

*Convenience Translation*

*Please note that this translation of the German Merger Agreement is for convenience purposes only.  
Only the German Merger Agreement is valid and legally binding.*

---

**MERGER AGREEMENT**

---

between

**SCHAEFFLER AG**

with its registered seat in Herzogenaurach, Industriestraße 1-3, 91074 Herzogenaurach, Germany, registered with the commercial register of the local court (*Amtsgericht*) of Fuerth under HRB 14738, as acquiring company

- hereinafter referred to as “**Schaeffler**” or the “**Acquiring Entity**” -

and

**VITESCO TECHNOLOGIES GROUP AKTIENGESELLSCHAFT**

with its registered seat in Regensburg, Siemensstraße 12, 93055 Regensburg, Germany, registered with the commercial register of the local court (*Amtsgericht*) of Regensburg under HRB 18842, as transferring company

- hereinafter referred to as “**Vitesco Technologies**” or the “**Transferring Entity**” -

- the Acquiring Entity and the Transferring Entity are also referred to as “**Parties**”  
and each individually as a “**Party**” -

## Preliminary Remarks

- (A) Schaeffler (together with its subsidiaries and affiliates, but without Vitesco Technologies and its subsidiaries and affiliates, the “**Schaeffler Group**”) is a stock corporation (*Aktiengesellschaft*) with its registered seat in Herzogenaurach and registered with the commercial register of the local court (*Amtsgericht*) of Fuerth under HRB 14738. Schaeffler’s share capital amounts to EUR 666,000,000.00 and is divided into 500,000,000 voting common shares (each a “**Schaeffler Voting Common Share**” and together, including all voting common shares to be issued in the future, the “**Schaeffler Voting Common Shares**”) and 166,000,000 non-voting common shares (each a “**Schaeffler Non-Voting Common Share**” and together, “**Schaeffler Non-Voting Common Shares**”). The Schaeffler Non-Voting Common Shares are admitted to trading on the regulated market (*Regulierter Markt*) (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (ISIN: DE000SHA0159). Each Schaeffler Voting Common Share and Schaeffler Non-Voting Common Share has a nominal value in the share capital of EUR 1.00 (the Schaeffler Voting Common Shares and the Schaeffler Non-Voting Common Shares together each a “**Schaeffler Share**”, and together, the “**Schaeffler Shares**”). At an extraordinary general meeting and a separate meeting of the non-voting common shareholders on February 2, 2024, the shareholders of Schaeffler resolved on the cancellation of the preferential right to profits of Schaeffler’s Non-Voting Shares and the related conversion of Schaeffler’s Non-Voting Shares into common shares with full voting rights of Schaeffler (the “**Change of Classes of Shares**”) and instructed Schaeffler’s executive board (*Vorstand*) not to apply for entry in the commercial register of the amendments to the articles of association resolved as part of the Change of Classes of Shares until a separate general meeting of Schaeffler has approved a merger agreement between Vitesco Technologies as the Transferring Entity and Schaeffler as the Acquiring Entity, and to condition the application for entry of the resolved amendments to the articles of association on the prior or simultaneous entry of the merger of Vitesco Technologies into Schaeffler in the commercial register of Schaeffler. The financial year of Schaeffler is the calendar year.

- (B) Vitesco Technologies (together with its subsidiaries and affiliates, the “**Vitesco Technologies Group**”), is a stock corporation (*Aktiengesellschaft*) with its registered seat in Regensburg and registered with the commercial register of the local court (*Amtsgericht*) of Regensburg under HRB 18842. Vitesco Technologies’ share capital amounts to EUR 100,052,990.00 and is divided into 40,021,196 registered no-par value shares with a nominal value of EUR 2.50 (each a “**Vitesco Technologies Share**”, and together the “**Vitesco Technologies Shares**”). The Vitesco Technologies Shares are admitted to trading on the regulated market (*Regulierter Markt*) (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (ISIN: DE000VTSC017). Currently, Vitesco Technologies does not hold any treasury shares. The financial year of Vitesco Technologies is the calendar year.
- (C) As of the date of this agreement, Schaeffler directly holds 15,557,631 Vitesco Technologies Shares and thus approximately 38.87% of the share capital of Vitesco Technologies.
- (D) The Parties intend to merge Vitesco Technologies as the transferring legal entity into Schaeffler as the acquiring legal entity pursuant to Sections 2 no. 1, 4 *et seq.* and 60 *et seq.* of the German Reorganization Act (*Umwandlungsgesetz*, “**UmwG**”) in accordance with this Agreement (the “**Merger**”).

**NOW THEREFORE**, the Parties agree the following:

## **1. TRANSFER OF ASSETS, MERGER DATE**

- 1.1 Vitesco Technologies will transfer all of its assets, including all rights and obligations, by way of dissolution without liquidation pursuant to Sections 2 no. 1, 60 *et seq.* UmwG to Schaeffler through merger by acquisition in return for the granting of shares in Schaeffler to the shareholders of Vitesco Technologies who are not parties to this agreement (the “**Vitesco Technologies Shareholders**”).
- 1.2 The Merger will be based on the balance sheet of Vitesco Technologies as the Transferring Entity as of December 31, 2023, which has been issued with an unqualified audit opinion (*uneingeschränkter Bestätigungsvermerk*) by KPMG AG Wirtschaftsprüfungsgesellschaft,

Munich, as the closing balance sheet (which is also the transfer date for tax purposes (Section 2 para. 1 of the German Transformation Tax Law)).

- 1.3 The transfer of Vitesco Technologies' assets shall take place internally effective as of January 1, 2024, 00:00 hours (the "**Merger Date**"). From the Merger Date all actions and transactions of the Transferring Entity shall be deemed as having been carried out for the account of the Acquiring Entity.
- 1.4 Schaeffler shall continue the values of the transferred assets and liabilities recognized in the closing balance sheet of Vitesco Technologies in its annual financial statements (*Buchwertfortführung*) and both Parties shall carry out the necessary actions in coordination with each other.

## 2. **CONSIDERATION, CAPITAL INCREASE**

- 2.1 Upon the effectiveness of the Merger, Schaeffler shall grant the Vitesco Technologies Shareholders, who are not parties to this agreement, a total of 278,884,641 voting common shares in Schaeffler free of charge in return for the transfer of Vitesco Technologies' assets in accordance with the following exchange ratio:

For every five registered no-par value shares (voting common shares) of Vitesco Technologies with a nominal value of EUR 2.50 each, 57 voting common shares of Schaeffler with a nominal value of EUR 1.00 each will be granted (i.e. for every one Vitesco Technologies Share there are 11.4 Schaeffler Voting Common Shares) (the "**Exchange Ratio**").

No consideration other than in the form of shares in Schaeffler will be granted unless an additional cash payment is legally mandatory pursuant to Sections 72a, 72b UmwG.

- 2.2 To the extent that Vitesco Technologies Shares are held by or for the account of Schaeffler, the transfer of Vitesco Technologies' assets will be carried out without consideration, *i.e.*, Schaeffler will not receive any new shares for its previous participation in Vitesco Technologies (see Sections 20 para. 1 no. 3, 68 para. 1 sentence 1 no. 1 UmwG).

