

# Corporate governance

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<sup>7</sup> Included in the management report.

# 1. Corporate governance report and corporate governance declaration

Corporate governance stands for responsible management focused on adding long-term value. Efficient cooperation between the Board of Managing Directors and the Supervisory Board as well as openness and transparency are key aspects of the Schaeffler Group's corporate governance that strengthen the confidence of shareholders, business partners, and employees in the company's management and supervision.

## 1.1 Corporate governance principles

It is very important to the Schaeffler Group to combine economic success with acting responsibly toward the environment, people, and society. Sustainable management and good corporate citizenship have been essential elements of the Schaeffler Group's long-standing corporate culture and represent the foundation of long-term profitable growth. At the core of this growth strategy are highest quality, outstanding technology, and strong innovative ability, in doing business with customers as well as in the group's internal processes. Being an innovation and technology leader with extensive expertise, the Schaeffler Group's products and solutions help make the mobility of tomorrow eco-friendly and energy-efficient. Managing the company with integrity, complying with legal regulations, and good corporate citizenship are integral components of Schaeffler's long-standing corporate culture. The Schaeffler Group's manner of conducting business is based on compliance with the law, fairness, mutual respect, and integrity. Under its comprehensive Code of Conduct applicable worldwide, the Schaeffler Group is committed to a culture of sustainability and views that as a prerequisite for the company's long-term success. The Code of Conduct defines principles of acting with integrity and in compliance with the law. These principles apply equally to everyone – the Board of Managing Directors, management, and every single employee – and also represent a promise to the shareholders and other stakeholders of the company. The Schaeffler Group's Code of Conduct was fundamentally revised in 2015.

With two exceptions, the Board of Managing Directors and the Supervisory Board comply with the German Corporate Governance Code in conducting their affairs: The Code recommends for the presentation of the remuneration of the Board of Managing Directors the use of template charts, which also provide for the presentation of comparative figures for the preceding year. As Schaeffler AG only has been converted into a stock corporation in October 2014 and the group management has only been transferred to the company at this point in time the remuneration report 2015 deviates from this recommendation. In addition, the Supervisory Board has not set an age limit for the members of the Supervisory Board, because it is of the opinion that this criterion is not informative with respect to the suitability of a person to perform as a member of the Supervisory Board.

## 1.2 Mode of operation of the Board of Managing Directors and the Supervisory Board and membership and mode of operation of their committees

Schaeffler AG's governance structure follows the two-tier model set out in the German Stock Corporations Act. The Board of Managing Directors has direct responsibility for managing the company. The members of the Board of Managing Directors are jointly responsible for managing the company. The Chief Executive Officer coordinates the work of the members of the Board of Managing Directors. The Supervisory Board appoints, supervises, and advises the Board of Managing Directors and is involved in decisions that are fundamental to the company. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board.

### Board of Managing Directors

The Schaeffler Group is managed by the Board of Managing Directors of Schaeffler AG. Based on the organizational structure, the Board of Managing Directors consists of the Group CEO and the CEOs of the divisions and functions. The Board of Managing Directors is directly responsible for managing the company, setting objectives and strategic direction, and managing the implementation of the company's strategy, taking into account the interests of shareholders, employees, and other stakeholders of the company in order to add long-term value. The Schaeffler Group's business is managed using a three-dimensional matrix consisting of the divisions, the functions, and the regions. The Regional CEOs report directly to the CEO. Together, the Board of Managing Directors and the Regional CEOs represent the Schaeffler Group's Executive Board.

The members of the Board of Managing Directors run the business in accordance with the law, the company's articles of association, and the internal rules of procedure, taking into account the obligation to obtain approval set out in the Supervisory Board's internal rules of procedure. The members of the Board of Managing Directors ensure that the company has appropriate risk management and risk controlling systems in place and complies with the recommendations and suggestions of the German Corporate Governance Code in their actions.

Under the internal rules of procedure, specific management responsibilities are assigned to each member of the Board of Managing Directors. Their responsibility for jointly managing the company remains unaffected. Each member of the Board of Managing Directors is directly responsible for his or her assigned area of responsibility, taking into account the joint responsibility of the Board of Managing Directors.

## Supervisory Board

The Supervisory Board is responsible for advising and monitoring the Board of Managing Directors in managing the company. The Board of Managing Directors has to involve the Supervisory Board in any decisions that are fundamental to the company. The Supervisory Board appoints the members of the Board of Managing Directors and sets their remuneration (details of remuneration: see remuneration report). Under a resolution passed by the Supervisory Board on September 30, 2015 the Board of Managing Directors has to have at least one female member. Additionally, the Supervisory Board keeps diversity in mind when making appointments to the Board of Managing Directors, particularly with respect to giving appropriate consideration to women. Together, the Supervisory Board and the Board of Managing Directors ensure that long-term succession planning is performed for the Board of Managing Directors. Members may serve on the Board of Managing Directors until their 68<sup>th</sup> birthday. The Supervisory Board fulfills its responsibilities in accordance with the requirements of the law, the company's articles of association, and the internal rules of procedure. The internal rules of procedure of the Supervisory Board govern the Board's organization and activities. In addition, the internal rules of procedure set out which legal transactions and measures taken by the Board of Managing Directors require approval by the Supervisory Board. The Supervisory Board has decided to perform an efficiency audit of the Supervisory Board's activities in 2016; the manner in which this efficiency audit is to be performed has not yet been determined.

The Supervisory Board consists of twenty members. Ten of these members are appointed by the annual general meeting, and ten members are elected by the employees in accordance with the requirements of the German Co-Determination Act. Members should have the knowledge, skills, and technical experience required to properly perform their duties and be able devote sufficient time to these duties. Members of the Supervisory Board should not serve on the governing body of or in a consulting capacity to significant competitors of the Schaeffler Group. Taking into account the company's specific situation, the Supervisory Board has set the following concrete targets for its composition:

- The Supervisory Board aims to maintain the current proportion of members with an international background.
- Under the assumption that all employee representatives on the Supervisory Board can be considered independent, the Supervisory Board aims to have a minimum of 15 independent members (as defined in the German Corporate Governance Code).
- Members of the Supervisory Board should not normally serve on the Board for more than three terms of office.

The Supervisory Board has not set an age limit for its members, because it is of the opinion that this criterion is not informative with respect to the suitability of a person to perform as a member of the Supervisory Board.

The Supervisory Board also aims to ensure diversity among its members and avoid conflicts of interest.

The Supervisory Board holds a minimum of two meetings during each of the first and second six months of the calendar year to discuss current issues and pass any resolutions required. Additional meetings are held when and if the interests of the company require.

Under its internal rules of procedure, the Supervisory Board establishes a total of four committees. The mediation committee established in accordance with sections 27 (3) and 31 (3) of the German Co-Determination Act is responsible for proposing to the Supervisory Board a candidate for appointment to the Board of Managing Directors if the two-thirds majority required for

an appointment was not obtained initially. The committee members are Maria-Elisabeth Schaeffler-Thumann as well as Georg F. W. Schaeffler, Norbert Lenhard, and Jürgen Wechsler; Georg F. W. Schaeffler chairs the committee.

The nomination committee proposes to the Supervisory Board appropriate candidates for election to the Supervisory Board by the annual general meeting. The members of the nomination committee are the Chairman of the Supervisory Board, Georg F. W. Schaeffler, as well as Maria-Elisabeth Schaeffler-Thumann, Dr. Holger Engelmann, and Prof. Dr. Bernd Gottschalk, with Georg F. W. Schaeffler chairing the committee.

The executive committee consists of Maria-Elisabeth Schaeffler-Thumann as well as Georg F. W. Schaeffler, Norbert Lenhard, Jürgen Wechsler, Prof. KR Ing. Siegfried Wolf, and Barbara Resch; Georg F. W. Schaeffler is the committee's chairman. The executive committee advises and assists the Chairman of the Supervisory Board and his Deputy in their Supervisory Board responsibilities. It prepares the meetings of the Supervisory Board.

Another significant responsibility of the executive committee is preparing personnel decisions to be made by the Supervisory Board. It makes recommendations regarding new appointments or reappointments to and dismissals from the Board of Managing Directors. It also prepares the Supervisory Board's decision regarding the remuneration system and individual remuneration of the members of the Board of Managing Directors.

In addition, the executive committee passes resolutions regarding the approval of certain legal transactions and measures specified in the Supervisory Board's internal rules of procedure on behalf of the Supervisory Board to the extent such delegation is not prohibited by section 107 (3) (3) German Stock Corporations Act.

The audit committee is responsible for preparing the Supervisory Board's decision on adoption of the separate financial statements and approval of the consolidated financial statements. To this end, it is responsible for the preliminary review of the separate and consolidated financial statements, the management report and the group management report, the proposals for the appropriation of earnings, and for discussing the long-form audit report with the auditors. It is also responsible for the preliminary review of the report on relations with affiliated companies and for preparing the Supervisory Board's nomination of the auditors to be appointed by the annual general meeting.

The audit committee has the responsibility and authority to engage the auditors on behalf of the Supervisory Board, determine areas of focus for the audit, and agree the audit fees with the auditors. In addition, the audit committee monitors the independence, qualifications, and efficiency of the auditors as well as the rotation of audit team members. On behalf of the Supervisory Board, the audit committee monitors the financial reporting process and the effectiveness of Internal Audit, the internal control system, and the risk management system, and addresses compliance within the company. It also regularly obtains information on the areas of focus for the audit as well as audit results from Internal Audit.

The audit committee consists of six members. His position automatically makes the Chairman of the Supervisory Board a committee member. The chairman of the audit committee has to be independent and can neither be a former member of the Board of Managing Directors nor the Chairman of the Supervisory Board; he should be particularly knowledgeable about and experienced in the application of accounting principles as well as internal control procedures. As the former chief financial officer of the Bertelsmann Group, the chairman of the audit committee, Dr. Siegfried Luther, meets these requirements. The remaining members of the audit committee are Georg F. W. Schaeffler, Robin Stalker, Salvatore Vicari, Jürgen Worrlich, and Dr. Reinold Mittag.

## Cooperation between Board of Managing Directors and Supervisory Board

The Board of Managing Directors and the Supervisory Board cooperate closely for the good of the company. Thus, the Board of Managing Directors regularly consults with the Supervisory Board on the strategic direction of the company and discusses the status of strategy implementation with the Supervisory Board. The Board of Managing Directors is required to submit any fundamental legal transactions and measures to the Supervisory Board or the executive committee for approval.

On a regular basis, the Board of Managing Directors provides comprehensive and timely information to the Supervisory Board on all matters of relevance to the company with respect to strategy implementation, planning and budgeting, results of operations, risk management, and compliance. It discusses deviations of results of operations from budgets and targets and the reasons for those deviations. Documents required for decisions, especially the separate financial statements, the consolidated financial statements, and the long-form audit report, are provided to the members of the Supervisory Board in due time before the meeting. The cooperation between the Board of Managing Directors and the Supervisory Board is characterized by mutual trust and a culture of open discussion as well as maintaining strict confidentiality.

The Chairman of the Supervisory Board regularly keeps in contact with the Board of Managing Directors and particularly with the Chief Executive Officer including between meetings, and discusses with him issues related to the company's strategy implementation, planning and budgeting, results of operations, risk management, and compliance. The Chief Executive Officer immediately informs the Chairman of the Supervisory Board of important events significant to evaluating the company's situation and development as well as for managing the company.

## Avoiding conflicts of interest

The members of the Board of Managing Directors and of the Supervisory Board are required to immediately disclose any conflict of interest to the Supervisory Board. Significant transactions between the company and members of the Board of Managing Directors or parties related to them require the Supervisory Board's approval. Consulting and other service contracts as well as contracts for specific deliverables between the company and members of the Supervisory Board also require approval by the Supervisory Board. The Supervisory Board reports to the annual general meeting on any conflicts of interest and their resolution. Neither the members of the Board of Managing Directors nor those of the Supervisory Board have experienced any conflicts of interest in 2015.

