matrix

As a globally active company, regular, open, and constructive dialog with our central stakeholder groups is of paramount importance in terms of our business success. This helps us develop trusting relationships, understand opposing positions, recognize trends, and deepen partnerships.

 SDG 17 | GRI G4-15, G4-19, G4-20, G4-21 G4-24, G4-25, G4-26, G4-27



Top Regular stakeholder dialogs provide guidance support for corporate responsibility.

To define the topics that are particularly relevant to our work, we engage in close exchanges with the most important stakeholders of the Schaeffler Group. Within the framework of our materiality process this year we invited employees, customers and suppliers to participate in an online survey assessing the relevance of 24 sustainability topics for Schaeffler as a responsible company and to formulate sustainability-related expectations for the business. These topics, first defined by means of a comprehensive document analysis for each of our four fields of action, could be supplemented by the surveyed persons. The re-

sults of the materiality analysis were verified by the Sustainability Governance of the Schaeffler Group and used to create a materiality matrix (see graph p. 14). This matrix helps us prioritize the topics of our sustainability work and reporting. We also analyzed the points in our value chain that show at which points we come into contact and potentially influence individual topics. This is then a basis for defining the reach and the limits of our corporate responsibility. The Sustainability-Roadmap of the Schaeffler Group lists concrete objectives and measures for each material topic. → Sustainability-Roadmap of the Schaeffler Group, p. 16

Open Dialog Formats Support Win-Win Situations

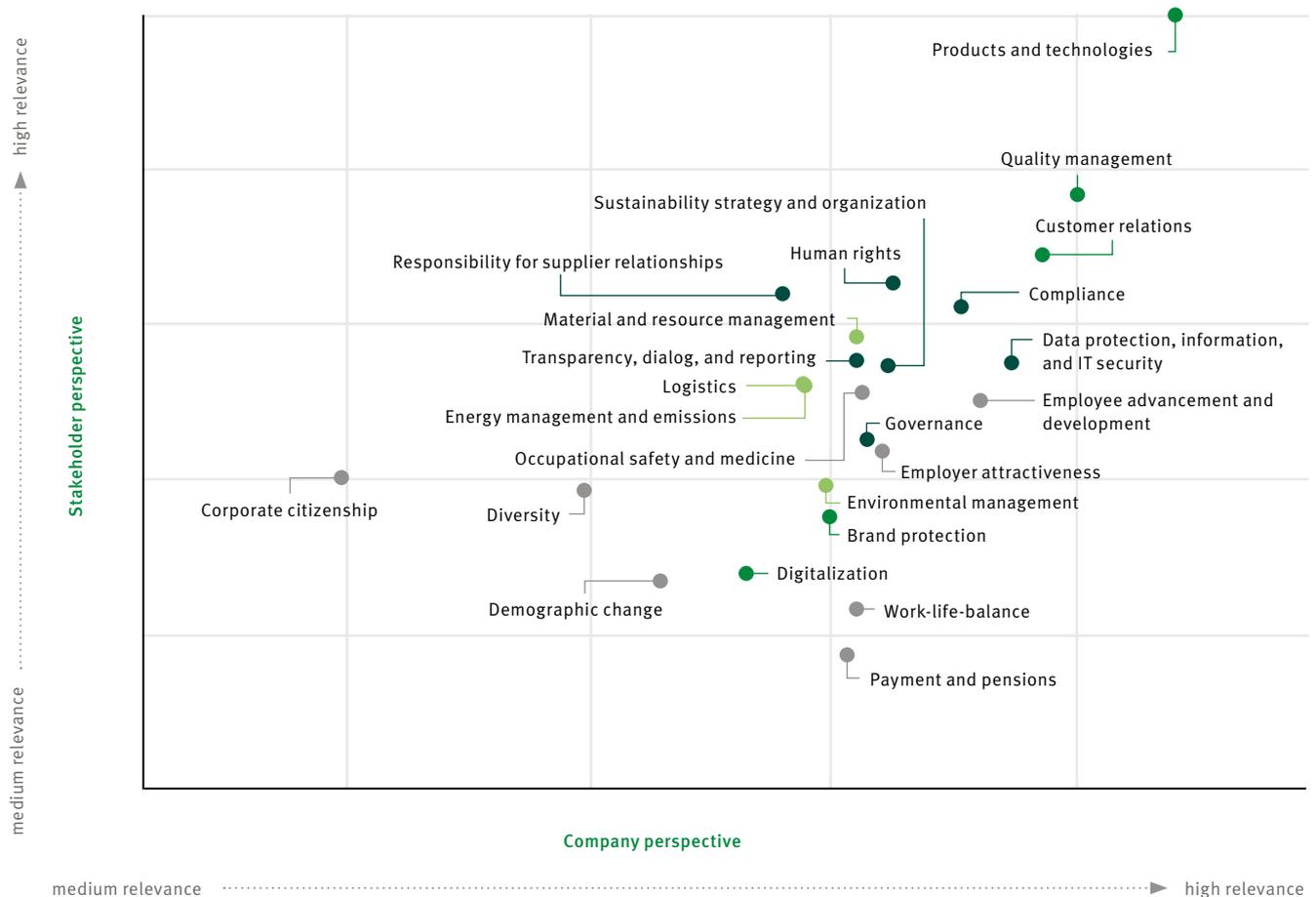
The expectations of the different stakeholders are not always readily reconcilable. The main thing is to identify common ground, agree on cooperations or reach compromises that result in win-win situations. An institutional dialog can make a valuable contribution to this process. What we want to do is to include the interests of all stakeholder groups, as well as those of our employees, in the process, and implement measures that address their demands. Examples of successful stakeholder dialogs are our customer events, our regular Premium Supplier Days and the sector-specific Product Safety Days. These regular events are appreciated by the stakeholders: The results help all participants to understand opposing points of view and to work together for continuous improvement.

We also exchange opinions and information regularly with political decision-makers and hold memberships in various organizations such as industrial associations and other interest groups. An overview of the memberships held by the Schaeffler Group is shown at www.schaeffler.com/sustainability/sustainable-management.

events on sustainability topics in the future. These events will look at specific sustainability-relevant topics from various perspectives and assess their urgency. We also want to make more use of external stakeholder events to lay the groundwork of sectorwide solutions to societal challenges, such as the development of a sustainable supply chain.

It is our intention to expand on our current dialog formats and to hold regular stakeholder

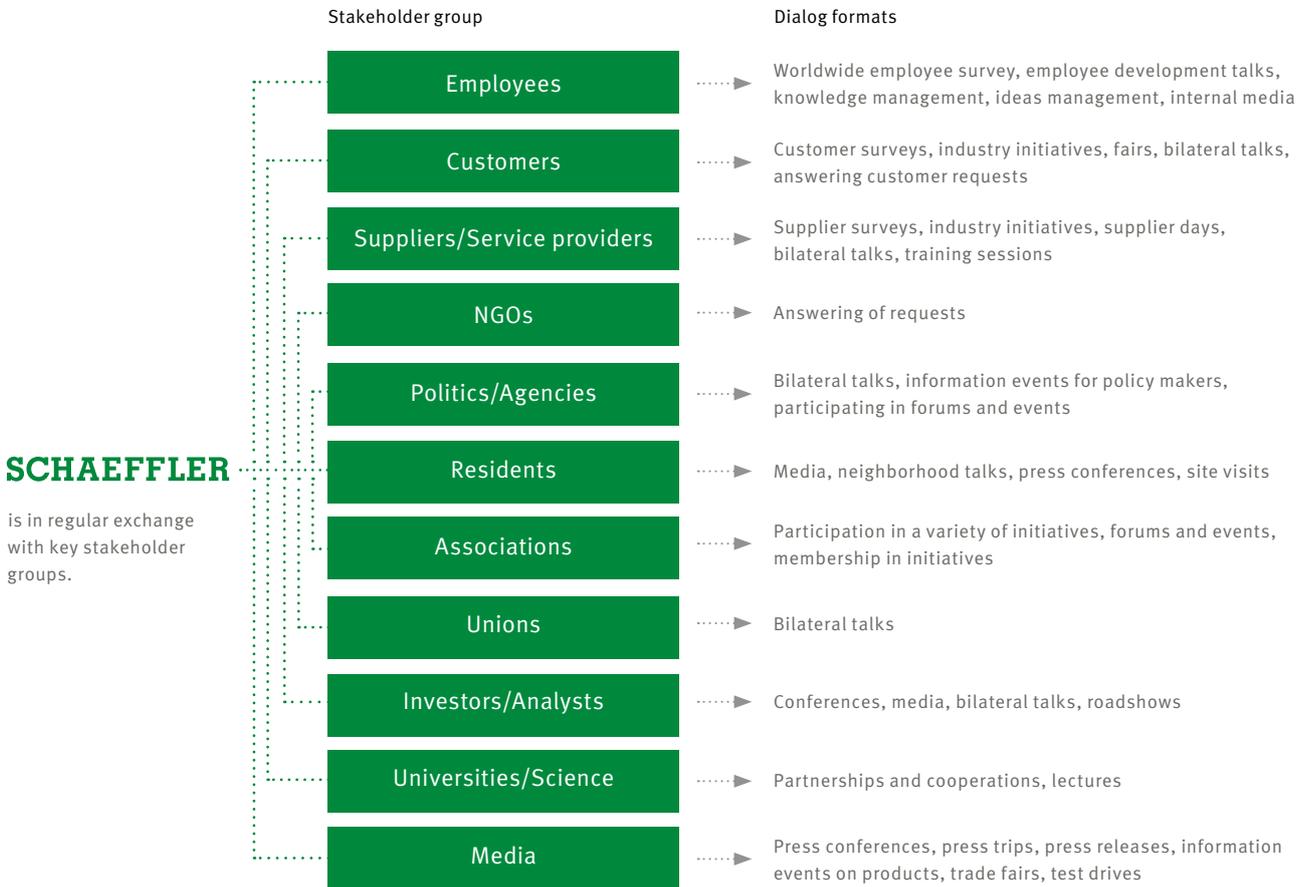
Material Topics of Sustainability at Schaeffler



Legend

- Sustainable Management
- Customers and Products
- Environment and Energy
- Employees and Society

The Stakeholder Groups of Schaeffler



“From my point of view, the subjects of transparency, dialog, and reporting are particularly important. We need to ensure that we are reaching the employees in production as well as the workers in the central departments.”

NORBERT LENHARD, CHAIRMAN OF THE CENTRAL WORKS COUNCIL

“The theme of E-mobility must be kept in mind at Schaeffler, not just regarding development of new products, but also regarding the disappearance of old products and supply chains. As has been the case in many other companies, this will lead to massive changes at Schaeffler.”

DR. MATTHIAS GIERSE, MANAGING DIRECTOR, C.D. WÄLZHOLZ KG

“We passed some important milestones in recent years in terms of the sustainability dialog with our suppliers. We want this development to continue. We want to keep the constructive dialog on sustainability topics open.”

DR. JULIA SCHWARZKOPF, SUSTAINABILITY IN SUPPLIER RELATIONS, BOARD MEMBER'S OFFICE GROUP PROCUREMENT, VOLKSWAGEN AG



Top Members of the Schaeffler Sustainability Office working together on the company's Sustainability-Roadmap.

Sustainability-Roadmap of the Schaeffler Group

The Sustainability-Roadmap of the Schaeffler Group shows the concrete goals and measures that are defined and implemented within the four main fields of action “Sustainable Management”, “Customers and Products”, “Environment and Energy”, and “Employees and Society” to uphold our claim to be a company that takes active responsibility. It provides an assessment of how far our activities have progressed in the area of sustainability. The Sustainability-Roadmap is evaluated, adapted or expanded as needed on an annual basis to reflect progress in the individual fields of action that comprise our sustainability efforts.

Sustainable Management

Major topic	Strategic goal	Measures (extract)	Target date	Status 2016
Transparency, dialog, and reporting	Building and expanding an international dialog with all relevant stakeholders on the essential sustainability themes	Regular stakeholder survey in all participating departments with their specific target groups (every two years)		continuous
		Transparent reporting on defined material topics according to recognized standards		annual
Sustainability strategy and organization	Anchoring of sustainability aspects in the business models of the Schaeffler Group and their integration in strategic business decisions	Join the UN Global Compact	2017	85 %
		Definition and integration of non-financial KPIs	2018	20 %
		Formulation of a groupwide Sustainability Policy	2016	100 %
Compliance	Successful auditing of the Compliance Management Systems (CMS) by an independent auditing company	Groupwide analysis of risks of non-compliance with relevant anti-corruption regulations	2016	100 %
		Groupwide implementation of a uniform business partner due diligence process	2018	5 %
Governance	Anchoring of a Corporate Governance Structure emphasizing the confidence of our shareholders, business partners, and employees in the management and supervision of the corporation	Revision of the Schaeffler Group Code of Conduct	2016	100 %
		Implementation of regional Compliance & Risk Committees	2016	100 %
Responsibility in supplier relationships	Implementation of the Sustainability Strategy in supplier relationships	Implementation of the Supplier Code of Conduct in existing processes (phased, prioritized integration)	2017	5 %
		Rollout of the Supplier Code of Conduct to suppliers, and confirmation by them, prioritized	2018	10 %
Human rights	Compliance with human rights according to the principles of the UN Global Compact within the framework of the scope of impacts and activities of the Schaeffler Group	Integration of human rights issues in the business partner due diligence process	2017	5 %
Data protection, information, and IT security	Protection of and respect for the personal rights of our employees and business partners. Implementation of suitable measures to ensure compliance with valid regulations and laws	Implementation of the EU General Data Protection Regulation (GDPR)		continuous
		Application of relevant standards to protect our intellectual property and that of our business partners from theft, loss, unauthorized distribution, illegal access, and misuse		continuous
	Coverage of protection requirements in the areas of data and information security by technical IT means so as to ensure at all times the accessibility, integrity, confidentiality, and authenticity of the data and data processing systems with business relevance	Implementation and improvement of IT Security Process "Security by Design"; ensuring of adequate protective and security measures in all Schaeffler IT solutions in every sourcing variant		continuous
		Establishment of obligatory IT Security Awareness Trainings for all IT operators and accessory agents in the Schaeffler Group	2018	5 %

Customers and Products

Major topic	Strategic goal	Measures (extract)	Target date	Status 2016
Products and technologies	Expansion of system competence by means of introduction and further development of new systems and solutions	Demonstrator presentation of system competences		continuous
		Market introduction of more electrical drive systems		continuous
	Expansion of an innovative product portfolio	Increase in contribution of mechatronic systems to total turnover of the Schaeffler Group to approx. 10 % by 2020		continuous
		Implementation and expansion of data systems for product-related compliance and sustainability	Implementation of data systems and their integration in group business processes	
Digitalization	Definition of objectives for business cases	Inclusion in the Strategy Dialog 2017	2017	10 %

Major topic	Strategic goal	Measures (extract)	Target date	Status 2016
Customer relations	Ensure customer care tailored to the needs of specific customer groups so as to meet their demands with suitable products and services	Initial qualification and training of all sales personnel in Germany at the Schaeffler Group Sales Campus	2017	75 %
	Deepening of a multifunctional global customer concept to provide optimized solutions and further intensification of our customer relations	Introduction of a customer relationship management (CRM) tool for improved, faster communication in multifunctional, global teams	2016	50 %
Quality management	Ensure product reliability, the objective being to keep the number of product liability cases at zero	Global rollout of a procedure for handling of "special characteristics", the objective being continuous improvement of product risk analysis, and product risk management	2018	80 %
		Global rollout of an integrated product reliability management system including user qualification	2019	30 %
	Enhance product quality measured in terms of customer evaluations and complaints (relative improvement over the previous year as per annual forward projection)	Adaptation of processes to Quality Management Standard ISO 9001:2015	2017	75 %
Brand protection	Protection of customers from negative effects of counterfeit products	Legal measures to remove counterfeit products from the market		continuous
	Protection of market value and reputation of Schaeffler and creation of sales opportunities	PR work to sensitize market participants		continuous

Environment and Energy

Major topic	Strategic goal	Measures (extract)	Target date	Status 2016
Environmental management	Achievement of a Zero Waste Factory by increasing the recycling rates over the previous year at one location per region	Analysis of relevant KPIs; selection of potential locations taking state regulations into account; formulation of a project plan to meet objectives		continuous
	Consequential reduction of water consumption at all locations worldwide compared to previous year (parameter: m ³ /EUR value added)	Standardized installation of recycling systems when planning new, water-intensive plants; stepwise retrofitting of existing plants with recycling systems following technical and economic review		continuous
Energy management and emissions	Enhancement of energy efficiency by 40 % by 2020 (parameter: kWh/EUR value added, baseline year: 2011)	Integrating all production sites into the Schaeffler Group's energy management system	2017	94 %
		Implementation of energy efficiency workshops for Schaeffler Group employees		continuous
	Climate-neutral production (0 g CO ₂ /kWh, Scope 1 & 2) at one location per region	Analysis of relevant KPIs at additional locations; creation and evaluation of a selection matrix of suitable locations; selection of locations at EHS regional conference by the end of 2017		continuous
Logistics	Reduction of CO ₂ emissions in logistics	Consequential review of logistic flows as basis for CO ₂ balancing		continuous
		CO ₂ and cost reduction in logistics with the Logistics Initiative: EDC Industry (European Distribution Centers)	2020	55%
	Worldwide expansion of climate-friendly employee mobility	Raise percentage of electric vehicles in corporate fleet		continuous
Material and resource management	Refurbishment-oriented new product design	Establish technical preconditions for rational and economical industrial reprocessing of products after the first product lifecycle		continuous
		Establish guidelines with generic requirements geared to the specific product		continuous

Employees and Society

Major topic	Strategic goal	Measures (extract)	Target date	Status 2016
Employer attractiveness	Worldwide expansion of the Schaeffler Group as an innovative and attractive employer and employer of choice	HR Roadmap 2020		continuous
		Definition of employer value proposition (EVP) and development of the global employer branding concept within the framework of the employer branding project	2019	5 %
Employee advancement and development	As-needed and anticipatory qualification and development of employees in all fields, with special focus on production employees	Introduction of a uniform worldwide talent management process	2018	65 %
		Worldwide rollout of a team leader concept in production	2017	85 %
		Worldwide rollout of the Schaeffler Academy for the Qualification for Tomorrow Initiative		continuous
Occupational safety and medicine	Continuous reduction of occupational accidents by 10 % per year (parameter: AccR)	Implementation of appropriate measures taking local conditions into account		continuous
		Certification of all production locations acc. to OHSAS 18001 – in each case up to 100% after a two-year plant production run-up period		continuous
Work-life-balance	Expansion of flexible and mobile working conditions to keep up with the demands of changing work environments and future generations	HR Roadmap 2020		continuous
		Rollout of a regulation (company agreement) on home offices	2016	100 %
Demographic change	Ensuring a healthy occupation until retirement age is reached by avoiding lifestyle-associated diseases	Establishment of a “BS Basic Check”, respecting state regulations at all locations	2020	100 %
	Ensuring a healthy occupation until retirement age is reached by avoiding unhealthy physical stresses at the workplace	Review of all workplaces to detect potential unhealthy physical stresses and application of an economic analysis tool prior to revision	2020	100 %
Payments and pensions	Continued global development, harmonization, and simplification of the Schaeffler payment models	Global rollout of job grading (job assessment method)	2017	90 %
		Introduction of a new retirement fund portal	2015	100 %
Diversity	Diversity management for targeted support of diversity within the corporation	Development/formulation of a holistic diversity concept for the Schaeffler Group	2017	75 %
Corporate citizenship	Realize transparent corporate citizenship and integrate it within the specific business divisions	Continuous support of education and science by the Schaeffler FAG Foundation		continuous
		Introduction of a management system to centrally record the worldwide corporate citizenship activities	2017	75 %

A woman with long dark hair, wearing a dark blazer over a light-colored top, is seated at a conference table. She is looking towards the camera with a neutral expression. The table in front of her has several documents, a white coffee cup, and a pen. The background is a bright, out-of-focus office environment with large windows.