- 2.3 For the purpose of implementing the Merger, Schaeffler will increase its share capital from currently EUR 666,000,000.00 by EUR 278,884,641.00 to EUR 944,884,641.00 by issuing 278,884,641 new shares (voting common shares) with a nominal value of EUR 1.00 each.
- 2.4 The shares granted by Schaeffler in accordance with Section 2.1 carry full dividend rights from January 1, 2024.
- 2.5 The reference date for the valuation of Schaeffler and Vitesco Technologies to determine the Exchange Ratio is April 24, 2024.
- 2.6 If the value of the transferred assets exceeds the pro rata amount of the share capital attributable to the newly created shares, the difference shall be allocated to the capital reserve pursuant to Section 272 para. 2 no. 4 HGB.
- 2.7 The Vitesco Technologies Shareholders will be granted whole shares in Schaeffler, to the extent possible subject to the exchange ratio. Remaining fractional shares will be combined and sold (Sections 72 para. 2 UmwG, 226 para. 3 AktG); the proceeds will be credited to the holders of the fractional shares in proportion to the fractional shares attributable to them.
- 2.8 Schaeffler will apply for the admission of all Schaeffler Voting Common Shares - and thus also the Schaeffler Voting Common Shares granted as consideration - to the regulated market (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) to effect the admission of the Schaeffler Voting Common Shares as soon as possible after the effectiveness of the Merger. A settlement offer pursuant to Section 29 UmwG is therefore not required, as Vitesco Technologies as a listed stock corporation will be merged into Schaeffler, also a listed stock corporation.
- 2.9 In the event that a court of law determines, or Schaeffler recognizes by way of a judicial or extrajudicial settlement or in any other way, that the exchange ratio is not appropriate or that the participation in Schaeffler is not an appropriate equivalent value for the share or the participation in Vitesco Technologies, the Parties declare that instead of an additional cash payment (Section 15 UmwG), additional shares of Schaeffler shall be granted in accordance with the more detailed provisions of Sections 72a, 72b UmwG. If Schaeffler

grants additional shares in Schaeffler to a Vitesco Technologies Shareholder in order to compensate for an inappropriate determination of the exchange ratio, Schaeffler will equally compensate all other Vitesco Technologies Shareholders entitled to consideration shares by granting them additional shares in Schaeffler accordingly.

### **3. ESCROW AGENT**

3.1 Pursuant to Section 71 para. 1 UmwG, Vitesco Technologies appoints BNP Paribas S.A. (hereinafter, the “**Escrow Agent**”) as Escrow Agent for the receipt of the Schaeffler Voting Common Shares granted to the Vitesco Technologies Shareholders.

3.2 Schaeffler shall deliver to the Escrow Agent the global share certificate representing the newly issued shares granted pursuant to Section 2.1 prior to the registration of the Merger in the commercial register responsible for Vitesco Technologies and Vitesco Technologies shall instruct the Escrow Agent to grant the Vitesco Technologies Shareholders entitled to exchange their shares the pro rata indirect co-ownership of the global share certificate deposited with the Escrow Agent after the registration of the Merger in the commercial register responsible for Schaeffler and/or to release the proceeds obtained pursuant to Section 2.7 in return for the transfer of their Vitesco Technologies Shares.

### **4. SPECIAL RIGHTS AND ADVANTAGES**

4.1 No special rights within the meaning of Section 5 para. 1 no. 7 UmwG are granted to individual shareholders or holders of special rights. No measures within the meaning of the aforementioned provision are intended for these persons.

4.2 Equally, subject to Section 4.4, no special benefits within the meaning of Section 5 para. 1 no. 8 UmwG will be granted to members of a representative body or a supervisory body of the legal entities involved in the merger, managing partners, partners, auditors or the merger auditor.

4.3 With the effectiveness of the Merger, the position of Vitesco Technologies’ supervisory board (*Aufsichtsrat*) and the mandates of the supervisory board members shall end. The remuneration claims of the members of the supervisory board of Vitesco Technologies for

the financial year in which the Merger becomes effective in accordance with Section 15 of Vitesco Technologies' articles of association (in the version applicable at the time the Merger becomes effective) shall become due at the end of December 31 of that year and shall be fulfilled by Schaeffler. No compensation will be paid to the previous members of Vitesco Technologies' supervisory board.

- 4.4 In addition, the offices of Vitesco Technologies' executive board members shall end with the effectiveness of the Merger. The employment contracts of Vitesco Technologies' executive board members are not affected by this. Notwithstanding the responsibilities of Schaeffler's supervisory board under company law, the former member of Vitesco Technologies' executive board, Thomas Stierle, shall be appointed as a member of Schaeffler's executive board concurrently with the effectiveness of the Merger. In agreement with Schaeffler's supervisory board, subject to the approval of the general meeting of Schaeffler, the remuneration of the members of the executive board will in future be determined in accordance with the remuneration system adjusted pursuant to Annex 4.4. Before the Merger becomes effective, Vitesco Technologies intends to enter into binding agreements with all members of Vitesco Technologies' executive board on the full settlement of the variable remuneration of the executive board.

## **5. CONSEQUENCES OF THE MERGER FOR EMPLOYEES AND THEIR REPRESENTATIVE BODIES**

- 5.1 The Transferring Entity currently has no employees. Should employment relationships exist at the Transferring Entity at the time the Merger takes effect, these will be transferred to Schaeffler pursuant to Section 35a para. 2 UmwG in conjunction with Section 613a of the German Civil Code ("**BGB**"). Schaeffler assumes the rights and obligations arising from employment relationships existing with the Transferring Entity's employees pursuant to Sections 613a para. 1 sentence 1 BGB, 35a UmwG, recognizing the length of employment at the Transferring Entity, and continues such employment relationships. A termination of the employment relationships transferred upon the effectiveness of the Merger as a result of the transfer of undertakings is invalid pursuant to Section 35a UmwG in conjunction with Section 613a para. 4 sentence 1 BGB. The right to terminate

employment relationships for other reasons remains unaffected in accordance with Section 35a UmwG in conjunction with Section 613a para. 4 sentence 2 BGB.