## Gender quota

As the Supervisory Board currently has four female members, it has not yet reached the proportion of 30 % that is legally required.

The Board of Managing Directors meets the target set by the Supervisory Board, as it has had one female member since January 01, 2016.

The target quota for females at the first level of management has been set at 5 % and at 12 % for the second level of management. The company expects to meet both of these quotas by their deadline (June 30, 2017).

## 1.3 Other information on corporate governance

### Shares held by members of the Board of Managing Directors and the Supervisory Board, directors' dealings

On December 31, 2015, Schaeffler Verwaltung Zwei GmbH held a 75.1 % interest (500 million common shares) in Schaeffler AG, and Schaeffler Verwaltungs GmbH held a 14.1 % interest (approximately 94 million common non-voting shares). These shareholdings are attributable to Supervisory Board members Georg F. W. Schaeffler and Maria-Elisabeth Schaeffler-Thumann. The remaining Supervisory Board members held less than 1 % of the common and common non-voting shares of the company as at the reporting date. Shares held by members of the Board of Managing Directors on December 31, 2015 also represent less than 1 % of the company's common and common non-voting shares.

Under section 15a German Securities Trading Act ("Wertpapierhandelsgesetz" – WpHG), the members of the Board of Managing Directors and the Supervisory Board are legally required to disclose any acquisition or disposal of shares in Schaeffler AG or their derivative financial instruments if the value of transactions executed by the member and parties related to it during a calendar year reaches or exceeds EUR 5,000. The transactions reported to Schaeffler AG in 2015 were made public appropriately and are available for download from the company's website at: [www.schaeffler.com/ir](http://www.schaeffler.com/ir).

### Transparency

The company aims to provide information on the situation of the company at the same time and on an equal footing to institutional investors, shareholders, financial analysts, business partners, employees, and the interested public by regular, transparent, and up-to-date communication. All significant information, such as press releases, ad hoc releases, and voting rights notifications as well as presentations given at analysts' conferences, all financial reports, and the financial calendar are published on the Schaeffler Group's website. Investor Relations maintains close contact with shareholders on an ongoing basis.



## Relationships with shareholders and annual general meeting

Shareholders exercise their rights at the annual general meeting. The annual general meeting passes resolutions on granting discharge to the Board of Managing Directors and the Supervisory Board, appropriating retained earnings, capital transactions, amendments to the company's articles of association, and appointing auditors. It has to be held during the first eight months of each year.

The company has issued common non-voting and common shares. Common non-voting shares do not convey voting rights, but entitle the holder to a preferred dividend of EUR 0.01 per share. At the annual general meeting 2016, the common non-voting shares do not convey any voting rights in accordance with section 140 (2) (1) AktG, either.

Shareholders have to register for the annual general meeting in due time in order to attend the annual general meeting. An invitation and other published documents (e.g. annual report) containing information on the items on the agenda of the annual general meeting are provided to shareholders before the annual general meeting. This information is also available from the company's website.

## Financial reporting and financial statement audit

Schaeffler AG prepares its separate financial statements in accordance with the requirements of the German Commercial Code (HGB) and the German Stock Corporations Act (AktG). The consolidated financial statements are prepared in accordance with the principles set out in International Financial Reporting Standards (IFRS) as adopted by the EU.

It was agreed with Schaeffler AG's auditors that the Chairman of the Supervisory Board and the chairman of the audit committee would be informed promptly of any grounds for disqualification or indications of bias arising during the audit to the extent they are not remedied immediately. It was also agreed that the auditors would report on all findings and events arising during the performance of their audit that are significant to the responsibilities of the Supervisory Board. Under the agreement, the auditors have to inform the Supervisory Board and note in their long-form audit report if, during the course of the audit, they become aware of any facts rendering the declarations on the German Corporate Governance Code issued by the Board of Managing Directors and the Supervisory Board inaccurate. The audit committee monitors the auditors' independence. In letters dated March 24, 2015 and October 13, 2015, the auditors have issued a binding independence letter for the year ended December 31, 2015.

## 1.4 Declaration by the Board of Managing Directors and the Supervisory Board of Schaeffler AG pursuant to § 161 AktG on the German Corporate Governance Code

In March 2016, the Board of Managing Directors and the Supervisory Board issued the following updated version of their respective declaration of conformity originally issued in December 2015 pursuant to section 161 AktG. The declarations have both been made available to the public on the internet at [www.schaeffler.com/ir](http://www.schaeffler.com/ir).

Since the listing of its common non-voting shares on October 09, 2015, Schaeffler AG complies with the recommendations of the “Governmental Commission German Corporate Governance Code” as amended on May 05, 2015 (“Code”) with the exceptions described below and will also comply with the recommendations in the future with the exceptions described below:

The Code recommends in item 4.2.5 for the presentation of the remuneration of the Board of Managing Directors the use of template charts, which also provide for the presentation of comparative figures for the preceding year. As Schaeffler AG only has been converted into a stock corporation in October 2014 and the group management has only been transferred to the company at this point in time the remuneration report 2015 deviates from this recommendation.

The Code recommends in item 5.4.1 para. 2, that the Supervisory Board shall specify concrete objectives regarding its composition and also set an age limit for the members of the Supervisory Board. The Supervisory Board of Schaeffler AG will not set such age limit because it is of the opinion that this criterion is not informative with respect to the suitability of a person to perform as a member of the Supervisory Board.

Herzogenaurach, March 2016

For the Supervisory Board

For the Board of Managing Directors

sgd.

sgd.

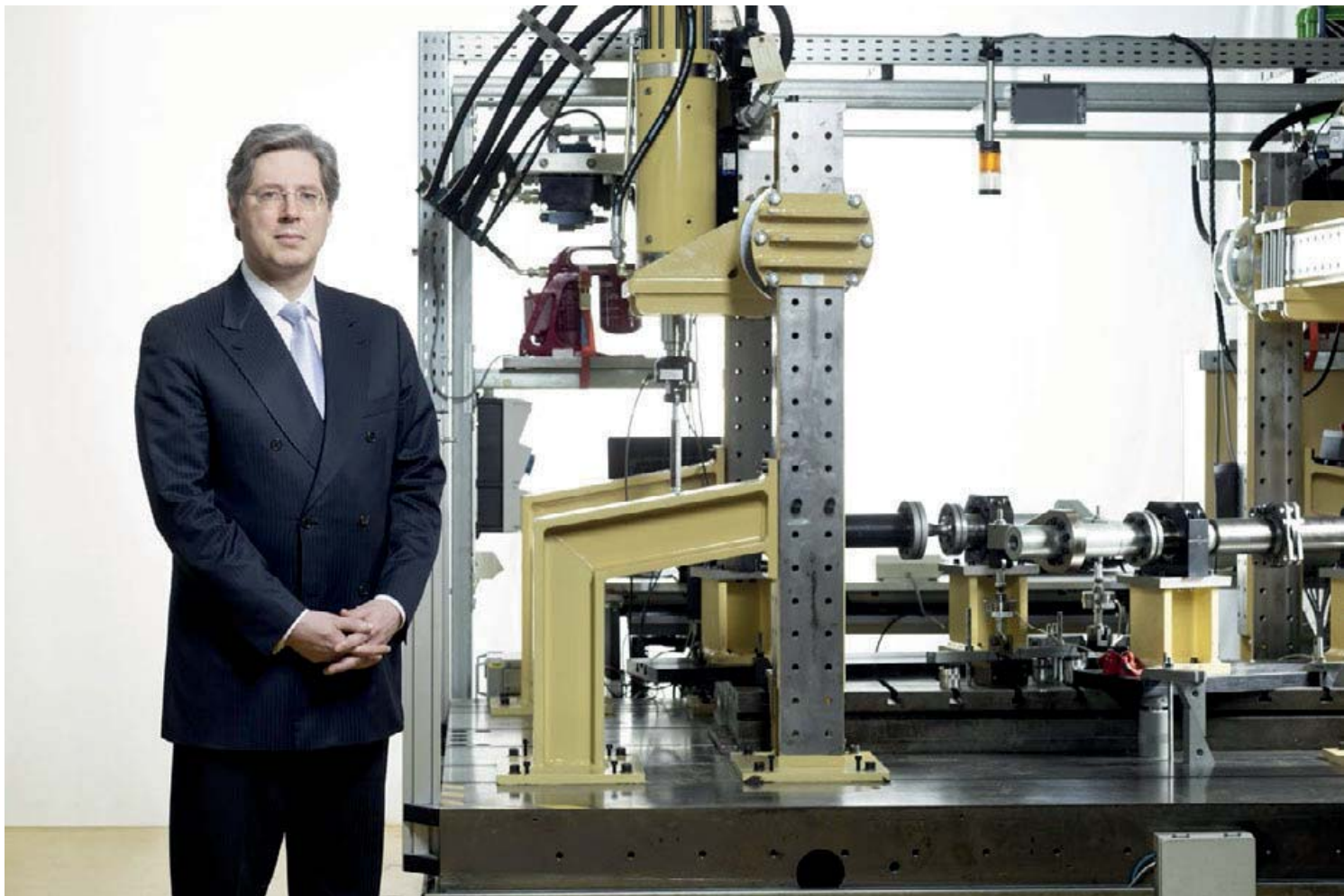
Georg F. W. Schaeffler

Klaus Rosenfeld

Chairman of the Supervisory Board

Chief Executive Officer

## 2. Report of the Supervisory Board



**Georg F. W. Schaeffler**

# Ladies and Gentlemen,

During a challenging year, the Supervisory Board has performed the duties mandated by law, the company's articles of association, and its internal rules of procedure and has provided advice to the Board of Managing Directors and supervised its activities. It was directly involved on a timely basis in all decisions that were of fundamental importance to the company. The Board of Managing Directors regularly informed the Supervisory Board in written and oral reports about the company's strategy, the status of strategy implementation, the company's results of operations, and about significant transactions as well as the related risks and opportunities. In addition, relevant short- and long-term planning and budgeting matters as well as compliance and risk management matters were discussed. The Supervisory Board was updated in detail about the development of revenue and earnings of the group and the divisions as well as about the financial position.

The members of the Supervisory Board were also available for consultation with the Board of Managing Directors between meetings. The Chairman of the Supervisory Board regularly kept in close contact with the Board of Managing Directors and particularly with the Chief Executive Officer, and ensured that he was kept informed about all current matters and developments on an ongoing basis.

There were no conflicts of interests related to members of the Board of Managing Directors or the Supervisory Board in 2015.

## **Elections to the Supervisory Board**

Elections for the employee representatives on the Supervisory Board were held on November 19, 2015 to replace the employee representatives appointed by the court on December 02, 2014. Norbert Lenhard, Dr. Reinold Mittag, Yvonne Münch, Barbara Resch, Stefanie Schmidt, Dirk Spindler, Jürgen Stolz, Salvatore Vicari, Jürgen Wechsler, and Jürgen Worrich were elected.

Due to this election, elections had to be held for the office of the Deputy Chairman of the Supervisory Board in accordance with section 27 German Co-Determination Act ("Mitbestimmungsgesetz" – MitbestG) and for the employee representatives on the committees. Jürgen Wechsler was re-elected Deputy Chairman of the Supervisory Board. Norbert Lenhard, Barbara Resch, and Jürgen Wechsler were elected to the executive committee. Dr. Reinold Mittag, Salvatore Vicari, and Jürgen Worrich were elected to the audit committee. The employee representative on the committee established in accordance with section 27 (3) German Co-Determination Act is Norbert Lenhard.