Sustainable Management

Dialog is the key to responsibility.

The Schaeffler Group wants to actively shape the “Mobility for tomorrow”. For the company, forward-thinking and responsible action means continuously developing ourselves in the interest of our stakeholders. Managing the company with integrity and the compliance with Codes of Conduct along the entire supply chain provide the foundation for these activities.

At Schaeffler, dialog with stakeholders is a key part of our everyday work. We regularly invite customers, employees, suppliers, and other stakeholders to provide their positions on current sustainability issues.





Top Employees of the Schaeffler Group discussing responsible business practices at Schaeffler.

Sustainable Management

The Schaeffler Group's self-understanding is based on responsible corporate behaviour. The Schaeffler Group places a high value on combining economic success with responsible action for the environment, people, and society. Our corporate values sustainable, innovative, excellent, and passionate, lay the groundwork for long-term, profitable growth.

The Schaeffler Group's actions are shaped by the principles of integrity-based company management. This includes openness to the needs of the people, as well as fairness, mutual respect, and trust. This applies to our own employees as well as to customers, suppliers, and the entire spectrum of stakeholders of the Schaeffler Group.

The consideration of ecological and social criteria along the entire value chain and the saving of resources are fixed components of

the Schaeffler Group's corporate guidelines. At the same time, our responsible action is also oriented towards external standards and values such as the ten principles of the Global Compact and the United Nations Sustainable Development Goals (SDGs).

As a listed company, Schaeffler is also subject to the German law on strengthening non-financial company reporting. It makes non-financial reporting for companies mandatory, starting in the business year 2017. We are publishing our first Sustainability Report for the business year 2016, based on the G4 Guidelines on Sustainability Reporting published by the Global Reporting Initiative (GRI). Through this, we are fulfilling the statutory requirements for non-financial reporting early. The report also allows us to demonstrate our contributions to the United Nations Sustainable Development Goals.

Our Strategy “Mobility for Tomorrow”

“As a leader in technology, we combine a passion for innovation with the highest standards of quality to shape the future of mobility – for a world that will be cleaner, safer, and smarter.” This is the vision of the Schaeffler Group. To live up to this claim, Schaeffler adopted its strategy “Mobility for tomorrow” in 2016. Based on long-term trends, it defines 4 focus areas and 8 strategic pillars for continued profitable growth, as well as 16 initiatives for implementation. Digitalization is a significant megatrend and consequentially an important future opportunity for Schaeffler. This is to be accordingly leveraged by means of the “Digital Agenda” initiative.

UNGC 9  SDG 7, 8, 9, 11, 12, 13 | GRI G4-2, G4-EC2

Our world is in motion at a pace that is gathering speed. Climate change is progressing, and urbanization, globalization, and digitalization are on the rise. These factors will impact and alter the way we live and work in the future. That applies in particular to the area of mobility and goes well beyond our cars to other forms of transportation, both in cities and in the spaces between them. Schaeffler is determined to play an active role in shaping these changes.

With its strategy “Mobility for tomorrow”, finalized during the course of the year 2016 following in-depth consultations with executives and the Supervisory Board and adopted in November,

Schaeffler has set the course for sustainable profitable growth.

Vision and Mission

In its mission, the Schaeffler Group describes the task it is committed to. Underlying this mission are three key concepts: working in partnership with customers and business partners, top-level expertise in manufacturing technology, and advanced systems know-how. The Schaeffler Group’s vision and mission complement and amplify one another, with the vision encompassing the goals and aspirations that guide the company’s course of action.

Mission

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

Vision

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



4 Focus Areas

The 21st century world is changing at an unprecedented pace. Rising demands for environmental protection have led to the transformation of energy systems. Urbanization is progressing rapidly, and globalization and digitalization connect the entire world, both physically and in virtual space. Based on these longterm trends, automotive and industrial supplier Schaeffler has defined 4 focus areas as part of its strategy “Mobility for tomorrow” on which the company intends to concentrate in the future.

“Sustainability is firmly established as a corporate value at Schaeffler. Besides financial aspects, non-financial aspects are also highly relevant for long-term corporate success.”

WOLFGANG BÖRSIG, HEAD OF CORPORATE STRATEGY



Eco-friendly drives

Whether in cars, heavy-duty trucks, or production machines: Maximum energy efficiency and the lowest possible emission values are required wherever mechanical movement is generated. Schaeffler develops and produces components and systems for optimized internal combustion engines, as well as for hybrid and electric drives.



Urban mobility

Nowhere is the shift in mobility as noticeable as it is in megacities across the globe. New mobility concepts, based on the intelligent combination of individual vehicles with public transportation services are rapidly gaining acceptance. Schaeffler is on board, from micro-mobiles all the way to subway trains.



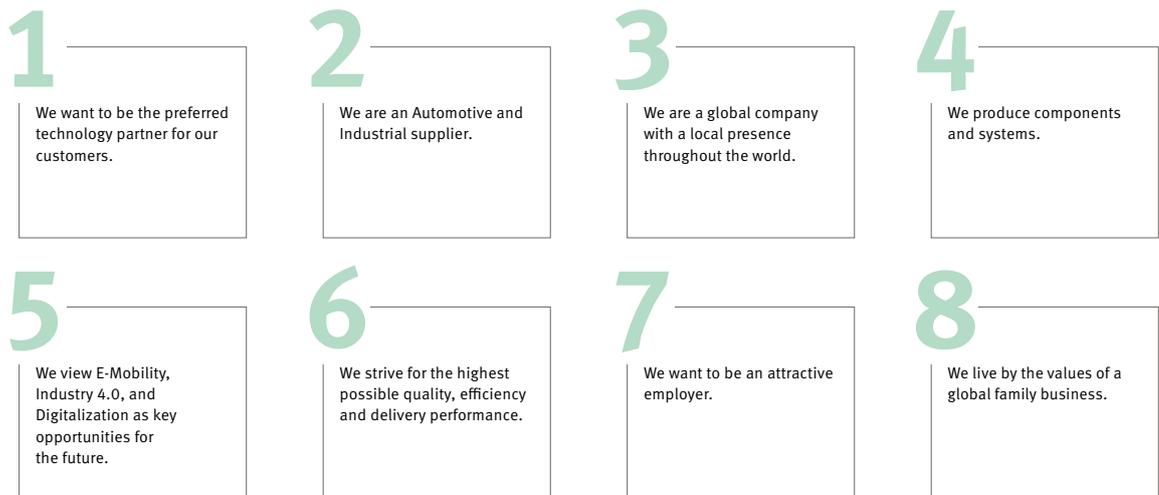
Interurban mobility

In a networked world, mobility between large conurbations plays an especially important role. Increasing rail and air transportation requires innovative technological solutions – just as modern agriculture does. Schaeffler offers adapted solutions for all these sectors.



Energy chain

Climate protection can only be achieved if the entire energy chain from generation to transport to use is continuously optimized. As a partner of the energy industry, Schaeffler supports the expansion of renewable energy generation, focusing particularly on wind power, but also on hydropower and solar energy.



8 Strategic Pillars

In order to achieve profitable growth in all focus areas, Schaeffler has determined 8 strategic pillars that define the scope for future entrepreneurial action (see graphic above). On one hand, these pillars define the company’s self-understanding as a global technology partner of the automotive sector and industry, that delivers both components and systems. On the other hand, they specify the prerequisites as well as the values by which Schaeffler lives.

Schaeffler views E-Mobility, Industry 4.0, and Digitalization as key opportunities for the future. These areas offer vast potential for change. For example, Schaeffler estimates that in 2030 more than every other new car will be equipped with electric drives (hybrid vehicles included). Industrial 4.0 has a similar significance for the industrial business: Machines and production plants will communicate largely without human intervention in the coming decade. Digitalization changes not only products and production processes in both divisions, but also all processes from development all the way to utilization by the customer. The convergence of the real and digital worlds enables new business models and a sustained increase in added value.

16 Strategic Initiatives

Each strategy is only as good as the results that come of it. In developing its strategy, the company intensively addressed the question of how to implement it as efficiently and consistently as possible. Based on the positive experience, the Schaeffler Group gained with its first transformation program, “One Schaeffler”, which was

successfully implemented by the end of 2015, the company has developed a tailor-made excellence program that summarizes the most important strategic initiatives and places them in five categories. Fittingly, the Schaeffler Group calls this excellence program “Agenda 4 plus One”.



“Agenda 4 plus One” includes the following 5 categories: Customer focus, Operational excellence, Financial flexibility, Leadership and talent management, and – as “plus One” – Securing long-term competitiveness and value creation. “Agenda 4 plus One” comprises 16 strategic initiatives that are of utmost importance worldwide. The declared goal is to successfully implement all initiatives by the end of 2020.

Corporate Governance

Corporate governance stands for responsible management focused on adding long-term value. Efficient collaboration between the Executive Board and the Supervisory Board, as well as openness and transparency in corporate and financial communication are important aspects of corporate governance at the Schaeffler Group. They strengthen stakeholders' trust in the leadership and monitoring of the company.

UNGC 1, 2, 3, 4, 5, 10  SDG 3, 6 | GRI G4-56, G4-HR1, G4-HR4, G4-HR5, G4-HR6, G4-HR9, G4-HR10, G4-SO4

The Schaeffler Group's manner of conducting business is based on integrity, fairness, and mutual respect. Transparency, trust, and teamwork are the three key success factors for achieving this. Transparency generates trust, and trust is the foundation of good teamwork. The updated Schaeffler Group Code of Conduct, approved by the Executive Board, provides guidance in this area. These basic principles apply to everyone equally – the Executive Board, the leadership team, and all employees.

Governance Structure at the Schaeffler Group

The governance structure of the Schaeffler Group encourages transparency and supports the values of a global family business. The elements of the governance structure support our business units in effectively identifying and managing risks. The structure follows a two-tier model set out in the Stock Corporations Act. The Executive Board has direct responsibility for managing the company. The members of the Executive Board are jointly responsible for managing the company. The Chief Executive Officer coordinates the activities of the members of the Executive Board. The Supervisory Board appoints, supervises, and advises the Executive Board and is involved in decisions that are fundamental to the company. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board.

The activities of the subsystems within the governance structure are coordinated based



“Compliance is part of the culture at Schaeffler as a global family company. Customer relationships and integrity stand at the center of everything we do. We are committed to establishing a compliance management system that is not based solely on control, but is geared according to business requirements.”

ERIC SOONG, GROUP CHIEF COMPLIANCE & CORPORATE SECURITY OFFICER

on the internationally recognized three lines of defense model. It assigns clear responsibility for dealing with risks to the company’s continued existence and development and is based on the principle that primary responsibility for a risk lies with its originator.

The business units bear primary responsibility for the risks inherent in their business. Hence, the Schaeffler Group’s employees represent the first line of defense against potential risks. The Schaeffler Code of Conduct encourages them to turn to their supervisor or the corresponding control function with any questions or concerns they might have regarding dealing with risks and inappropriate business practices. An anonymous whistleblowing system is available for this purpose where necessary. With its corporate governance structure and its three lines of defense model, the Schaeffler Group fulfills its obligation to manage the company responsibly and to maintain effective controls. Please refer to the Annual Report 2016 for comprehensive details on Schaeffler’s corporate governance and the three lines of defense model. → AR p. 84

Focus on Human Rights Aspects

Due to our complex international supply chain, the Schaeffler Group is exposed to a certain level of risk of being confronted either directly or indirectly with legal violations or human rights violations. The company’s acceptance of responsibility and due diligence processes in relation to human rights issues are primarily oriented towards the “UN guiding principles on

business and human rights” and towards the ten principles of the UN Global Compact.

Both the Modern Slavery Act (MSA) introduced in Great Britain and the German Action Plan for Economics and Human Rights require companies to formulate and implement goals and measures to protect human rights along their supply chains. The Schaeffler Group fulfills these requirements with structured activities designed with long-term considerations in mind: Using a risk-based process, the Schaeffler Group develops processes to fulfill the Modern Slavery Act. After excluding low-risk business partners, we plan to review our remaining partners as part of an onboarding process. The review includes asking questions about the company’s business models as well as their organizational structures. If there are any concerns in individual cases in this respect, the partners in question will either not be integrated into the business relationship or specific measures will be agreed upon in each individual case to counteract the risk of forced labor and slavery. Controlling and monitoring aspects should also be established in contracts with companies as part of this company-specific collaboration, in order to permanently exclude any legal violations.

Schaeffler AG and its group companies have taken measures to provide their own personnel initial training on human rights aspects. They are pursuing a top down approach. After top management was sensitized to these issues through initial communication measures in 2016, starting in 2017 we plan to integrate employees into the



process under a need to know principle. The knowledge we establish in this way should form the foundation of a culture that avoids forced labor and slavery in an even more structured manner. It will support the compliance processes we have established.

The groupwide risk management system is based on the management-oriented enterprise risk management (ERM) approach, which in turn has its basis in the globally recognized framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Further information on the Schaeffler Group risk management system is provided in the Annual Report 2016.

→ AR p. 61

Besides inclusion in risk management, we also began to establish a structured business partner due diligence process in 2016. As part of this process, central business partners of the Schaeffler Group were reviewed with regard to their recognition of and adherence to international principles and guidelines on human rights, among other issues.

Data Protection, Information, and IT Security

The protection of personal-, product-, and process-related data is an integral part of responsible management for the Schaeffler Group. Our business partners and employees trust us with their sensitive data, and we are aware of our responsibility to protect this data from unauthorized access. For this reason, we sensitize our employees to handling sensitive data in training sessions. Such training sessions on data protection, information, and IT security are held on an ongoing basis within the Schaeffler Group.



IN FOCUS

Actively Preventing the Use of Conflict Minerals

The duties of the corporate governance system of the Schaeffler Group also include ensuring material-specific compliance with laws and standards (material compliance). We use material compliance management as a key instrument. Through this, we work to ensure that the components and raw materials we use fulfill applicable laws and regulations.

In addition, Schaeffler takes a responsible approach in the use of raw materials like tin, carbide, tantalum, or gold, as the mining of such materials is used to finance martial conflicts and human rights abuses in some countries. The Schaeffler Group established a monitoring process in 2013, and provides information on material origins to companies who submit inquiries. We use the "Reasonable Country of Origin Inquiries" (RCOI) to ascertain the regions in which the ores were originally mined and to initiate any necessary targeted supply chain activities. In doing so, we respond to the demands on our supply chain resulting from OECD guidelines and the new EU regulation on trading in conflict minerals.

Supplier Relationships

The Schaeffler Group obtained goods and services from approximately 34,000 suppliers in approximately 80 countries in 2016. The volume of these purchases related primarily to the Europe (63.4 %) and Americas (17.7 %) regions. 11.5 % and 7.4 % related to the Greater China and Asia/Pacific regions, respectively. Following our guiding principle “We are a global player with a local presence”, the Schaeffler Group builds strong cooperations with local suppliers. By creating jobs and infrastructures, our own business success thus provides the respective region with economic benefits.

UNGC 1, 2, 3, 4, 5, 8  SDG 8, 9, 12, 17

GRI G4-12, G4-EC9, G4-EN33, G4-HR4, G4-HR5, G4-HR6, G4-HR10



Top Constructive discussions with our suppliers are an important aspect of long-term business success.

34,000

suppliers from 80 countries work with Schaeffler.

During the 2016 financial year, we implemented the first stage of a Transport Order Management System (TOMS) for global suppliers in collaboration with “Supply-On” at some locations. The system forms the basis for a supply chain collaboration platform that will allow us to map, control, and optimize processes in supply chain management, supplier risk and performance management, and transportation management in the future.

Responsible Supplier Management

In the future, the Schaeffler Group’s purchasing department plans to expand its role as “manager of external value creation”, thus growing the company’s value. Apart from financial aspects, complying with ecological and social standards is gaining significance for longterm and successful business relations.

