

Corporate Governance

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* Included in the management report.

1. Corporate governance report including corporate governance declaration in accordance with section 289a HGB

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 in corporate and financial communications 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.

The following is a report by the Board of Managing Directors and the Supervisory Board on the corporate governance of Schaeffler AG in accordance with item 3.10 of the German Corporate Governance Code. The corporate governance report also comprises the corporate governance declaration in accordance with section 289a HGB which is a separate component of the management report in accordance with section 315 (5) HGB. However, according to section 317 (2) sentence 4 HGB, this information is not subject to audit; as a result, the audit is only required to determine whether these disclosures were provided.

 Corporate governance report including the corporate governance declaration in accordance with section 289a HGB at: www.schaeffler.com/ir

1.1 Corporate governance principles

Managing the company with integrity and good corporate citizenship are integral components of the Schaeffler Group's long-standing corporate culture. The Schaeffler Group's manner of conducting business is based on integrity, fairness, and mutual respect. The Schaeffler Group wants to be a reliable partner to its business partners, employees, and shareholders. Transparency, trust, and teamwork are the three key success factors for achieving this. Transparency generates trust, and trust is the foundation of good teamwork. The updated Schaeffler Group Code of Conduct approved by the Board of Managing Directors provides guidance in this area. 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 company's stakeholders. The Schaeffler Group lives up to its corporate responsibility and is laying the foundation for profitable growth and the company's long-term success. At the core of this success are top quality, outstanding technology, and exceptionally innovative spirit, 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.

Since the release of its last declaration of conformity in March 2016, 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 exception described under item 2 below:

1. 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 remuneration report 2016 will show the comparative figures for the preceding year. Hence, Schaeffler AG will comply with the recommendation in item 4.2.5 of the Code in the future.
2. 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.

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 activities 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. Its actions and decisions are guided by the company’s best interest and, therefore, take into account the interests of shareholders, employees and other stakeholders of the company in order to add long-term value. It is directly responsible for managing the company, sets objectives and

the company’s strategic direction, consults on them with the Supervisory Board, manages the implementation of the company’s strategy, and regularly discusses the status of its implementation with the Supervisory Board. It is also responsible for the annual budget and long-range plan and for preparing the company’s quarterly and semiannual financial reports, the separate financial statements of Schaeffler AG, the consolidated financial statements, and the combined management report of the company and the group. The Board of Managing Directors also ensures that the company’s activities are in compliance with legal requirements and internal guidelines (“compliance”).

 See chapter entitled “Governance structure” for further detail on compliance.

The internal rules of procedure of the Board of Managing Directors set out the activities of the Board of Managing Directors, the issues that are the responsibility of the Board of Managing Directors, the majorities required to pass resolutions, and the areas of responsibility of the various members of the Board of Managing Directors. Based on the Schaeffler Group’s organizational structure, the Board of Managing Directors consists of the Group CEO and the CEOs of the divisions and corporate functions. 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. 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 Schaeffler Group 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.

Consistent with the group’s international stature and wide variety of sectors, the Board of Managing Directors considers diversity when making appointments to leadership positions. It aims to give appropriate consideration to women and has set targets for the proportion of women at the two levels of management immediately below the Board of Managing Directors in accordance with sections 76 (4) and 111 (5) AktG.

 See section “Act on Equal Access for Men and Women to Leadership Positions” for further detail on women in leadership positions.

Members may serve on the Board of Managing Directors until their 68th birthday.

At the reporting date, no member of the Board of Managing Directors held more than three positions on supervisory boards of non-group public companies or similarly demanding positions on supervisory bodies of non-group companies.

 The members of the Board of Managing Directors, their areas of responsibility, and any positions they hold on supervisory boards of other companies are listed in the chapter entitled “Governing bodies of the company”.

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 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 or the executive committee.

The Supervisory Board appoints the members of the Board of Managing Directors and sets their remuneration.

 See chapter entitled “Remuneration report” for further detail on the remuneration of the Board of Managing Directors.

In addition to considering the relevant technical qualifications, the Supervisory Board also strives for diversity when making appointments to the Board of Managing Directors. Under the “Act on Equal Access for Men and Women to Leadership Positions in the Private and Public Sectors”, Schaeffler AG’s Supervisory Board, being the body responsible for making appointments to the Board of Managing Directors, is required to set a target for the proportion of women on the Board of Managing Directors. 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. The Board of Managing Directors meets the target set by the Supervisory Board, as it has had one female member since January 01, 2016.

Together with the members of the Board of Managing Directors, the Supervisory Board ensures that long-term succession planning is performed for appointments to the Board of Managing Directors.

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 such additional meetings.

As recommended by the German Corporate Governance Code, the Supervisory Board audits the efficiency of its activities at regular intervals. An efficiency audit was performed in 2016.

Under the requirements of the German Co-Determination Act, the Supervisory Board of Schaeffler AG, which is subject to co-determination on the basis of parity, 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. In addition, Schaeffler AG’s Supervisory Board has to consist of at least 30 % women and at least 30 % men (section 96 (2) AktG). This minimum quota is effective for new elections held on or after January 01, 2016, and applies to the Supervisory Board as a whole (joint compliance). Both the shareholder representatives and the employee representatives are entitled to object to joint compliance by a majority resolution; in this case, the quota has to be met separately by the shareholder representatives as well as by the employee representatives (separate compliance). The employee representatives unanimously objected to joint compliance with the gender quota on December 10, 2015. The Supervisory Board currently has four female members, three women are employee representatives and one woman represents the shareholders. As a result, the employee representatives meet the legally required quota. The employer representative’s quota is currently at 10 %.

In addition to the above legal requirements and in accordance with item 5.4.1 of the German Corporate Governance Code, the Supervisory Board has set the following concrete targets for its composition, considering the company’s specific situation and taking into account the company’s international operations, any potential conflicts of interest, the number of independent Supervisory Board members, and a set limit on the length of time a member may serve on the Supervisory Board, as well as diversity:

- Members should have the knowledge, skills and technical experience required to properly perform their duties and be able to devote sufficient time to these duties.
- 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 item 5.4.2 of the German Corporate Governance Code).
- 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.
- The Supervisory Board should not include more than two former members of the Board of Managing Directors.
- Members of the Supervisory Board should not normally serve on the Board for more than three terms of office.

The current Supervisory Board meets these targets. The Supervisory Board as a whole has the knowledge, skills and technical

experience required to properly perform its duties. The Supervisory Board as a whole is familiar with the industries and sectors in which the Schaeffler Group operates. The members of the Supervisory Board ensure that they are able to devote sufficient time to the performance of their duties. The Supervisory Board also has several members experienced in international business or with other international ties. Conflicts of interest related to members of the Supervisory Board must be disclosed to the Supervisory Board immediately; there were no such conflicts of interest in 2016. No member of the Supervisory Board currently serves on a governing body or in a consulting role with respect to a key competitor or is a former member of the Board of Managing Directors.

 See section "Avoiding conflicts of interest" for further detail on conflicts of interest.

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. This deviation from the German Corporate Governance Code has been included in the declaration of conformity pursuant to section 161 AktG.

Composition and mode of operation of Supervisory Board committees

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 members of the mediation committee are Maria-Elisabeth Schaeffler-Thumann as well as Norbert Lenhard, Georg F. W. Schaeffler, and Jürgen Wechsler; Georg F. W. Schaeffler is the committee's chairman.