### **Committees**

The committees of the Supervisory Board currently consist of the following members:

- Mediation committee established in accordance with section 27 (3) German Co-Determination Act:  
Georg F. W. Schaeffler (Chairman),  
Maria-Elisabeth Schaeffler-Thumann, Norbert Lenhard, Jürgen Wechsler
- Executive committee:  
Georg F. W. Schaeffler (Chairman),  
Maria-Elisabeth Schaeffler-Thumann, Norbert Lenhard, Barbara Resch, Jürgen Wechsler,  
Prof. KR Ing. Siegfried Wolf
- Audit committee:  
Dr. Siegfried Luther (Chairman),  
Georg F. W. Schaeffler, Dr. Reinold Mittag, Robin Stalker, Salvatore Vicari, Jürgen Worrich
- Nomination committee:  
Georg F. W. Schaeffler (Chairman),  
Maria-Elisabeth Schaeffler-Thumann, Dr. Holger Engelmann, Prof. Dr. Bernd Gottschalk

The Supervisory Board is of the opinion that it has a sufficient number of independent members (as defined in the German Corporate Governance Code).

### **Appointments to the Board of Managing Directors**

The company's Board of Managing Directors consists of Klaus Rosenfeld (Chief Executive Officer), Prof. Dr.-Ing. Peter Gutzmer (Deputy Chief Executive Officer), Dr. Ulrich Hauck, Norbert Indlekofer, Oliver Jung, Prof. Dr. Peter Pleus, Corinna Schittenhelm, and Dr. Stefan Spindler.

Dr. Ulrich Hauck was appointed by the Supervisory Board on December 12, 2014 and took over as Chief Financial Officer on April 01, 2015. Dr. Stefan Spindler was appointed by the Supervisory Board on April 27, 2015 and took over the Industrial division on May 01, 2015. Corinna Schittenhelm took over her new responsibilities as Chief Human Resources Officer on January 01, 2016, having been appointed by the Supervisory Board on October 01, 2015.

In accordance with the internal rules of procedure of the Board of Managing Directors, Klaus Rosenfeld is responsible for the CEO functions and Dr. Ulrich Hauck for Finance, Prof. Dr.-Ing. Peter Gutzmer for Technology, Prof. Dr. Peter Pleus and Norbert Indlekofer for the Automotive division, Dr. Stefan Spindler for the Industrial division, Oliver Jung for Operations, and Corinna Schittenhelm is responsible for Human Resources.

### **Main activities**

The Supervisory Board held four regular meetings and two extraordinary meetings in 2015. It also passed three resolutions in writing.

At its meeting on March 25, 2015, the Supervisory Board dealt with personnel issues and with the Schaeffler Group's results of operations. It also adopted the separate financial statements for 2014 and approved the consolidated financial statements. In addition, it approved the report of the Supervisory Board and approved the Supervisory Board's proposed agenda items for the annual general meeting on April 14, 2015. There was also a report on the Europe region.

On April 27, 2015, the Supervisory Board appointed Dr. Stefan Spindler to the Board of Managing Directors by a resolution passed in writing.

The meeting on May 20, 2015 dealt with the Schaeffler Group's latest results of operations, the results for the first quarter of 2015 and the interim report as at March 31, 2015. There was also a report on the Americas region.

The Schaeffler Group's listing was the topic of two extraordinary Supervisory Board meetings on September 01, 2015 and September 08, 2015. Measures taken in connection with the listing were approved on September 08, 2015 and corresponding proposals submitted to the general meeting for decision. In addition, an ad hoc committee was established and the internal rules of procedure of the Supervisory Board amended to conform to the German Corporate Governance Code. The Supervisory Board also approved the new remuneration scheme for the Board of Managing Directors.

In a resolution passed in writing on September 30, 2015, the Supervisory Board decided, in accordance with section 111 (5) German Stock Corporations Act, that the Board of Managing Directors has to have at least one female member by June 30, 2017.

At its regular meeting on October 01, 2015, the Supervisory Board dealt with the Schaeffler Group's latest results of operations as well as the results for the first half of 2015 and the interim report as at June 30, 2015. There was also a report on the "CORE" program and the Schaeffler Automotive Aftermarket.

In a resolution passed in writing on November 25, 2015, the Supervisory Board appointed a new Deputy Chairman pursuant to section 27 (1) German Co-Determination Act as well as the employee representatives to the executive and audit committees and the committee in accordance with section 27 (3) German Co-Determination Act (mediation committee).

At its last regular meeting in 2015 on December 11, 2015, the Supervisory Board approved the budget for 2016 and the long-range plan for the years 2016 to 2020 (including the capital expenditure plan). The Board also appointed the members of the nomination committee, approved the declaration of conformity in accordance with section 161 German Stock Corporations Act, and made additional determinations in accordance with section 5 German Corporate Governance Code (details are discussed in the corporate governance report). In addition, it discussed personnel issues, results of operations, and the results for the third quarter of 2015 and the interim report as at September 30, 2015.

The employee representatives objected to joint compliance with the gender quota on the Supervisory Board in accordance with section 96 paragraph 2 sentence 3 German Stock Corporations Act based on a resolution passed by a majority vote on December 10, 2015.

The executive committee of the Supervisory Board held four regular meetings and three extraordinary meetings in 2015. Each meeting was used to prepare the subsequent meeting of the full Supervisory Board. In addition, the executive committee addressed the “CORE” program and the “EDC” project and discussed the new remuneration scheme for the Board of Managing Directors in preparation for a resolution to be passed by the Supervisory Board.

The audit committee held four regular meetings in 2015. At these meetings, “compliance”, “internal audit”, and the “risk management system” were reported on on a regular basis. The audit committee also addressed the separate and consolidated financial statements of the Schaeffler Group for 2014, the quarterly report as at March 31, 2015, the semiannual report as at June 30, 2015, and the quarterly report as at September 30, 2015. At its meeting on March 24, 2015, it recommended to the annual general meeting that it appoint KPMG AG auditors of the separate and consolidated financial statements. The audit committee also engaged KPMG AG as auditors and determined areas of focus for the audit. In addition, the audit committee dealt with the issues of transfer pricing and hedging currency risk.

There was no need to convene the nomination committee or the mediation committee.

#### **Separate and consolidated financial statements 2015**

KPMG has audited the separate financial statements and the combined management report as at December 31, 2015 prepared by the Board of Managing Directors in accordance with German commercial law, including the accounting records and the accounting-related internal control system as well as the early warning risk identification system.

KPMG has also audited the report on relations with affiliated companies (“dependency report”) prepared by the Board of Managing Directors in accordance with section 312 German Stock Corporations Act. The report covers the period from January 01, 2015 to December 31, 2015.

The consolidated financial statements of Schaeffler AG as at and for the year ended December 31, 2015 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional requirements of German commercial law pursuant to section 315a (1) German Commercial Code. The consolidated financial statements were also audited by KPMG.

The auditors have issued unqualified audit opinions on the separate financial statements and the consolidated financial statements. They also found that the Board of Managing Directors has made the arrangements required by section 91 (2) German Stock Corporations Act for the timely identification of risks, and that the early warning risk identification system is suitable for identifying on a timely basis any developments jeopardizing the existence of the company as a going concern. has issued the following unqualified audit opinion on the dependency report in accordance with section 313 (3) German Stock Corporations Act

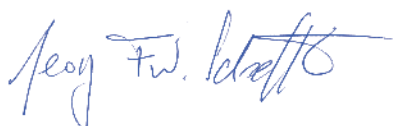
“In accordance with our conscientious audit and assessment, we confirm that the statements of fact in the report are correct, the consideration given by the company in the course of the transactions listed in the report was not unreasonably high, and the measures listed in the report are not an occasion for an assessment substantially different from that of the Board of Managing Directors”.

The audit committee discussed the financial statement documents, the dependency report, and the long-form audit reports with the Board of Managing Directors and the auditors on March 10, 2016. The audit committee scrutinized the development of earnings for 2015, the financial position and net assets as at the reporting date and, particularly, provisions for risks. These issues were also dealt with in the Supervisory Board meeting convened to approve the financial statements on March 11, 2016. The required documents had been distributed to all members of the audit committee and the Supervisory Board in due time before these meetings to give the members sufficient opportunity to examine them. The auditor was present during the discussion. He reported on significant audit findings and was available to provide additional information to the audit committee and the Supervisory Board. Based on its own examinations of the separate financial statements, the dependency report (including the closing statement of the Board of Managing Directors), and the consolidated financial statements together with the combined management report, and based on recommendations made by the audit committee, the Supervisory Board concurs with the result of the auditors' audits. There was no cause for objection, including objection to the closing statement on the dependency report prepared by the Board of Managing Directors. The Supervisory Board has approved the separate financial statements and the consolidated financial statements. The separate financial statements have thus been adopted.

The Supervisory Board has reviewed the appropriation of retained earnings proposed by the Board of Managing Directors and will, together with the Board of Managing Directors, propose to the annual general meeting the payment of a dividend of EUR 0.34 per common share and EUR 0.35 per common non-voting share as well as the payment of a special dividend of EUR 0.15 per share.

The listing, in particular, made 2015 an extremely challenging year for the Schaeffler Group and all of its employees, who coped with it with extraordinary commitment and dedication. On behalf of the Supervisory Board, I would like to express my sincere gratitude to the members of the Board of Managing Directors, to the management, and to all employees of Schaeffler AG and the group companies for their dedication and their constructive teamwork.

On behalf of the Supervisory Board



Georg F.W. Schaeffler

Chairman

Herzogenaurach, March 11, 2016



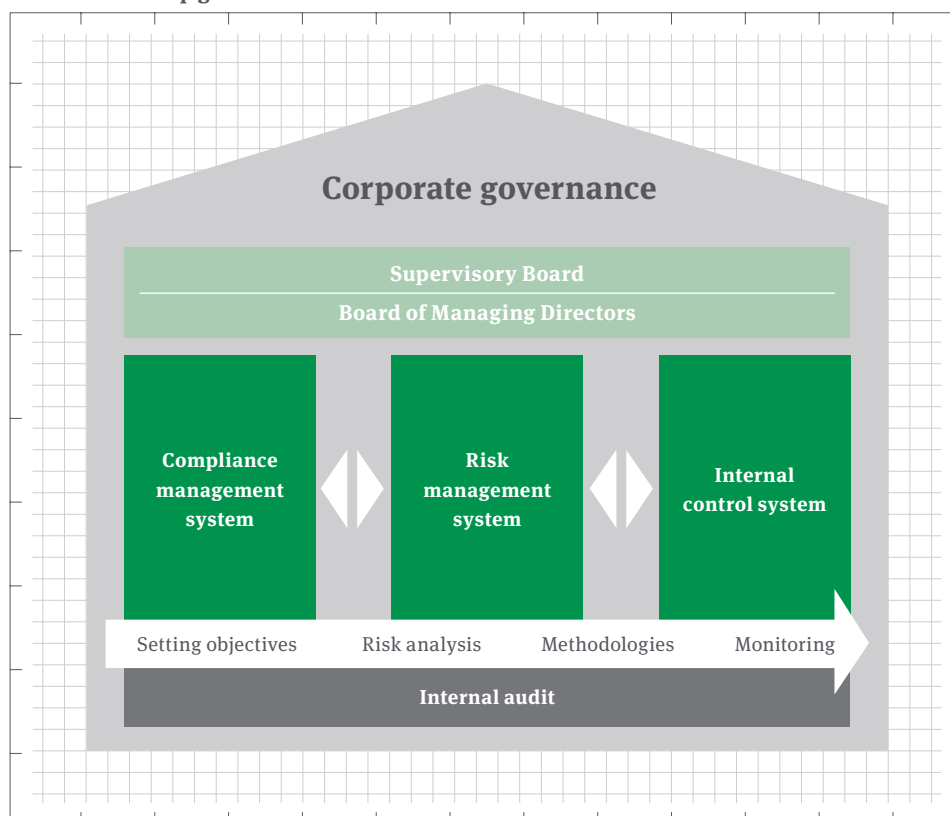
### 3. Governance structure

The Schaeffler Group’s governance structure is aimed at coordinating the activities of the governance subsystems subordinate to the Supervisory Board and the Board of Managing Directors:

- Compliance management system
- Risk management system
- Internal control system and
- Internal audit

Schaeffler Group governance structure

No. 055



Coordinating the operation of the subsystems helps to identify, assess, monitor, and manage risks to the continued existence and development of the Schaeffler Group early on.