The Schaeffler Group expects that its suppliers adhere to statutory regulations on human rights, occupational health and safety, and environmental protection. The Schaeffler Group formulates these minimum requirements of its suppliers in its Supplier Code of Conduct. External regulators and observers such as the Global Reporting Initiative (GRI) also ascribe growing importance to the issue of sustainable procurement.

In the course of recent years, our requirements for approving new suppliers have become increasingly strict, with a primary focus on



Top Quality, supplier reliability, and environmental aspects are central issues in supplier meetings.

ecological indicators and measures. We place stricter requirements on potential strategic suppliers of different categories with whom we want to work and grow on a global level. If a potentials analysis reveals that they fail to meet these requirements, suppliers are removed from the selection process. Supplier assessments are based on how well suppliers meet requirements such as quality or ecological certificates/EMAS validations and their delivery performance. Assessments are communicated regularly with suppliers and influence procurement decisions at the Schaeffler Group.

If we confirm a serious violation by an approved supplier, an escalation process allows us to terminate the business relationship without jeopardizing the flow of supplies. Prior to permanently terminating a business relationship,

we may first ban the supplier from new orders (new business hold). In 2016, we conducted 114 potentials analyses worldwide which enabled us to approve 102 new suppliers mainly under technical or qualitative restrictions. The approval process was stopped due to violations of critical requirements for five suppliers. The assessments of all other suppliers have not yet been finalized. We have not yet been able to report on performance indicators on human rights aspects in our existing supply chain.

Since 2015, we have been including the issues of environment, health, and safety (EHS) in our supplier development programs. As part of their training, our purchasers and supplier developers are given a basic knowledge of EHS and fire protection so that we are able to discuss and assess these issues during supplier visits.

Right The award-winning suppliers with Oliver Jung, Chief Operating Officer and Michael Hartig, Head of Corporate Purchasing.

114

potential suppliers were reviewed with regard to sustainability aspects in 2016.

“In our Supplier Code of Conduct, we formulate our expectations for future-oriented collaborations with our suppliers. We want to convince them that sustainable development can help companies become more efficient, products more innovative, and employees more motivated.”

MICHAEL HARTIG, HEAD OF CORPORATE PURCHASING

In our ongoing dialog with suppliers and customers, the Schaeffler Group also insists on obeying increasingly stricter international prohibited materials standards applicable to raw materials, products, and chemicals. The process of reviewing the global legal environment, which we established years ago, is constantly applied to new regulations and prohibited materials.

“Premium Suppliers” as Preferred Partners in Innovation

After holding a “Premium Supplier Day” in 2015 – an event the Schaeffler Group organizes together with Continental AG every two years alternating with the Supplier Day in the individual companies – the Schaeffler Group Supplier Day took place in October of 2016. 100 suppliers were invited to the event.

In regular supplier reviews, both companies assessed strategic suppliers within the framework of their purchasing cooperation in a strategic selection process. They investigated not only suppliers’ product portfolios, but their quality and logistics performance as well. Suppliers meeting all of the requirements were admitted to the Premium Supplier Circle.



SCHAEFFLER

125 kg



Customers and Products

Changing mobility – the big picture as well as the details.

Products by the Schaeffler Group – high quality components, modules, and system solutions for the future of the automobile and of industry – provide an answer to major worldwide megatrends like climate change, globalization, urbanization, and digitalization. They help our customers to master the challenges associated with these trends and conduct business successfully. We want it to stay that way. That is why this is our vision: “As a leader in technology, we combine a passion for innovation with the highest standards of quality to shape the mobility for tomorrow – for a world that will be cleaner, safer, and smarter.”

Schaeffler employees **Michael Sperber** and **Timo Hüttner** operate the Machine Tool 4.0 at the Schaeffler factory in Höchststadt. It networks existing technology from the sensors to the cloud with new digitalized components and represents a concrete direction towards digitalized production.



Top Michael Sperber operating the 3D measurement machine, whose measurement data is transmitted back to the Machine Tool 4.0 for analytic purposes.

Customers and Products

For the Schaeffler Group, remaining future-proof above all means maintaining our leading technological position through efficient hybrid and electric drives, efficient engine and transmission solutions for combustion engines, energy-saving bearing technology in industrial applications, and consistent digitalization of products and services.

The strategic pillars of the “Mobility for tomorrow” include our aim to be the preferred technology partner for our customers and to strive for the highest possible quality, efficiency, and delivery performance. All the while, we believe that the issues of E-mobility, Industry 4.0, and digitalization offer central opportunities for the future.

751 m

EUR were invested by the Schaeffler Group in research and development in 2016.

Product and Technology Development

The Schaeffler Group concentrates on four focus areas in our research and development (R&D) according to our strategy “Mobility for tomorrow”. These are “Eco-friendly drives”, “Urban mobility”, “Interurban mobility”, and “Energy chain”.

UNGC 9  SDG 7, 9, 11, 12, 13 | GRI G4-EN27



“Even today, Schaeffler’s product range includes a large number of different solutions related to electric mobility. But our innovative force and technological skills certainly haven’t been exhausted yet.”

DR. ARBOGAST GRUNAU, SENIOR VICE PRESIDENT
CORPORATE R&D COMPETENCE & SERVICES

The Schaeffler Group strives to inspire customers worldwide through innovative system solutions from a single source and through its deep understanding of components. The company has assembled all the key skills to do so, with the technological function remaining the focal point of our groupwide organization. The divisions involved include Corporate R&D Management, Corporate Innovation, R&D Processes, Methods and Tools, R&D Skills & Services, Intellectual Property & Rights, Surface Technology, Information Technology, and the Coordination Office Digitalization.

Collaboration between the divisions is shaped by a systematic innovation process that fosters creative freedom and drives development forward using clear structures. A three-step process forms the basis for this. It consists of the Technology Dialog, the Strategy Dialog, and the Planning Dialog. It ranges from the groupwide technological and strategic orientation through its implementation under the “Agenda 4 plus One” excellence program, to concrete budget planning for the following year. → AR p. 23 Following this, the process culminates in concrete development projects. We present projects on a ten-year timeline in our R&D Innovation Radar according to the criteria of “improvement”, “expansion”, and “new solution concept”.

The Complete System in Mind

The overarching goals of our R&D work include further expanding our systems know-how. Focal points include vibration insulation, friction reduction, hybridization of drives, or further developing electric motors, among other areas. In the concept vehicle “Schaeffler High Performance 48 Volt”, we presented a package of driving pleasure and CO₂ savings using an Audi TT. The powerful 48 Volt mild hybridization includes a drive architecture with an electric motor located on the rear axle as an “electric axle”. The electric axle acts as a supplement to the combustion engine, which drives the front axle. It generates a starting torque of up to 2,000 Nm. Besides purely electric driving up to 35 km/h, active “sailing” is also possible at speeds over 70 km/h.

The second generation “Gasoline Technology Car” (GTC II), optimized for a manual transmission, is also based on the 48 Volt architecture and is evidence of the potential of intelligent 48 Volt hybridization. In comparison to the GTC I, the New European Driving Cycle (NEFZ) results in an additional 13 % of fuel savings. The most noticeable difference from the GTC I is that the electrical machine in the GTC II is integrated in a highly efficient manner between the combustion engine and the transmission (P2 architecture). The GTC II is a milestone because engineers have succeeded in implementing highly-efficient hybrid operating strategies in a manual vehicle. The electronic clutch also provides a basis for functions like electric start-up, electric stop-and-go, and recuperation almost until the vehicle is at a standstill.

The Schaeffler Group was honored with the “GreenTec Award” in 2016 for its electronic clutch, called E-Clutch. In April of 2016, it also received the “German Innovation Award” for the electromechanical active roll control, which reduces rolling movements by the vehicle when driving through corners and over uneven areas.

Systems know-how is important, especially when it comes to advancements in electric mobility. To continue expanding its expertise, the Schaeffler Group purchased a majority holding of 51 % in Compact Dynamics GmbH, a manufacturer of high-performance electric motors, in December of 2016. Compact Dynamics has broad experience in small-volume production with high output density and efficiency for sectors like motorsports. We want to work with the team from Compact Dynamics to use

this knowledge to manufacture large-scale series in the future. In addition, we will further intensify our longstanding partnership with the holder of the remaining shares, SEMIKRON International GmbH, to develop power electronics systems for automotive applications.

Schaeffler also offers leading systems know-how in the industrial sector: With the goal of increasing the reliability, availability, and economic efficiency of wind turbines, Schaeffler has optimized its spherical roller bearings for main rotor bearings in the systems. In the area of micro-geometry, the developers improved the surfaces to reduce friction, and thereby reduce energy input and wear. The consequence: longer operating times and better efficiency. The Schaeffler “X-Life” seal of quality, which was awarded to the bearing, bears witness to this.

Considering the Entire Product Life Cycle

The Schaeffler Group takes a comprehensive and integrated management approach, continuously assessing all life cycle phases of its products. It covers all aspects from product design, validation, production, and usage to product disposal and recycling. We are investigating potential areas of improvement everywhere, for instance in relation to recyclable materials and low-emission production.

Below The concept vehicle “Schaeffler High Performance 48 V” is an example of inexpensive, powerful 48 Volt mild hybridization for more driving pleasure and significant CO₂ savings.





IN FOCUS

“Bio-Hybrid”: Muscle Power Plus Electric Drive

Four wheels, pedelec drive system, weather protection, and it can be taken on bike paths without a driver’s license – it’s the Schaeffler Group’s answer to the demands of urban micro-mobility.

With the “Bio-Hybrid”, Schaeffler presented its new concept for flexible mobility in the major urban areas of the future at the “auto motor und sport” conference in March 2016. The electrically-assisted drive system with a minimum range of 50 kilometers allows drivers to stay on the go comfortably while still enjoying the exercise benefits of cycling.

In addition: Numerous towns and cities like Hamburg are already creating traffic flows suitable for using this kind of mobility solutions safely and successfully. However, the concept still only provides a glimpse into the future – a future which isn’t that far away.

Top The study “Bio-Hybrid” shows how Schaeffler can introduce a solution for urban mobility.

Share Knowledge – Combine Solutions

The Schaeffler Group pursues a consistent approach based on partnership to promote innovation processes. We involve our suppliers in collecting knowledge and developing forward-thinking solutions around the world.

→ Supplier Relationships, p. 29

In addition, we cooperate intensively with leading universities, for instance through our own research-based institutions under the designation SHARE (Schaeffler Hub for Automotive Research in E-Mobility). SHARE, founded in 2012 at the Karlsruhe Institute of Technology (KIT), has made a name for itself as a think tank for hybrid and fully electric drive solutions. Today, it also works on solutions for automated mobility. We established further SHAREs following its

example during the reporting period. The new SHARE at the Friedrich-Alexander University of Erlangen-Nürnberg is focused on digitalization in production, products, services, and business models. Schaeffler also signed a cooperation agreement with the Chinese Southwest Jiaotong University in June of 2016. We intend to jointly establish a rail traffic laboratory there. The laboratory will for example research systems for predictive maintenance of wheelset bearings for railway vehicles. We are also involved in an intensive cooperation with the RWTH Aachen University: For example, we set up a wind energy test gondola for the university’s Center for Wind Power Drives (CWD). We want to use the newest measurement technology available to analyze the system’s operating performance there alongside the “Forschungsvereinigung Antriebstechnik e. V.”.

Digitalization

The Internet of Things will network vehicles, machines, and people in the future to create a close-knit web. The mechanical and digital worlds are growing together, facilitating new business models and permanently increasing value creation.



The Schaeffler Group is well prepared for the new digital world that is coming into being. It is a global pioneer of “Industry 4.0”. It is redesigning its value creation processes and using the experience it gleans from this for innovative customer solutions.

Placing Emphasis with the “Digital Agenda”

Schaeffler developed the “Digital Agenda” to ensure the utilization of opportunities offered by digitalization. This comprehensive approach includes four core components: Products & Services, Machines & Processes, Analyses & Simulations, and User Experience & Customer Value. It applies both to our own processes and to products and solutions for Schaeffler customers.

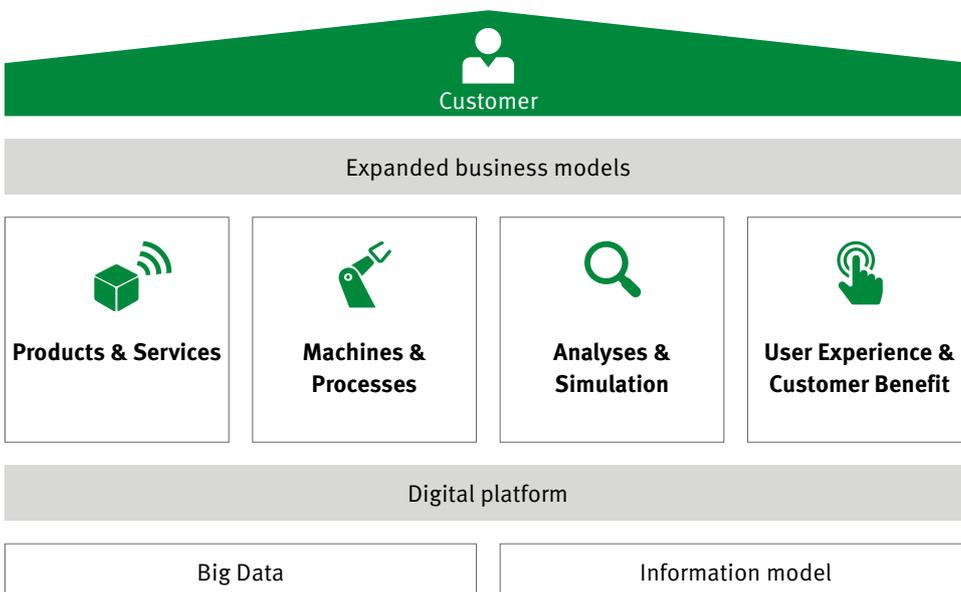
Internally, we are using available data even more intensively to better network production locations, machines, and buildings with one another. The “Machine Tool 4.0” was commissioned in Höchststadt at the end of 2015, among other measures. It “knows”, for example, which tools from the past order can also be used for the next one, reducing the work required for tool exchanges, or the “setup time”, by up to 25 %. With an increasing focus on customers and the reduction in batch sizes that goes along with it, tooling times are becoming more and more important.

Schaeffler has created a new digitalization division to manage the “Digital Agenda” and the implementation of our digital projects. We have also named a globally responsible Chief Digital

600

specialists in digitalization and IT will be hired by Schaeffler over the coming years.

Digital Agenda of the Schaeffler Group



Left Schaeffler has developed a digital strategy, the “Digital Agenda”, to drive digitalization forward. Four building blocks reflect the central digital business scenarios in which Schaeffler will continue to develop.

Officer (CDO). Regional CDOs complete the organization. Schaeffler will implement the full breadth of the “Digital Agenda” through them.

Our customers also benefit from our “Digital Agenda”. We help them to expand existing business models, for instance, and to develop new ones. With its rolling bearing, linear technology, and direct drive solutions, the Schaeffler Group offers complete systems from one source that are precisely matched to one another. One example is our “Drive Train 4.0”, which measures vibrations, forces, and temperatures from all relevant bearing positions and reports them to the Schaeffler Cloud. The data is analyzed there and used to control the service processes. A full description of our “Digital Agenda” is provided in the Annual Report 2016. → AR p. i18

Innovation Partnerships Established

The Schaeffler Group is aware that implementing its “Digital Agenda” will require intensive collaboration between partners from business and science. That is why it has already begun working with them to establish a digital ecosystem including not only business partners, but also universities, start-ups, and research facilities.

We entered into a strategic partnership with IBM in October of 2016 to increase our data-based value creation. The first step was to construct a digital platform – the Schaeffler Cloud – where we can implement the issues of the “Digital Agenda”. This allows us to process large quantities of data. We use this valuable primary data to make our processes more efficient and offer our customers innovative, data-based services. In addition, we intend to bring new business models based on digital services to the market and thereby integrate our mechatronic components, systems, and machines into the rapidly expanding world of the Internet of Things. Focal points include expanding existing products by adding sensors and developing new products with integrated software, as well as using “cognitive” adaptive systems.

We also understand our partnership with IBM as making a strategic contribution to machine learning and artificial intelligence, as adaptive

systems will be playing a central role in the future. This applies not only to networking the Schaeffler Group with the systems and machines of our customers, but also for the cross-manufacturer planning, design, and controlling of complete value creation networks on the provider level. The Schaeffler Group is participating in the mecPro² joint project for this purpose. Under the guidance of the Karlsruhe Institute of Technology (KIT), we are working on developing software for cyber-physical production systems (CPPS), cybertronic systems that inform and influence one another. As one example application, researchers are working on intelligent solutions for autonomous parking.

We have entered another partnership in Germany with multiple industrial companies and players from science and politics. Together, we are supporting a research project of the Fraunhofer Society sponsored by the German Federal Ministry for Education and Research (BMBF) to establish an “Industrial Data Space”. This is a virtual data room which facilitates the secure exchange of data and allows data to be easily linked into so-called business ecosystems.

Predictive Maintenance Technology Honored

The Schaeffler Group is leading in many areas, such as in the development of so-called predictive maintenance solutions. These are used to monitor the condition of bearings and provide predictive maintenance through sensitive, digitally networked surfaces. A good example of this is the Schaeffler Condition Monitoring System (CMS) for passenger trains. Based on the sensor data from the bearing systems that have sensors integrated into the surface, the CMS calculates the expected remaining service period for the equipment, prepares error diagnostics as needed, and establishes the required maintenance intervals. Data is processed centrally in the Schaeffler Cloud. Intelligent Sensotec[®] thin film systems have received a positive response in the professional world and were honored with the “Materialica Design + Technology Award 2016”. With our FAG SmartQB early warning system, we also provide a retrofit solution for existing equipment for condition monitoring via vibration analysis.

Quality Management and Product Safety

One key feature that differentiates the Schaeffler Group from its competitors is its uncompromising commitment to quality. This commitment consists in providing outstanding high quality and product safety rigorously and thoroughly across all areas of application, continuously improving both quality and safety.