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 Dr. Holger Engelmann, Prof. Dr. Bernd Gottschalk, and Maria-Elisabeth Schaeffler-Thumann; Georg F. W. Schaeffler is the committee's chairman.

The executive committee consists of Barbara Resch and Maria-Elisabeth Schaeffler-Thumann as well as Norbert Lenhard, Georg F. W. Schaeffler, Jürgen Wechsler, and Prof. KR Ing. Siegfried Wolf; 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 of the external auditors, and, as such, is responsible for approving engagements for non-audit services. The audit committee also monitors the 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.

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 Board of Managing Directors is required to submit any fundamental legal transactions and measures to the Supervisory Board or the executive committee for approval. 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 between meetings, as well, 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 2016.

Act on Equal Access for Men and Women to Leadership Positions

The Act on Equal Access for Men and Women to Leadership Positions in the Private and Public Sectors prescribes a fixed gender quota of 30 % for Schaeffler AG's Supervisory Board.

See "Supervisory Board" section for further detail on the gender quota of Schaeffler AG's Supervisory Board.

In addition, it requires the Supervisory Board to set a target for the proportion of women on the Board of Managing Directors and the Board of Managing Directors to set targets for the proportion of women at the two levels of management immediately below the Board of Managing Directors.

The target set by the Supervisory Board for the proportion of women on the Schaeffler AG Board of Managing Directors states that the Board of Managing Directors has to have at least one female member. The Board of Managing Directors meets this target set by the Supervisory Board, as it has had one female member since January 01, 2016.

In order to increase the proportion of women below the level of the Board of Managing Directors, the Board of Managing Directors has set targets for the proportion of women of 5 % at the first level of management and 12 % at the second level of management. These targets must be achieved by 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

Item 6.2 of the German Corporate Governance Code requires the ownership of shares in the company or related financial instruments by members of the Board of Managing Directors and the Supervisory Board to be disclosed if these directly or indirectly exceed 1 % of the shares issued by the company. On December 31, 2016, IHO Verwaltungs GmbH held a 75.1 % interest (500 million common shares) in Schaeffler AG. These shareholdings are attributable to Supervisory Board members Georg F. W. Schaeffler and Maria-Elisabeth Schaeffler-Thumann. The remaining members of the Supervisory Board and the Board of Managing Directors held less than 1 % of the common and common non-voting shares of the company as at that date.

Under article 19 of the Market Abuse Regulation, the members of the Board of Managing Directors and the Supervisory Board as well as persons closely associated with them are legally required to report any acquisition or disposal of shares in or bonds of Schaeffler AG or financial instruments linked thereto once the total amount of such transactions executed within a calendar year has reached EUR 5,000.

For further detail on securities transactions reported in 2016 is available at: www.schaeffler.com/ir

Transparency

The company provides 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 ad hoc releases and press releases, 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.

Shareholders have to register for the annual general meeting in due time in order to attend the annual general meeting. An invitation and other 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 compiles 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 a letter dated March 10, 2016, the auditors have issued a binding independence letter for the year ended December 31, 2016.

1.4 Declaration of conformity pursuant to section 161 AktG

Since the release of its last declaration of conformity in March 2016, 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 exception described under item 2 below:

1. 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 remuneration report 2016 will show the comparative figures for the preceding year. Hence, Schaeffler AG will comply with the recommendation in item 4.2.5 of the Code in the future.
2. 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, December 2016

For the Supervisory Board For the Board of Managing Directors

Georg F. W. Schaeffler
Chairman of the
Supervisory Board

Klaus Rosenfeld
Chief Executive Officer



Georg F. W. Schaeffler

2. Report of the Supervisory Board

Ladies and Gentlemen,

The Supervisory Board has performed the duties mandated by law, the company's articles of association, and its internal rules of procedure in 2016. The Supervisory Board 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 results of operations and about significant transactions as well as the related risks and opportunities. In addition, the Schaeffler Group's strategy was presented to and discussed with the Supervisory Board in detail by the Board of Managing Directors. The Board of Managing Directors continually updated the Supervisory Board in detail about the development of revenue and earnings of the group and the divisions as well as about the financial position. Short- and long-term planning and budgeting matters as well as compliance and risk management matters were also discussed. The Supervisory Board addressed developments in the capital markets and the trend in the price of Schaeffler AG's common non-voting shares, as well.

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.

Members of the Supervisory Board and its committees

The Supervisory Board and its committees remained unchanged in 2016. The following committees have been established.

- Mediation committee established in accordance with section 27 (3) German Co-Determination Act:
Georg F. W. Schaeffler (Chairman), Norbert Lenhard, Maria-Elisabeth Schaeffler-Thumann, 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), Dr. Holger Engelmann, Prof. Dr. Bernd Gottschalk, and Maria-Elisabeth Schaeffler-Thumann

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

There were no conflicts of interest related to members of the Board of Managing Directors or the Supervisory Board in 2016.

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, Oliver Jung, Prof. Dr. Peter Pleus, Corinna Schittenhelm, Dr. Stefan Spindler, and Matthias Zink (since January 01, 2017). On March 11, 2016, Matthias Zink was appointed to the Board of Managing Directors for a term of three years effective January 01, 2017. Also on that date, Prof. Dr. Peter Pleus was reappointed to the Board of Managing Directors for a further term of two years starting January 01, 2017. Norbert Indlekofer left the Board of Managing Directors effective December 31, 2016. The company and the Supervisory Board would like to express their gratitude to Norbert Indlekofer for his successful work over many years and wish him all the best for his retirement.

In accordance with the internal rules of procedure of the Board of Managing Directors, Klaus Rosenfeld is responsible for the CEO functions, Prof. Dr.-Ing. Peter Gutzmer for Technology, Dr. Ulrich Hauck for Finance, Prof. Dr. Peter Pleus and Matthias Zink 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, one strategy meeting, and two extraordinary meetings held via conference call in 2016. One resolution was passed in writing. All members of the Supervisory Board attended significantly more than half of the Supervisory Board meetings. The same applies to the attendance of members of the Supervisory Board at committee meetings.

At the extraordinary meeting held via telephone on February 17, 2016, attendees discussed the achievement of targets and objectives related to the remuneration of the Managing Directors and were provided with information on tort litigation against former Managing Directors.

At its first regular meeting on March 11, 2016, the Supervisory Board appointed Matthias Zink to the Board of Managing Directors, reappointed Prof. Dr. Pleus to the Board of Managing Directors, and addressed other personnel matters. The Supervisory Board also dealt with the Schaeffler Group's results of operations as well as with the 2015 separate and consolidated financial statements of the Schaeffler Group. In addition, it approved the report of the Supervisory Board to the annual general meeting, the Supervisory Board's proposed agenda items for the annual general meeting, and an amendment to the declaration of conformity pursuant to section 161 AktG.

At its second regular meeting on May 11, 2016, the Supervisory Board addressed personnel matters, the Schaeffler Group's results of operations, and the results of the first quarter of 2016. There was also a report on intellectual property.

In its extraordinary conference call on July 08, 2016, the Supervisory Board discussed financing measures which were subsequently approved by a resolution passed in writing dated July 15, 2016.