To this end, the Schaeffler Group established the Group Compliance & Risk Committee (GCRC) in the first quarter of 2015. It consists of the heads of the subsystems and the heads of other risk and corporate functions. The GCRC is responsible for assisting the Board of Managing Directors with its organizational responsibilities with respect to compliance and risk management. Among the key objectives of the GCRC are defining and delineating responsibilities and interfaces and preventing redundancies in the process. In addition, it is expected to create a consistent and complete view of the risk situation in the divisions, functions, and regions based on a uniform measurement and prioritization methodology. A further objective is developing and monitoring risk mitigation activities. The Compliance & Risk Working Group consisting of staff representatives from the functions represented on the GCRC provides operational support to the GCRC.

The activities of the subsystems within the governance structure are coordinated based on the internationally recognized three lines of defense model. It assigns clear responsibility for dealing with risks to the company's continued existence or development and is based on the principle that primary responsibility for a risk lies with its originator.

### **Three lines of defense model**

- In the **first**, operating, **line of defense**, operating business units are responsible for developing and performing controls to prevent risk. If prevention is not feasible, risks have to be identified and reduced to an appropriate level.
- The **second line of defense** defines global standards and controls, regularly monitors compliance with them, and reports on their effectiveness. Classic risk functions such as controlling, risk management, compliance, and legal are assigned to the second line.
- The **third line of defense** is the audit by Internal Audit. Independent audits are designed to evaluate control effectiveness and identify improvements.

The first line of defense is responsible for any risks materializing. If, however, the first line of defense can demonstrate that it has performed all relevant controls in full and in accordance with the standards and control requirements set by the second line of defense, responsibility rests with the second line of defense.

## 3.1 Compliance management system

Integrity is one of the mainstays of the Schaeffler Group's manner of conducting business. Under the Schaeffler Code of Conduct, the Board of Managing Directors and all employees are required to comply with all applicable local, national, and international laws and regulations, wherever the Schaeffler Group does business. A compliance organization covering the entire Schaeffler Group provides them with support in doing so.

The Schaeffler Group's Board of Managing Directors emphatically supports the underlying compliance management system (CMS) and the necessity of consistently complying with legal requirements and internal regulations.

The CMS is based on the three pillars prevention, detection, and reaction and is part of the second line of defense within the Schaeffler Group's governance structure. The CMS in its current state is the result of a comprehensive revision initiated by the Board of Managing Directors in 2013 as part of the "Compliance Fit & Proper" program, a component of the "ONE Schaeffler" program. Following the successful completion of a review of the underlying conceptual design in accordance with the Principles for the Proper Performance of Reasonable Assurance Engagements Relating to Compliance Management Systems IDW AsS 980 by an external audit firm in 2014, the external audit firm is scheduled to review the implementation of the CMS in late 2016.

The CMS comprises, in particular, managing and monitoring the activities necessary to prevent, or detect early on, violations of law in the area of corruption, money-laundering, competition and antitrust law, and economic criminal activity. It also serves to actively manage risk and protect the company and its employees. The CMS consists of seven core components: Compliance culture, compliance objectives, vulnerability analysis, compliance program, compliance organization, communication, and monitoring and improvement.

The compliance organization derives its arrangements for preventing violations of antitrust and competition legislation, corruption, economic crime, and money-laundering from a regular groupwide risk analysis using a risk-based approach. The risk analysis provides information on the current situation with respect to risks arising from operations and on the effectiveness of the prevention arrangements in place. The analysis is primarily based on interviews with management and employees of all divisions and regions with the objective of obtaining from the interviewee estimates of the probability of occurrence and the size of the potential loss of pertinent risk scenarios that are as close to the business processes as possible. These estimates are supplemented by sector and expert knowledge, experience with actual compliance violations, results of controls and audits, as well as by using operation-, market-, and country-specific risk criteria ranging from publicly available risk indicators, such as the Corruption Perception Index compiled by Transparency International, to issues regarding the location-specific design of Sales and Distribution.

The Schaeffler Group's Group Chief Compliance Officer heads up the compliance organization and reports directly to the Chief Executive Officer. The Group Chief Compliance Officer also has a reporting line to the Chairman of the Supervisory Board and reports to the chairman of the audit committee on a regular basis. The compliance department provides the Group Chief Compliance Officer with the support of a network of experienced compliance specialists spanning all of the Schaeffler Group's Europe, Americas, Greater China, and Asia/Pacific regions.

When it comes to defining and monitoring appropriate groupwide compliance standards and activities, he utilizes a centralized team of experts at the head office in Herzogenaurach which was expanded in 2015.

Measures designed to prevent compliance violations include the Schaeffler Group's Code of Conduct, guidelines on behavior in compliance with antitrust and competition legislation, fighting corruption, and protecting confidential information, web-based and classroom training sessions, and a compliance helpdesk available for consultation on specific compliance issues. In addition, the company has also put in place arrangements for detecting any compliance violations; these arrangements include audits and controls as well as a whistleblower system, which also facilitates reporting violations on an anonymous basis.

In 2015, the Schaeffler Group established a separate team of specialists, located in the compliance department, which is responsible for independently investigating alleged violations and following up on the necessary consequences. It analyzes the causes of misconduct, derives suggestions for remedial measures, and follows up on their implementation. Violations of laws and regulations or of internal rules on compliance are not tolerated and result in disciplinary action.

The Schaeffler Group has further expanded its arrangements and measures for complying with legal requirements and internal rules in 2015. Among other things, the increase in staffing levels within the compliance organization was completed, the Group Compliance & Risk Committee (GCRC) was established, and the Code of Conduct was expanded. In addition, a more extensive scenario-based risk analysis was performed for the Europe region and started in the other regions, as well. Implementation of a register of contacts with competitors was initiated, as was a groupwide business partner due diligence process. This underlines the Schaeffler Group's expectations of its business partners with respect to acting with integrity and abiding by rules.

These developments have largely brought the Compliance Fit & Proper program to completion in 2015. Certain steps remain to be implemented in 2016.

In preparation for Schaeffler AG's listing on October 09, 2015, the Schaeffler Group has also expanded its arrangements for complying with the legal requirements related to the capital markets. In addition to continuing the groupwide insider list, the members of the Board of Managing Directors and the Supervisory Board as well as employees were informed of their obligations under capital markets laws and the consequences of the listing, and an insider committee was established whose activities include maintaining the insider list, deciding on how to deal with potential insider information, and ensuring compliance with the requirements of capital markets laws.

Significant compliance-related risks are set out in the report on opportunities and risks (see pages 93 et seq.).

## 3.2 Risk management system

Like the compliance management system, the risk management system is part of the second line of defense in the Schaeffler Group's governance structure. It comprises all activities and arrangements made to identify, assess, prevent, and mitigate risk. A risk is defined as the danger that events or actions will prevent a company from achieving its plan or successfully implementing its strategies. For all identified risks, the probability of occurrence and possible impact on achieving objectives are continually identified, assessed, appropriate action initiated and followed-up on. Please refer to pages 93 et seq. in the report on opportunities and risks for a detailed discussion of the risk management system.

## 3.3 Internal control system

The second line of defense also comprises the Schaeffler Group's internal control system. The internal control system consists of technological and organizational arrangements and controls that have been systematically designed to ensure compliance with guidelines and to prevent loss or damage that may be caused by the company's employees or by third parties. Controls can be performed both process-dependent or independently of the process. The Schaeffler Group's internal control system is based on the COSO model and consists of the following components: Control environment, risk assessment, control activities, information and communication, and monitoring. It is focused on financial reporting and represents the arrangements and controls ensuring that the consolidated financial statements are prepared in accordance with financial reporting standards and ensuring accurate external financial reporting. Please refer to pages 93 et seq. in the report on opportunities and risks for a detailed discussion of the internal control system.

## 3.4 Internal Audit

Internal Audit represents the third line of defense of the Schaeffler Group's governance structure. Internal Audit provides independent and objective audit and consulting services focused on adding value and improving business processes. The internal audit function contributes to meeting the corporate objectives the Schaeffler Group has communicated by assessing and helping to improve the effectiveness of risk management, controls, and management and supervisory processes using a systematic and goal-oriented approach. Responsibility for establishing the internal audit function and for its effectiveness rests with the Board of Managing Directors and cannot be delegated. Hence, Internal Audit reports to the entire Board of Managing Directors. Organizationally, Internal Audit is assigned to the Chief Executive Officer of Schaeffler AG.

The Schaeffler Group has made the following arrangements to ensure the independence and objectivity of Internal Audit:

- direct organizational link to the Chief Executive Officer to ensure there are no gaps in audit coverage;
- neither the head of Internal Audit nor audit staff have any operational responsibilities;
- reports annually on potential impairment of independence to the CEO/the Board of Managing Directors/audit committee;
- audit planning and significant changes therein have to be approved by the Board of Managing Directors and documented appropriately.

Internal Audit consists of the functions "Methods, Reporting and Quality", "Corporate Audits", and the "IT and Special Audits" unit. It has locations in each of the four regions, and each region has its own head of Internal Audit.

Internal Audit serves to safeguard operations and assets and specifically audits whether the principles of efficiency, expediency, security, and "orderliness" are observed in operational processes. Their responsibilities specifically include, but are not limited to, the following activities:

- audit and assessment of the appropriateness, efficiency, and effectiveness of the internal control system;
- audit and assessment of the appropriateness, efficiency, and effectiveness of the management and supervisory processes;
- audit and assessment of the finance and accounting systems, the information system, and the reporting system.
- audit and assessment of the effectiveness of risk management;
- audit and assessment of the effectiveness of arrangements for preventing and detecting fraud;
- audit of arrangements for safeguarding assets;
- audit and assessment of the implementation of and compliance with legal requirements and the company's internal rules ("orderliness");
- performance of special investigations with respect to fraud, conflicts of interest and other irregularities.

Internal Audit performs systems- and effectiveness audits. Systems audits either involve auditing selected areas (e.g. procurement) at subsidiaries or documenting and analyzing the actual processes in place at foreign (distribution) companies. Any findings documented during such systems audits are assigned to one of three assessment areas („orderliness”, “internal monitoring system”, “business processes”). Effectiveness audits involve testing the effectiveness of the risk management system or the internal control system of subsidiaries. Compliance risks are covered in the “orderliness” assessment area.

In a preliminary study done in preparation for audit assignments, Internal Audit exchanges information with other departments (e.g. Compliance, Controlling, Legal, Quality, Risk Management) in order to obtain sufficient reliable, relevant, and constructive information to achieve its audit objectives, Internal Audit performs its audit assignments on location at the business units/subsidiaries.

In its audit reports, Internal Audit communicates its findings, its recommendations for mitigating risk, and the persons responsible for implementation, with whom they agree binding implementation dates. In a monitoring and follow-up process, Internal Audit monitors implementation of its recommendations for remediating identified deficiencies.

In accordance with the International Standards for the Professional Practice of Internal Auditing 2013 of the Institute of Internal Auditors (IIA), the head of Internal Audit maintains a quality assurance and improvement program covering all of Internal Audit’s responsibilities.