 SDG 12 | GRI G4-PR1, G4-PR3

The benchmark for quality is the “zero defect principle” applicable at all Schaeffler Group locations, which stands for process stabilization and continuous improvement. Besides constant quality improvement, the company also believes it is obligated to make its products safer over time and permanently continue optimizing the corporate processes it uses to do so.

In order to consistently implement our quality policy, the Schaeffler Group maintains a comprehensive quality management system. It is based on a central management handbook containing regulations and prescribed processes for quality, product safety, and other issues and is valid across the group. It also establishes audit and review processes used to monitor implementation of the specifications. Quality improvements are managed by a closely networked quality organization with quality managers or officers in each Schaeffler Group unit. They use a comprehensive data management system to do their job. The quality of products is measured in detail and continuously increased using specific performance indicators.

Certified Quality Management

All production locations of the Schaeffler Group hold valid certificates based on globally accepted quality standards such as ISO 9001:2008 or ISO TS 16949:2009. Certifications in accordance with ISO 9001:2015 and IATF 16949 are prepared

for 2017 and already in implementation. But these systems are not the only way we implement the quality commitment of the Schaeffler Group; each individual employee also plays a key role. The “Fit for Quality” program, introduced in 2006, provides systematic guidance to employees. The basic “Fit for Quality” principles from 2006 were further developed in 2015 and 2016 to create more room for independent action in view of further advanced requirements.

The quality of Schaeffler products was once again at an extraordinarily high level during the reporting period. Numerous awards from automotive and industrial customers confirmed this fact. We received 50 quality awards from our customers in 2016 alone, including the “Volkswagen Group Award” for overall performance related to product quality, innovative spirit, development competence, sustainability, and professional project management. Many of the awards relate to the measured error rate of zero parts in a million delivered by the Schaeffler Group.

Sensitization and Qualification for Product Safety

The Schaeffler Group owns its reputation as a provider of safe product solutions and services not only to its strict functional and safety characteristics for, but also to a consistent build-up of expertise among its employees. The company has established product safety representatives (PSRs) on the regional level and provided them





“Our quality standard is the customer’s point of view. Our company’s objective is to offer customers the best quality. This can only be achieved if we all make a commitment to our zero defects principle.”

WALTER SUESS, SENIOR VICE
PRESIDENT CORPORATE QUALITY

with comprehensive training. In April 2016, the Schaeffler Academy also launched an e-learning program. Over 1,200 employees have received specialized training since that time through a structured blended learning concept. In addition, each employee is sensitized to the issue of product safety through easily accessible information and qualified in accordance with the product safety instructions in the Schaeffler management handbook.

Schaeffler product safety experts regularly analyze publicly accessible recall databases and provide this data to the appropriate areas and positions. These areas and positions use the information to continuously improve our products and processes with regard to product safety.

Product Safety Day in China

Improvements in product safety also require efforts across the industry. To discuss solutions on an international basis with safety experts, attorneys, and governmental officials as well as design and quality specialists, the Schaeffler Group staged its second Product Safety Day in August of 2016. Numerous guests and speakers from North and South America, Europe, India, and China accepted an invitation to the conference as part of the “Product Safety Network” co-founded by Schaeffler to go to Shanghai, where they intensively discussed risk assessments and criteria along with other matters.

IN FOCUS

“CDQ Good Practice Award” – Honoration of Excellent Data Management

The Schaeffler Group was honored for its innovative data management in December 2016 with the “CDQ Good Practice Award”. The award focused on the Schaeffler Groups’s systematic continued development of the master data management system established in 2009. Improvements in data processing, new data models, and KPIs contributed to reducing processing times by 60 % and increasing the efficiency of business processes.

The prize was awarded jointly by the “Competence Center Corporate Data Quality” (CC CDQ) and the “European Foundation for Quality Management” (EFQM).

Customer Relationships

Long-term customer relationships are a central contributing factor to the success of the Schaeffler Group. To be able to fulfill or even exceed the expectations of our customers, we place a high value on open dialog and solution-oriented interactions.

UNGC 9  SDG 9, 17

Instruments we can use to bring our customers' quality demands into the company, including the "Fit for Quality" program and our "Customer House Fairs", are a significant part of our process landscape. Our employee qualification program in the Sales Campus Industry also serves this purpose, as the sales dialog is another key interface where quality can be improved. Numerous awards from our customers confirm this approach. For instance, we received the Ford "World Excellence Award" in the category of "Smart Pillar" in 2016 – one of four brand pillars of the company. Besides environmentally-friendly solutions in development and manufacturing, this award expressly honored our sales department.

Global Distribution Organization Made More Customer Friendly

In the divisions Industrial and Automotive OE (original equipment), the Schaeffler Group operates customer-based global key account management (GKAM) as a supplement to our regional and divisional sales. We use it to ensure that all our customer relations worldwide are based on the same principles. We have optimized the integration of expertise from the various customer-specific industrial and automotive application areas for each key account. Be it central headquarters, regional sales department or the global and local key account manager, they focus closely on the principle of showing "one face to the customer". We regularly hold so-called GKAM Strategy Alignments with all relevant actors in the strategic process, the executive boards and the regional heads of the Industrial and Automotive divisions as well as area and product line managers. Many processes, such as the recording of market data or benchmarks, can thus be made uniform, resulting in synergies and benefits.

Sales Initiatives on Relevant Informational Obligations

Complying with national and international rules and standards of a political, technical, and social nature is critical for Schaeffler Group sales. Schaeffler and its customers must disclose certain product information to regulators. These requirements are mainly based on the Tread Act (which makes it mandatory to report on deviations relevant to product safety), the German Product Safety Act, Directive 176 of the Chinese recall legislation, and other regulations.

We manage extensive information relevant to these reporting obligations in a central database, then provide it to our customers. In addition, we inform them about new standards, technologies, and regulatory changes such as increasingly strict prohibited material standards or the requirements on excluding so-called conflict minerals. → Corporate Governance, p. 26

Customer Satisfaction Analyses

Schaeffler regularly conducts systematic surveys on customer satisfaction across divisions. The survey focuses on our portfolio of products and services, our price/performance ratio, technical and commercial processes, customer relations, the dependability of deliveries, and logistics. Our "Customer Satisfaction Index" and other means help us measure the outcomes. It was recorded for the automotive aftermarket segment in 2016. The results showed a slight improvement from the previous year. We understand the results as a general incentive to further expand and systematize our customer dialogs in the industrial and automotive sectors.



50

awards for customer satisfaction or product quality in 2016



Left He regards companies like Schaeffler as pioneers with respect to Mobility 4.0 – Federal Minister Alexander Dobrindt (left) talking to Schaeffler representatives during his opening tour at InnoTrans (from right): Dr. Stefan Spindler, Member of the Executive Board of Schaeffler AG and CEO Industrial, Hans-Christian Maass, Head of Governmental Relations, Prof. Dr. Rainer Lindner, CEO Central and Eastern Europe, and Dr. Michael Holzapfel, Director Business Unit Rail Europe.

Brand Protection

Counterfeited products are a frequent cause of personal injury and material damage to vehicles and industrial plants. According to a study published by the ICC (International Chamber of Commerce), the annual economic and social costs resulting from this amount to USD 1.7 billion worldwide.



The immediate risk for customers and the distributive trade is that counterfeiting a product voids the manufacturer's warranty. Over the entire product portfolio, our enterprise suffers a cautiously estimated sales damage of about 1 %.

We are fighting every type of product piracy in order to protect our brand and our customers. We have both expanded legal prosecutions and introduced preventative measures. Counterfeits are systematically removed from the market, authorized retailers receive reinforcement, and

customers are supported in purchasing original parts from safe sources. We have developed a modular system for this purpose with measures to protect our brands.

Prevention Through Data Matching

One measure we have taken for prevention involves equipping product labels with intelligent safety labeling called "STOP" (Safety Technology for Original Products at Schaeffler): It includes a so-called data matrix code which makes each

Top The Schaeffler Data Matrix Code can be burned directly into a product using a laser, and facilitates internationally standardized identification and traceability.

182

seizures worldwide due to copyright violations suffered by the Schaeffler Group in 2016. 5,675,812 counterfeit parts were confiscated in the raids.

product unique; the codes are available at www.tecidentify.com and from other sources.

In addition, each certificate from our sales partners includes a serial number. After entering this number in the sales partner search on our website www.schaeffler.de/en, the customer receives information on the respective retailer and can be certain that the retailer is actually authorized by us. Our customers are invited to support us through a reporting system, available at piraterie@schaeffler.com. The Schaeffler Brand Protection Team also investigates counterfeiters' products and processes, supporting investigators in their work with these analyses.

Cooperation with Customs Authorities Worldwide

We increasingly work with customs authorities to fight product piracy. They typically review incoming shipments to ensure they fulfill legal requirements. Besides governmental obligations like fighting smuggling or implementing species protection laws, these reviews also focus on copyright infringements. In China both imported and exported goods are inspected. This cooperation is important to effectively prevent counterfeit goods from reaching the international market in the most effective way possible.



IN FOCUS

Counterfeit Products Confiscated

Officials of the Columbian agencies in Barranquilla confiscated 26,811 products with a purchase value of almost EUR 980,000 in February of 2016, sending them to be safely scrapped. The investigators had already noticed the retailer in question in the past. However, he apparently had learned nothing from the earlier raid. The case shows that counterfeited products are offered worldwide under Schaeffler Group trademarks, and that measures against product piracy are required everywhere. It is also clear that a global brand protection approach like the one pursued by the Schaeffler Group is indispensable.



Environment and Energy

If you want to change the world, start with yourself.

The Schaeffler Group operates around 75 production locations, meaning it actively takes global responsibility for environmental and climate protection. We continuously optimize our production processes while systematically reducing our consumption of energy and resources. This helps us cut our costs and set international standards in corporate environmental and energy management.

Electric mobility also plays a role at Schaeffler's own locations. The company is including more and more electric vehicles in its own vehicle fleets.



Top Schaeffler provides charging infrastructure for electric vehicles at five German locations.

Environment and Energy

A sustainable and responsible use of energy and environmental resources is an integral part of the Schaeffler Group's corporate culture. As a leading technology provider and innovator, the organization is seen as a role model worldwide, both for its commitment to the efficient use of energy and materials and for its reduction of emissions, waste, and water consumption. Relevant environmental and energy issues are taken into account in a thorough manner both in designing production processes and in product development in order to continuously improve the environmental performance of the company and our customers. The company achieves continuous progress in the areas of energy efficiency and environmental protection with the global EnEHS management system the organization has been using for many years. EnEHS is short for energy, environment, health,

and safety. The EnEHS system complies with ISO 50001 regarding energy, ISO 14001 regarding environmental protection, OHSAS 18001 regarding health and safety, and with EMAS (Eco-Management and Audit Scheme).

All of our production sites collect many different types of environmental and energy data. We manage this data in a central database and summarize it using KPIs. These help us analyze our energy consumption and environmental impacts, and assess and increase the effectiveness of the measures we introduce to reduce them. Schaeffler Group employees also have a role to play here. They are involved in an ongoing process to improve environmental performance and energy efficiency, and receive training to qualify them in this respect.

Environmental Management

Schaeffler is a global leader in corporate environmental management. All production sites of the Schaeffler Group have implemented environmental management systems that conform with EMAS or ISO 14001. The company continuously develops these systems, preferring to base them on the demanding European EMAS standard. For this, the European Commission awarded Schaeffler Technologies AG & Co. KG an honorary award as part of the “European EMAS Award” in spring 2015.

UNGC 7, 8  SDG 9, 11, 12 | GRI G4-14, G4-EN31



Top Adherence to the highest environmental standards is a focus during the planning of production plants.

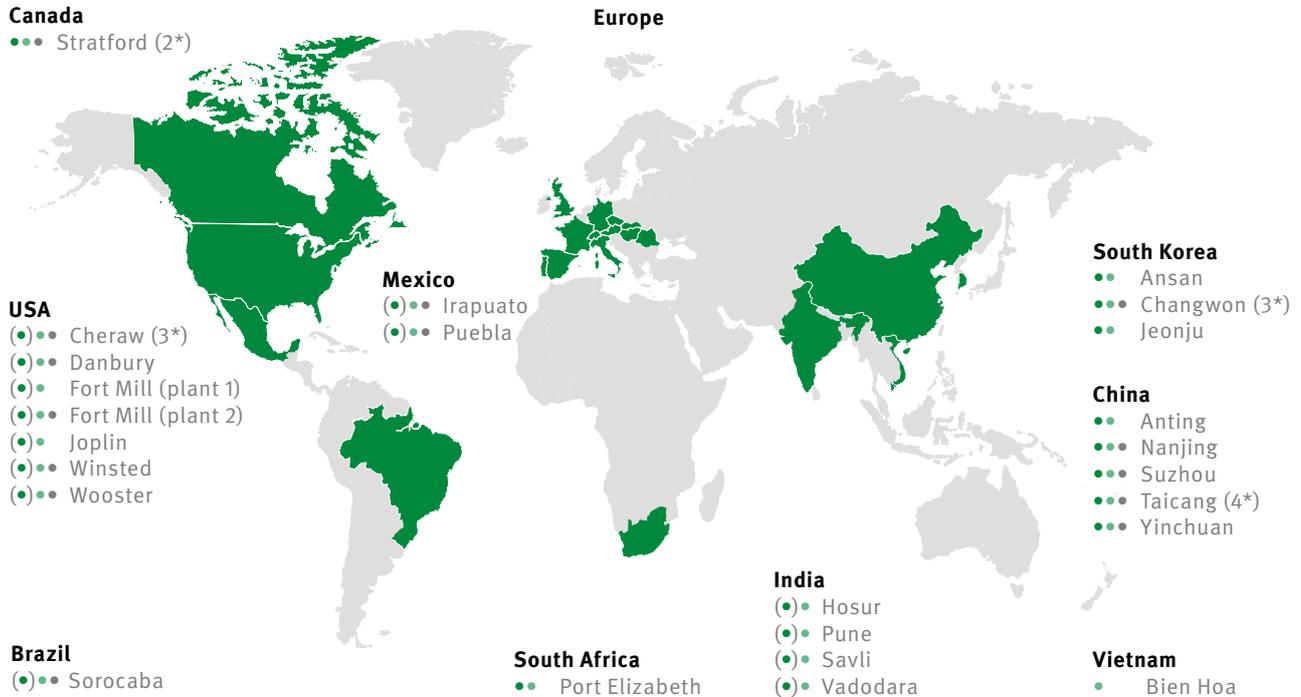
“Part of the way we actively take corporate responsibility is to implement the most demanding environmental management system in the world at all of our sites. We have been using EMAS at almost all of our locations for over 15 years.”

NORBERT HÖRAUF, VICE PRESIDENT ENVIRONMENTAL PROTECTION AND EHS MANAGEMENT SYSTEMS

As of December 31st 2016, 63 locations worldwide were entered in the EMAS location register of the European Union; all production locations of the Schaeffler Group are scheduled to be entered by the end of 2017. Twelve locations were validated over the course of 2016: Cheraw, Danbury, Fort Mill, Irapuato, Joplin, Maneja, Nanjing, Puebla, Romanshorn, Savli, Winsted, and Wooster. They will also likely be listed in the EMAS location register by March of 2017.

The Schaeffler Group has established a matrix organization whose job is to integrate strategic and operational responsibilities for implementing our standards in environmental management. The environmental protection specialists working in the factories are networked with one another and with experts in the strategic divisions through regional coordinators, who support them in their duties with their topical expertise. The locations play a key role not only on an operational level, but also with regard to strategic development. They define their own target specifications in agreement with the group strategy and identify measures for implementing them.

Environmental and Energy Certificates Held by Schaeffler AG



Targets Established with Executive Board

The Competence Center worked with the Executive Board of the Schaeffler Group in December 2016 to identify the future cornerstones of its environmental management policy, agreeing to performance targets for the next five years in the areas of waste, operating materials, soil and groundwater protection, and resource savings. Targets related to resources, for instance, include “wastewater-free operation” or “endless oil”, a method that eliminates the need to replace oil used in production. The key indicators section of our production locations’ environmental declarations report on progress towards agreed targets on an annual basis. These environmental declarations are available on the Schaeffler Group’s website.

Environmental data for the individual locations are validated in accordance with EMAS by internal and external auditors. Audits are completed on site for this purpose, along with random reviews based on consumption calculations, delivery slips, or other evidence.

In Europe

- | | | |
|---|--|--|
| <p>Germany</p> <ul style="list-style-type: none"> ••• Bühl ••• Bußmatten ••• Elfershausen ••• Eltmann ••• Gunzenhausen ••• Hamm/Sieg ••• Herzogenaurach ••• Hirschaich ••• Höchststadt ••• Homburg (3*) ••• Ingolstadt ••• Kaltennordheim ••• Kappelrodeck ••• Lahr ••• Luckenwalde ••• Magdeburg ••• Morbach ••• Sasbach ••• Schweinfurt | <ul style="list-style-type: none"> ••• Steinhagen ••• Suhl ••• Unna ••• Wuppertal <p>Switzerland</p> <ul style="list-style-type: none"> (•)• Romanshorn <p>Austria</p> <ul style="list-style-type: none"> ••• Berndorf-St.Veit <p>France</p> <ul style="list-style-type: none"> ••• Calais Cedex ••• Chevilly ••• Haguenau <p>UK</p> <ul style="list-style-type: none"> ••• Llanelli ••• Plymouth ••• Sheffield <p>Italy</p> <ul style="list-style-type: none"> ••• Momo | <p>Portugal</p> <ul style="list-style-type: none"> ••• Caldas da Rainha <p>Spain</p> <ul style="list-style-type: none"> ••• Elgoibar <p>Hungary</p> <ul style="list-style-type: none"> ••• Debrecen ••• Szombathely <p>Romania</p> <ul style="list-style-type: none"> ••• Brasov <p>Slovakia</p> <ul style="list-style-type: none"> ••• Kysucke Nove Mesto ••• Skalica <p>Czech Republic</p> <ul style="list-style-type: none"> ••• Lanskroutn |
|---|--|--|

(•) EMAS without group registration
 • EMAS, group registration DE-158-0016
 • ISO 14001
 • ISO 50001
 * Number of plants with certificate

Energy Management and Emissions

The Schaeffler Group and its stakeholders both place great importance on ensuring that the company continues to work in a more energy and cost efficient manner, improving its carbon footprint. To fulfill these expectations, Schaeffler pursues three strategic energy goals in its energy policy: increasing our own energy efficiency, optimizing energy costs, and ensuring a secure energy supply.