- 5.2 The contractual working conditions of transferring employees shall remain unchanged, including any company practices, overall commitments and standard regulations. This also applies to the place of work and existing management rights of the employer. All rights and obligations of transferring employees that are based on earned seniority shall continue to exist at Schaeffler. This applies in particular to the determination of notice periods and entitlements to anniversary payments of transferring employees.
- 5.3 Upon the effectiveness of the Merger, all rights and obligations arising from any existing company pension commitments to transferring employees as well as pension recipients at the Transferring Entity and vested entitlements to former employees of the Transferring Entity shall also be transferred to Schaeffler, irrespective of their respective legal basis, and shall remain unchanged in terms of content. Insofar as the length of employment with the company is relevant for the reason for and amount of benefits from any pension commitments, the periods of employment achieved at or recognized by the Transferring Entity shall be taken into account at Schaeffler. In future, the economic situation of Schaeffler must be taken into account when adjusting current benefits promised under pension commitments in accordance with Section 16 para. 1 of the German Company Pension Act (*Gesetz zur Verbesserung der betrieblichen Altersversorgung*, “**Betriebsrentengesetz**”). Furthermore, the employees of the Transferring Entity joining as part of the Merger are not entitled to benefits with regard to the employer-financed company pension scheme in accordance with the group works agreement “KBV Schaeffler Pension Plan”.
- 5.4 Since the Transferring Entity will cease to exist upon effectiveness of the Merger pursuant to Section 20 para. 1 no. 2 UmwG, no additional joint and several liability of the Transferring Entity within the meaning of Section 613a para. 2 BGB arises pursuant to Section 35a UmwG in conjunction with Section 613a para. 3 BGB.
- 5.5 Employees of the Transferring Entity affected by the transfer of undertakings will be informed of the transfer of undertakings prior to its effectiveness in accordance with



Section 35a UmwG in conjunction with Section 613a para. 5 BGB. According to the rulings of the Federal Labor Court, the employees of the Transferring Entity do not have the right to object to the transfer of their employment relationships to Schaeffler pursuant to Section 613a BGB, as the Transferring Entity will no longer exist after the effectiveness of the Merger and the employment relationship with the Transferring Entity can therefore no longer be continued. However, according to the rulings of the Federal Labor Court, employees of the Transferring Entity have an extraordinary right of termination as a result of the Merger.

- 5.6 The Merger does not affect the employment relationships of Schaeffler's employees.
- 5.7 The Merger itself will not lead to any changes in any operational structures and the organization of the operations of the Transferring Entity and Schaeffler. The identity of operations of the Transferring Entity and the companies belonging to the Transferring Entity's group and of Schaeffler and the companies belonging to the Schaeffler Group will not be affected by the Merger itself. The Merger itself will not result in a change in operations pursuant to Section 111 of the German Works Constitution Act (*Betriebsverfassungsgesetz*, "**BetrVG**").
- 5.8 Upon the effectiveness of the Merger, the group works council, the group spokespersons' committee, the European works council (subject to a transitional mandate pursuant to Section 37 para. 3 of the European Works Councils Act (*Gesetz über Europäische Betriebsräte*, "**EBRG**"), the group representative body for the group youth and trainee council and the group representative body for severely disabled employees existing at the Transferring Entity shall cease to exist. The group works council and the group representative body for severely disabled employees at Schaeffler shall continue to exist after the effectiveness of the Merger and shall also be responsible for the employees of the Transferring Entity and the companies belonging to the Transferring Entity's group from this point in time. The existing company spokespersons' committee at Schaeffler shall also remain in place after the effectiveness of the Merger and shall also be responsible for any senior executives transferred from Vitesco Technologies to Schaeffler from this date. The composition of the group works council at Schaeffler shall be supplemented by

representatives of the existing central works councils of the companies belonging to the Transferring Entity's group in accordance with the existing group works agreement of the Schaeffler Group. The other works councils, spokespersons' committees, representative bodies of severely disabled employees and youth and trainee representatives in the Schaeffler Group and the Transferring Entity's group shall remain unaffected by the Merger and shall continue to exist after the effectiveness of the Merger.

- 5.9 The supervisory board of the Transferring Entity will expire upon the effectiveness of the Merger and the mandates of the supervisory board members (including the employee representatives) will end at this time. Schaeffler also has a supervisory board with equal representation of shareholders and employees, which pursuant to Section 7 para. 1 sentence 1 no. 3 of the German Co-Determination Act (*Mitbestimmungsgesetz*, "MitBestG") consists of ten shareholder representatives and ten employee representatives. Schaeffler's supervisory board will remain unchanged after the effectiveness of the Merger. The employees employed by companies belonging to the group of the Transferring Entity until the effectiveness of the Merger are entitled to actively and passively vote in the next elections to the supervisory board of Schaeffler after the effectiveness of the Merger in accordance with the applicable provisions.
- 5.10 Collective bargaining agreements (*Tarifverträge*) shall not apply to the employment relationships of transferring employees before the effectiveness of the Merger. Upon the effectiveness of the Merger, the collective bargaining agreements of the metal and electrical industry applicable at Schaeffler shall apply to transferring employees to the extent that the respective employee is bound by the collective bargaining agreement and is covered by the scope of the respective collective bargaining agreement. In all other respects, any reference to collective agreements in the employment contract shall continue to apply unchanged. In addition, any spokespersons' committee or works agreements (including general and group works agreements and company spokespersons' committee agreements) in force at Schaeffler shall apply to transferring employees from the effectiveness of the Merger, insofar as the respective employee is covered by the scope of the respective agreement.

- 5.11 In all other respects, the collective bargaining agreements, works agreements (including general and group works agreements) and spokespersons' committee agreements (including company and group spokespersons' committee agreements) in force at the companies belonging to the Transferring Entity's group when the Merger takes effect shall continue to apply unchanged after the Merger takes effect, unless the works agreements are replaced by group or general works agreements of Schaeffler on the same subject matter or the spokespersons' committee agreements are replaced legally valid by company spokespersons' committee agreements of Schaeffler on the same subject matter.
- 5.12 The Parties intend to merge the Schaeffler Group and the Transferring Entity's group organizationally after the completion of the Merger. Even if the Merger does not have immediate direct individual legal effects on the employment relationships of employees who are employed by subsidiaries of the Transferring Entity, it cannot be ruled out that subsequent effects for employees of subsidiaries of the Transferring Entity may arise in the future. Through the Merger, the parties intend to create a Motion Technology Company with four focused divisions (E-Mobility, Powertrain & Chassis, Vehicle Lifetime Solutions, and Bearings & Industrial Solutions). Currently, by way of a selection process, a decision is being made on the appointment of the first management level below the executive board of Schaeffler. The Parties have not yet determined a concrete organizational structure for the business combination. However, the Parties agree that a committed and motivated workforce and the corporate culture they embody are the basis for the current success of the two companies and the future success of the Combined Group. The Parties aim to maintain the existing excellent employee base and corporate culture. The Parties further agree that the transfer of the pension schemes for employees of subsidiaries of the Transferring Entity, in the case of German employees, will be carried out in compliance with the applicable requirements in accordance with the case law of the Federal Labor Court (*Bundesarbeitsgericht*) and otherwise essentially equivalent in value, i.e. without significant losses for the employees.

## **6. RIGHTS OF WITHDRAWAL**

Each Party is entitled to withdraw from this merger agreement with immediate effect if the Merger has not become effective by December 31, 2025. Withdrawal must be declared to

the other Party by registered letter with acknowledgement of receipt and should be communicated in writing to the certifying notary and the register courts involved. The legal consequences of the withdrawal are governed by Sections 346 *et seq.* BGB.

## **7. CHANGE OF MERGER DATE**

7.1 If the Merger is not entered in the commercial register of Schaeffler by the end of February 28, 2025, the balance sheet of Vitesco Technologies as of December 31, 2024, which was issued with an unqualified audit opinion (*uneingeschränkter Bestätigungsvermerk*) by the auditor appointed by Vitesco Technologies' general meeting, shall be used as the closing balance sheet in deviation from Section 1.2 of this agreement and, in deviation from Section 1.3 of this agreement, the beginning of January 1, 2025, 00:00 hours shall be assumed as the effective date for the acquisition of Vitesco Technologies' assets or the change of accounting. In the event of a further delay beyond February 28 of the following year, the reference dates shall be postponed by another year in accordance with the above provision.