## 4. Remuneration report

This remuneration report describes the main features of the remuneration system for the Board of Managing Directors, i.e. the remuneration structure and amount. In addition, the remuneration report provides disclosures about benefits the company has promised to provide to the members of the Board of Managing Directors upon termination of their employment as well as disclosures on the remuneration of the Supervisory Board.

### 4.1 Main features of the remuneration system for the Board of Managing Directors in effect since the listing

As stipulated in the German Corporate Governance Code (GCGC) and section 87 German Stock Companies Act (“Aktiengesetz”-AktG), the Supervisory Board determines the total remuneration and reviews the remuneration scheme on a regular basis, which includes reviewing the appropriateness of the remuneration of the Board of Managing Directors once a year. To ensure that the total remuneration is appropriate, the Supervisory Board takes into account customary levels of remuneration both in other companies of comparable size within the same industry and country (horizontal comparison) and in comparison to the wage and salary structure within the enterprise itself (vertical comparison of remuneration of Board of Managing Directors to the company’s workforce).

In preparation for the listing, Schaeffler AG’s Supervisory Board approved the enhancement of the remuneration system for the members of the Board of Managing Directors on September 08, 2015. This remuneration system is effective for all members of the Board of Managing Directors whose term of office extends beyond December 31, 2015 and became effective retroactively as at January 01, 2015 on the date of the listing, October 09, 2015.

The total remuneration of the Board of Managing Directors is performance- and success-based and supports the Schaeffler Group’s operational and strategic objectives in a dynamic and international environment. The remuneration of each member of the Board of Managing Directors consists of a fixed amount as well as short- and long-term variable components. Variable remuneration is largely long-term in nature. In addition, the members of the Board of Managing Directors are granted customary fringe benefits, pension commitments, insurance benefits, and the use of a company car.



## Remuneration of Board of Managing Directors – system and components

No. 056

Components	Performance metric	Range of remuneration	Conditions for payment	Payment cycle
<b>Non-performance-based components</b>				
Fixed remuneration	Function and responsibility	None	Contractually agreed	Monthly
Fringe benefits	Function and responsibility	None	Contractually agreed	Payment not applicable
<b>Performance-based components</b>				
Short-term bonus	Free cash flow (FCF) and Schaeffler Value Added (SVA) of the Schaeffler Group (weighted equally) <sup>1)</sup>	0 % –150 % (target bonus = 100 %)	Meeting annual performance targets	Annually
Long-term bonus	Share price trend underlying performance share units (PSUs) granted and meeting targets consisting of:	Maximum is the number of PSUs granted, minimum number is nil		
Performance Share Unit Plan (PSUP)	50 % service condition and 25 % relative Total-Shareholder-Return-(TSR)-based performance target and 25 % cumulative FCF-based performance target	Share price cap: double the share price at grant date	Meeting the service condition and/or performance targets	4 years after grant date
<b>Retirement benefits</b>			Retirement or triggering event	Generally monthly

<sup>1)</sup> Starting in 2016, the performance of divisional CEOs is also measured based on the relevant division's SVA and working capital.

### Non-performance-based components

#### Fixed remuneration

Each ordinary member of the Board of Managing Directors receives an identical amount of fixed remuneration; the Chief Executive Officer receives twice this amount.<sup>8</sup> Fixed remuneration is paid in twelve equal installments.

#### Fringe benefits

Fringe benefits include the use of a company car, including for private purposes, and customary insurance benefits such as directors' and officers' liability insurance (D&O insurance). This D&O insurance policy includes a deductible provision that is in accordance with section 93 (2) Sentence 3 AktG. Tax on the pecuniary advantage related to fringe benefits granted is paid individually by each member of the Board of Managing Directors. No loans were granted to members of the Board of Managing Directors in 2015.

<sup>8</sup> This applies to all members of the Board of Managing Directors whose term of office extends beyond December 31, 2015.

## Performance-based components

### Short-term variable component – short-term bonus

Since the date the agreements amending the employment contracts of the members of the Board of Managing Directors became effective, members of the Board of Managing Directors whose term of office extends beyond December 31, 2015 receive an annual short-term bonus if the relevant targets are met. The amendment agreements set out the individual target-based bonus awarded if 100 % of the performance targets are met.

The Supervisory Board determines the performance target tiers on an annual basis. The targets underlying the remuneration reflect the strategic direction of the Schaeffler Group. The amount of the short-term bonus payable is determined based on the extent to which the performance targets have been met. The performance targets are weighted equally and consist of the Schaeffler Group's free cash flow (FCF) and Schaeffler Value Added (SVA).<sup>9</sup>

FCF is generally calculated based on the Schaeffler Group's cash flows from operating activities and from investing activities for the relevant year. SVA is generally based on the Schaeffler Group's EBIT less its cost of capital.<sup>10</sup>

At the beginning of each year, the Supervisory Board can determine other strategic targets in addition to the FCF and SVA performance targets. The short-term bonus may lapse in its entirety if the minimum targets are not met. In any event, payment of a short-term bonus is limited to 150 % of the individual target-based bonus, regardless of whether an additional strategic target is set. The short-term bonus earned during a year is paid in a lump sum once the extent to which targets have been met has been determined and the Supervisory Board has passed the relevant resolution.

### Long-term variable component – long-term bonus (Performance Share Unit Plan, PSUP)

On September 08, 2015, the Supervisory Board passed a resolution to implement a share-based remuneration instrument in form of a PSUP for members of the Board of Managing Directors whose term of office extends beyond December 31, 2015, in order to align the interests of the Board of Managing Directors with those of the shareholders and to promote the sustainable development of the Schaeffler Group.

One performance share unit (PSU) conveys the right to a cash payment amounting to the average share price of the last 60 trading days of the performance period provided the previously defined performance targets have been achieved. The PSUP is granted in annual tranches. Each tranche has a performance period of four years beginning on January 01 of that year. The target amount per tranche is stipulated in the agreements amending the employment contracts of the members of the Board of Managing Directors and is aimed at creating a remuneration structure that is largely oriented toward the long term. The Supervisory Board sets the performance target tiers on an annual basis. The target amount of the variable long-term remuneration exceeds the target bonus under the variable short-term remuneration. In addition, the number of PSUs granted to each individual member of the Board of Managing Directors is based on that member's duties and responsibilities. The number of PSUs cannot increase.

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<sup>9</sup> Starting in 2016, the performance of divisional CEOs is also measured based on the relevant division's value added and working capital.

<sup>10</sup> See section "Value management" on page 83.

Vesting of PSUs is linked to the following three conditions:

- 50 % of PSUs (base number) are granted subject to a service condition. The base number is only paid out if the member of the Board of Managing Directors remains employed as a member of a governing body of Schaeffler AG and is not under notice of termination at the end of the performance period.
- 25 % of the PSUs are granted subject to a long-term FCF-based performance target which involves a comparison of cumulative FCF for the performance period to the target FCF.
- 25 % of the PSUs are granted subject to a relative performance target based on total shareholder return (TSR) (share price performance including dividends). To determine to what extent these PSUs have vested, TSR for Schaeffler AG's common non-voting shares is compared to the TSR of companies in the benchmark group (MDAX) over the vesting period.

The 2015 tranche of PSUs subject to FCF- and TSR-based performance targets vests based on the following target tiers.

#### PSUP performance targets (1)

No. 057

Cumulative free cash flow for the performance period	Number of FCF PSUs vested in %
Cum. FCF compared to target FCF > 6.01 %	100 %
2.01 % < cumulative FCF compared to target FCF < 6.00 %	75 %
-2.00 % < cumulative FCF compared to target FCF < 2.00 %	50 %
-6.00 % < cumulative FCF compared to target FCF < -2.01 %	25 %
Cum. FCF compared to target FCF < -6.01 %	0 %

#### PSUP performance targets (2)

No. 058

TSR outperformance over the performance period	Number of TSR PSUs vested in %
> 25 %	100 %
5 % < TSR outperformance ≤ 25 %	75 %
-5 % < TSR outperformance ≤ 5 %	50 %
-25 % < TSR outperformance ≤ -5 %	25 %
≤ -25 %	0 %

<sup>11</sup> Taking into account the rules applicable to leavers.

The target amounts for the FCF-based performance target are derived from the Schaeffler Group's medium-term plan, and the Supervisory Board reviews and sets them before each tranche is granted. The payment under a PSU is capped at double the underlying share price at the grant date. The underlying share price of the 2015 tranche is EUR 13.15. The PSUs granted to each individual and the related fair values in 2015 are as follows:

<b>PSUs granted in 2015<sup>1)</sup></b>				<b>No. 059</b>
	Target amount in € thousands	Number of PSUs granted on October 09, 2015 <sup>2)</sup>	Grant date fair value per PSU in €	Grant date fair value in € thousands
<b>Klaus Rosenfeld (CEO)</b>	1,300			
Base number of PSUs		49,429	11.58	572
FCF PSUs		24,715	11.58	286
TSR PSUs		24,715	6.96	172
<b>Norbert Indlekofer</b>	950			
Base number of PSUs		36,121	11.58	418
FCF PSUs		18,061	11.58	209
TSR PSUs		18,061	6.96	126
<b>Prof. Dr. Peter Pleus</b>	950			
Base number of PSUs		36,121	11.58	418
FCF PSUs		18,061	11.58	209
TSR PSUs		18,061	6.96	126
<b>Dr. Stefan Spindler</b>	533			
Base number of PSUs		20,278	11.58	235
FCF PSUs		10,140	11.58	117
TSR PSUs		10,140	6.96	71
<b>Prof. Dr. Peter Gutzmer</b>	950			
Base number of PSUs		36,121	11.58	418
FCF PSUs		18,061	11.58	209
TSR PSUs		18,061	6.96	126
<b>Dr. Ulrich Hauck</b>	600			
Base number of PSUs		22,813	11.58	264
FCF PSUs		11,407	11.58	132
TSR PSUs		11,407	6.96	79
<b>Oliver Jung</b>	950			
Base number of PSUs		36,121	11.58	418
FCF PSUs		18,061	11.58	209
TSR PSUs		18,061	6.96	126
<b>Total</b>	<b>6,233</b>	<b>474,016</b>	<b>-</b>	<b>4,940</b>

<sup>1)</sup> Kurt Mirlach and Robert Schullan left the Board of Managing Directors of Schaeffler AG as at December 31 and April 30, 2015, respectively. They were not granted any PSUs for 2015.

<sup>2)</sup> Equals the number of PSUs outstanding as at December 31, 2015.

The PSUs granted are classified and measured as cash-settled share-based compensation. The fair value for PSUs subject to the TSR-based performance target was determined using a binomial model. The fair value of the base number and of the PSUs subject to the FCF-based performance target was determined based on the price of the company's common non-voting shares as at the measurement date. The valuation model takes into account the terms of the contract under which the PSUs were granted (including payment floors and caps, target tiers, expected dividend payments, as well as the volatility of the company's common non-voting shares and of the benchmark index).

The valuation as at the grant date reflects the following input parameters:

- risk-free interest rate for the remaining performance period of 0.2 %,
- expected dividend yield of Schaeffler AG common non-voting shares over the performance period of 2.66 %,
- expected volatility of Schaeffler AG common non-voting shares of 33.34 %,
- expected volatility of the benchmark index of 18.97 %,
- expected correlation coefficient between the benchmark index and Schaeffler AG common non-voting shares of 0.34.

#### **Retirement benefits**

Every current member of the Board of Managing Directors is entitled to retirement benefits. The pension resulting from the various individual retirement benefit commitments is generally calculated as a percentage of pensionable employment income based on the duration of the individual's service on the Board of Managing Directors. Individual percentages vary between 1.50 % and 3.0 % per year of membership on the Board of Managing Directors. Benefit commitments for each member of the Board of Managing Directors are tailored individually. The pension received by a member of the Board of Managing Directors is based on their last pensionable employment income before retirement. Individual maximum pensions range from 40 % to 60 % of pensionable employment income.