At its third regular meeting on October 06, 2016, the Supervisory Board heard a report on the latest results of operations and the results of the first half of 2016.

The third regular meeting of the Supervisory Board was immediately followed by a meeting at which the Schaeffler Group's future strategy was presented in detail. The Supervisory Board discussed the various aspects of the strategy with the Board of Managing Directors. The Board of Managing Directors included the Supervisory Board's suggestions in its strategy considerations.

At its fourth regular meeting on December 16, 2016, the Supervisory Board passed a resolution amending the employment contracts of the divisional CEOs and set the target amounts underlying the bonuses for the Managing Directors for 2017. The Supervisory Board also approved the declaration on the German Corporate Governance Code (section 161 AktG) and discussed the Schaeffler Group's results of operations and results of the third quarter of 2016. Also at this meeting, the Supervisory Board approved the budget for 2017 and the long-range plan for the years 2017 to 2021 (including the capital expenditure plan).

In October and November 2016, the Supervisory Board performed an internal efficiency audit of its activities. The audit found that the Supervisory Board performs its duties efficiently. Certain issues, such as monitoring the implementation of the Supervisory Board's decisions, need further development in the future.

The executive committee of the Supervisory Board held four regular meetings and four extraordinary meetings via telephone in 2016. One resolution was passed in writing. Preparing personnel decisions to be made by the Supervisory Board and preparing the meetings of the Supervisory Board were on the agenda of the regular meetings. A resolution dated September 01, 2016 to approve a Managing Director's external activity was passed in writing.

The extraordinary meetings held via telephone on January 08 and 12, 2016 and on November 04, 2016, dealt with tort litigation against former Managing Directors. The executive committee's extraordinary meeting held via telephone on December 07, 2016 dealt with two M&A projects and personnel matters.

The audit committee held four regular meetings in 2016. At these meetings, the audit committee addressed the separate and consolidated financial statements of the Schaeffler Group for 2015, and the interim reports as at March 31, 2016, June 30, 2016, and September 30, 2016. Compliance, internal audit, risk management, and the internal control system were reported on a regular basis at these meetings, as well. The audit committee also dealt with working capital management, issues related to international tax

law, and non-audit services provided by the financial statement auditors. The audit committee recommended to the 2016 annual general meeting that it appoint KPMG AG auditors of the separate and consolidated financial statements and auditors for purposes of reviews of interim financial statements and financial information. The audit committee also engaged KPMG AG as auditors and determined areas of focus for the audit.

The nomination and mediation committees did not hold any meetings in 2016.

Separate and consolidated financial statements 2016

KPMG has audited the separate financial statements and the combined management report as at December 31, 2016 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, 2016 to December 31, 2016.

The consolidated financial statements of Schaeffler AG as at and for the year ended December 31, 2016 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.

KPMG has issued the following unqualified audit opinion on the dependency report in accordance with section 313 (3) AktG:

"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 02, 2017. The audit committee scrutinized the development of earnings for 2016, the financial position and net assets as at the reporting date and, particularly, provisions for risks. The financial statement documents, the dependency report, and the long-form audit reports were also dealt with in the Supervisory Board meeting convened to approve the financial statements on March 03, 2017. 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 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 0.49 per common share and EUR 0.50 per common non-voting share in respect of 2016.

On behalf of the Supervisory Board, I would like to express my sincere gratitude to the members of the Board of Managing Directors, to management, and to all employees of Schaeffler AG and the group companies for their dedication and their constructive teamwork during another challenging year.

On behalf of the Supervisory Board



Georg F.W. Schaeffler
Chairman

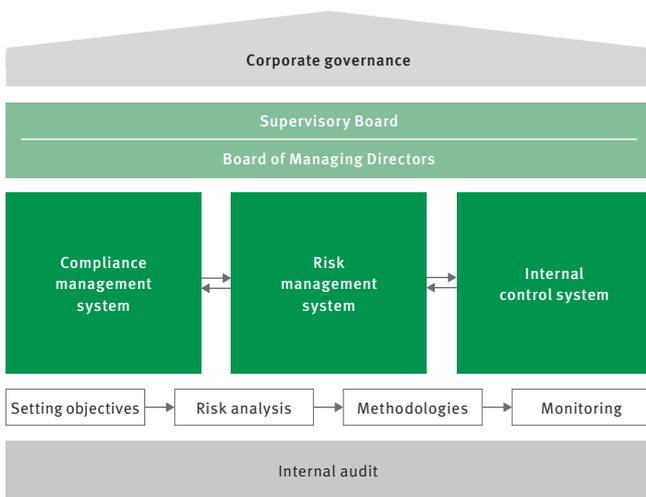
Herzogenaurach, March 03, 2017

3. Governance structure

The Schaeffler Group considers maintaining the corporate culture of a global family business essential and intends to play a leading role as a listed family business. Its focus is on customer relationships and acting with integrity. Its corporate values drive the nature of its transactions. Transactions and business relationships inconsistent with the group's corporate values are rejected.

Schaeffler Group governance structure

No. 067



The governance structure promotes transparency and supports the values of a global family business (sustainable, innovative, excellent, and passionate). The components of the governance structure support our business units in effectively identifying and managing risk.

The Schaeffler Group has continued to improve the processes within its governance structure with a view to meeting the needs of its customers while at the same time protecting the company. The governance structure is aimed at promoting the coordinated operation of the subsystems and, hence, the early identification of risks to the continued existence and development of the Schaeffler Group. Clearly assigned responsibilities and a robust internal control system are in place to manage significant risks. The Group Compliance and Risk Committee (GCRC) represents a key governance component in this regard, increasing transparency in internal structures, the organization, and in responsibilities. The GCRC is chaired by the Schaeffler Group's Chief Compliance Officer. 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 and development and is based on the principle that primary responsibility for a risk lies with its originator.

Three lines of defense model

No. 068

Lines of defense	Responsible unit or function	Area of responsibility
First line of defense	Operating business units	At the first tier, operating business units are responsible for performing controls within all business processes to prevent risk. If prevention is not feasible, risks have to be identified and reduced to an appropriate level.
Second line of defense	Risk functions (e. g. controlling, risk management, compliance, and legal)	The second tier defines global standards and controls, regularly monitors compliance with them, and reports on their effectiveness. It is also responsible for regular and independent risk assessment.
Third line of defense	Internal Audit	The third tier is the audit by Internal Audit. Independent and objective audits are designed to ensure process efficiency in risk management, internal controls, and corporate governance.

The business units bear primary responsibility for the risks inherent in their business. Hence, the Schaeffler Group's employees represent the first line of defense against potential risks. The Schaeffler Code of Conduct encourages them to turn to their supervisor or the corresponding control function with any questions or concerns they might have regarding dealing with risks and inappropriate business practices. An anonymous whistleblowing system is available for this purpose where necessary.

With its corporate governance structure and its three lines of defense model, the Schaeffler Group fulfils its obligation to manage the company responsibly and to maintain effective controls.

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 of 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 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 PS 980 by an independent audit firm, the next step planned is a review of the implementation of the CMS by an independent audit firm.