7.2 If the Merger is not entered in the commercial register of Schaeffler until after Schaeffler's annual general meeting in 2025, which resolves on the utilization of the retained profits for the 2024 financial year, the shares of Schaeffler granted as consideration shall, in deviation from Section 2.4 of this agreement, only be entitled to dividends for the financial year commencing January 1, 2025. In the event of a further delay in registration beyond the following annual general meeting of Schaeffler, which resolves on the utilization of the retained profits for the 2025 financial year, the dividend entitlement shall be postponed by a further year. The exchange ratio remains unaffected by any shift in profit entitlement.

## **8. CONDITIONS PRECEDENT, EFFECTIVENESS**

8.1 This agreement is subject to the condition precedent that the general meetings of Schaeffler and Vitesco Technologies have each approved this agreement in accordance with Sections 13 para. 1 and 65 para. 1 UmwG with a majority of three quarters of the share capital represented at the respective resolution.

8.2 The Merger shall become effective upon entry in the commercial register at the registered office of Schaeffler.

## **9. BRANCH OFFICES, PROCURATION / POWERS OF ATTORNEY**

9.1 Vitesco Technologies does not have any branch offices.

9.2 The procuration and powers of attorney of Vitesco Technologies expire when the Merger becomes effective.

## **10. FINAL PROVISIONS**

10.1 The costs arising from the conclusion of this agreement and its implementation (with the exception of the costs of the general meeting of the Transferring Entity deciding on the Merger) shall be borne by the Acquiring Entity. Costs incurred for the preparation of this agreement shall be borne by each Party. These provisions shall also apply if the Merger does not become effective due to the withdrawal of a Party or for any other reason.

10.2 The Parties shall make all declarations, issue all documents and take all other actions that may still be necessary or relevant in connection with the transfer of Vitesco Technologies' assets at the time the Merger with Schaeffler becomes effective or the correction of public registers or other lists. From the day on which the Merger is entered in the commercial register responsible for Vitesco Technologies, Vitesco Technologies grants Schaeffler power of attorney to the fullest extent permitted by law to make all declarations that are necessary or helpful to fulfill the obligations under this Section 10.2. This power of attorney shall continue to apply beyond the effectiveness of the Merger.

10.3 Should provisions of this agreement be or become void or ineffective in whole or in part, this shall not affect the validity of the remaining provisions of this agreement. The same shall apply if it should transpire that the agreement contains a contractual gap. In place of the void, ineffective or unenforceable provisions or to fill the gap, the Parties undertake to agree on an appropriate replacement provision that comes as close as possible to the content of the void or ineffective provision.

\* \* \*

**Annex 4.4**

**Remuneration System for the Executive Board Members of the Combined Group**

---

**Remuneration System for the Members of the  
Board of Managing Directors of Schaeffler AG  
pursuant to section 87a of the German Stock  
Corporation Act**

---

## TABLE OF CONTENTS

<b>Table of contents .....</b>	<b>2</b>
<b>Preamble .....</b>	<b>3</b>
<b>A. GUIDING PRINCIPLES OF THE REMUNERATION SYSTEM FOR THE MANAGING DIRECTORS OF SCHAEFFLER AG .....</b>	<b>3</b>
<b>B. PROCESS OF ESTABLISHING, IMPLEMENTING, AND REVIEWING THE REMUNERATION SYSTEM .....</b>	<b>4</b>
<b>C. DETAILS OF THE REMUNERATION SYSTEM.....</b>	<b>5</b>
<b>I. Remuneration components .....</b>	<b>5</b>
1. Overview of the remuneration components and their relative proportions of the remuneration.....	5
2. Fixed remuneration components .....	7
3. Variable remuneration components.....	8
4. Other benefits .....	16
<b>II. Cap on remuneration .....</b>	<b>16</b>
<b>III. Malus clause and claw-back provision.....</b>	<b>17</b>
<b>IV. Share ownership guidelines .....</b>	<b>18</b>
<b>V. Legal transactions related to remuneration .....</b>	<b>18</b>
1. Terms of and prerequisites for termination of remuneration-related legal transactions, including relevant notice periods.....	18
2. Termination benefits.....	19



## Preamble

The Supervisory Board of Schaeffler AG has reviewed the remuneration system for the members of the Board of Managing Directors (referred to as “Managing Directors” below) of Schaeffler AG in light of the planned merger of Vitesco Technologies Group AG into Schaeffler AG. The Supervisory Board of Schaeffler AG has decided to adapt the remuneration system for the Managing Directors of Schaeffler AG to the size and economic significance of Schaeffler AG following the merger. Further, the new remuneration system reflects the responsibilities of the Managing Directors and is tailored even more closely to the roles expanded as a result of the merger. In particular, this involves adjusting the caps on remuneration and on payouts of short-term and long-term variable remuneration to a level customary in the market. In future, part or all of the long-term variable remuneration can be paid in real shares at the option of the Supervisory Board. This option is designed to further promote the equity culture within Schaeffler AG and strengthen the share price. The adjusted remuneration system will also retain the stronger emphasis on sustainability targets in both short- and long-term variable remuneration created by the remuneration system approved by the annual general meeting on April 21, 2022. This emphasizes the relevance the Schaeffler Group attaches to the issue of sustainability.

The description of the remuneration system starts with the guiding principles underlying the remuneration system for Managing Directors as well as the process of establishing, implementing, and reviewing the remuneration system. This is followed by a description of individual remuneration components as well as the cap on Managing Directors’ remuneration. The ability to withhold and claw back variable remuneration components (malus and clawback provisions), share ownership guidelines, and provisions regard the term and termination of Managing Director contracts are outlined at the end of the document.

The remuneration system generally becomes effective for all Managing Directors retroactively from January 1, 2024, as well as for Managing Directors with new or renewed Managing Director contracts. In light of the planned merger of Vitesco Technologies Group AG into Schaeffler AG that is scheduled for completion in 2024, certain adjustments to the remuneration system become effective January 1, 2025.

### A. GUIDING PRINCIPLES OF THE REMUNERATION SYSTEM FOR THE MANAGING DIRECTORS OF SCHAEFFLER AG

The Supervisory Board of Schaeffler AG establishes the remuneration system for Managing Directors based on the following guiding principles:

- **Linking performance and remuneration:** The variable performance-based remuneration components should exceed the fixed remuneration components relative to total target remuneration in order to ensure remuneration is performance-based.
- **Value creation and free cash flow:** Remuneration should promote the achievement of Schaeffler AG’s overarching objectives of creating value sustainably and generating free cash flow. The related strategic and operating performance indicators should serve as performance criteria embedded in the variable remuneration of Managing Directors.

- **Variable remuneration focused on long-term and sustainable increase in the value of the company:** Variable remuneration should be largely long-term in nature and linked to changes in the value of the company. Furthermore, sustainability targets should continue to be addressed in the variable remuneration to emphasize the increasing importance of sustainability as a part of the company's strategy.
- **Strengthening orientation toward the capital markets and more extensively aligning interests with those of shareholders:** Managing Directors are required to purchase a set amount of Schaeffler AG shares and to own them until the end of their Managing Director contract with Schaeffler AG (share ownership guidelines).