Pension payments commence in the form of retirement benefits if employment ends at or after attainment of the age of 65, and in the form of disability benefits if employment ends due to disability. Beneficiaries are entitled to claim a reduced pension early as a retirement benefit beginning at age 60. Upon the death of a member of the Board of Managing Directors, the spouse is entitled to between 50 % and 60 % of the pension as a surviving dependants' pension. Surviving dependent children are entitled to 10 % or 20 % of the pension, respectively depending on whether they have lost one or both parents.

The pension increases by 1.0 % each year beginning at retirement. The pension of a member of the Board of Managing Directors is subject to annual increases by the same percentage as the consumer price index in Germany. This also applies to disability, widows' and orphans' pensions.

The following table summarizes the service cost and defined benefit obligation of pension benefits earned up to December 31, 2015, calculated in accordance with IAS 19 and based on the beneficiary's current age and years of service.

**Service cost for 2015 and defined benefit obligations as at December 31, 2015 in accordance with IAS 19**

No. 060

in € thousands	Year	Service cost	Defined benefit obligation
Klaus Rosenfeld (CEO)	2015	1,240	7,875
Norbert Indlekofer	2015	205	5,300
Prof. Dr. Peter Pleus	2015	380	5,282
Dr. Stefan Spindler	2015	164	168
Prof. Dr. Peter Gutzmer	2015	273	4,178
Dr. Ulrich Hauck	2015	337	345
Oliver Jung	2015	288	2,166
<b>Former members of the Board of Managing Directors</b>			
Kurt Mirlach <sup>1)</sup>	2015	266	4,391
Robert Schullan <sup>2)</sup>	2015	130	3,824
<b>Total</b>		<b>3,283</b>	<b>33,529</b>

<sup>1)</sup> Kurt Mirlach left the Board of Managing Directors of Schaeffler AG as at December 31, 2015.

<sup>2)</sup> Robert Schullan left the Board of Managing Directors of Schaeffler AG as at April 30, 2015. His employment contract continued until December 31, 2015.

**Change in remuneration system**

When the new remuneration system for the Board of Managing Directors went into effect, the members of the Board of Managing Directors were granted a one-time sign-on bonus to offset the shortfall in liquidity caused by the change. The sign-on bonus was only granted to members of the Board of Managing Directors whose term in office extends beyond December 31, 2015. The first half of the sign-on bonuses was paid in October 2015 and the second half will be paid in October 2016.

In addition, certain members of the Board of Managing Directors have received interest-free advances on their variable short-term remuneration in connection with the change in the remuneration system and adjustment of their fixed remuneration. Advances paid in 2015 amounted to EUR 525 thousand.

### **Benefits granted in connection with the termination of membership on the Board of Managing Directors**

Payments made to a member of the Board of Managing Directors upon early termination of their employment agreement without due cause are limited to two years' remuneration (severance cap) and solely represent compensation for the remaining term of the employment agreement. The severance cap is generally calculated based on the total remuneration for the last full financial year and also on the expected total remuneration for the current year where applicable.

Members of the Board of Managing Directors whose employment has terminated are generally subject to a noncompetition clause for a period of two years following termination of their employment agreement. In return, they are entitled to compensation in the amount of 50 % of the average contractual remuneration granted to the member of the Board of Managing Directors for the last twelve months before the end of their employment. Contractual remuneration includes both performance-based and non-performance-based remuneration components. Income from other employment is deducted from the compensation payment in accordance with section 74c HGB. Dr. Ulrich Hauck and Dr. Stefan Spindler, who were appointed to the Board of Managing Directors in 2015, were guaranteed such noncompetition compensation in their employment agreements.

Robert Schullan left Schaeffler AG's Board of Managing Directors early at his own request effective April 30, 2015. He was entitled to receive non-performance-based remuneration including all fringe benefits until December 31, 2015, a total of EUR 301 thousand.

### **External activities of members of the Board of Managing Directors**

The members of the Board of Managing Directors have agreed to work exclusively for the company. External activities, whether paid or unpaid, require prior approval by the executive committee of the Supervisory Board. This ensures that neither the time commitment involved nor the related remuneration conflict with the individual's responsibilities towards Schaeffler AG. External activities representing a position on legally required supervisory boards or similar supervisory bodies of commercial enterprises are listed in section 5 "Governing bodies of the company". Serving in such positions in relation to group companies is not remunerated separately.

### **Appropriateness of the remuneration of the Board of Managing Directors**

In accordance with section 87 AktG, the Supervisory Board of Schaeffler AG ensures that the remuneration of individual members of the Board of Managing Directors bears a reasonable relationship to the duties and performance of such member as well as the condition of the company. The Supervisory Board obtained the assistance of an independent remuneration expert for purposes of reviewing whether the remuneration of the Board of Managing Directors is appropriate.

## 4.2 Main features of the remuneration system for and amounts of remuneration of the Board of Managing Directors in effect prior to the listing

Prior to the listing, the remuneration system included fixed and variable components. The total remuneration of each member of the Board of Managing Directors is capped (“hard cap”). The fixed component of remuneration was based on the duties and responsibilities of each member of the Board of Managing Directors. In addition to the fixed component, each member of the Board of Managing Directors also received a performance-based bonus, which was calculated based on the following factors:

- operating earnings compared to minimum return on revenue,
- actual working capital compared to budgeted working capital, and
- individual performance factor.

Total remuneration of the entire Board of Managing Directors for 2014 under the remuneration system in effect prior to the listing amounted to EUR 2 m, including EUR 1 m for the fixed component and EUR 0 m for the variable performance-based bonus. As Schaeffler AG’s Board of Managing Directors was not appointed until October 24, 2014, prior year figures are not fully comparable to the figures for 2015. In addition, the members of the Board of Managing Directors received fringe benefits which included the use of a company car for private purposes, insurance benefits, D&O insurance, and retirement benefits.

The previous remuneration system was based on individual contractual arrangements entered into prior to the company’s listing on the capital markets. On the date of the listing, the new remuneration system meeting the requirements for remuneration systems of listed companies became effective retroactively as at January 01, 2015. As a result, remuneration under the previous system is not presented by individual for 2014. Remuneration for all of 2015 based on the remuneration system in effect since the listing is disclosed by individual.

The remuneration system in effect prior to the listing remained applicable to the two members of the Board of Managing Directors who left the company, Kurt Mirlach (left effective December 31, 2015) and Robert Schullan (left effective April 30, 2015), without change in 2015.



## 4.3 Amounts of remuneration of the Board of Managing Directors

The fixed and variable components of remuneration are disclosed below. The following tables show the remuneration granted for and paid in 2015.

### Remuneration and payments for 2015 Klaus Rosenfeld (Chief Executive Officer since October 24, 2014)

No. 061

in € thousands	Remuneration			Payment 2015
	2015	2015 (floor)	2015 (ceiling)	
Fixed remuneration	1,200	1,200	1,200	1,200
Sign-on bonus	1,200	1,200	1,200	600 <sup>1)</sup>
Fringe benefits	27	27	27	27
<b>Total</b>	<b>2,427</b>	<b>2,427</b>	<b>2,427</b>	<b>1,827</b>
One-year variable remuneration – short-term bonus	1,200	0	1,800	953
Multi-year variable remuneration – long-term bonus: PSUP (4 years)	1,031 <sup>2)</sup>	0	2,600	0
<b>Total</b>	<b>4,658</b>	<b>2,427</b>	<b>6,827</b>	<b>2,780</b>
Pension cost	1,240	1,240	1,240	1,240
<b>Total remuneration</b>	<b>5,898</b>	<b>3,667</b>	<b>8,067</b>	<b>4,020</b>

<sup>1)</sup> Represents the payment made in October 2015. The remaining sign-on bonus will be paid in October 2016.

<sup>2)</sup> Fair value at the grant date in accordance with IFRS 2.

**Norbert Indlekofer**  
**(Member of the Board of Managing Directors since October 24, 2014)**

in € thousands	Remuneration			Payment 2015
	2015	2015 (floor)	2015 (ceiling)	
Fixed remuneration	600	600	600	600
Sign-on bonus	600	600	600	300 <sup>1)</sup>
Fringe benefits	27	27	27	27
<b>Total</b>	<b>1,227</b>	<b>1,227</b>	<b>1,227</b>	<b>927</b>
One-year variable remuneration – short-term bonus	900	0	1,350	715
Multi-year variable remuneration – long-term bonus: PSUP (4 years)	753 <sup>2)</sup>	0	1,900	0
<b>Total</b>	<b>2,880</b>	<b>1,227</b>	<b>4,477</b>	<b>1,642</b>
Pension cost	205	205	205	205
<b>Total remuneration</b>	<b>3,085</b>	<b>1,432</b>	<b>4,682</b>	<b>1,847</b>

<sup>1)</sup> Represents the payment made in October 2015. The remaining sign-on bonus will be paid in October 2016.

<sup>2)</sup> Fair value at the grant date in accordance with IFRS 2.

**Prof. Dr. Peter Pleus**  
**(Member of the Board of Managing Directors since October 24, 2014)**

in € thousands	Remuneration			Payment 2015
	2015	2015 (floor)	2015 (ceiling)	
Fixed remuneration	600	600	600	600
Sign-on bonus	600	600	600	300 <sup>1)</sup>
Fringe benefits	41	41	41	41
<b>Total</b>	<b>1,241</b>	<b>1,241</b>	<b>1,241</b>	<b>941</b>
One-year variable remuneration – short-term bonus	900	0	1,350	715
Multi-year variable remuneration – long-term bonus: PSUP (4 years)	753 <sup>2)</sup>	0	1,900	0
<b>Total</b>	<b>2,894</b>	<b>1,241</b>	<b>4,491</b>	<b>1,656</b>
Pension cost	380	380	380	380
<b>Total remuneration</b>	<b>3,274</b>	<b>1,621</b>	<b>4,871</b>	<b>2,036</b>

<sup>1)</sup> Represents the payment made in October 2015. The remaining sign-on bonus will be paid in October 2016.

<sup>2)</sup> Fair value at the grant date in accordance with IFRS 2.

**Dr. Stefan Spindler**  
**(Member of the Board of Managing Directors since May 01, 2015)**

in € thousands	Remuneration			Payment 2015
	2015	2015 (floor)	2015 (ceiling)	
Fixed remuneration	400	400	400	400
Sign-on bonus	600	600	600	300 <sup>1)</sup>
Fringe benefits	13	13	13	13
<b>Total</b>	<b>1,013</b>	<b>1,013</b>	<b>1,013</b>	<b>713</b>
One-year variable remuneration – short-term bonus	500	0	750	397
Multi-year variable remuneration – long-term bonus: PSUP (4 years)	423 <sup>2)</sup>	0	1,066	0
<b>Total</b>	<b>1,936</b>	<b>1,013</b>	<b>2,829</b>	<b>1,110</b>
Pension cost	164	164	164	164
<b>Total remuneration</b>	<b>2,100</b>	<b>1,177</b>	<b>2,993</b>	<b>1,274</b>

<sup>1)</sup> Represents the payment made in October 2015. The remaining sign-on bonus will be paid in October 2016.

<sup>2)</sup> Fair value at the grant date in accordance with IFRS 2.