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 preventive arrangements in place. The analysis is primarily based on interviews with management and employees of all divisions and regions with the objective of obtaining estimates of the probability of occurrence and the size of the potential loss of pertinent risk scenarios from the interviewee that are as close to the business processes as possible. These estimates are supplemented with sector and expert knowledge, experience with actual compliance violations, results of controls and audits, as well as by using operations-, 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. He also utilizes a centralized team of experts located at the corporate head office in Herzogenaurach which was expanded in 2016 and consists of the "Advisory", "Risk Analysis & Solutions", and "Forensics & Investigations" departments. The responsibilities of this team of experts include defining and monitoring appropriate groupwide compliance standards and activities, consulting on compliance, and improving processes and controls. The team is also 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 with these are not tolerated and result in disciplinary action.

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. Training sessions are continually refined and updated and adapted to the employees' areas of responsibility. For instance, case studies in the Risk Awareness training session are customized to the relevant business units in order to make the presentation of potential risks as specific and clear as possible. In addition, the company has also put in place arrangements for detecting possible compliance violations; these arrangements include audits and controls as well as a whistleblowing system which can be used to report violations on an anonymous basis. All such reports received are reviewed independently. Reprisals against employees reporting concerns about misconduct within the company in good faith are prohibited.

The Schaeffler Group has further expanded its arrangements and measures for complying with legal requirements and internal rules in 2016. A new code of conduct applicable to all employees worldwide was introduced. In addition to requirements relating to general conduct, the principles and practices described also cover conduct vis-à-vis business partners and third parties, dealing with sensitive information, employees and co-workers, and requirements regarding the environment, health, and safety. In accordance with the corporate values, bribery or any form of corruption are not tolerated. All Schaeffler Group employees are expressly prohibited from engaging in bribery or corruption in any way. The same applies to conduct violating competition or anti-trust laws. The Schaeffler Group stays away from any

transactions that cannot be effected or continued without unacceptable conduct.

The company continued the implementation of a register of contacts with competitors as well as a groupwide business partner due diligence process. This underlines the standard the Schaeffler Group expects of its business partners with respect to acting with integrity and abiding by rules. In 2016, the compliance training program included training on risk awareness, the Schaeffler Code of Conduct, and security of information including classification of information. New training measures were introduced to protect against cybercrime and CEO fraud.

The company maintains a groupwide insider list in order to comply with capital markets regulations. 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. In addition, there is an insider committee 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.

 For further detail on significant compliance-related risks see "Report on opportunities and risks".

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, manage, and monitor 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.

 For further detail on the risk management system see "Report on opportunities and risks".

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.

 For further detail on the internal control system see "Report on opportunities and risks".

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 the compliance management system, 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/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 Assurance", "Corporate Audits" and "IT and Special Audits". It also has locations in each of the four regions.

The responsibilities of Internal Audit 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 and compliance 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 involve auditing selected areas (e.g. Procurement) and documenting and analyzing the actual processes in place. 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 within the Schaeffler Group. Compliance risks are covered in the "orderliness" assessment area.

In a risk analysis done in preparation for audit assignments, Internal Audit exchanges information with other departments (e.g. Compliance and Corporate Security, Controlling, Legal, Quality, Risk Management).

In order to obtain sufficient reliable, relevant, and constructive information to achieve its audit objectives, Internal Audit regularly performs its audit assignments on location.

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 2016 of the Institute of Internal Auditors (IIA), the head of Internal Audit has established 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.

The remuneration report is in accordance with the requirements of the German Commercial Code (HGB) and International Financial Reporting Standards (IFRS) and is part of the group management report. It also reflects the recommendations of the German Corporate Governance Code.

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 AktG, the Supervisory Board sets the total remuneration, reviews the remuneration scheme on a regular basis, and reviews the appropriateness of the remuneration of the Board of Managing Directors on a regular basis. 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 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 became effective retroactively as at January 01, 2015 on the date of the listing, October 09, 2015, and is effective for all members of the Board of Managing Directors in office in 2016.

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. The variable component is largely long-term in nature. In addition, the members of the Board of Managing Directors receive the customary fringe benefits, pension commitments, a company car, and insurance benefits.

Remuneration of Board of Managing Directors – system and components

No. 069

Components	Performance metric	Range of remuneration	Conditions for payment	Payment cycle
Non-performance-based components				
Fixed remuneration	Function and responsibility	None	Contractually agreed	Monthly
Fringe benefits	Function and responsibility	None	Contractually agreed	Payment not applicable
Performance-based components				
Short-term bonus	For the CEO and the Chief Officers of the functions (in 2015 also for the divisional CEOs): Free cash flow (FCF Group) and Schaeffler Value Added (SVA Group) of the Schaeffler Group (weighted equally). For the divisional CEOs: Free cash flow (FCF Group) and Schaeffler Value Added (SVA Group) of the Schaeffler Group, Schaeffler Value Added (SVA Division) and working capital (WC Division) of the division (weighted equally) ¹⁾	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 service condition and/or performance targets	4 years after grant date
Retirement benefits			Retirement or triggering event	Generally monthly

¹⁾ Starting in 2017, cash flow of the division will replace working capital of the division for purposes of measuring the performance of the divisional CEOs.

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. Fixed remuneration is paid in twelve equal installments each month.

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) (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 2016.

Performance-based components

Short-term variable component – short-term bonus

All members of the Board of Managing Directors in office in 2016 receive an annual short-term bonus if the relevant targets are met. The employment contracts of the members of the Board of Managing Directors set out the individual target-based bonus based on achievement of 100 % of the performance targets.

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 to the CEO and the Chief Officers of the functions (in 2015 also to the divisional CEOs) is determined based on the extent to which the performance targets have been met. The performance targets are weighted equally and consist of free cash flow (FCF Group) of the Schaeffler Group and Schaeffler Value Added (SVA Group) of the Schaeffler Group. For the divisional CEOs, the performance targets used to determine the extent to which performance targets have been met consist of free cash flow (FCF Group) of the Schaeffler Group and Schaeffler Value Added (SVA Group) of the Schaeffler Group and of Schaeffler Value Added (SVA Division) of the division and working capital (WC Division) of the division, again weighted equally.⁷

⁷ Starting in 2017, cash flow of the division will replace working capital of the division for purposes of measuring the performance of the divisional CEOs.

FCF Group is generally calculated based on the Schaeffler Group's cash flows from operating activities and from investing activities for the relevant year. SVA Group is generally based on the Schaeffler Group's EBIT less its cost of capital. SVA Division is determined in the same manner based on measures segmented in accordance with IFRS 8. The Working Capital Division performance target is calculated as the ratio of the division's working capital to divisional revenue.

The Supervisory Board can set other strategic targets in addition to the FCF, SVA, and WC performance targets. The short-term bonus may lapse in its entirety if the minimum targets are not met. Furthermore, the Supervisory Board can establish a multiplier ranging from 0.8 to 1.2 to reflect a Managing Director's individual performance. In any event, payment of all short-term bonuses is limited to 150 % of the individual target-based bonus, regardless of whether an additional strategic target is set or a multiplier reflecting a Managing Director's individual performance is applied. 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.

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

The Supervisory Board has implemented a share-based remuneration instrument in the form of a PSUP 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. Based on relevant agreements, all current Managing Directors are eligible for the PSUP.

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 are achieved. The PSUP is granted in annual tranches. Each tranche has a performance period of four years beginning on January 01 of the year it is granted. The target amount per tranche is stipulated in the employment contracts of the members of the Board of Managing Directors and is designed to create a remuneration structure that is largely oriented toward the long term. 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.