The remuneration system for Managing Directors is clear and transparent.

The remuneration system is compliant with the requirements set out in the German Stock Corporation Act (*Aktiengesetz - AktG*), as amended by the German Act Implementing the Second Shareholder Rights Directive in the version dated December 12, 2019, (BGBl. Part I 2019, no. 50, dated December 19, 2019) and reflects the recommendations of the German Corporate Governance Code (GCGC) as adopted by the Government Commission German Corporate Governance Code on April 28, 2022. It provides the Supervisory Board with the flexibility required to respond to organizational changes and reflect a variety of market conditions.

## **B. PROCESS OF ESTABLISHING, IMPLEMENTING, AND REVIEWING THE REMUNERATION SYSTEM**

The Supervisory Board establishes the system and amount of remuneration of Managing Directors, including the cap on remuneration. The Supervisory Board's presidential committee prepares the decisions of the Supervisory Board on the remuneration system as well as the remuneration of individual Managing Directors.

This remuneration system was developed with the assistance of independent external consultants. The Supervisory Board ensures the independence of mandated external consultants.

The procedures in respect of conflicts of interests defined in the rules of procedure for the Supervisory Board also apply to the process of establishing, implementing, and reviewing the remuneration system.

The Supervisory Board submits the remuneration system it has adopted to the annual general meeting for approval. The Supervisory Board regularly reviews the appropriateness of the system and amount of remuneration of Managing Directors. Firstly, this review is based on a horizontal comparison of the structure and amount of remuneration of the various Managing Directors against the market data of comparable companies (peer group) selected by the Supervisory Board. This peer group consists of comparable national as well as sector-specific international companies. Secondly, the Supervisory Board compares the level of remuneration of Managing Directors to the remuneration level of Schaeffler AG's employees when reviewing and evaluating the appropriateness of the Managing

Directors' remuneration (vertical comparison). The average remuneration per employee for this vertical comparison is calculated based on the entire global workforce of the Schaeffler Group, reflecting the international character of the company. The ratio of the amount of remuneration of each Managing Director to the average remuneration per employee of the Schaeffler Group is compared against the corresponding ratios of comparable national companies defined by the Supervisory Board of Schaeffler AG. In the event of significant changes, but at least every four years, the remuneration system is submitted to the annual general meeting for approval again. If the annual general meeting does not approve the remuneration system submitted for voting, the Supervisory Board submits a reviewed remuneration system to the general meeting for approval at the subsequent annual general meeting at the latest.

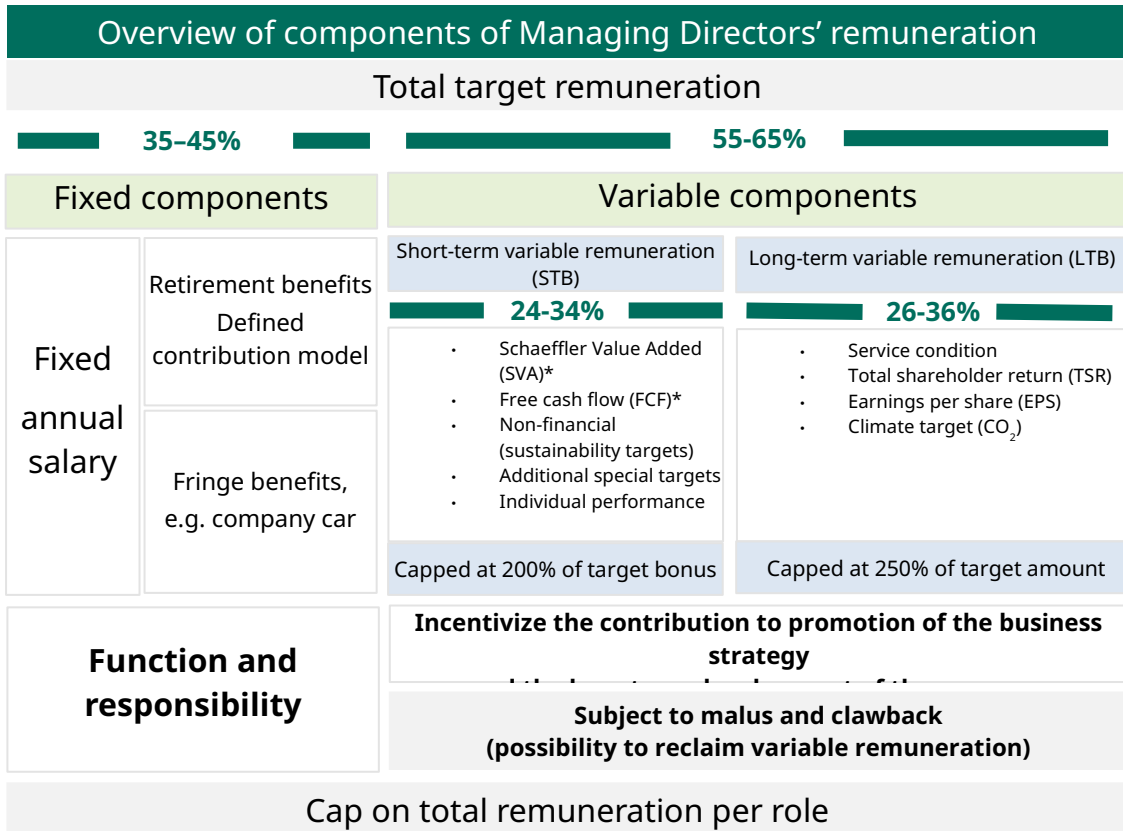
The Supervisory Board may temporarily deviate from the remuneration system (provisions related to the process and the remuneration structure) and its individual components as well as regarding individual remuneration components of the remuneration system or implement new remuneration components if necessary in the interest of the company's long-term well-being. The Supervisory Board reserves the right to deviate in such manner in exceptional circumstances, for instance in an economic or corporate crisis. Such deviations may temporarily result in a deviation from the cap on the remuneration of the Chief Executive Officer (CEO) or other Managing Directors.

## **C. DETAILS OF THE REMUNERATION SYSTEM**

### **I. Remuneration components**

#### **1. Overview of the remuneration components and their relative proportions of total remuneration**

The remuneration of Managing Directors comprises both fixed and variable components. The fixed components include the fixed annual salary, fringe benefits, and retirement benefits. The variable components comprise the short-term variable remuneration (the short-term bonus – STB) and the long-term variable remuneration (the long-term bonus – LTB). Moreover, the remuneration system also includes share ownership guidelines (SOG) for Managing Directors.



The share of the total target remuneration represented by each of the various components can vary by a few percentage points between Managing Directors since amounts of fringe benefits vary between individuals.

\* For divisional CEOs, performance criteria additionally include the division-specific performance indicators Schaeffler Value Added of the CEOs' own division (SVA own division) and divisional cash flow of the CEOs' own division (DCF own division). Starting January 1, 2025, the Supervisory Board can expand the performance criteria for divisional CEOs to include the performance indicators Schaeffler Value Added of another division (SVA other division) and divisional cash flow of another division (DCF other division).