**Prof. Dr. Peter Gutzmer**  
**(Member of the Board of Managing Directors since October 24, 2014)**

in € thousands	Remuneration			Payment 2015
	2015	2015 (floor)	2015 (ceiling)	
Fixed remuneration	600	600	600	600
Sign-on bonus	600	600	600	300 <sup>1)</sup>
Fringe benefits	28	28	28	28
<b>Total</b>	<b>1,228</b>	<b>1,228</b>	<b>1,228</b>	<b>928</b>
One-year variable remuneration – short-term bonus	900	0	1,350	715
Multi-year variable remuneration – long-term bonus: PSUP (4 years)	753 <sup>2)</sup>	0	1,900	0
<b>Total</b>	<b>2,881</b>	<b>1,228</b>	<b>4,478</b>	<b>1,643</b>
Pension cost	273	273	273	273
<b>Total remuneration</b>	<b>3,154</b>	<b>1,501</b>	<b>4,751</b>	<b>1,916</b>

<sup>1)</sup> Represents the payment made in October 2015. The remaining sign-on bonus will be paid in October 2016.

<sup>2)</sup> Fair value at the grant date in accordance with IFRS 2.

**Dr. Ulrich Hauck**  
**(Member of the Board of Managing Directors since April 01, 2015)**

in € thousands	Remuneration			Payment 2015
	2015	2015 (floor)	2015 (ceiling)	
Fixed remuneration	450	450	450	450
Sign-on bonus	600	600	600	300 <sup>1)</sup>
Fringe benefits	20	20	20	20
<b>Total</b>	<b>1,070</b>	<b>1,070</b>	<b>1,070</b>	<b>770</b>
One-year variable remuneration – short-term bonus	563	0	845	447
Multi-year variable remuneration – long-term bonus: PSUP (4 years)	476 <sup>2)</sup>	0	1,200	0
<b>Total</b>	<b>2,109</b>	<b>1,070</b>	<b>3,115</b>	<b>1,217</b>
Pension cost	337	337	337	337
<b>Total remuneration</b>	<b>2,446</b>	<b>1,407</b>	<b>3,452</b>	<b>1,554</b>

<sup>1)</sup> Represents the payment made in October 2015. The remaining sign-on bonus will be paid in October 2016.

<sup>2)</sup> Fair value at the grant date in accordance with IFRS 2.

**Oliver Jung**  
**(Member of the Board of Managing Directors since October 24, 2014)**

in € thousands	Remuneration			Payment 2015
	2015	2015 (floor)	2015 (ceiling)	
Fixed remuneration	600	600	600	600
Sign-on bonus	600	600	600	300 <sup>1)</sup>
Fringe benefits	28	28	28	28
<b>Total</b>	<b>1,228</b>	<b>1,228</b>	<b>1,228</b>	<b>928</b>
One-year variable remuneration – short-term bonus	900	0	1,350	715
Multi-year variable remuneration – long-term bonus: PSUP (4 years)	753 <sup>2)</sup>	0	1,900	0
<b>Total</b>	<b>2,881</b>	<b>1,228</b>	<b>4,478</b>	<b>1,643</b>
Pension cost	288	288	288	288
<b>Total remuneration</b>	<b>3,169</b>	<b>1,516</b>	<b>4,766</b>	<b>1,931</b>

<sup>1)</sup> Represents the payment made in October 2015. The remaining sign-on bonus will be paid in October 2016.

<sup>2)</sup> Fair value at the grant date in accordance with IFRS 2.

**Kurt Mirlach**  
**(Member of the Board of Managing Directors from October 24, 2014**  
**until December 31, 2015)**

in € thousands	Remuneration			Payment 2015
	2015	2015 (floor)	2015 (ceiling)	
Fixed remuneration	450	450	450	450
Sign-on bonus	-	-	-	-
Fringe benefits	22	22	22	22
<b>Total</b>	<b>472</b>	<b>472</b>	<b>472</b>	<b>472</b>
One-year variable remuneration – short-term bonus	960	0	1,550	1,003
Multi-year variable remuneration – long-term bonus: PSUP (4 years)	-	-	-	-
<b>Total</b>	<b>1,432</b>	<b>472</b>	<b>2,022</b>	<b>1,475</b>
Pension cost	266	266	266	266
<b>Total remuneration</b>	<b>1,698</b>	<b>738</b>	<b>2,288</b>	<b>1,741</b>

**Robert Schullan**  
**(Member of the Board of Managing Directors from October 24, 2014**  
**until April 30, 2015)**

in € thousands	Remuneration			Payment 2015
	2015	2015 (floor)	2015 (ceiling)	
Fixed remuneration	142	142	142	142
Sign-on bonus	-	-	-	-
Fringe benefits	9	9	9	9
<b>Total</b>	<b>151</b>	<b>151</b>	<b>151</b>	<b>151</b>
One-year variable remuneration – short-term bonus	572	0	1,557	579
Multi-year variable remuneration – long-term bonus: PSUP (4 years)	-	-	-	-
<b>Total</b>	<b>723</b>	<b>151</b>	<b>1,708</b>	<b>730</b>
Pension cost	130	130	130	130
<b>Total remuneration</b>	<b>853</b>	<b>281</b>	<b>1,838</b>	<b>860</b>

The total remuneration for 2015 is broken down by individual and by its various components in accordance with section 285 No. 9a HGB and section 314 (1) No. 6a HGB below.

### Total remuneration (HGB) for 2015 by individual

No. 062

in € thousands	Remuneration components			
	fixed	variable short-term	variable long-term <sup>1)</sup>	Total remuneration
Klaus Rosenfeld (CEO)	2,427	953	1,031	4,411
Norbert Indlekofer	1,227	715	753	2,695
Prof. Dr. Peter Pleus	1,241	715	753	2,709
Dr. Stefan Spindler (since May 01, 2015)	1,013	397	423	1,833
Prof. Dr. Peter Gutzmer	1,228	715	753	2,696
Dr. Ulrich Hauck (since April 01, 2015)	1,070	447	476	1,993
Oliver Jung	1,228	715	753	2,696
<b>Former members of the Board of Managing Directors</b>				
Kurt Mirlach (until December 31, 2015)	472	1,003	0	1,475
Robert Schullan (until April 30, 2015)	151	579	0	730
<b>Total</b>	<b>10,057</b>	<b>6,239</b>	<b>4,942</b>	<b>21,238</b>

<sup>1)</sup> Share-based payment in the form of the PSUP.

The expenses resulting from the PSUP for 2015 are broken down by individual in accordance with section 314 (1) No. 6a Sentence 8 HGB in conjunction with IFRS 2.51a below.

### PSUP expenses in 2015

No. 063

in € thousands	Expenses (IFRS)
Klaus Rosenfeld (CEO)	92
Norbert Indlekofer	176
Prof. Dr. Peter Pleus	176
Dr. Stefan Spindler (since May 01, 2015)	38
Prof. Dr. Peter Gutzmer	67
Dr. Ulrich Hauck (since April 01, 2015)	42
Oliver Jung	67
<b>Former members of the Board of Managing Directors</b>	
Kurt Mirlach (until December 31, 2015)	-
Robert Schullan (until April 30, 2015)	-
<b>Total</b>	<b>658</b>

## 4.4 Remuneration of the Supervisory Board

The remuneration of the Supervisory Board includes the disclosures required by German commercial law and is consistent with the recommendations of the GCGC. The remuneration of the Supervisory Board was set in a resolution passed by the general meeting on December 01, 2014.

The members of the Supervisory Board of Schaeffler AG receive fixed remuneration of EUR 50,000 per year. The Chairman of the Supervisory Board receives twice this amount, his Deputies 1.5 times this amount. In addition, membership on committees is compensated as follows:

- Executive committee; committee remuneration of EUR 20,000 for each ordinary member, twice this amount for the chairman.
- Audit committee; committee remuneration for each ordinary member of EUR 20,000, twice this amount for the chairman.

Where a member of the Supervisory Board chairs several committees or chairs both the Supervisory Board and one or more committees, no remuneration is paid for the additional chairmanship. Remuneration is pro-rated for changes in the Supervisory Board or its committees.

Remuneration for committee membership for any one financial year is conditional on the relevant committee actually having met to fulfill its responsibilities during the period.

In addition, each member of the Supervisory Board receives an attendance fee of EUR 1,500 for each meeting of the Supervisory Board or its committees her or she attends in person.

Members of the Supervisory Board are reimbursed for expenses incurred in connection with the performance of their duties and for any value-added tax on their remuneration.

The company has obtained directors' and officers' liability insurance (D&O insurance) for all members of the Supervisory Board; the policy's deductible provision is in accordance with the AktG and the GCGC.

No advances or loans were granted to members of the Supervisory Board in 2015. The following table summarizes the amount of remuneration of each member of the Supervisory Board.

Supervisory Board remuneration for 2015 <sup>1)</sup>

No. 064

in € thousands	Fixed remuneration	Remuneration for committee membership	Attendance fees	Total remuneration
Bänsch, Jürgen (until November 19, 2015) <sup>2)</sup>	53	21	16	90
Bullinger, Prof. Dr. Hans-Jörg	60		7	67
Engelmann, Dr. Holger	60		7	67
Gottschalk, Prof. Dr. Bernd	60		7	67
Lenhard, Norbert <sup>2)</sup>	60	24	16	100
Luther, Dr. Siegfried	60	48	11	119
Mittag, Dr. Reinold <sup>2)</sup>	60	24	18	102
Mölkner, Thomas (until November 19, 2015) <sup>2)</sup>	53		9	62
Münch, Yvonne (since November 19, 2015) <sup>2)</sup>	7		2	9
Resch, Barbara (since November 19, 2015) <sup>2)</sup>	7	1	4	12
Schaeffler, Georg F. W.	119	48	23	190
Schaeffler-Thumann, Maria-Elisabeth	89	24	12	125
Schmidt, Stefanie <sup>2)</sup>	60		7	67
Spindler, Dirk	60		9	69
Stalker, Robin	60	24	16	100
Stolz, Jürgen <sup>2)</sup>	60		9	69
Vicari, Salvatore <sup>2)</sup>	60	24	18	102
Wechsler, Jürgen <sup>2)</sup>	89	24	16	129
Wiesheu, Dr. Otto	60		9	69
Wolf, Prof. KR Ing. Siegfried	60	24	9	93
Worrich, Jürgen <sup>2)</sup>	60	24	18	102
Zhang, Prof. Dr.-Ing. Tong	60		5	65
<b>Total</b>	<b>1,317</b>	<b>310</b>	<b>248</b>	<b>1,875</b>

<sup>1)</sup> All amounts shown include value-added tax on remuneration where applicable. The positions held by the Supervisory Board members are listed in section 5 "Governing bodies of the company".

<sup>2)</sup> These employee representatives have declared that their board remuneration is transferred to the Hans Böckler Foundation in accordance with the guidelines issued by the German Federation of Trade Unions.

Members of the Supervisory Board have not received any compensation for personally rendered services, especially consulting and agency services.



# 5. Governing bodies of the company

## 5.1 Supervisory Board

The Supervisory Board consists of twenty members. Ten of these members are appointed by a resolution of the annual general meeting, and ten members are elected by the employees in accordance with the requirements of the German Co-Determination Act. The term of office of the shareholder representatives on the Supervisory Board ends at the conclusion of the annual general meeting 2019. The term of office of the employee representatives ends at the conclusion of the annual general meeting 2020.

### **Georg F. W. Schaeffler**

Shareholder of INA-Holding Schaeffler GmbH & Co. KG

Chairman of the Supervisory Board of Schaeffler AG

Appointed on December 01, 2014

Chairman of the mediation, executive, and nomination committees and member of the audit committee

Seats on other supervisory and similar boards:

Member of the supervisory board of Continental AG, Hanover

### **Maria-Elisabeth Schaeffler-Thumann**

Shareholder of INA-Holding Schaeffler GmbH & Co. KG

Deputy Chairperson of the Supervisory Board of Schaeffler AG

Appointed on December 01, 2014

Member of the mediation, executive, and nomination committees

Seats on other supervisory and similar boards:

Member of the supervisory board of Continental AG, Hanover

### **Jürgen Wechsler\***

Regional Director of IG Metall Bavaria

Deputy Chairman of the Supervisory Board of Schaeffler AG and member of the mediation and executive committees

Appointed on November 19, 2015

Seats on other supervisory and similar boards:

Member of the supervisory board of BMW AG, Munich

Deputy chairman of the Supervisory Board of Siemens Healthcare GmbH, Munich (since June 29, 2015)

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\* Employee representative on the Supervisory Board

**Prof. Dr. Hans-Jörg Bullinger**

Senator of Fraunhofer-Gesellschaft zur Förderung angew. Forschung e. V.