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.⁸
- 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 Supervisory Board sets the FCF- and TSR-based target amounts for each tranche when PSUs are granted.

The 2015 and 2016 tranches of PSUs subject to FCF- and TSR-based performance targets vest based on the following target tiers.

PSUP performance targets for FCF		No. 070
Cumulative free cash flow for the performance period	FCF	Number of PSUs vested in %
Cumulative 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 %
Cumulative FCF compared to target FCF < ~ -6.01 %		0 %

PSUP performance targets for TSR		No. 071
TSR outperformance over the performance period	TSR	Number of PSUs vested in %
> 25 %		100 %
5 % < TSR outperformance ≤ 25 %		75 %
-5 % < TSR outperformance ≤ 5 %		50 %
-25 % < TSR outperformance ≤ -5 %		25 %
≤ -25 %		0 %

The target amounts for the FCF-based performance target are derived from the Schaeffler Group's medium-term plan. The payment under a PSU is capped at double the underlying share price at the grant date.

⁸ Taking into account the rules applicable to leavers.

The underlying share price of the 2016 tranche is EUR 14.58. The PSUs granted to each individual and the related fair values in 2016 are as follows:

PSUs granted in 2016		No. 072		
	Target amount (in € thousands)	Number of PSUs granted on January 01, 2016 ¹⁾	Grant date fair value per PSU (in € thousands)	Grant date fair value (in € thousands)
Klaus Rosenfeld (CEO)	1,300			
Base number of PSUs		44,581	13.82	616
FCFPSUs		22,291	13.82	308
TSR PSUs		22,291	9.13	204
Prof. Dr. Peter Gutzmer	950			
Base number of PSUs		32,578	13.82	450
FCFPSUs		16,290	13.82	225
TSR PSUs		16,290	9.13	149
Dr. Ulrich Hauck	800			
Base number of PSUs		27,434	13.82	379
FCFPSUs		13,718	13.82	190
TSR PSUs		13,718	9.13	125
Norbert Indlekofer²⁾	950			
Base number of PSUs		32,578	13.82	450
FCFPSUs		16,290	13.82	225
TSR PSUs		16,290	9.13	149
Oliver Jung	950			
Base number of PSUs		32,578	13.82	450
FCFPSUs		16,290	13.82	225
TSR PSUs		16,290	9.13	149
Prof. Dr. Peter Pleus	950			
Base number of PSUs		32,578	13.82	450
FCFPSUs		16,290	13.82	225
TSR PSUs		16,290	9.13	149
Corinna Schittenhelm	650			
Base number of PSUs		22,290	13.82	308
FCFPSUs		11,146	13.82	154
TSR PSUs		11,146	9.13	102
Dr. Stefan Spindler	800			
Base number of PSUs		27,434	13.82	379
FCFPSUs		13,718	13.82	190
TSR PSUs		13,718	9.13	125
Total	7,350	504,117	-	6,376

¹⁾ Equals the number of PSUs outstanding as at December 31, 2016.

²⁾ Norbert Indlekofer left the Board of Managing Directors of Schaeffler AG as at December 31, 2016.

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:

PSUs granted in 2015 ¹⁾		No. 073		
	Target amount (in € thousands)	Number of PSUs granted on October 09, 2015 ²⁾	Grant date fair value per PSU (in € thousands)	Grant date fair value (in € thousands)
Klaus Rosenfeld (CEO)	1,300			
Base number of PSUs		49,429	11.58	572
FCFPSUs		24,715	11.58	286
TSR PSUs		24,715	6.96	172
Prof. Dr. Peter Gutzmer	950			
Base number of PSUs		36,121	11.58	418
FCFPSUs		18,061	11.58	209
TSR PSUs		18,061	6.96	126
Dr. Ulrich Hauck	600			
Base number of PSUs		22,813	11.58	264
FCFPSUs		11,407	11.58	132
TSR PSUs		11,407	6.96	79
Norbert Indlekofer³⁾	950			
Base number of PSUs		36,121	11.58	418
FCFPSUs		18,061	11.58	209
TSR PSUs		18,061	6.96	126
Oliver Jung	950			
Base number of PSUs		36,121	11.58	418
FCFPSUs		18,061	11.58	209
TSR PSUs		18,061	6.96	126
Prof. Dr. Peter Pleus	950			
Base number of PSUs		36,121	11.58	418
FCFPSUs		18,061	11.58	209
TSR PSUs		18,061	6.96	126
Dr. Stefan Spindler	533			
Base number of PSUs		20,278	11.58	235
FCFPSUs		10,140	11.58	117
TSR PSUs		10,140	6.96	71
Total	6,233	474,016	-	4,940

¹⁾ 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.

²⁾ Equals the number of PSUs outstanding as at December 31, 2016.

³⁾ Norbert Indlekofer left the Board of Managing Directors of Schaeffler AG as at December 31, 2016.

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 of the 2016 tranche (prior year: 2015 tranche) reflects the following input parameters:

- risk-free interest rate for the remaining performance period of 0.15 % (prior year: 0.2 %),
- expected dividend yield of Schaeffler AG common non-voting shares over the performance period of 2.15 % (prior year: 2.66 %),
- expected volatility of Schaeffler AG common non-voting shares of 33.02 % (prior year: 33.34 %),
- expected volatility of the benchmark index of 19.56 % (prior year: 18.97 %),
- expected correlation coefficient between the benchmark index and Schaeffler AG common non-voting shares of 0.43 (prior year: 0.34).

Retirement benefits

All current members of the Board of Managing Directors hold retirement benefit commitments. The pension resulting from the various individual retirement benefit commitments is generally calculated as a percentage of pensionable remuneration based on the duration of the individual's service on the Board of Managing Directors. Individual percentages vary between 1.5 % and 3.0 % per year of membership on the Board of Managing Directors. Pension 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 the 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 as a half- or full-orphan's pension, respectively.

The pension increases by 1.0 % each year beginning at retirement. The pension of one 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 tables summarize the service cost and defined benefit obligation of pension benefits earned up to December 31, 2016, calculated in accordance with IAS 19 and based on the beneficiary's current age and years of service.

Service cost for 2016 and defined benefit obligations as at December 31, 2016 in accordance with IAS 19

No. 074

in € thousands	Year	Service cost	Defined benefit obligation
Klaus Rosenfeld (CEO)	2016	1,158	10,387
Prof. Dr. Peter Gutzmer	2016	287	4,840
Dr. Ulrich Hauck	2016	458	949
Norbert Indlekofer ¹⁾	2016	194	5,049
Oliver Jung	2016	272	2,750
Prof. Dr. Peter Pleus	2016	357	6,092
Corinna Schittenhelm	2016	319	326
Dr. Stefan Spindler	2016	250	517
Total		3,295	30,910

¹⁾ Norbert Indlekofer left the Board of Managing Directors of Schaeffler AG as at December 31, 2016.