The total target remuneration consists of the fixed annual salary, benefit contributions, fringe benefits, and the variable remuneration components. For the STB and the LTB, total target remuneration includes the target bonus amounts corresponding to a target achievement rate of 100%. The following discussion sets out the fixed and variable remuneration components as a percentage of total target remuneration.

The fixed remuneration of the Chief Executive Officer and the ordinary Managing Directors currently amounts to 35-45% of total target remuneration. Hence, the variable remuneration amounts to 55-65% of total target remuneration. Within the variable remuneration, the STB currently amounts to 24-34% and the LTB to 26-36% of total target remuneration. The Supervisory Board ensures that the long-term variable remuneration exceeds the short-term variable component in terms of their share of the total target remuneration under any circumstances.

For certain Managing Directors, certain remuneration components as a percentage of the total target remuneration may deviate slightly from the percentages set out above.

The remuneration system ensures that the variable remuneration exceeds the fixed remuneration as a percentage of the total target remuneration under any circumstances.

The percentages stated may differ for future fiscal years, e.g. due to payments or other benefits granted for a limited time to new Managing Directors on the occasion of their assuming office in accordance with section 4 or changes in the cost of contractually agreed fringe benefits and for any new appointments.

## **2. Fixed remuneration components**

### **2.1 Fixed annual salary**

Each Managing Director receives a fixed annual salary, which is paid in cash and in twelve equal monthly installments.

### **2.2 Retirement benefits**

The company commits to providing Managing Directors with retirement benefits including retirement, disability, and surviving dependants' benefits. The benefit contributions are capped at EUR 195,000 per year for ordinary Managing Directors and EUR 390,000 per year for the CEO. Benefit contributions for Managing Directors ceases once they have reached the age of 65 – even if their Managing Director contract continues beyond that age.

When the Managing Director becomes eligible to receive benefits due to retirement or disability, the balance on hand in the benefit account as of such date is paid out to the Managing Director in a lump sum. Alternatively, the Managing Director can opt to receive the benefits in ten annual installments or as a life annuity with monthly payments. The amount of the installment or monthly annuity is based on a temporary or life pension insurance policy obtained in this case, to which the balance on hand in the benefit account is then contributed.

### **2.3 Fringe benefits**

As a fringe benefit, Schaeffler AG provides each Managing Director with a company car, including for private use. In addition, there is a D&O insurance policy with a deductible in accordance with the requirements of the German Stock Corporation Act of 10% of the damage up to at least 150% of the fixed annual salary. Moreover, Managing Directors receive a contribution to their health and long-term care insurance and an allowance to be contributed to their personal retirement plan, as well as coverage under the company's group personal accident insurance. Further fringe benefits may be contractually agreed with new appointees individually.

### **2.4 Former Managing Directors of Vitesco Technologies Group AG**

If the merger of Vitesco Technologies Group AG into Schaeffler AG is completed in 2024, former Managing Directors of Vitesco Technologies Group AG who are appointed to the Board of Managing

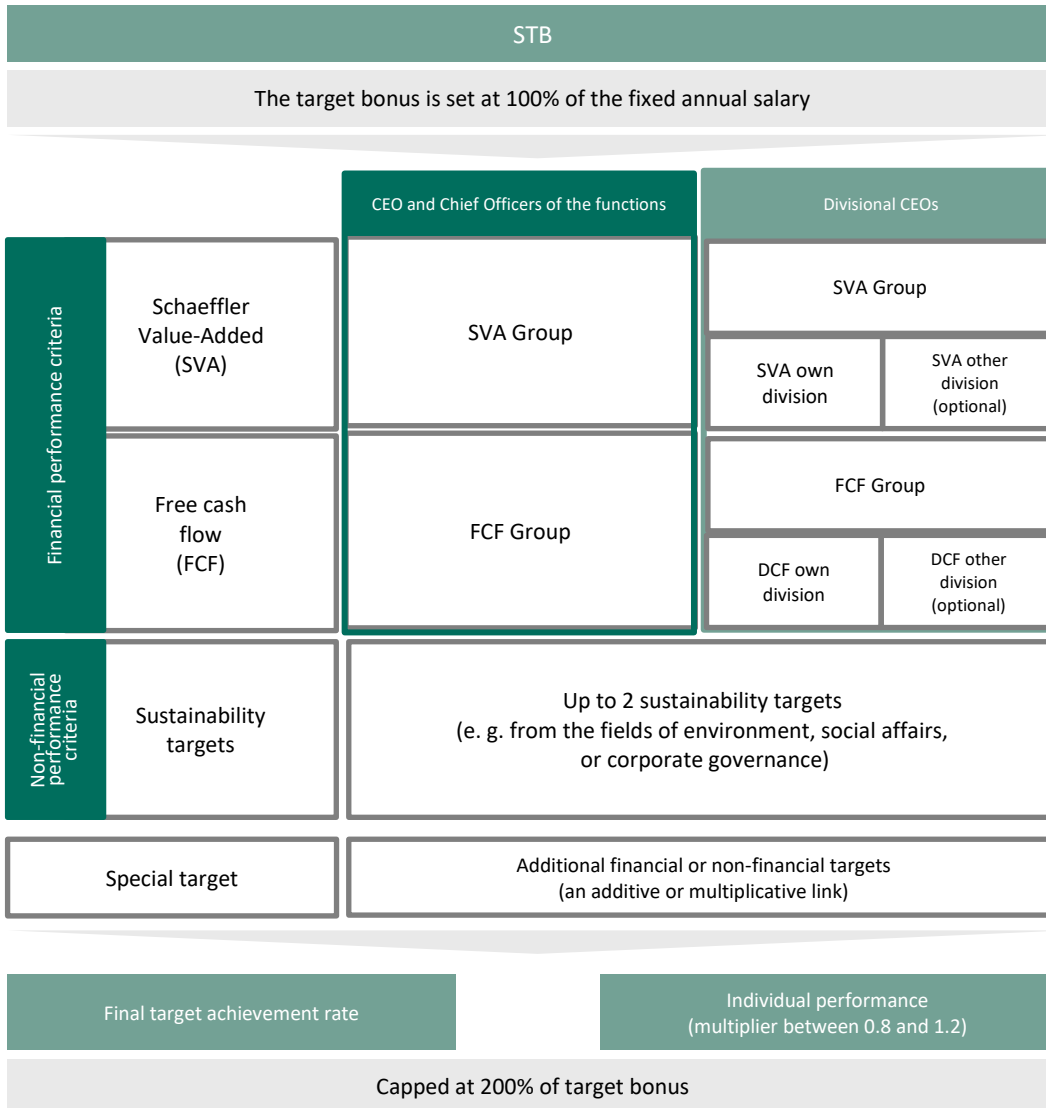
Directors of Schaeffler AG in 2024 may be granted a pure fixed remuneration including fringe benefits and retirement benefits as well as a set amount of variable remuneration for the remainder of 2024 only, in deviation from the percentages set out under C.I.1. Starting January 1, 2025, the former Managing Directors of Vitesco Technologies Group AG appointed to the Board of Managing Directors of Schaeffler AG are remunerated in accordance with the general stipulations of this remuneration system.