Appointed on December 01, 2014

Seats on other supervisory and similar boards:

Chairman of the supervisory board of ARRI AG, Munich

Member of the supervisory board of Bauerfeind AG, Zeulenroda-Triebes

Chairman of the supervisory board of TÜV SÜD AG, Munich

Deputy chairman of the supervisory board of WILO SE, Dortmund

**Dr. Holger Engelmann**

Chairman of the Management Board of Webasto SE

Appointed on December 01, 2014

Member of the nomination committee

Seats on other supervisory and similar boards:

Member of the supervisory board of Webasto Roof Systems China Ltd., Hong Kong, China

Chairman of the supervisory board of Webasto Thermo & Comfort SE, Gilching

**Prof. Dr. Bernd Gottschalk**

Managing Partner of AutoValue GmbH

Appointed on December 01, 2014

Member of the nomination committee

Seats on other supervisory and similar boards:

Member of the supervisory board of JOST-Werke Deutschland GmbH, Neu-Isenburg

Member of the advisory board of peiker acoustic GmbH & Co. KG, Friedrichsdorf

Member of the supervisory board of Plastic Omnium SA, Levallois-Perret, France

Member of the supervisory board of Voith GmbH, Heidenheim (until September 30, 2015)

Chairman of the advisory board of Woco Industrietechnik GmbH, Bad Soden-Salmünster

**Norbert Lenhard\***

Chairman of the central Works Council Schaeffler Technologies AG & Co. KG;

Chairman of the Works Council at Schweinfurt plant

Appointed on November 19, 2015

Member of the mediation and executive committees

**Dr. Siegfried Luther**

Management Consultant

Appointed on December 01, 2014

Chairman of the audit committee

Seats on other supervisory and similar boards:

Member of the supervisory board of Evonik Industries AG, Essen

Member of the board of directors of Sparkasse Gütersloh, Gütersloh

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\* Employee representative on the Supervisory Board

**Dr. Reinold Mittag\***

Trade Union Secretary of IG Metall

Appointed on November 19, 2015

Member of the audit committee

**Yvonne Münch\***

Manager Plant Purchase and Logistics

Appointed on November 19, 2015

**Barbara Resch\***

Second Commissioner of IG Metall Schweinfurt

Appointed on November 19, 2015

Member of the executive committee

**Stefanie Schmidt\***

Chairperson of the Works Council at Wuppertal plant

Appointed on November 19, 2015

**Dirk Spindler\***

Senior Vice President Research & Development and Application Engineering of  
Schaeffler Technologies AG & Co. KG

Appointed on November 19, 2015

**Robin Stalker**

Executive Board Member for adidas AG, responsible for Finance

Appointed on December 01, 2014

Member of the audit committee

**Jürgen Stolz\***

Chairman of the Works Council at Bühl plant

Appointed on November 19, 2015

**Salvatore Vicari\***

Chairman of the Works Council at Homburg/Saar plant

Appointed on November 19, 2015

Member of the audit committee

**Dr. Otto Wiesheu**

Lawyer

Appointed on December 01, 2014

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\* Employee representative on the Supervisory Board

**Prof. KR Ing. Siegfried Wolf**

Chairman of the Board of Directors of Russian Machines LLC

Appointed on December 01, 2014

Member of the executive committee

Seats on other supervisory and similar boards:

Member of the supervisory board of Banque Baring Brothers Sturdza SA, Geneva, Switzerland

Member of the supervisory board of Continental AG, Hanover

Chairman of the supervisory board of GAZ Group, Nizhny Novgorod, Russia

Chairman of the supervisory board of Glavstroy OJSC, Moscow, Russia (until September 15, 2015)

Member of the supervisory board of Miba AG, Laakirchen, Austria (since June 25, 2015)

Chairman of the supervisory board of Österreichische Industrieholding AG, Vienna, Austria (until March 20, 2015)

Chairman of the supervisory board of SBERBANK Europe AG, Vienna, Austria

Member of the supervisory board of STRABAG SE, Vienna, Austria (until June 12, 2015)

Member of the supervisory board of Transstroy Corporation, Moscow, Russia (until September 15, 2015)

**Jürgen Worrich\***

Chairman of the European Schaeffler Works Council; Member of the Works Council at Herzogenaurach plant

Appointed on November 19, 2015

Member of the audit committee

**Prof. Dr.-Ing. Tong Zhang**

Director Clean Energy Automotive Engineering Center at Tongji University in Shanghai, China

Appointed on December 01, 2014

The following members left the Supervisory Board in 2015:

**Jürgen Bänsch\***

Chairman of the Central German Works Council, Schaeffler Group; Chairman of the Works Council at Herzogenaurach plant

Member of the Supervisory Board until November 19, 2015

**Thomas Mölkner\***

Chairman of the Central German Works Council, Schaeffler Group

Member of the Supervisory Board until November 19, 2015

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\* Employee representative on the Supervisory Board

## 5.2 Supervisory Board committees

### **Mediation committee**

Georg F. W. Schaeffler (chairman), Maria-Elisabeth Schaeffler-Thumann, Norbert Lenhard, and Jürgen Wechsler

### **Executive committee**

Georg F. W. Schaeffler (chairman), Norbert Lenhard, Barbara Resch, Maria-Elisabeth Schaeffler-Thumann, Jürgen Wechsler, and Prof. KR Ing. Siegfried Wolf

### **Audit committee**

Dr. Siegfried Luther (chairman), Dr. Reinold Mittag, Georg F. W. Schaeffler, Robin Stalker, Salvatore Vicari, and Jürgen Worrich

### **Nomination committee**

Georg F. W. Schaeffler (chairman), Maria-Elisabeth Schaeffler-Thumann, Dr. Holger Engelmann, and Prof. Dr. Bernd Gottschalk

## 5.3 Board of Managing Directors

The Schaeffler Group is managed by the Board of Managing Directors of Schaeffler AG. The Board of Managing Directors currently has eight members: the Chairman of the Board of Managing Directors (CEO), the CEOs of the two divisions Automotive and Industrial, and the Managing Directors responsible for the functions (1) Technology, (2) Operations, (3) Finance, and (4) Human Resources. Together, the Board of Managing Directors and the Regional CEOs represent the Schaeffler Group's Executive Board.

### **Klaus Rosenfeld**

Chief Executive Officer

Responsible for Quality; MOVE, Communications, Marketing & Investor Relations; Legal; Internal Audit; Corporate Development & Strategy; Compliance & Corporate Security; Corporate Real Estate

Chief Executive Officer since October 24, 2014; appointed until June 30, 2019

Seats on supervisory and similar boards:

Member of the supervisory board of Continental AG, Hanover

Member of the supervisory board of FAG Bearings India Ltd., Mumbai, India (since February 11, 2015)

### **Prof. Dr.-Ing. Peter Gutzmer**

Deputy Chief Executive Officer and Chief Technology Officer

Responsible for R&D Strategy, Processes & Resources; Corporate Innovation; R&D Expertise & Service; Protection of Industrial Property; Surface Technology; Information Technology; Digitalization Coordination Office

Member of the Board of Managing Directors since October 24, 2014; appointed until December 31, 2019

Seats on supervisory and similar boards:

Member of the supervisory board of Continental AG, Hanover

### **Dr. Ulrich Hauck** (since April 01, 2015)

Chief Financial Officer

Responsible for Finance Strategy, Processes & Infrastructure; Corporate Accounting; Corporate Controlling; Divisional Controlling Automotive and Industrial divisions; Corporate Treasury; Corporate Taxes; Corporate Insurance

Member of the Board of Managing Directors since April 01, 2015; appointed until March 31, 2018

Seats on supervisory and similar boards:

Member of the supervisory board of Bayer Business Services GmbH, Leverkusen (until February 28, 2015)

Member of the supervisory board of Bayer-Pensionskasse VVaG, Leverkusen (until February 28, 2015)

Member of the advisory board of Bayer Pension Trust e.V., Leverkusen (until February 28, 2015)

Member of the board of directors of Euro Services Bayer S.L., Barcelona, Spain (until February 28, 2015)

Member of the supervisory board of mutares AG, Munich

**Norbert Indlekofer**

CEO Automotive

Responsible for Transmission Systems and Automotive Aftermarket business divisions;  
Research & Development Automotive division

Member of the Board of Managing Directors since October 24, 2014;  
appointed until December 31, 2016

Seats on supervisory and similar boards:

Member of the supervisory board of Gienanth GmbH, Eisenberg

**Oliver Jung**

Chief Operating Officer

Responsible for Operations Strategy & Processes; Production Technology; Special Machinery;  
Tool & Prototype Management; Industrial Engineering; Bearing & Components Technologies;  
Logistics; Purchasing

Member of the Board of Managing Directors since October 24, 2014;  
appointed until September 30, 2018

Seats on supervisory and similar boards:

Member of the supervisory board of SupplyOn AG, Munich

**Prof. Dr. Peter Pleus**

CEO Automotive

Responsible for Engine Systems and Chassis Systems business divisions;  
Global Key Account Management Automotive division; Business Development Automotive

Member of the Board of Managing Directors since October 24, 2014;  
appointed until December 31, 2016

Seats on supervisory and similar boards:

Member of the supervisory board of IAV GmbH, Berlin

**Corinna Schittenhelm** (since January 01, 2016)

Chief Human Resources Officer

Responsible for Human Resources Strategy, Processes & Infrastructure;  
General Policy & Remuneration Policy; Administration & Payroll; Human Resources Automotive;  
Human Resources Industrial; Human Resources Corporate Functions;  
Human Resources Development; Environment, Occupational Health & Safety

Member of the Board of Managing Directors since January 01, 2016;  
appointed until December 31, 2018

Seats on supervisory and similar boards:

Member of the supervisory board of OSRAM Opto Semiconductors GmbH (until December 31, 2015)

**Dr. Stefan Spindler** (since May 01, 2015)

CEO Industrial

Responsible for Strategic Planning Sectors & Customers; Global Sales Industrial; Research & Development and Application Development; Operations and Supply Chain Management; “CORE” Program

Member of the Board of Managing Directors since May 01, 2015; appointed until April 30, 2018

Seats on supervisory and similar boards:

Deputy Chairman of the supervisory board of Schaeffler Austria GmbH, Berndorf- St. Veit, Austria (since June 09, 2015)

The following members left the Board of Managing Directors in 2015:

**Kurt Mirlach** (until December 31, 2015)

Chief Human Resources Officer

Responsible for Human Resources Strategy, Processes & Infrastructure; General Policy & Remuneration Policy; Administration & Payroll; Human Resources Automotive; Human Resources Industrial; Human Resources Corporate Functions; Human Resources Development; Environment, Occupational Health & Safety

Member of the Board of Managing Directors from October 24, 2014 until December 31, 2015

**Robert Schullan** (until April 30, 2015)

CEO Industrial

Responsible for Business Development Industrial; Industrial Applications business division; Industrial Aftermarket business division; Bearing Technologies; Research & Development Industrial

Member of the Board of Managing Directors from October 24, 2014 until April 30, 2015

Seats on supervisory and similar boards:

Member of the supervisory board of HAWE Hydraulik SE, Munich (since January 01, 2015)