UNGC 8  SDG 7, 11, 12, 13 | GRI G4-EN31



Top Our employees make sure to switch off machines when they're not in use. This also increases the company's energy efficiency.

“We look at production-related energy efficiency across the entire life cycle of the machines and equipment by taking into account all relevant areas such as purchasing, production technology, and maintenance.”

THOMAS RETZER, DIRECTOR CORPORATE CONSTRUCTION,
ENERGY MANAGEMENT & MAINTENANCE

The Schaeffler Group has been introducing an energy management policy that fulfills DIN EN Standard ISO 50001 step by step since 2013. Operational energy goals have been defined successively at all Schaeffler Group locations over time, and energy-related processes have been optimized to achieve these goals. The number of manufacturing locations certified under ISO 50001 increased from 48 to 55 in 2016.

Energy and Emission Data Controlling

The goal of energy management is to continuously evaluate and improve processes based on energy data recorded across the group. Schaeffler maintains a standardized global energy data management system (EDMS) to record this data. The system is used to monitor consumption data, detect potential areas of savings, and review measures that have been implemented to ensure they are effective. In addition, forecasts and energy audits can be prepared on either a location or regional level.

Low-Emission Production and Self-Sufficient Energy Supply

One important field of work within the Schaeffler Group's energy management is improving the energy efficiency of our production and logistics processes. Efficient technologies for self-supply with electric and thermal energy play a role in this area, e.g. through using modern cogeneration units with combined heat, power, and cooling. Two of three planned

heating power stations were constructed at the Herzogenaurach location in 2016. Besides the heat and power (CPH) unit, the station also includes absorption chillers and buffer storage for the heat or cool air produced. In the Herzogenaurach plant alone, the equipment provides 41 % of the power, 77 % of the heat, and 60 % of the cooling requirements. By the end of 2018, all of Herzogenaurach's heating needs will be secured through CPH units.

Employee Responsibility for Energy Efficiency

Employees of the Schaeffler Group play a key role in improving the company's energy and CO₂ footprints. Employees are sensitized to the topic of energy efficiency by the energy officer through targeted programs and incentives on the topic. The message: Everyone can make their own personal contribution to saving energy. We also use a sticker stating "You can turn me off at the end of your work day" to signal our employees directly at their workplaces that machines that aren't in use should be switched off, for instance at the end of their shifts. We also started an innovative re-launch of our energy saving poster campaign in 2016. Employees and interns refer to it in regards to their own behavior handling the topic of energy in the workplace. Every statement ends with the slogan: "It's my plan(e)t, too".

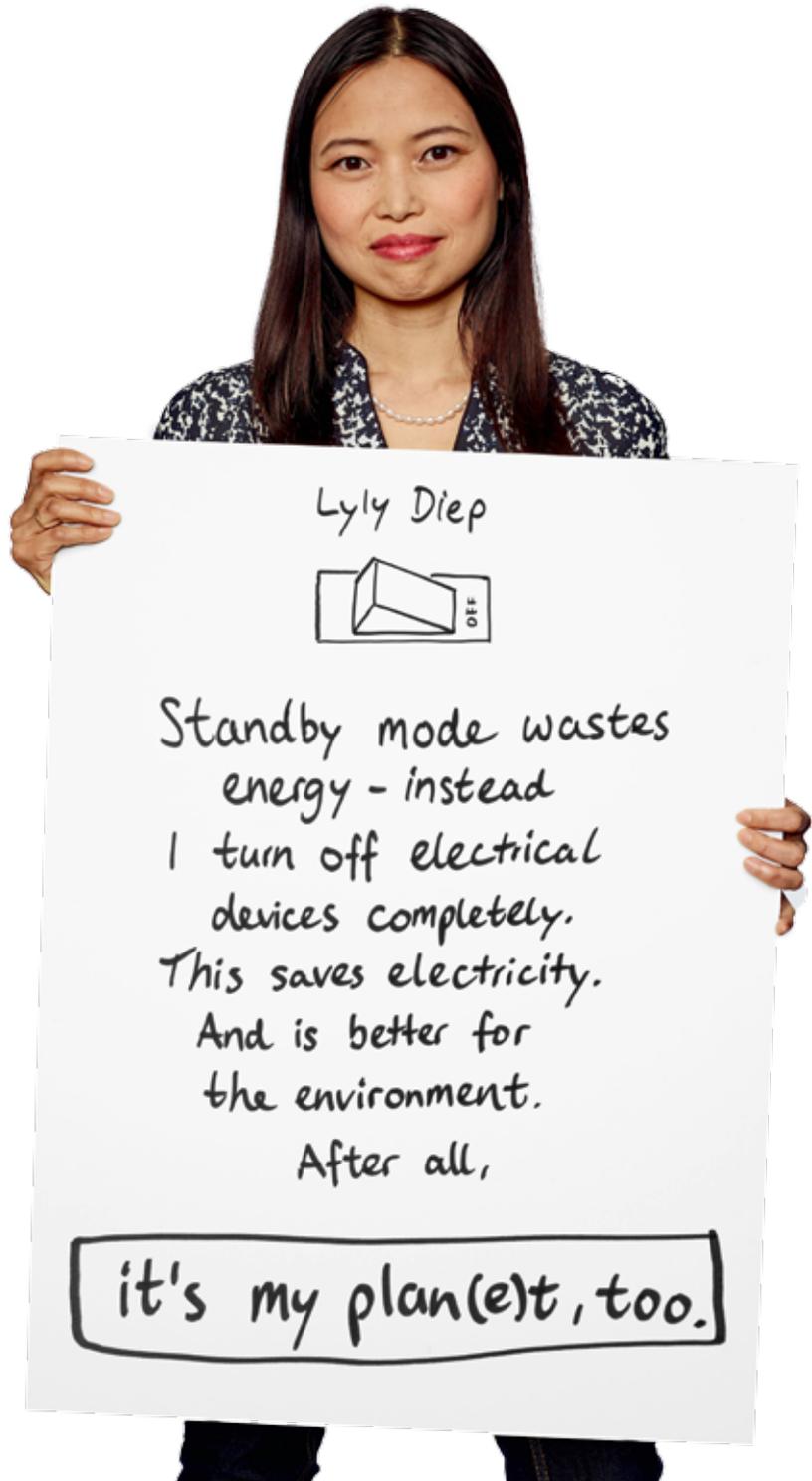
The "ideenreich" (imaginative) platform is another way the Schaeffler Group encourages employees to share potential areas of energy savings in their area of responsibility. We are already introducing our interns – the specialists of the future – to the issue of energy efficiency with our supplementary energy scout training, which was expanded throughout all of Germany in 2016.

Right With the poster campaign "It's my plan(e)t, too", Schaeffler is encouraging its employees to consider energy efficiency in their everyday work.

Schaeffler Group Energy Consumption and Emissions

Key Indicator	2016	2015
Groupwide energy consumption, in GWh ¹	3,100	3,009
Direct greenhouse gas emissions from own energy production (scope 1) in t CO ₂ e	153,892	176,378
Indirect greenhouse gas emissions caused by purchased energy (scope 2) in t CO ₂ e	1,080,221	1,160,800
Greenhouse gas emissions in relation to value creation (t CO ₂ e/EUR millions)	279	331

¹ Conversion factor: 10 kWh per liter fuel oil.



Material and Resource Management

The Schaeffler Group wants to offer its automotive and industrial customers products and solutions with the best possible material and resource management. To do so, we analyze and utilize potential along our entire value chain, use lightweight materials like aluminum, magnesium, or carbon fibers, and reduce material loss through new manufacturing technologies and closed recycling circuits.

UNGC 7  SDG 9, 12 | GRI G4-EN31

By reworking and then reusing components, the Schaeffler Group also offers users of its products measurable economic and ecological advantages.

Pathways to More Efficient Manufacturing

At the Schaeffler Group, we have made it our goal to achieve better integration of all relevant areas into the value chain. Modularization and Industry 4.0 will play a key role here, as will energy efficiency. The new Schaeffler concept “Factory for Tomorrow” illustrates solutions such as constructing factories with a modular design or optimizing the factory life cycle. The goal is to increase the ability of equipment to adapt to changing requirements and to improve cross-functional communication. This should allow all direct and indirect areas of production to continue fulfilling their own approach to operational excellence into the future.

Even when purchasing new equipment and machines, the Schaeffler Group considers their efficiency throughout their service lives. To do so, it analyzes not only investment costs but also the operating costs that will be incurred over the many years of use. The company developed a comprehensive life cycle costing (LCC) process for this purpose as part of a model project, and it is testing out in multiple technological fields.

All relevant cost factors are assessed, from the energy supply to repair and maintenance work as well as operating and auxiliary materials. Then they are presented in a data sheet to ensure transparency. This allows purchasing to estimate total costs when selecting suppliers and manufacturing technologies and decide on the most economical and resource-saving solution.

Investments at our Chinese location in Taicang show how large the potential savings can be. Through solutions to evaporate process water and reclaim and reuse oil from grinding sludge, a total amount of around EUR 2 m is saved here per year.

We were also able to significantly lower life cycle costs through cleaning process water and returning it to the cycle. We previously had high water consumption, for instance, in electroplating, an electrolytic process for coating surfaces with metallic materials. This process results in large quantities of ionized rinsing water contaminated with metallic pollutants that has to be disposed of through a complex process. In Germany alone, we have now constructed ten systems we use to clean the rinsing water using ion exchangers and return it to the operating process as high quality fresh water. The process has reduced the amount of wastewater produced by our electroplating facility in Herzogenaurach by 360 m³ per day.

90.1 %

is the percentage of waste recycled by Schaeffler Germany.

Potential Efficiency Gains through Refurbishing

Product	Reduction of CO ₂ emissions	Reduced water consumption	Reduced energy consumption
Wheelset bearings for rail cars	95 %	97 %	95 %
Roller bearings for aircraft engines (minor repairs needed)	81 %	73 %	79 %
Roller bearings for aircraft engines (major repairs needed)	57 %	55 %	55 %
Passenger car clutches	76 %	81 %	72 %

We are also working intensively to improve material efficiency. One significant way we contribute to this improvement is by switching series production over from subtractive processes (grinding, milling, etc.) to additive processes, such as building up components layer by layer using 3D printer technology. This is significantly reducing or even eliminating scrap such as flakes or grinding particles.

New Life for Vehicle Clutches, Rolling Bearings, and Engine Bearings

Several exemplary life cycle assessments on vehicle clutches and roller bearings for aircraft engines and railway vehicles provided important information on product optimizations in the life cycle of our products. The studies prepared for the period 2014 to 2016 confirm that refurbishing and reusing reclaimed bearings offers an enormous potential for savings: doing so allows us to avoid up to 95 % of the CO₂ emissions and energy use in comparison to producing new parts. In addition, refurbishing bearings requires up to 2,000 l less water per bearing. Refurbishing bearings furthermore provides major economic advantages, especially since the products offer the same quality as new Schaeffler original components after cleaning, professional inspection (e.g. crack testing with magnetic fields) and any required reworking.

Schaeffler has many years of experience in refurbishing bearings. Refurbishing large-size bearings offers major cost advantages in

industrial sectors, which is why it has been part of our spectrum of services for quite some time. We have also been refurbishing used vehicle clutches at our Unna location since 1976. In general, refurbishing roller bearings for aircraft engines offers many benefits. Schaeffler Aerospace in Schweinfurt, Germany, has been offering this service to its international customers for over 20 years, and started to do so at its Asia/Pacific site, which handles bearing refurbishment, in November 2015.

Less Waste and Resource Consumption through Longer Product Service Lives

Besides refurbishing, solutions to extend the service lives of components are also implemented to improve material and resource efficiency. Key starting points for doing so include weight and vibration reduction as well as regular maintenance cycles. We have also combined several means of product life cycle extension to help us meet our “X-Life” quality standard.

We measure important operating parameters of the bearing using the “Bearinx” software we developed, using these to derive information on its condition. The “Caba 3D” simulation provides illustrations of complex dynamic processes within bearings, then uses these to analyze the material stresses they experience. In addition, we use a variety of programs for preventative or condition-based maintenance and repair in order to ensure consistently high availability for components.

775.01 m³

water was consumed by the Schaeffler Group in 2016 per EUR millions of value created.



IN FOCUS

Bearing Refurbishment for Alstom

0.063 t

waste was produced by the Schaeffler Group per EUR millions of value created.

In 2015, Schaeffler exchanged thousands of full-complement cylindrical roller bearings for railway vehicle manufacturer Alstom as part of our maintenance for 56 high-speed Pendolino trains. The bearings were disassembled, cleaned, and subjected to 100 % visual inspection. All components were reviewed for signs of wear and damage like material fatigue, cracks, corrosion, or impressions caused by particles rolling over them. The interior and exterior diameters of the bearings were also checked to ensure dimensional tolerance. Then all units were re-installed, sealed, greased, packed, and sent to the Alstom warehouse. Through this process, we were able to save 280 t CO₂e, 1,008 MWh electricity, and 3,699 m³ water in comparison to using new parts.

Logistics

Incoming and outgoing freight transports, Schaeffler Group employees' commute and business trips all produce emissions and result in significant environmental impacts. To reduce these impacts, the Schaeffler Group is continuously improving the efficiency of our international transportation network and focusing more and more on electric vehicles for employee mobility.

 SDG 9, 11, 12, 13 | GRI G4-EN33

We combine our logistics processes in a few large logistics centers and improve utilization of our transportation routes by bundling freight transport, optimizing our route planning, and making round trips. This helps us avoid unnecessary runs and the emissions associated with them.

New nationwide consolidation hubs in our European-wide distribution network play a key role in this focus. The European Distribution Center (EDC) North in the Swedish city of Arlandastad was put into operation in 2015. We then began operations at EDC South on May 19th 2016 in the Italian town of Carisio. It has approx. 17,000 m² of warehouse space with 3,600 storage spaces for pallets and 45,000 compartments in the automatic small parts warehouse, supplying products to all customers in the industrial sector in southeast and southern Europe. We also deliver replacement parts to the automotive sector across Italy from this location.

This new type of warehouse allows us to realize synergies, improve our delivery capability, and increase customer satisfaction. At the same time, we are increasing the energy efficiency of warehouse logistics through modern equipment, automatic lighting controls, gate insulation, and other advancements. This means the modern EDCs offer significant advantages over our previous distribution structure. That's why the Schaeffler Group is forging ahead with consolidation: In the Franconian town of Kitzingen, we broke ground for a Central EDC on October 6th 2016. It is slated for completion by 2018.



Seamless Communication of Transportation Data

Schaeffler UK Ltd. has been using a new kind of “Transport Order Management System” (TOMS) in the model project “Seamless Supply Information Integration” since 2015. Using TOMS, we are able to securely bundle transportation orders of Schaeffler subsidiaries in their global supply network, then seamlessly transfer these to the parties involved and bill them automatically. The project was honored with the “eLogistics award 2016” by the AKJ Automotive working group, a network of experts in logistics and production in the automotive industry. The system is slated for expansion to additional factories in Europe in the future.

Changing to the Rails Between Europe and China

Freight transportation across long distances can significantly increase the environmental and

Top Overall project manager Christian Hertrich, employee in Electric Maintenance Technology and Thilo Grau, employee in Electric Operating Material Maintenance at Schaeffler, inspect the functionality of the linear actuator on a stacker crane in the modernized high-bay shelving system in Herzogenaurach.



IN FOCUS

70 % Power Savings by Modernizing the Drive Technology of Retrieval Machines in the High-Bay Shelving System

We converted the storage and retrieval machines in the high-bay shelving system at the Herzogenaurach location through October 2016. We installed new devices for recapturing braking energy, for instance when bringing loads downward or braking the retrieval machines. The electric motor acts as a generator, similar to the electric drive in a hybrid vehicle which produces electrical energy during braking. Besides technical performance improvements to the system, we were also able to achieve significant savings of approx. 70 % of our energy costs.

CO₂ footprints of products, as well as their life cycle costs. This is why the Schaeffler Group is working to switch over from air and ocean freight to railway transportation as an environmentally-friendly alternative. We have been utilizing railway connections, for instance between Europe and China, for this purpose since 2016. In comparison to air cargo, we are able to realize theoretical savings of up to 900 g CO₂ per ton kilometer.

On the Way to CO₂-Neutral Business Travel

The Schaeffler Group wants its employees to come along on the journey we've begun towards "Mobility for tomorrow", and we've adopted a comprehensive project to do just that. It involves establishing a charging infrastructure for electric cars at our German locations, among other measures. We have prepared a separate standard for this purpose that regulates issues like fire protection, labeling, location selection, or power

supply and ensures compatibility between the charging point and the vehicle.

A total of five locations had charging stations operated using green power in December of 2016. Powerful quick-charging stations were constructed in both in Bühl and Hirschaid. Our employees use the stations to charge electric vehicles from our own vehicle fleet. The number of plug-in capable vehicles in the Schaeffler fleet grew to 18 across Germany by the end of 2016. In addition, we also make the charging infrastructure available to other internal users and business partners.

The Schaeffler Group also included plug-in hybrids in its company vehicle guidelines for Germany in 2016. Since that time, employees have been able to order and use plug-in hybrids as company cars. The first employees have already taken advantage of this offer.

900 g

CO₂ potential savings per ton kilometer between Europe and China



Employees and Society

Shaping the future together.