### **3. Variable remuneration components**

#### **3.1 Short-term variable remuneration (the STB)**

The STB is a performance-based bonus with a one-year performance period. This short-term variable remuneration component is designed to reward the annual contribution to the sustainable development of the company as well as the operational execution of the company's strategy. The payout of the STB is based on achievement of the performance criteria established by the Supervisory Board for each year. Those criteria comprise both the financial targets derived from the company's strategy as well as non-financial targets. Financial targets are weighted at 80% and non-financial targets at 20%. In addition, the Supervisory Board can establish other special targets and, if it does, weight the targets differently. Moreover, the Supervisory Board can reflect Managing Directors' individual performance in the amount of the STB payout.

The target STB is stipulated in the Managing Director contract and amounts to 100% of the fixed annual salary. To the extent any Managing Directors were previously granted a target bonus in a different amount, the Supervisory Board is entitled to maintain this commitment. The STB payout is capped at 150% of the target bonus. Starting with the STB granted for 2025, the STB payout is capped at 200% of the target bonus. Capping the STB at 200% – as is customary in the market – promotes the further alignment of interests between Managing Directors and shareholders. This cap applies to the total STB amount, including adjustments in the form of a multiplier and those due to exceptional circumstances. The STB may be forfeited if the minimum target bonus is not achieved.



### 3.1.1 Financial performance criteria

Unless defined otherwise, the financial targets for the CEO and the Chief Officers of the functions<sup>1</sup> relate to the performance criteria of Schaeffler Value Added of the Schaeffler Group (SVA Group) and free cash flow of the Schaeffler Group (FCF Group), both weighted equally. The financial performance criteria of the divisional CEOs<sup>2</sup> are measured at the level of both the Group and their own division in order to additionally reflect their responsibility for their own division. For the divisional CEOs, the performance targets SVA Group, Schaeffler Value Added of their own division

<sup>1</sup> Retroactively from January 1, 2024, the Supervisory Board decides which Managing Directors are treated as Chief Officers of the functions; the decision is based on the stipulations of the relevant Managing Director contracts and the roles defined in the Board of Managing Directors' rules of procedure and assigned to the relevant Managing Director.

<sup>2</sup> Retroactively from January 1, 2024, the Supervisory Board decides which Managing Directors are treated as divisional CEOs; the decision is based on the stipulations of the relevant Managing Director contracts and the roles defined in the Board of Managing Directors' rules of procedure and assigned to the relevant Managing Director.

(SVA own division), FCF Group, and divisional Cash-Flow of their own division (DCF own division) are all weighted equally. Starting January 1, 2025, the Supervisory Board may stipulate that the performance criteria Schaeffler Value Added and divisional cash flow for the divisional CEOs are measured at the level of another division (SVA other division and DCF other division), in addition to at the level of the Managing Directors' own division, and set the relative weights of the financial performance criteria.

**Schaeffler Value Added:** Schaeffler Value Added serves as key performance indicator for the contribution to sustainably increasing the value of the company made during the year. In order to grow profitably and create long-term value, earnings should exceed the cost of capital. The SVA Group performance criterion is based on the Schaeffler Group's EBIT before special items less the cost of capital. SVA Division is determined in the same manner but based on parameters segmented in accordance with IFRS 8.

**Free cash flow:** Free cash flow is the most important operating performance indicator under the company's current strategy and measures the ability to convert operating performance into cash inflows. FCF Group is calculated based on the sum of (1) cash flows from operating activities, (2) cash flows from investing activities, as well as (3) principal repayments on lease liabilities (4) excluding cash in- and outflows for M&A activities for the relevant year. DCF Division is derived from Schaeffler's standard internal divisional management reporting for the relevant year and fundamentally follows the business logic of FCF Group (excl. tax and interest payments).

The Supervisory Board sets the performance scales – including minimum and maximum target values – for the financial performance criteria on an annual basis. Target achievement for the relevant year is determined by comparing the actual value for the year with the target value set.

### 3.1.2 Non-financial performance criteria

The non-financial targets relate to environmental, social, or governance (ESG targets) performance criteria. The Supervisory Board sets up to two non-financial targets and their weights for the upcoming year. Non-financial targets are based on the Schaeffler Group's sustainability strategy and anchor related measures in the remuneration. The company reports in detail on the targets selected, the performance criteria, as well as achievement of the targets in the relevant remuneration report.

The Supervisory Board sets the performance scales for the non-financial performance criteria on an annual basis, ensuring at all times that these targets are challenging, promote the business strategy, and contribute to the long-term development of the company. Target achievement for the relevant year is determined by comparing the actual value for the year with the target value set.



### **3.1.3 Special targets**

The Supervisory Board is entitled to define additional special targets in the form of further financial or non-financial targets. The Supervisory Board is free to define special targets either as additional performance criteria (leading to a corresponding reduction in the weights of financial and non-financial performance criteria) or as a multiplier. A special target defined as a multiplier can be applied to both the target achievement rate of one or several performance criteria and to the overall target achievement rate of the STB.

### **3.1.4 Adjustment options**

In case of exceptional events or developments during the performance period, the Supervisory Board is entitled to adjust, either in favor or to the detriment of the Managing Director and using equitable discretion, the actual target achievement rates determined for the financial and non-financial performance criteria and the special targets, in order to ensure the performance assessment is appropriate. Examples of exceptional events or developments are an acquisition by a Schaeffler Group company or a disposal of all or part of a company or of equity investments in companies by a Schaeffler Group company, a merger of Schaeffler AG with another company, significant changes in Schaeffler AG's shareholder structure, changes in the legal and/or regulatory environment, economic implications of a significant exogenous shock (e.g. war, pandemic, or natural disasters), or high inflation.

The planned merger of Vitesco Technologies Group AG into Schaeffler AG has a significant impact on the STB performance criteria. As a result, the Supervisory Board is entitled to adjust the actual target achievement rates of the STB for merger-related items in order to ensure the Managing Directors' performance is assessed appropriately.

### **3.1.5 Individual performance**

The Supervisory Board is entitled to adjust, using equitable discretion, any Managing Director's total STB-target achievement rate by applying a multiplier ranging from 0.8 to 1.2 to reflect that Managing Director's individual performance. In exercising its equitable discretion, the Supervisory Board particularly takes into account whether the Managing Director has temporarily assumed additional responsibilities.

### **3.1.6 Payout modalities**

The Supervisory Board determines the STB payout within the first three months of the year following the year to which the remuneration relates (remuneration year). The STB payout is payable in cash on March 31 of the year following the relevant remuneration year. If the Managing Director served Schaeffler AG for less than the full 12 months of a year, the STB amount is prorated accordingly and is paid on the regular payout date.

If the Managing Director contract is terminated for good cause, the appointment is revoked for good cause by Schaeffler AG, or the Managing Director resigns without good cause, any STB the Managing Director is entitled to for the relevant year is forfeited. The year of such forfeiture is determined based on the date notice of termination, revocation, or resignation is received.