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

No. 075

in € thousands	Year	Service cost	Defined benefit obligation
Klaus Rosenfeld (CEO)	2015	1,240	7,875
Prof. Dr. Peter Gutzmer	2015	273	4,178
Dr. Ulrich Hauck	2015	337	345
Norbert Indlekofer ¹⁾	2015	205	5,300
Oliver Jung	2015	288	2,166
Prof. Dr. Peter Pleus	2015	380	5,282
Dr. Stefan Spindler	2015	164	168
Members who left the Board of Managing Directors in 2015 (remuneration under remuneration system in effect prior to listing)			
Kurt Mirlach ²⁾	2015	266	4,391
Robert Schullan ³⁾	2015	130	3,824
Total		3,283	33,529

¹⁾ Norbert Indlekofer left the Board of Managing Directors of Schaeffler AG as at December 31, 2016.

²⁾ Kurt Mirlach left the Board of Managing Directors of Schaeffler AG as at December 31, 2015.

³⁾ 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 in 2015, any members of the Board of Managing Directors already in office in 2015 and whose term in office extended beyond December 31, 2015 were granted a one-time sign-on bonus to offset the shortfall in liquidity caused by the change. The sign-on bonuses were paid in equal installments in October 2015 and October 2016.

In addition, the company has committed to pay two Managing Directors EUR 300 thousand each for 2017 and EUR 300 thousand and EUR 225 thousand, respectively, for 2018, and has also committed to pay EUR 300 thousand to one of these Managing Directors for 2019; these payments will be offset against the long-term bonuses granted in 2017, 2018, and 2019.

Moreover, in 2015, certain members of the Board of Managing Directors received additional payments in connection with the change in the remuneration system and adjustment of their fixed remuneration. These payments, EUR 525 thousand in total, were offset in full against amounts payable by the company in 2016.

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 must not represent compensation for more than 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. Such 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.

The employment agreements of Corinna Schittenhelm, who was appointed to the Board of Managing Directors in 2016, and Dr. Ulrich Hauck and Dr. Stefan Spindler, who were appointed to the Board of Managing Directors in 2015, include post-contract non-competition clauses calling for corresponding compensation.

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 toward 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".

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

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 and consisted of fixed and variable remuneration components. The total remuneration of each member of the Board of Managing Directors was 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.

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 pension 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.

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 2016 and in 2015.

Remuneration for 2016

	Klaus Rosenfeld				Prof. Dr. Peter Gutzmer				Dr. Ulrich Hauck			
	Chief Executive Officer				Deputy Chief Executive Officer and Chief Technology Officer				Chief Financial Officer			
	since October 24, 2014				since October 24, 2014				since April 01, 2015			
in € thousand	2015	2016	2016 (floor)	2016 (ceiling)	2015	2016	2016 (floor)	2016 (ceiling)	2015	2016	2016 (floor)	2016 (ceiling)
Fixed remuneration	1,200	1,200	1,200	1,200	600	600	600	600	450	600	600	600
Sign-on bonus	1,200	-	-	-	600	-	-	-	600	-	-	-
Fringe benefits	27	27	27	27	28	28	28	28	20	28	28	28
Total	2,427	1,227	1,227	1,227	1,228	628	628	628	1,070	628	628	628
One-year variable remuneration	1,200	1,200	0	1,800	900	900	0	1,350	563	750	0	1,125
Multi-year variable remuneration												
• Long-term bonus: PSUP (4 years) – 2015 tranche	1,031	-	-	-	753	-	-	-	476	-	-	-
• Long-term bonus: PSUP (4 years) – 2016 tranche	-	1,128	0	2,600	-	824	0	1,900	-	694	0	1,600
Total	4,658	3,555	1,227	5,627	2,881	2,352	628	3,878	2,109	2,072	628	3,353
Pension cost	1,240	1,158	1,158	1,158	273	287	287	287	337	458	458	458
Total remuneration	5,898	4,713	2,385	6,785	3,154	2,639	915	4,165	2,446	2,530	1,086	3,811

Payments for 2016

	Klaus Rosenfeld		Prof. Dr. Peter Gutzmer		Dr. Ulrich Hauck	
	Chief Executive Officer		Deputy Chief Executive Officer and Chief Technology Officer		Chief Financial Officer	
	since October 24, 2014		since October 24, 2014		since April 01, 2015	
in € thousand	2016	2015	2016	2015	2016	2015
Fixed remuneration	1,200	1,200	600	600	600	450
Sign-on bonus	600	600	300	300	300	300
Fringe benefits	27	27	28	28	28	20
Total	1,827	1,827	928	928	928	770
One-year variable remuneration	1,199	953	899	715	749	447
Multi-year variable remuneration						
• Long-term bonus: PSUP (4 years) – 2015 tranche	0	0	0	0	0	0
• Long-term bonus: PSUP (4 years) – 2016 tranche	0	0	0	0	0	0
Total	3,026	2,780	1,827	1,643	1,677	1,217
Pension cost	1,158	1,240	287	273	458	337
Total remuneration	4,184	4,020	2,114	1,916	2,135	1,554

No. 076

Norbert Indlekofer				Oliver Jung				Prof. Dr. Peter Pleus				Corinna Schittenhelm				Dr. Stefan Spindler			
CEO Automotive				Chief Operating Officer				CEO Automotive				Chief Human Resources Officer				CEO Industrial			
from October 24, 2014 to December 31, 2016				since October 24, 2014				since October 24, 2014				since January 01, 2016				since May 01, 2015			
2015	2016	2016 (floor)	2016 (ceiling)	2015	2016	2016 (floor)	2016 (ceiling)	2015	2016	2016 (floor)	2016 (ceiling)	2015	2016	2016 (floor)	2016 (ceiling)	2015	2016	2016 (floor)	2016 (ceiling)
600	600	600	600	600	600	600	600	600	600	600	600	-	600	600	600	400	600	600	600
600	-	-	-	600	-	-	-	600	-	-	-	-	-	-	-	600	-	-	-
27	25	25	25	28	28	28	28	41	41	41	41	-	23	23	23	13	23	23	23
1,227	625	625	625	1,228	628	628	628	1,241	641	641	641	-	623	623	623	1,013	623	623	623
900	900	0	1,350	900	900	0	1,350	900	900	0	1,350	-	600	0	900	500	750	0	1,125
753	-	-	-	753	-	-	-	753	-	-	-	-	-	-	-	423	-	-	-
-	824	0	1,900	-	824	0	1,900	-	824	0	1,900	-	564	0	1,300	-	694	0	1,600
2,880	2,349	625	3,875	2,881	2,352	628	3,878	2,894	2,365	641	3,891	-	1,787	623	2,823	1,936	2,067	623	3,348
205	194	194	194	288	272	272	272	380	357	357	357	-	319	319	319	164	250	250	250
3,085	2,543	819	4,069	3,169	2,624	900	4,150	3,274	2,722	998	4,248	-	2,106	942	3,142	2,100	2,317	873	3,598

No. 077

Norbert Indlekofer		Oliver Jung		Prof. Dr. Peter Pleus		Corinna Schittenhelm		Dr. Stefan Spindler	
CEO Automotive		Chief Operating Officer		CEO Automotive		Chief Human Resources Officer		CEO Industrial	
from October 24, 2014 to December 31, 2016		since October 24, 2014		since October 24, 2014		since January 01, 2016		since May 01, 2015	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
600	600	600	600	600	600	600	-	600	400
300	300	300	300	300	300	-	-	300	300
25	27	28	28	41	41	23	-	23	13
925	927	928	928	941	941	623	-	923	713
862	715	899	715	862	715	599	-	522	397
0	0	0	0	0	0	0	-	0	0
0	0	0	0	0	0	0	-	0	0
1,787	1,642	1,827	1,643	1,803	1,656	1,222	-	1,445	1,110
194	205	272	288	357	380	319	-	250	164
1,981	1,847	2,099	1,931	2,160	2,036	1,541	-	1,695	1,274