Satisfied and motivated employees secure the future of the Schaeffler Group and contribute to a stable and high-performing society. We want to meet our employees' needs with a forward-thinking human resources strategy. At the same time, as a global technology company we have both the opportunity and the duty to actively participate in shaping the social environment in many countries and supporting dialog between cultures. This is why, worldwide, we work in "Education and Science", "Health and Social Issues" as well as "Sports and Culture" in many different ways.

In the electronics apprentice workshop in Herzogenaurach, **Sina Rogner** is working with her trainer **Andreas Bürger** to learn how to wire the distributor block for a mechatronically controlled system.



Top In the apprentice workshop, our trainees learn all the important tasks, like how to troubleshoot mechatronic systems.

Employees and Society

Globalization, digitalization, and demographic shifts are changing the fundamental nature of how we work and live. In light of these developments, one of the central tasks of Human Resources (HR) is to create attractive, permanent employment options and to ensure we are able to win over qualified employees for our company and give them the opportunity to develop on both personal and professional levels. In addition, we must make framework conditions and working methods more flexible if we are to adapt to the expectations of younger generations.

In 2016, we reassessed our strategic approach to human resources work and created an

HR Roadmap with a set of initiatives tailored to work in concert. The three key issues of digitalization, demography, and diversity are central elements of the HR Roadmap and major drivers of the innovative force the HR area has on all elements of our HR strategy. → AR p.25

True to our guiding principle of “In the region – for the region”, Schaeffler supports a variety of initiatives and cooperations worldwide that go beyond our core business, working to overcome social challenges. These initiatives focus on the three core areas of “Education and Science”, “Health and Social Issues”, and “Sports and Culture”.

86,662

employees worldwide

Employer Attractiveness

Through our human resources strategies, we are pursuing the central goal of making employment at the Schaeffler Group attractive both now and in the future – for new and talented young employees as well as our long-term staff.

UNGC 6  SDG 5, 8 | GRI G4-10



According to the trendence Graduate Barometer, the company was one of the 30 most attractive employers for young engineers in Germany in 2016. A similar performance can be seen on an international level: In China, Schaeffler was named “Top Employer China 2016” by the “Top Employers Institute”, and received the award “Best Employer of the Year” from Chinese career site “Zhaopin.com” for the fifth time in a row.

Positioning as a Strong Employer Brand

In the competition for the best new talents, we are employing specific measures to attract young professionals. We use our cooperations with universities around the world to find these talented young people, working with student representatives and student groups. We served as the main sponsor for “Formula Student Deutschland” in 2016 for the third year in a row, a racing series in which teams of students must design a race car themselves, then race against one another in a worldwide competition. We maintain close contacts with the international teams and support students in preparing for the competition, as well as through their internships, thesis work, and in beginning their careers at Schaeffler. → AR p. 33

We also use the Schaeffler Top Student Program to maintain contact with students who showed unique commitment and above-average performance during their internships at the Schaeffler Group, in order to encourage them to begin a career with our company later on.

“Our employees are a key driving force behind our business success – there is a good reason employer attractiveness is a cornerstone of our ‘Mobility for tomorrow’ strategy.”

ANDREAS POSSEL, HEAD OF HR STRATEGY

Employer Branding 4.0

Schaeffler is on the path towards digital transformation. This opens up new business fields for our company while creating new professional areas. Hundreds of new positions will be filled at Schaeffler in these areas by 2020. We initiated a specialized communication campaign in 2016 to meet the expectations of young digital professionals and get them excited about our company. The campaign addresses issues ranging from the optimized use of social media to the development of excellence networks and events. In addition, we are optimizing our application system step by step to ensure it can be navigated easily from a mobile device.

Diversity@Schaeffler

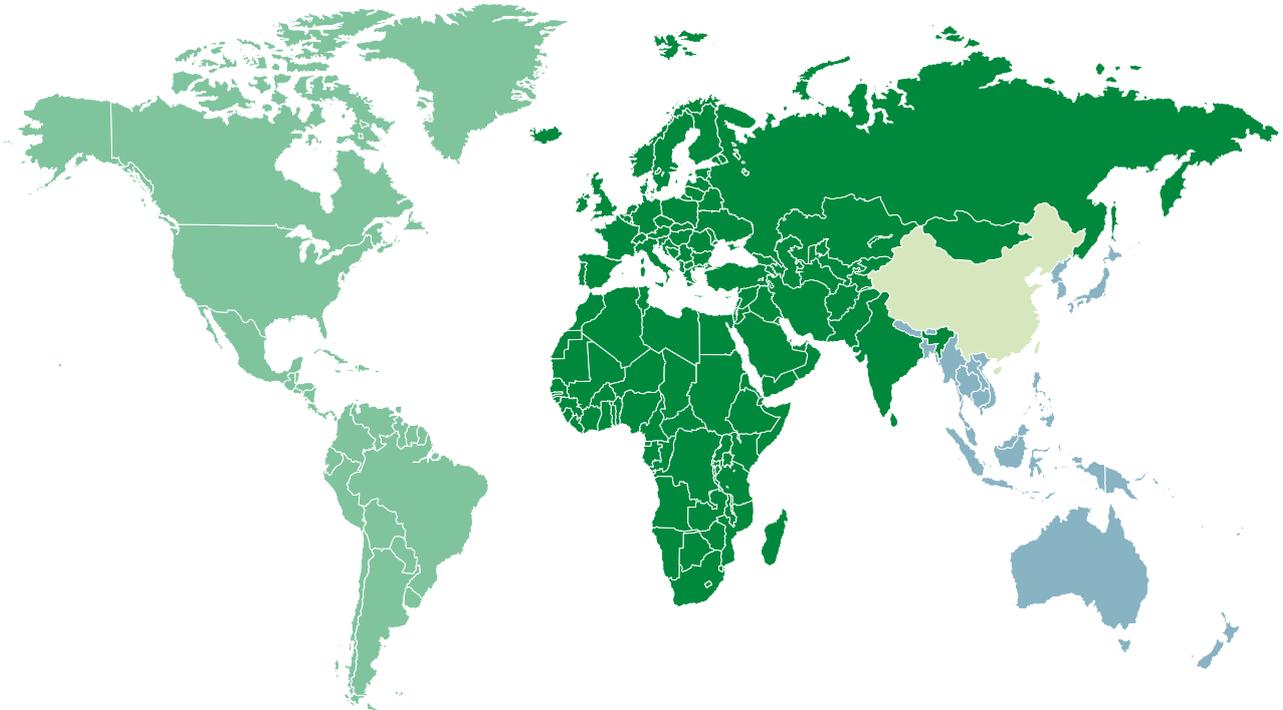
In an era of globalization and demographic changes, having a diverse workforce is a key factor in corporate success. The Schaeffler Group signed the “Charta der Vielfalt”

(diversity charter) back in 2008, obligating our company to actively support diversity and equal opportunity independent of an employee’s ethnic origin, gender, age, sexual orientation, disability status, or religion. This commitment is a fixed part of our Code of Conduct and a core component of our integrated diversity strategy. In addition, our Executive Board has stipulated that the company increase its percentage of female employees in leadership positions to 5 % and 12 % on the second management level by June 30th, 2017. Our goal is to further increase diversity in our company through structural and communicative measures.

These include getting girls and young women excited about starting careers in technical fields as early as primary school through targeted MINT area projects. In 2016, Schaeffler worked with the “Hochschule für angewandte Wissenschaften Würzburg-Schweinfurt” (University of Applied Sciences) to put on around 50 workshops for girls in the 8th to 12th grades.



Regional Employee Structure



Top The diversity and mobility of our employees all over the world is a key factor in Schaeffler’s success.

Americas

Number of employees
12,480
Percentage of female employees
26 %
Percentage of female managers
16 %
Number of dis-patched specialists
90

Europe

Number of employees
60,127
Percentage of female employees
19 %
Percentage of female managers
8 %
Number of dis-patched specialists
161

Greater China

Number of employees
11,255
Percentage of female employees
29 %
Percentage of female managers
23 %
Number of dis-patched specialists
84

Asia/Pacific

Number of employees
2,800
Percentage of female employees
13 %
Percentage of female managers
14 %
Number of dis-patched specialists
73

5,5 %

is the proportion of disabled employees in Germany.

The workshops were part of the university’s discovery day program for the natural sciences and technical fields, with the goal of introducing female participants to the world of technology through both theoretical and hands-on learning. Schaeffler opens its doors in Austria and Hungary each year on Girls’ Day, offering girls interested in technology a glimpse into the everyday reality of the workplace and professions they might one day choose to pursue. Furthermore, Schaeffler UK and the Greenwood Academy hosted a “STEM Challenge Day” in spring of 2016, which allowed 70 8-year-old girls

interested in technology to try out their future engineering skills and construct models of electric cars and wind turbines.

Schaeffler also wants to help give refugees an opportunity to integrate into our society, and supports the work of many volunteer organizations in the cities where we’re located primarily through financial donations. Furthermore, we started a training program for refugees at our Bühl location in 2016. This program offers six refugees the chance to complete a three-month internship and qualify for a training position.

Employee Advancement and Personnel Development

A global workforce of first-class employees provides the Schaeffler Group with a sharp competitive edge. That's why we implement extensive qualification measures, fostering the individual skills of our employees through targeted programs and laying the groundwork for long-term success.

UNGC 6  SDG 4, 8 | GRI G4-LA11

We place a high value on ensuring that employees at all levels and areas within the company can develop both personally and professionally. The Schaeffler Academy plays a key role. It offers employees at many locations worldwide attractive continued training opportunities, for instance through E-learning units. [→ AR p. 28](#) Furthermore, it is important to us that our managers work not only towards the good of the business, but towards the good of society as well. As part of our "International Management Program" (IMP) management development plan, participants are encouraged to support a social project or charitable organization of their choice alongside colleagues from other countries. [→ AR p. 33](#) The program facilitates around EUR 13,000 investment in social activities annually.

Personnel Development Process

All talent management efforts of the Schaeffler Group are based on the 70:20:10 model of learning. It is based on 70 % on-the-job experience, 20 % exchange with others, and 10 % on-site and off-site training. Over the past two years, we have placed a high priority on developing our talent management with an eye towards ongoing demographic changes. A global, uniform, and structured talent management process gives

our employees first-class opportunities for development and helps us identify workers with good potential and secure key positions for them early on. In 2016, we successfully advanced the global implementation of our talent management process using a software program developed in-house. By 2018, we will ensure a systematic plan of promotion for all our employees through a worldwide roll-out. [→ AR p. 26](#)

Dual Training in the German Model

To ensure the long-term success of our company, most Schaeffler Group production locations in each country train their own employees. The company encourages them to use the German dual training system. There are currently training centers working on a German model in China, Mexico, and Eastern Europe. Secondary school graduates have the opportunity of completing a dual Bachelor's program at our company, then continuing to build their qualifications through a Master's program while they work. Furthermore, we offer successful college graduates attractive training and early career opportunities through a trainee program. The Schaeffler Group is training a total of almost 3,000 young people at 49 locations in 15 countries, 1,500 of whom are interns, dual studies students, and trainees in Germany. [→ AR p.28](#)



2,966

trainees worldwide [→ AR p.28](#)

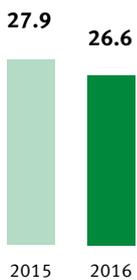


IN FOCUS

Team Leader Concept Creates New Management Level in Production

By the end of 2017, Schaeffler will be introducing a team leader concept for production worldwide that is unique in the industry. The job of a team leader is to manage and support their team as an active part of the production process, and to discover weaknesses in and potentials for improving production processes. This new leadership level allows us to use our employees' knowledge and creativity even more effectively, while increasing employee satisfaction through new opportunities for empowerment and new career perspectives. The leadership concept has already been introduced successfully in the Greater China region. After successful introduction at all our production locations worldwide, regional HR teams will be issued guidelines to continue the team leader concept.

Top With the global implementation of the team leader concept, Schaeffler has created a new level of leadership in production that improves employee career options and operational processes.



Costs for personnel development, in EUR millions

Training of the Future

The digital shift of production and the service industry will change today's occupational profiles. Cross-disciplinary skills like networking, interdisciplinary collaboration, or being open to change will be even more in demand on all levels of qualification. To meet these changing requirements in our training work, Schaeffler has initiated the project "Training of

the Future". It encompasses the following work packages:

- trainers qualified in multiple fields,
- new directions in media technology and adjustment of requirements for applicant selection and in assessment and personnel development systems,
- expansion of interdisciplinary, cross-position training content.

Health Management

Health care and maintaining the performance and capabilities of our employees in the long term are important tasks for which both, the company and its employees, are equally responsible.

UNGC 6  SDG 8 | GRI G4-LA8, G4-LA10

Demographic change means that the average age of the workforce is steadily increasing, mainly at the Schaeffler Group's German sites. To avoid any disadvantages for the company that could result from this shift and to fulfill our employees' needs, we are implementing sustainable and forward-thinking health and occupational safety policies. In addition, we support our employees and their families by offering social counseling, for instance on how to handle physical or mental illnesses or how to re-enter the workforce after a long sickness.

Systematic Occupational and Health Safety

To protect and promote the health of our employees, we continuously review and improve working conditions and ensure adherence to occupational safety regulations. This is a central and fundamental personnel policy in the Schaeffler Group, and is also reflected in our policies related to environmental protection, occupational medicine, and occupational safety. We use a comprehensive EnEHS management system (Energy, Environment, Health, and Safety) to consistently implement these policies. It has already been enacted at almost all of our production locations worldwide, and is certified in accordance with the international OHSAS 18001 standard. [→ Environment and Energy, p. 48](#)

Our goal is to offer our own employees and those of our contractors consistently safe and employee-friendly workplaces across the group. Based on our vision of "zero occupational accidents at Schaeffler", we depend on these employees taking personal responsibility, and

encourage this responsibility through providing regular information, training, and education on occupational safety issues. In addition, step by step we are evaluating all workplaces in accordance with ergonomic standards. The results will be reflected in an ergo-map, so that we can prioritize and plan workplace optimizations and avoid improper stresses in the workplace. 22 plants in Germany, Slovakia, Romania, and Switzerland implemented an ergo-map at the end of 2016 and began with workplace optimizations. In the long-term, we plan for each Schaeffler plant to establish this type of ergo-map and commission at least one employee to focus on ergonomic issues.

Workplace Health Management

Workplace health management at Schaeffler is a key element of our human resources strategy. We are continuously expanding health management even as we make it more systematic and implement workplace health management measures across the group. These measures are based on the framework guidelines of the Luxembourg Declaration on Workplace Health in the European Union. Our goal is to create a company characterized by healthy employees and by ergonomic and safe workplaces. We will achieve this through comprehensive measures and actions that encourage both employees' physical and mental health. We base our work on a pattern of analysis > strategy > implementation > evaluation to shape our workplace health management activities systematically and sustainably. We provide the "workplace health management wizard" to local personnel managers at our locations to support them in implementing measures. The wizard provides relevant information and tools they need. [→ AR p. 29](#)

69

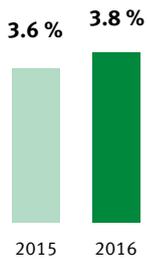
locations with OHSAS
18001 certification



Targeted Services Encourage Good Health

We further expanded our “Boxenstopp” (pit stop) health program during the reporting period. The program is intended to target the main causes of absenteeism. Through our campaign “15 Minuten für Ihre Gesundheit” (15 minutes for your health), we are helping our employees at a growing number of locations learn about their own health and physical condition in a doctor’s check-up. They can also learn about any medical treatments they might need or how to change their lifestyles. In 2016, we expanded this service to additional locations. We have now reached 80 % of our employees in Germany. → AR p. 32

LuK India also held a special health week in April of 2016. Over 200 employees used the opportunity to get a medical check-up. In addition, the company held campaign days focused on the issues of diabetes, women’s health, and cardiac health. The movement campaign “Fitmachen und Gewinnen” (get fit and win) was held at our locations in Schweinfurt, Eltmann, and Elfershausen once again in 2016. We use these campaigns to motivate employees at these locations to play sports regularly. The new program “Lust auf Bewegung” (feeling like exercising), which got started in our locations in Herzogenaurach, Eltmann, and Höchstadt during the reporting period, also helps promote a physically active lifestyle. We are planning to expand the campaign to more locations based on the positive response of 163 participants.



Absenteeism due to illness



IN FOCUS

Pit Stop for the Back

Especially as our workforce continues to age, back pain is one of the most frequent and most costly reasons for absenteeism on the job. In response to ongoing demographic changes, we have initiated an important concept for preventing back pain through our “Boxenstopp” program “Rücken aktiv” (active back). Employees can get a check-up in our “Rückenmobil” (back mobile) and complete a computer-supported back fitness program. The exercises focus on targeted strength training for deep back muscles. Just 15 minutes of training each week can help reduce back pain significantly. This and other programs to promote back health will be used in all German production locations in coming years.

Right Working in a home office provides greater flexibility and allows many employees to achieve a better work-life-balance.

Work-Life-Balance

Employees' work and private lives must be compatible to ensure sustainable long-term societal development.

UNGC 6  SDG 8

The younger generation, in particular, expects their employers to move towards more flexible working hours and to start programs in support of work-life balance. We fulfill these expectations by expanding our employee and family-friendly solutions. The satisfaction and motivation of our employees is a key factor in the success of Schaeffler.

Flexible Working Models for Our Employees

We have established a goal for our human resources strategy to develop more flexible models of work and to improve the conditions of the mobile workplace. In doing so, we are responding to the needs and requests of Schaeffler employees, actively utilizing the opportunities offered by our modern working world. We already offer various working hour schedules such as part-time labor, partial retirement, or shift work arrangements for couples where both partners work in production. We also introduced two models for employees to work in their home offices in the second quarter of 2016: the short-term "sporadic home office" model and the long-term "regular home office" model. If the employee has a suitable work station in his or her own home, and if it is possible to organize

their work appropriately, employees are able to perform up to 40 % of their monthly work hours in their own home office.