**Remuneration for 2016 –
Managing Directors who left the company in 2015**

No. 078

	Kurt Mirlach				Robert Schullan			
	Chief Human Resources Officer				CEO Industrial			
	from October 24, 2014 to December 31, 2015				from October 24, 2014 to April 30, 2015			
in € thousands	2015	2016	2016 (floor)	2016 (ceiling)	2015	2016	2016 (floor)	2016 (ceiling)
Fixed remuneration	450	-	-	-	142	-	-	-
Sign-On Bonus	-	-	-	-	-	-	-	-
Fringe benefits	22	-	-	-	9	-	-	-
Total	472	-	-	-	151	-	-	-
One-year variable remuneration	960	-	-	-	572	-	-	-
Multi-year variable remuneration								
• Long-term bonus: PSUP (4 years) – 2015 tranche	-	-	-	-	-	-	-	-
• Long-term bonus: PSUP (4 years) – 2016 tranche	-	-	-	-	-	-	-	-
Total	1,432	-	-	-	723	-	-	-
Pension cost	266	-	-	-	130	-	-	-
Total remuneration	1,698	-	-	-	853	-	-	-

**Payments for 2016 –
Managing Directors who left the company in 2015**

No. 079

	Kurt Mirlach		Robert Schullan	
	Chief Human Resources Officer		CEO Industrial	
	from October 24, 2014 to December 31, 2015		from October 24, 2014 to April 30, 2015	
in € thousands	2016	2015	2016	2015
Fixed remuneration	-	450	-	142
Sign-On Bonus	-	-	-	-
Fringe benefits	-	22	-	9
Total	-	472	-	151
One-year variable remuneration	-	1,003	-	579
Multi-year variable remuneration				
• Long-term bonus: PSUP (4 years) – 2015 tranche	-	-	-	-
• Long-term bonus: PSUP (4 years) – 2016 tranche	-	-	-	-
Total	-	1,475	-	730
Pension cost	-	266	-	130
Total remuneration	-	1,741	-	860

The total remuneration for 2016 and 2015 is broken down by individual and by its various components in accordance with section 285 (9a) HGB and section 314 (1) (6a) HGB below.

Total remuneration (HGB) for 2016 by individual No. 080

in € thousands	Remuneration components			Total remuneration
	fixed	variable, short-term	variable, long-term ¹⁾	
Klaus Rosenfeld (CEO)	1,227	1,199	1,128	3,554
Prof. Dr. Peter Gutzmer	628	899	824	2,351
Dr. Ulrich Hauck	628	749	694	2,071
Norbert Indlekofer ²⁾	625	862	824	2,311
Oliver Jung	628	899	824	2,351
Prof. Dr. Peter Pleus	641	862	824	2,327
Corinna Schittenhelm	623	599	564	1,786
Dr. Stefan Spindler	623	522	694	1,839
Total	5,623	6,591	6,376	18,590

¹⁾ Share-based payment in the form of the PSUP.

²⁾ Norbert Indlekofer left the Board of Managing Directors of Schaeffler AG as at December 31, 2016.

Total remuneration (HGB) for 2015 by individual No. 081

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

¹⁾ Share-based payment in the form of the PSUP.

²⁾ Norbert Indlekofer left the Board of Managing Directors of Schaeffler AG as at December 31, 2016.

The total expenses resulting from the PSUP for 2016 are broken down by individual in accordance with section 314 (1) (6a) (8) HGB in connection with IFRS 2.51a below.

PSUP expenses in 2016	No. 082
in € thousands	Expenses (IFRS)
Klaus Rosenfeld (CEO)	402
Prof. Dr. Peter Gutzmer	293
Dr. Ulrich Hauck	213
Norbert Indlekofer ¹⁾	948
Oliver Jung	293
Prof. Dr. Peter Pleus	184
Corinna Schittenhelm	88
Dr. Stefan Spindler	201
Total	2,622

¹⁾ Norbert Indlekofer left the Board of Managing Directors of Schaeffler AG as at December 31, 2016.

The total expenses resulting from the PSUP for 2015 are broken down by individual in accordance with section 314 (1) (6a) (8) HGB in connection with IFRS 2.51a below.

PSUP expenses in 2015	No. 083
in € thousands	Expenses (IFRS)
Klaus Rosenfeld (CEO)	92
Prof. Dr. Peter Gutzmer	67
Dr. Ulrich Hauck (since April 01, 2015)	42
Norbert Indlekofer ¹⁾	176
Oliver Jung	67
Prof. Dr. Peter Pleus	176
Dr. Stefan Spindler (since May 01, 2015)	38
Managing Directors who left the company in 2015 (Remuneration under remuneration in effect prior to listing)	
Kurt Mirlach (until December 31, 2015)	-
Robert Schullan (until April 30, 2015)	-
Total	658

¹⁾ Norbert Indlekofer left the Board of Managing Directors of Schaeffler AG as at December 31, 2016.

4.4 Remuneration of the Supervisory Board

The description of 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 by 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 he 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 director's and officers' liability insurance (D&O insurance) for all members of the Supervisory Board; the policy's deductible provision is in accordance with the German Stock Corporations Act and the GCGC.

No advances or loans were granted to members of the Supervisory Board in 2016 or 2015. The following tables summarize the amount of remuneration of each member of the Supervisory Board.

Supervisory Board remuneration for 2016 ¹⁾				No. 084
in € thousands	Fixed remuneration	Remuneration for committee membership	Attendance fees	Total remuneration
Bullinger, Prof. Dr. Hans-Jörg	60		7	67
Engelmann, Dr. Holger	60		7	67
Gottschalk, Prof. Dr. Bernd	60		7	67
Lenhard, Norbert ²⁾	60	24	12	96
Luther, Dr. Siegfried	60	48	16	124
Mittag, Dr. Reinold ²⁾	60	24	16	100
Münch, Yvonne ²⁾	60		9	69
Resch, Barbara ²⁾	60	24	14	98
Schaeffler, Georg F.W.	119	48	14	181
Schaeffler-Thumann, Maria-Elisabeth	89	24	7	120
Schmidt, Stefanie ²⁾	60		7	67
Spindler, Dirk	60		9	69
Stalker, Robin	60	24	14	98
Stolz, Jürgen ²⁾	60		9	69
Vicari, Salvatore ²⁾	60	24	14	98
Wechsler, Jürgen ²⁾	89	24	12	125
Wiesheu, Dr. Otto	60		7	67
Wolf, Prof. KR Ing. Siegfried	60	24	9	93
Worrich, Jürgen ²⁾	60	24	16	100
Zhang, Prof. Dr.-Ing. Tong	60		9	69
Total	1,317	312	215	1,844

1) 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".

2) 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.

Supervisory Board remuneration for 2015 ¹⁾				No. 085
in € thousands	Fixed remuneration	Remuneration for committee membership	Attendance fees	Total remuneration
Bänsch, Jürgen (until November 19, 2015) ²⁾	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 ²⁾	60	24	16	100
Luther, Dr. Siegfried	60	48	12	120
Mittag, Dr. Reinold ²⁾	60	24	18	102
Mölkner, Thomas (until November 19, 2015) ²⁾	53		9	62
Münch, Yvonne (since November 19, 2015) ²⁾	7		2	9
Resch, Barbara (since November 19, 2015) ²⁾	7	1	4	12
Schaeffler, Georg F.W.	119	48	23	190
Schaeffler-Thumann, Maria-Elisabeth	89	24	12	125
Schmidt, Stefanie ²⁾	60		7	67
Spindler, Dirk	60		9	69
Stalker, Robin	60	24	16	100
Stolz, Jürgen ²⁾	60		9	69
Vicari, Salvatore ²⁾	60	24	18	102
Wechsler, Jürgen ²⁾	89	24	16	129
Wiesheu, Dr. Otto	60		9	69
Wolf, Prof. KR Ing. Siegfried	60	24	9	93
Worrich, Jürgen ²⁾	60	24	18	102
Zhang, Prof. Dr.-Ing. Tong	60		5	65
Total	1,317	310	249	1,876

1) 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".

2) These employee representatives have stated 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 personal services, especially consulting and agency services, in 2016 or 2015.

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: December 01, 2014

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

Seats on 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: December 01, 2014

Committee memberships: Member of the mediation, executive, and nomination committees

Seats on 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

Appointed: November 19, 2015

Committee memberships: Member of the mediation and executive committees

Seats on supervisory and similar boards: Member of the supervisory board of BMW AG, Munich; deputy chairman of the supervisory board of Siemens Healthcare GmbH, Munich

Prof. Dr. Hans-Jörg Bullinger

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

Appointed: December 01, 2014

Seats on 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

Chief Executive Officer of Webasto SE

Appointed: December 01, 2014

Committee memberships: Member of the nomination committee

Seats on supervisory and similar boards: Member of the supervisory board of Webasto Roof Systems China Ltd., Hong Kong, China (until October 18, 2016); chairman of the supervisory board of Webasto Thermo & Comfort SE, Gilching

* Employee representative on the Supervisory Board.

Prof. Dr. Bernd Gottschalk

Acting Partner of AutoValue GmbH

Appointed: December 01, 2014

Committee memberships: Member of the nomination committee

Seats on supervisory and similar boards: Member of the supervisory board of JOST-Werke Deutschland GmbH, Neu-Isenburg; member of the supervisory board of Plastic Omnium SA, Levallois-Perret, France; chairman of the advisory board of Woco Industrietechnik GmbH, Bad Soden-Salmünster

Norbert Lenhard*

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

Appointed: November 19, 2015

Committee memberships: Member of the mediation and executive committees

Dr. Siegfried Luther

Management Consultant

Appointed: December 01, 2014

Committee memberships: Chairman of the audit committee

Seats on supervisory and similar boards: Member of the supervisory board of Evonik Industries AG, Essen; member of the board of directors of Sparkasse Gütersloh, Gütersloh

Dr. Reinold Mittag*

Trade Union Secretary of IG Metall

Appointed: November 19, 2015

Committee memberships: Member of the audit committee

Yvonne Münch*

Manager Plant Purchase and Logistics

Appointed: November 19, 2015

Barbara Resch*

Wage coordinator

Appointed: November 19, 2015

Committee memberships: Member of the executive committee

Stefanie Schmidt*

Chairperson of the Works Council at the Wuppertal plant

Appointed: November 19, 2015

Dirk Spindler*

Senior Vice President R&D Processes, Methods and Tools of Schaeffler AG

Appointed: November 19, 2015

Robin Stalker

Chief Financial Officer of adidas AG, Herzogenaurach

Appointed: December 01, 2014

Committee memberships: Member of the audit committee

Jürgen Stolz*

Chairman of the Works Council at the Bühl plant

Appointed: November 19, 2015

Salvatore Vicari*

Chairman of the Works Council at Homburg/Saar plant

Appointed: November 19, 2015

Committee memberships: Member of the audit committee

Dr. Otto Wiesheu

Lawyer

Appointed: December 01, 2014

Prof. KR Ing. Siegfried Wolf

Chairman of the Board of Directors of Russian Machines LLC

Appointed: December 01, 2014

Committee memberships: Chairman of the executive committee

Seats on supervisory and similar boards: Member of the supervisory board of Banque Eric Sturdza SA, Geneva, Switzerland; member of the supervisory board of Continental AG, Hanover; chairman of the supervisory board of GAZ Group, Nizhny Novgorod, Russia; member of the supervisory board of Miba AG, Mitterbauer Beteiligungs AG, Laakirchen, Austria; chairman of the supervisory board of SBERBANK Europe AG, Vienna, Austria; member of the supervisory board of UC RUSAL Plc, Nicosia, Cyprus (since June 24, 2016)

Jürgen Worrich*

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

Appointed: November 19, 2015

Committee memberships: Member of the audit committee

Prof. Dr.-Ing. Tong Zhang

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

Appointed: December 01, 2014

* Employee representative on the Supervisory Board.

5.2 Supervisory Board committees

Mediation committee

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

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

Appointed: October 24, 2014

Term of office ends: 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

Prof. Dr.-Ing. Peter Gutzmer

Deputy Chief Executive Officer and Chief Technology Officer

Responsible for: Corporate R&D Management; Corporate Innovation; R&D Processes, Methodologies & Tools; R&D Expertise & Services; Protection of Industrial Property; Surface Technologies; Information Technology; Digitalization Coordination Office

Appointed: October 24, 2014

Term of office ends: December 31, 2019

Seats on supervisory and similar boards: Member of the supervisory board of Continental AG, Hanover

Dr. Ulrich Hauck

Chief Financial Officer

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

Appointed: April 01, 2015

Term of office ends: March 31, 2018

Seats on supervisory and similar boards: Member of the supervisory board of mutares AG, Munich

Oliver Jung

Chief Operating Officer

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

Appointed: October 24, 2014

Term of office ends: 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

Appointed: October 24, 2014

Term of office ends: December 31, 2018

Seats on supervisory and similar boards: Member of the supervisory board of IAV GmbH, Berlin

Corinna Schittenhelm

Chief Human Resources Officer

Responsible for: HR Strategy; General Policy & Remuneration Management; Leadership, Recruiting & Talent Management; Schaeffler Academy; HR Systems, Processes & Reporting; Environment, Occupational Health & Safety; Human Resources Functions; Human Resources Automotive; Human Resources Industrial

Appointed: January 01, 2016

Term of office ends: December 31, 2018

Dr. Stefan Spindler

CEO Industrial

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

Appointed: May 01, 2015

Term of office ends: April 30, 2018

Seats on supervisory and similar boards: Deputy Chairman of the supervisory board of Schaeffler Austria GmbH, Berndorf-St. Veit, Austria

Matthias Zink (since January 01, 2017)

CEO Automotive

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

Appointed: January 01, 2017

Term of office ends: December 31, 2019

The following member left the Board of Managing Directors in 2016**Norbert Indlekofer (until December 31, 2016)**

CEO Automotive

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

Appointed: October 24, 2014

Term of office ended: December 31, 2016

Seats on supervisory and similar boards: Member of the supervisory board of Gienanth GmbH, Eisenberg

* Employee representative on the Supervisory Board.