We place a high value on family-friendly personnel policies, and have anchored this commitment as a fixed part of our new Code of Conduct. We offer preschool slots for our employees' children at multiple locations across Germany. There are also parent-child offices at both our locations in Steinhagen and Herzogenaurach. In addition, we support our employees in caring for their children during the holidays with special programs like the summer children project, which our company co-finances. Kids can take advantage of a variety of games and craft opportunities under the guidance of qualified instructors, or go on excursions.

Company Sports Create Balance and Connect People

Sports encourage both physical and mental health, making a key contribution to the performance and capabilities of our employees. That is why we encourage our employees to play sports through company sporting events. The annual Schaeffler ski championship has taken place in Zillertal since 1988, and is a draw for

336

employees on parental leave in Germany, 2016





Left If parents are unable to find childcare on short notice, they can bring their children with them to the parent-child office.

numerous winter sports enthusiasts at international Schaeffler locations. There are also a variety of hobby teams at Schaeffler locations, such as the Bühl location's beach volleyball team or the Steinhagen and Herzogenaurach soccer teams, which played against one another this spring in their first friendly match. We are convinced that offering employees the opportunity to get together outside of their everyday work will make a major contribution to creating a positive work climate.

6.6 %

proportion of part time employees 2016

Payment and Pensions

Fair compensation with a transparent structure and attractive, needs-based pension concepts are basic implementations employees expect from their employer.

UNGC 6  SDG 8

The Schaeffler Group values the establishment of long-term collaborations that are based on trust. That's why we try to fulfill the expectations of our employees through competitive compensation, attractive benefits, and comprehensive pension plans.

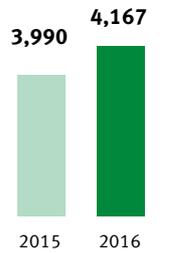
We pay our employees wages that are in line with the market and individually adjusted to the employee's duties, success, experience, and performance. This is a fundamental human resources policy principle within our company. Pay also includes bonuses for success or performance based on agreed targets. Employees of the Schaeffler Group also look forward to social benefits matched with current and future needs.

Trust through Transparency, Comparability, and Safeguarding the Future

With the working world becoming ever more international, we believe it is important to create clarity regarding how different positions are valued using a transparent assessment process. That is why we introduced the "Schaeffler Global Job Grading System" to provide a uniform global basis for evaluating different positions. We are using this system to create the groundwork for a common, positive understanding of the value of work within our company.

It seems clear that public pension payments in the future will not be sufficient to meet most employees' needs. Therefore, employers need to expect significant gaps in benefits as employees near retirement age. To prevent this,





Personnel costs, in EUR millions

we offer our employees appealing employer and employee-financed pension plans. With our newly introduced pension plan portal, we support them in selecting their personal retirement plan and ensuring they make the right decision. The pension plan portal uses personal accounts with secure access to provide an overview of available benefits, helping employees estimate possible gaps in coverage. The portal also uses current data and variable simulation parameters to show what kind of income the employee can expect to receive under each pension plan model – without, of course, disclosing sensitive personal information.



The Works Council

The Schaeffler Group “Gesamt- und Konzernbetriebsrat” (GKBR – Overall and Group Works Council) handles employee representation for our 26 German locations and 12 Schaeffler Technologies locations as well. In accordance with its legal mandate, it primarily focuses on environmental protection, health management and occupational safety and the issues of work station design, working time, and compensation, representing employee interests in company decisions. It also provides employees a comprehensive range of advising services, supporting the “Gesamt- und Konzernschwerbehindertenvertretung” (GKSBBV – Overall and Group Handicapped Employee Committee) members in issues related to handicaps and integration at work.

Furthermore, the Schaeffler Group has a “Gesamt-/ Konzernjugend- und auszubildendenvertretung” (youth and intern representation) specially focused on the concerns of younger employees and interns. We have also had a “Europäischer Betriebsrat” (European works council) since 2007. The council represents employees working in the European Union by informing them and by holding hearings.

In 2016, the Works Council represented employee interests in expanding the program to restructure the industrial division (CORE). Furthermore, it participated in developing and regulating a large number of measures related to dual Master’s programs, 360° feedback on continuously optimizing management quality, occupational medical care and examinations, and operational integration management.

Corporate Citizenship

As an international technological leader with a large number of locations worldwide, we believe our responsibilities go beyond our core business to encompass work for the greater good in the three areas of “Education and Science”, “Health and Social Issues”, and “Sports and Culture”.

 SDG 4, 5, 17 | GRI G4-15



A groupwide sponsorship guideline ensures that funds provided by the company are used in a targeted manner, serving to add value to our enterprise. We give preference to supporting organizations and projects near our branch locations and factories. Any payments to individual persons, or to organizations and initiatives that do not work towards the common good are excluded, as are payments intended to generate profits or those that do not conform to the Schaeffler Code of Conduct.

“We continue to expand our corporate citizenship in all regions. At the same time, we are supporting our employees to become active in this area.”

CHRISTOPH BEUMELBURG, SENIOR VICE PRESIDENT
COMMUNICATIONS AND MARKETING



IN FOCUS

Peak Performance Incentive for Young Engineers: Formula Student

Top Formula Student Germany: Corinna Schittenhelm, Chief Human Resources Officer, in the race car built by the “Hochschule für angewandte Wissenschaften Würzburg-Schweinfurt” (College of Applied Sciences Würzburg-Schweinfurt).

The Schaeffler Group has been supporting a variety of teams and events through financial donations, products, and technological knowledge under the Formula Student program for over ten years. In the international construction competition, student teams get the chance to design a race car and measure their skills against one another in competitions taking place around the world. The goal is to achieve a total package of innovation, profitability, efficiency, and driving ability. We served as the primary sponsor for Formula Student Germany for the eleventh time in 2016, inviting around 60 students from teams we sponsored to the Schaeffler Motorsports Academy in Herzogenaurach so they could be well prepared for the event. This commitment pays off: two of the universities we sponsored took first and second place in the category of combustion engines. The team from the Karlsruher Institut für Technologie (KIT - Karlsruhe Institute of Technology), which we also supported, took the overall victory in the electric category.

1.03 m

EUR in grants has been distributed by the Schaeffler FAG foundation since 1983.

Education and Science

Education, training, and scientific research are key factors for success in the Schaeffler Group's business model. That is why we have been supporting young engineers around the world for over ten years through our Formula Student program, helping them turn their abilities into practical success. The Schaeffler FAG Foundation, established in 1983, is a major player in the Schaeffler Group's involvement in education

and science. The purpose of the foundation is to support science, research, and teaching in scientific and technical fields related to bearing technology. The foundation sees itself as a bridge between science and the economy that brings together peoples' visions and goals in research, teaching, and private enterprise.

The foundation handed out its second “Honorary Award” in May of 2016, represented by Mr. Georg F. W. Schaeffler and Klaus Widmaier, Chair of

the Foundation Board. The foundation's prize, endowed at a maximum of EUR 25,000, honors long-standing excellence, performance, and skill in research and teaching in scientific and technical fields. The prize was awarded to the "Institut für Produktentwicklung" (IPEK – Institute for Product Development) at the KIT. Schaeffler's long-time research and development partner was honored specifically for its innovative technical overall performance.

In addition, the Schaeffler FAG foundation distributed its annual "Innovation Award" on April 19th 2016 for outstanding dissertations and Masters' theses directly related to Schaeffler's business activities. The four prize-winners shared the prize money, a total of EUR 23,000. Eight schools from the Mainfranken region were also honored with the "Innovation Award for Schools" in March of 2016, receiving grants totaling EUR 8,000 for their instructional projects in MINT fields.

In 2015, Schaeffler joined the initiative "Wissensfabrik – Unternehmen für Deutschland" (knowledge factory – companies for Germany) as a supporting member. The "Wissensfabrik" supports education and entrepreneurship in Germany, acting as a mediator between the economy, educational institutions, and science, the objective being to nurture innovative ideas to breakthrough maturity.

Health and Social Issues

Charitable projects are another pillar in Schaeffler's social commitment. We believe it is our duty as a responsible company to have a positive influence on our world. In India, large portions of the population are not able to afford professional medical care. That's why FAG Bearings India initiated a mobile health center as part of its HOPE initiative. It provides free access to medical care, early detection and treatment services, and family planning aid to around 88,000 people from 51 villages near its location in Vadodara. The company also fulfills the requirements of the Indian Companies Act of 2013 by maintaining a Social Responsibility

Committee. FAG Bearings India was honored with the "True Impact Award" in February of 2016 for its outstanding social commitment to the region. → AR p. 33

Furthermore, the Automotive Aftermarket division also decided not to send any gifts or Christmas cards to its business partners in 2016, but to instead donate EUR 15,000 to the charitable organization "Back to Life" in Bad Homburg. The donation makes a key contribution to cover the costs of building a school in the Nepalese community of Gamtha, which will educate 225 students.

Our employees don't just make a key contribution to our corporate success, they also contribute to the greater good through their volunteer work at many locations. The initiative of one committed employee at Schaeffler Korea grew into the "Evergreen" CSR program at that location in 2013. Over 200 employees and 40 students have invested more than 19,000 hours in social projects since that time. In Brazil, 65 employees have been able to qualify as instructors through the Formare Schaeffler School. These employees prepare young people near our Brazilian location for professional careers at Schaeffler through independently designed instructional units. In China, we founded the "Schaeffler Hope School" for children from rural areas in the Sichuan Province in response to the devastating earthquake in 2008. Many employees also volunteer in programs for children in this region.

Right To celebrate Earth Day 2016, employees at our Chinese location in Taicang planted trees.



Right Bringing enjoyment to disadvantaged children, like at this sports festival for around 1,700 children and their families, is a core part of Schaeffler Korea's "Evergreen" CSR program.



IN FOCUS

Schaeffler Celebrates Earth Day 2016 Around the Globe

Earth Day has been held annually in over 175 countries since 1970. The goal is to encourage appreciation for the environment and inspire attendees to question their own consumer behaviors. In 2016, our employees once again took part in a variety of actions to celebrate the day: Employees planted trees in China and in the USA; they worked with school children in Herzogenaurach to collect garbage and put on a creative competition on the issue; our employees in Hungary established an internal competition to create the “greenest” office, and in Sweden employees used the day to optimize garbage separation in the office kitchenette.

Sports and Culture

Sporting and cultural activities help teach values and mobilize forces for positive social development. Promoting these kinds of activities is a natural part of our work at the Schaeffler Group. We have a long tradition in the area of motorsports, matching up with the portfolio of products we offer. Our technologies have always been involved in successful competitions – from the German Touring Car Championships (DTM) to the electric car racing series Formula E, the World Endurance Championship (WEC), or the 24 Hours of Le Mans race.

Besides sporting events, we support the areas of music and culture. We are careful not to interfere with the artistic freedom of the artists we sponsor. This commitment is highly important to our company, once again offering us the opportunity to generate added value for the society apart from our core business.

Since 2012, the Schaeffler Música cultural festival has been taking place each year in the Brazilian city of Sorocaba, exciting the local

population with various forms of classical music. The Schaeffler Group has also supported the Mozart Festival in Würzburg for many years. In early summer, the festival concerts staged in Würzburg Residence and at many other exclusive locations annually create a unique combination of music, arts, and architecture for around 25,000 attendees.

An Employee Day was held at the Herzogenaurach location in September 2016 to celebrate Schaeffler's 70th company anniversary. The event was attended by around 30,000 employees and their families. Attendees could donate their unused food and drink tokens to benefit the "Hilfe für Anja e. V." (help for Anja) organization as they left the event. The association holds donor matching drives (including at German Schaeffler locations) to find bone marrow donors for leukemia patients. The Schaeffler family personally topped up the EUR 3,636 collected during the donation campaign, making it a total of EUR 10,000.

Below The Employee Day was meant above all as a thank you to our staff for the hard work they do every day. Where normally the big machines hum, our volunteers carefully explained production processes in the Herzogenaurach plant to attentive family members.





IN FOCUS

Formula E: A New Chapter in Motorsports

Top Schaeffler is a pioneer of Formula E, working as an exclusive technology partner to develop the drive train for the “ABT Schaeffler FE02” race car.

Schaeffler started a new motorsports chapter in 2014 by joining the first electric racing series in the world, Formula E. The series offers the perfect stage to meet the challenges posed by the mobility of tomorrow. The goal of the race is to represent a vision for the future of the automotive industry, to encourage research and development surrounding electric vehicles, and to continue increasing interest in these vehicles. After a successful first year, Schaeffler employed its own technologies in the battle for the title during the following season. Schaeffler also served as the exclusive technology partner of the “Team ABT Schaeffler Audi Sport” in the third and current season (2016/2017) to provide the complete electric powertrain for the high-tech fireball “ABT Schaeffler FE02”. Before the season even started, Lucas di Grassi, our team’s successful driver, set a spectacular example for climate protection. Sponsored by Schaeffler, he drove a pure electronic Formula E show car over the Arctic ice to gain attention for the effects of climate change and to highlight the importance of electric cars in making a major contribution to reducing the production of climate-damaging CO₂ emissions.

Key Figures on Sustainability

Key figures that are important for measuring the sustainability performance of the Schaeffler Group are presented below. Financial, environmental, employee, and society-related data are presented. The reference period includes the business years 2015 and 2016 respectively.

Key figure	Unit	2016	2015	Percentage change
Sustainable Management				
Revenue	EUR millions	13,338	13,179	1.2
Revenue Europe	Percent	53.1	53.3	-0.4
Revenue Americas	Percent	21	22	-4.5
Revenue Greater China	Percent	15.4	14.4	6.9
Revenue Asia/Pacific	Percent	10.5	10.3	1.9
Revenue Automotive	EUR millions	10,333	9,977	3.6
Revenue Industrial	EUR millions	3,005	3,202	-6.2
Net income ¹	EUR millions	859	591	45.3
Shareholders' equity ²	EUR millions	1,997	1,568	27.4
Net financial debt	EUR millions	2,636	4,889	-46.1
Schaeffler Value Added	EUR millions	771	657	17.4
Purchasing volume	EUR millions	8,382	7,787	7.6
Purchasing volume Europe	Percent	63.4	65.8	-3.6
Purchasing volume Americas	Percent	17.7	17.9	-1.1
Purchasing volume Greater China	Percent	11.5	9.4	22.3
Purchasing volume Asia/Pacific	Percent	7.4	6.9	7.2
Potential suppliers reviewed for sustainability aspects based on a potentials analyses	Number	114	106	7.5
Number of employees trained in presence trainings and workshops on the topic of compliance	Number	9,988	3,190	213.1
Customers and Products				
Research and development (R&D) expenses	EUR millions	751	673	11.6
R&D ratio	Percent	5.6	5.1	9.8
Number of R&D centers	Number	17	17	0.0
Average number of R&D staff	Number	7,121	6,650	7.1
Internal inventions reported	Number	2,950	2,643	11.6
Patent registrations	Number	2,316	2,334	-0.8
Degree of congruence of production sites with quality management systems ³	Percent	100	100	0.0
Awards for customer satisfaction/product quality	Number	50	25	100.0
Environment and Energy				
Number of locations with EMAS validation	Number	63	53	18.9
Number of locations with ISO 14001 certification	Number	69	69	0.0
Number of locations with ISO 50001 certification	Number	55	48	14.6
Total energy consumption ⁴	GWh	3,100	3,009	3.0
Electricity consumption	GWh	2,274	2,214	2.7

Key figure	Unit	2016	2015	Percentage change
Natural gas consumption	GWh	746	713	4.6
Fuel oil consumption	l	985,690	876,305	12.5
Propane/LPG consumption	t	3,489	3,532	-1.2
Methanol consumption	t	15,298	13,169	16.2
District heating consumption	MWh	69,268	73,731	-6.1
Intensity of energy consumption	GWh/EUR ⁵	0.51	0.53	-3.8
Greenhouse gas emissions	t CO ₂ e	1,234,230	1,337,203	-7.7
Direct greenhouse gas emissions (Scope 1)	tCO ₂ e	153,892	176,378	-12.7
Indirect greenhouse gas emissions (Scope 2)	tCO ₂ e	1,080,221	1,160,800	-6.9
Intensity of greenhouse gas emissions	t/EUR ⁵	279	331	-15.7
Nitrous oxides (NO _x)	t	88.9	87.9	1.1
Sulfur dioxide (SO ₂)	t	4.8	3.3	45.5
Fine particles	kg	182	154	18.2
Water consumption	m ³	3,424,948	3,126,080	9.6
Intensity of water consumption	m ³ /EUR ⁵	775.01	753.16	2.9
Amount of waste, Germany	t	292,964	294,174	-0.4
Scrap and metals, Germany	t	240,424	237,353	1.3
Waste for recycling, Germany ⁶	t	47,815	50,964	-6.2
Waste for disposal, Germany	t	4,725	5,857	-19.3
Intensity of waste generation, Germany	t/EUR ⁵	0.063	0.073	-13.7
Reuse quota (recycling/recovery/total waste), Germany ⁶	Percent	90.1	88.5	1.8
Employees and Society				
Employees, worldwide ⁷	Number	86,662	84,198	2.9
Fluctuation quota	Percent	3.6	3.3	9.1
Average age	Years	39.8	39.7	0.3
Average tenure	Years	11.2	11.1	0.9
Number of trainees	Number	2,966	2,897	2.4
Proportion of female employees – worldwide	Percent	21.4	21.0	1.9
Proportion of female managers – worldwide ⁸	Percent	11.8	11.4	3.5
Costs for personnel development	EUR millions	26.6	27.9	-4.7
Average days of advanced training ⁹	Days	2.0	2.5	-20.0
Part-time ratio ¹⁰	Percent	6.6	7.5	-12.0
Accident frequency	AccR ¹¹	8.35	8.45	-1.2
Absenteeism due to illness ¹²	Percent	3.8	3.6	5.6
Number of men/women on parental leave, Germany	Number	336	347	-3.2
Locations with OHSAS 18001 certification	Number	69	69	0.0
Proportion of disabled employees ¹³	Percent	5.5	5.3	3.8
Personnel expense	EUR millions	4,167	3,990	4.4
Wages and salaries	EUR millions	3,388	3,253	4.2
Social security contributions	EUR millions	665	621	7.1
Other personnel expense	EUR millions	114	116	-1.7

1 Attributable to shareholders of the parent company.
2 Including non-controlling interests.
3 Those with serial customer deliveries acc. to the group manual.
4 Conversion factor for calorific value of heating oil: 10 kWh per liter.

5 Per EUR millions value added.
6 Excluding scrap and metals.
7 Deadline 31 Dec. of respective year.
8 Managers are defined as employees in a supervisory function.
9 Per year/employee, Schaeffler Germany.
10 Schaeffler AG.

11 AccR = Accidents with work absences per 1 million hours work.
12 Number of sick days as a percentage of scheduled working days.
13 Schaeffler Group Germany, without subcontract workers.

GRI Content Index

Sustainability reporting at the Schaeffler Group is based on the G4 guidelines of the Global Reporting Initiative (GRI) and complies with the option “in agreement – core”. The GRI Content Index is a central element of the report. It lists the GRI system indicators we use and at what points in the texts this information is to be found in the Sustainability Report 2016 or in the Schaeffler Annual Report 2016. The Sustainability Report has received the GRI “Materiality Disclosure Service”, i.e. it was checked for appropriate presentation of the information on indicators G4-17 to G4-27 listed in the GRI Content Index. The Schaeffler Group gears its sustainability activities towards the ten principles of the UN Global Compact in the areas of human rights, occupational standards, environmental protection, and anticorruption measures. In the GRI Content Index we show which of the GRI indicators we respond to also cover one of more of the UN Global Compact principles.



General Standard Disclosures Overview

Indicator	Disclosure description	Reference/explanation	UNGC principle
Strategy and analysis			
G4-1	Statements from the most senior decision-makers	SR p. 5, 7	
G4-2	Key impacts, opportunities, and risks related to sustainability	SR p. 23	
Organizational profile			
G4-3	Name of the organization	SR p. C1	
G4-4	Primary brands, products, and services	SR p. C1; AR p. 1	
G4-5	Location of organizational headquarters	AR p. 1	
G4-6	Countries with business activity focus	AR p. 1, 16	
G4-7	Nature of ownership and legal form	AR p. 1	
G4-8	Key markets	AR p. 1, 4	
G4-9	Size of the organization	AR p. 1	
G4-10	Employees by employment contract, gender, and region	SR p. 61-63, 78-79	6
G4-11	Percentage of employees covered by collective bargaining agreements	Key figure is not being tracked.	3
G4-12	Description of supply chain	SR p. 29; AR p. 13 ff.	
G4-13	Significant changes during the reporting period	AR p. i4 f.	
G4-14	Implementation of precautionary principle	SR p. 49-50	
G4-15	Support of external initiatives	SR p. 13-14, 72-77	
G4-16	Memberships in associations and advocacy organizations	A list of relevant memberships is available under www.schaeffler.com/sustainability/sustainable-management .	
Identified material aspects and boundaries			
G4-17	List of consolidated entities	AR p. 119, 157 f.	
G4-18	Process for defining the report content	SR p. 86	
G4-19	List of material aspects	SR p. 13	
G4-20	Material aspects within the organization	SR p. 13	
G4-21	Material aspects outside the organization	SR p. 13	
G4-22	Restatements of information provided in previous reports	The Sustainability Report 2016 is a first-time report.	
G4-23	Significant changes in the scope and aspect boundaries	The Sustainability Report 2016 is a first-time report.	

Indicator	Disclosure description	Reference/explanation	UNGC principle
Stakeholder engagement			
G4-24	Stakeholder groups engaged by the organization	SR p. 13	
G4-25	Identification and selection of stakeholders	SR p. 13	
G4-26	Approach to stakeholder dialog and frequency of engagement	SR p. 13	
G4-27	Key stakeholder topics and concerns and organization's response	SR p. 13	
Report profile			
G4-28	Reporting period	SR p. 86	
G4-29	Date of most recent previous report	The Sustainability Report 2016 is a first-time report.	
G4-30	Reporting cycle	SR p. 86	
G4-31	Contact point for questions regarding the report	SR p. 86	
G4-32	'In accordance' option and chosen index	SR p. 86	
G4-33	External report assurance	SR p. 86	
Corporate governance			
G4-34	Governance structure, including highest governing body	AR p. 100 ff.	
G4-35	Process for delegating authority for economic, environmental, and social topics	SR p. 10-12	
G4-36	Positions with responsibility for economic, environmental, and social topics	SR p. 10-12	
G4-37	Positions with responsibility for economic, environmental, and social topics	SR p. 10-12	
G4-38	Composition of the highest governing body and its committees	AR p. 100	
G4-39	Independence of the Chair of the highest governing body	AR p. 76	
G4-40	Nomination and selection processes for the highest governing body	AR p. 77	
G4-41	Processes to ensure conflicts of interest are avoided	AR p. 78	
G4-42	The highest governing body's roles in the organization's strategy and mission statements	SR p. 10-12; AR p. 74 ff.	
G4-43	Measures taken with regard to the highest governing body's knowledge regarding sustainability	SR p. 10-12	
G4-44	Evaluation of the highest governing body's performance with respect to sustainability	AR p. 88 ff.	
G4-45	The highest governing body's roles in the identification and management of sustainability risks and opportunities	SR p. 10-12	
G4-46	The highest governing body's roles in reviewing the effectiveness of the organization's risk management	AR p. 61 ff.	
G4-47	Frequency of the highest governing body's review of sustainability risks and opportunities	SR p. 10-12	
G4-48	Highest committee that formally approves the organization's sustainability report	SR p. 10-12	
G4-49	Process for communicating critical concerns to the highest governing body	AR p. 84 ff.	
G4-50	Critical concerns communicated to the highest governing body	AR p. 81 ff.	
G4-51	Remuneration policies for the highest governing body and senior executives	AR p. 88 ff.	
G4-52	Process for determining remuneration	AR p. 88 ff.	
Ethics and integrity			
G4-56	Values, principles, standards, and norms of behavior	SR p. 10-12, 26-28; AR p. 29	10
G4-57	Mechanisms for seeking advice on ethical and lawful behavior	AR p. 85 ff.	10
G4-58	Mechanisms for reporting concerns about unethical or unlawful behavior	AR p. 85 ff.	10

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* The review procedure of individual cases is currently still ongoing, the results of which must be taken into account to answer this question. A premature presentation of the information might result in falsifying or misleading statements.

Specific Standard Disclosures Overview

Indicator	Disclosure description	Reference/explanation	UNGC principle
Category: Economic			
Economic performance			
G4-DMA		SR p. 23	
G4-EC1	Economic value generated and distributed	SR p. 78-79	
G4-EC2	Financial implications, risks, and opportunities due to climate change	SR p. 23; AR p. 31, 64 ff.	7
G4-EC3	Obligations resulting from performance-oriented pension plan	AR p. 54, 67	
Market presence			
G4-DMA		SR p. C1, 23	
G4-EC5	Gap between standard entry level wage and local minimum wage	*	6
G4-EC6	Proportion of senior managers hired from the local community	*	6
Procurement practices			
G4-DMA		SR p. 29	
G4-EC9	Proportion of spending on local suppliers	SR p. 29, 78-79	
Category: Environmental			
Materials			
G4-DMA		SR p. 53-55	
G4-EN1	Materials used by weight or volume	SR p. 78-79	7, 8
G4-EN2	Percentage of materials used that are recycled input materials	SR p. 78-79	8
Energy			
G4-DMA		SR p. 53-55	
G4-EN3	Energy consumption within the organization	SR p. 78-79	7, 8
G4-EN6	Reduction of energy consumption	SR p. 78-79	8, 9
G4-EN7	Production of energy requirements for products and services	SR p. 78-79	8, 9
Water			
G4-DMA		SR p. 53-55	
G4-EN8	Total water withdrawal by source	SR p. 78-79	7, 8
Emissions			
G4-DMA		SR p. 53-54	
G4-EN15	Direct greenhouse gas emissions (Scope 1)	SR p. 78-79	7, 8
G4-EN16	Indirect, energy-related greenhouse gas emissions (Scope 2)	SR p. 78-79	7, 8
G4-EN18	Intensity of greenhouse gas emissions	SR p. 78-79	8
G4-EN19	Reduction of greenhouse gas emissions	SR p. 78-79	8, 9
G4-EN21	NO _x , SO _x , and other significant emissions into the air	SR p. 78-79	7, 8
Effluents and waste			
G4-DMA		SR p. 53-55	
G4-EN22	Total water discharge by quality and destination	SR p. 78-79	8
G4-EN23	Total weight of waste by type and disposal method	SR p. 78-79	8
Products and services			
G4-DMA		SR p. 36-37, 53-55	
G4-EN27	Mitigation of environmental impacts of products and services	SR p. 35-37	7, 8, 9

Indicator	Disclosure description	Reference/explanation	UNGC principle
Compliance			
G4-DMA		SR p. 49-51	
G4-EN29	Fines and sanctions for non-compliance with environmental laws and regulations	*	8
Overall			
G4-DMA		SR p. 49-55	
G4-EN31	Total environmental protection expenditures and investments	SR p. 49-50, 51-52, 53-55	7, 8, 9
Supplier environmental assessment			
G4-DMA		SR p. 29, 48-55, 56-57	
G4-EN32	Percentage of new suppliers screened using environmental criteria	SR p. 78-79	8
G4-EN33	Significant environmental impacts in the supply chain	SR p. 29, 56-57	8
Environmental grievance mechanisms			
G4-DMA		SR p. 49-50	
G4-EN34	Number of formal grievances regarding environmental impacts	No cases known.	8
Category: Social			
Labor practices and decent work			
G4-DMA		SR p. 27, 61-63	
G4-LA1	Total number of new employee hires and employee turnover	SR p. 78-79	6
Labor/management relations			
G4-DMA		SR p. 71	
G4-LA4	Minimum notice periods regarding major operational changes	AR p. 25 ff.	3
Occupational health and safety			
G4-DMA		SR p. 66-67	
G4-LA6	Injuries, occupational diseases, lost days, and work-related fatalities	SR p. 78-79	
G4-LA8	Health and safety topics covered in formal agreements with trade unions	SR p. 66-67	
Training and education			
G4-DMA		SR p. 64-65	
G4-LA9	Average hours of training and education	SR p. 78-79; AR p. 28	6
G4-LA10	Programs that support the continued maintenance of job-related skills	SR p. 66-67; AR p. 29	
G4-LA11	Percentage of employees receiving regular performance and career development reviews	SR p. 64-65; AR p. 25 ff.	6
Supplier assessment for labor practices			
G4-DMA		SR p. 29	
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	SR p. 78-79; AR p. 30	
Labor practices grievance mechanisms			
G4-DMA		SR p. 29	
G4-LA16	Number of formal grievances regarding effects on labor practices	No cases known.	

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Indicator	Disclosure description	Reference/explanation	UNGC principle
Human rights			
Investments			
G4-DMA		SR p. 26-28	
G4-HR1	Significant investment agreements and contracts that include human rights clauses or underwent human rights screening	SR p. 26-28	2
Non-discrimination			
G4-DMA		SR p. 61-63	
G4-HR3	Total number of incidents of discrimination and corrective actions taken	No cases known.	6
Freedom of association and collective bargaining			
G4-DMA		SR p. 26-28, 71	
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	SR p. 26-28, 29-31	3
Child labor			
G4-DMA		SR p. 26-28, 29-31	
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken	SR p. 26-28, 29-31	5
Forced or compulsory labor			
G4-DMA		SR p. 26-28, 29-31	
G4-HR6	Operations and suppliers identified as having significant risk for forced or compulsory labor, and measures taken	SR p. 26-28, 29-31	4
Assessment			
G4-DMA		SR p. 26-28, 29-31	
G4-HR9	Total number of operations that have been subject to human rights review or impact assessments	SR p. 26-28, 29-31	1
Supplier human rights assessment			
G4-DMA		SR p. 26-28, 29-31	
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	SR p. 26-28, 29-31	2
Human rights grievance mechanisms			
G4-DMA		SR p. 26-28	
G4-HR12	Number of formal grievances regarding human rights violations	No cases known.	1
Society			
Local communities			
G4-DMA		SR p. 72-77	
G4-SO1	Percentage of operations which implemented local community engagement, impact assessments, and development programs	No investigation currently ongoing.	1
Anti-corruption			
G4-DMA		SR p. 26-28; AR p. 85 ff.	
G4-SO3	Percentage of operations assessed for risks related to corruption and the risks identified	AR p. 85 ff.	10
G4-SO4	Communication and training on anti-corruption policies and procedures	SR p. 26-28; AR p. 85 ff.	10
Anti-competitive behavior			
G4-DMA		SR p. 26-28, AR p. 85 ff.	
G4-SO7	Total number of legal actions for behavior in violation of anti-competition laws, anti-trust, and monopoly practices	AR p. 41, 66	

Indicator	Disclosure description	Reference/explanation	UNGC principle
Compliance			
G4-DMA		SR p. 26-28, AR p. 85 ff.	
G4-SO8	Significant fines and sanctions for non-compliance with laws and regulations	AR p. 41, 66	
Supplier assessment for impacts on society			
G4-DMA		SR p. 29-31	
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	No investigation currently ongoing.	
Product responsibility			
Customer health and safety			
G4-DMA		SR p. 40-41	
G4-PR1	Percentage of significant product and service categories for which health and safety impacts have been assessed for improvement	SR p. 40-41	
Product and service labeling			
G4-DMA		SR p. 40-41, 44-45	
G4-PR3	Principles and procedures for product and service labeling, and percentage of significant categories subject to such information requirements	SR p. 40-41	
Marketing communications			
G4-DMA		SR p. 42-43	
G4-PR6	Sale of banned or disputed products	No cases known.	
Customer privacy			
G4-DMA		SR p. 28	
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy	No cases known.	
Compliance			
G4-DMA		SR p. 26-28; AR p. 85 ff.	
G4-PR9	Significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No cases known.	

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Report Profile

GRI G4-18, G4-28, G4-30, G4-31, G4-32, G4-33

Under the title “Responsibility for tomorrow”, the Schaeffler Group, with the Sustainability Report 2016, is providing for the first time a comprehensive report on its performance, ambitions, and objectives in terms of responsible corporate activity. The report scheme follows the four main fields of action “Sustainable Management”, “Customers and Products”, “Environment and Energy”, and “Employees and Society” and reflects the materiality principle, on which the further development of Schaeffler’s sustainability performance is also based. → Stakeholder Dialog, Material Topics, and Materiality Matrix, p. 13 The report covers financial and non-financial key figures used to measure the sustainability performances of Schaeffler. Some references are made to further information in other publications such as the Annual Report 2016 of the Schaeffler Group. The report was formulated in keeping with the G4 guidelines for sustainability reporting of the Global Reporting Initiative (GRI). It thus complies with the GRI option “in accordance – core”. The GRI also carried out a “Materiality Disclosures Service”, confirming that the general standard indicators G4-17 to G4-27 are properly displayed in the report.

The information in the Sustainability Report refers to the entire Schaeffler Group with its business sectors. The reporting period corresponds to the business year from 1 January to 31 December. The report was written up by order of the Executive Board of the Schaeffler Group. The Board reviewed and released the report content. The information on economic matters in the Sustainability Report 2016 are based on the Schaeffler Group information from Annual Report 2016. The information contained therein was reviewed by the accounting firm KPMG AG.

This document contains forward-looking statements that reflect management’s current views with respect to future events. Such statements are subject to risks and uncertainties that are beyond Schaeffler’s ability to control or estimate precisely, such as future market and economic conditions, the behavior of other market participants, the ability to successfully integrate acquired businesses and achieve anticipated synergies, and the actions of government regulators. If any of these or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. Schaeffler does not intend or assume any obligation to update any forward-looking statements to reflect events or circumstances after the date of this report.

The Sustainability Report of the Schaeffler Group is available in German and English; in case of deviations, the German version is considered binding. The Sustainability Report is to be published annually in the future. Questions and comments regarding responsible management of the Schaeffler Group can be addressed to the Corporate Sustainability Officer via e-mail address sustainability@schaeffler.com.

The Annual Report 2016 contains financial key figures on the business year 2016 of the Schaeffler Group as well as information on business development, business fields, and portfolio changes. The brochure “Schaeffler 2016 – At a Glance” provides exhaustive information on the Schaeffler Group.

Editorial notice:

In addition to “Schaeffler Group” the corresponding plural pronoun or the short form “Schaeffler” are also used. Deviations of individual pieces of information from this report framework are cited accordingly.

Contact Information /Imprint

Publisher:

Schaeffler AG
Industriestraße 1-3
91074 Herzogenaurach
Tel.: +49 9132 82-0 (Head Office)
Fax: +49 9132 82-49 50
www.schaeffler.com

Project lead:

Pia Theresa Hoffmann
Corporate Sustainability Officer
Schaeffler AG, Herzogenaurach
e-mail: sustainability@schaeffler.com

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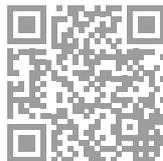
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The Sustainability Report of the Schaeffler Group is printed for neutral climate impact on the natural paper types Circle Silk Premium White (cover) and Circle Offset Premium White (interior text stock). These natural paper types bear the seal of the global certification organization Forest Stewardship Council (FSC)[®]. This seal documents compliance with stringent criteria for responsible forest management (avoidance of uncontrolled forest clearing, no human rights violations, no environmental pollution) and compliance with a catalog of criteria for further processing of the wood, including a traceable product chain (Chain of Custody).

Schaeffler AG

Industriestr. 1-3
91074 Herzogenaurach
Germany

www.schaeffler.com

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