### **3.2 Long-term variable remuneration (the LTB)**

The LTB is aimed at promoting a long-term increase in the value of the company. Due to the share-based design of the LTB, Managing Directors participate in any long-term increase in the value of the company. The LTB performance criteria are linked to the company's strategy and incentivize sustainable and profitable growth, strengthening of the company's competitive ability, and implementation of the strategic sustainability program "Path to Net Zero". Moreover, the share-based design of the LTB strengthens the alignment of interests between Managing Directors and shareholders.

The LTB is designed as a share-based Performance Share Unit Plan (PSUP) with a four-year performance period attributable to each tranche. LTB tranches are granted annually. Each performance period starts on January 1 of the relevant year. Under the LTB, virtual shares (Performance Share Units, PSUs) are granted to Managing Directors each year. The number of PSUs is determined based on the individual target amount in euros and the share price as at the grant date. The share price at grant date is defined as the average closing price of the common non-voting shares or – if the common non-voting shares are converted – common shares (common non-voting shares and common shares referred to as "shares" below) of Schaeffler AG in the XETRA trading system of the Frankfurt Stock Exchange (or any successor system) for the last 60 trading days before the beginning of the performance period.

Vesting of PSUs at the end of the four-year performance period is based on meeting the service and performance conditions. Performance conditions are set by the Supervisory Board and currently comprise total shareholder return outperformance ("TSR outperformance"), EPS growth, as well as CO<sub>2</sub> emissions level ("climate neutrality target").

LTB

The individual target amount in euros is converted to PSUs at the average closing price of Schaeffler shares on the last 60 trading days prior to the grant date (starting share price).

40 % PSUs	Service condition	Target achievement rate: 0% – 100%	<b>Condition:</b> existing Managing Director contract
17,5% PSUs	TSR outperformance	Target achievement rate: 0% – 200%	<b>Condition:</b> TSR outperformance vs. sector basket (SXAGR/SXNGR) / starting January 1, 2025:
17,5% PSUs	EPS growth	Target achievement rate: 0% – 200%	<b>Condition:</b> average annual growth in earnings per share (EPS growth)
25% PSUs	Climate neutrality	Target achievement rate: 0% – 200%	<b>Condition:</b> a certain level of CO <sub>2</sub> emissions and, if applicable, implementation of relevant measures

Payout in cash or settlement in real shares after a four-year performance period

Number of PSUs

x

Share price at end of performance period (ending share price)

Capped at 250% of target amount

The Supervisory Board sets the performance scales for the performance criteria on an annual basis. Performance scales define the levels of total shareholder return outperformance, average annual growth in EPS, and CO<sub>2</sub> emissions that are required for a defined percentage of PSUs to vest. The number of PSUs potentially vesting subject to the performance criteria being met is capped at 200% for each criterion.

### **3.2.1 Service condition**

The payout of PSUs is generally subject to continuous existence of the Managing Director's Managing Director contract with Schaeffler AG during the entire performance period. If a Managing Director joins the Board of Managing Directors during a year, the service condition for the performance period beginning in the year of joining is deemed met if the Managing Director's Managing Director contract is still in place at the end of that performance period. Unless specified otherwise, the service condition is weighted at 40%. The Supervisory Board is entitled to adjust the weight of the service condition for future years using equitable discretion.

### **3.2.2 TSR outperformance**

The TSR outperformance performance criterion measures the total shareholder return (TSR) generated over the respective performance period as compared to a relevant peer group. This relative performance criterion reflects and rewards strengthening of the company's long-term competitive ability.

In order to reflect Schaeffler AG's sector-specific market environment – Automotive Technologies, Automotive Aftermarket, and Industrial – the peer group consists of a sector basket. This sector basket replicates the performance of the STOXX Europe 600 Automobiles and Parts Gross Return (SXAGR) and STOXX Europe 600 Industrial Goods and Services Gross Return (SXNGR), weighted 75% and 25%, respectively. These weights represent the current revenue structure of the various business areas within Schaeffler AG. Starting with the LTB tranche granted for the 2025 to 2028 performance period, the peer group will be the MDAX, the applicable benchmark index for the national market environment. TSR outperformance is determined as the difference between the TSR of the Schaeffler share and the TSR of the peer group. The Supervisory Board is entitled to unilaterally adjust the peer group for future tranches prior to the beginning of the relevant performance period, particularly in order to achieve a better reflection of the relevant comparable environment.

Unless specified otherwise, TSR outperformance is weighted at 17.5%.

### **3.2.3 EPS growth**

Annual EPS growth measured over the four-year performance period reflects the operating performance of Schaeffler AG and profitable long-term growth. The combination of TSR outperformance and EPS growth ensures balanced performance measurement. EPS growth is measured as average annual growth in earnings per share (EPS) during the performance period. EPS is defined as basic earnings per share from continuing operations as reported in the approved and audited consolidated financial statements of Schaeffler AG.

Unless specified otherwise, EPS growth is weighted at 17.5%.

### **3.2.4 Climate neutrality**

The Schaeffler Group's long-term strategy focuses on the topic of "sustainability" and, in particular, "climate neutrality". The climate neutrality target links parts of the long-term bonus to the implementation of the strategic program "Path to Climate Neutrality". For each performance period, the Supervisory Board sets one or more equally-weighted targets for the climate neutrality target, which are derived from the "Path to Climate Neutrality".

Target achievement for the relevant performance period is determined by comparing the relevant actual value to the target value set by the Supervisory Board.

Unless specified otherwise, the climate neutrality target is weighted at 25%.

### **3.2.5 Adjustment options**

In case of exceptional events or developments during the performance period, the Supervisory Board is entitled to adjust, either in favor or to the detriment of the Managing Director and using equitable discretion, the actual target achievement rates determined for the TSR outperformance, EPS growth, and climate neutrality performance criteria, in order to ensure the performance assessment is appropriate. Examples of exceptional events or developments are an acquisition by a Schaeffler Group company or a disposal of all or part of a company or of equity investments in companies by a Schaeffler Group company, a merger of Schaeffler AG with another company, significant changes in Schaeffler AG's shareholder structure, changes in the legal and/or regulatory environment, economic implications of a significant exogenous shock (e.g. war, pandemic, or natural disasters), or high inflation.

The planned merger of Vitesco Technologies Group AG into Schaeffler AG has a significant impact on the EPS growth and climate neutrality performance criteria. As a result, the Supervisory Board is entitled to fix or adjust for merger-related items the actual target achievement rates of the EPS growth and climate neutrality performance criteria of the 2024 to 2027 PSUP tranche and subsequent tranches in order to ensure the Managing Directors' performance is assessed appropriately.

### **3.2.6 Payout modalities**

Vested PSUs are paid out in cash. The payout amount is determined by multiplying the final number of vested PSUs with the average closing price of the shares of Schaeffler AG in the XETRA trading system of the Frankfurt Stock Exchange (or any successor system) for the last 60 trading days of the relevant performance period. This share price is capped at double the share price at grant date for the relevant tranche. The LTB is payable at the next ordinary salary payment date following approval of the consolidated financial statements of Schaeffler AG. Starting with the LTB tranche granted for the 2025 to 2028 performance period, the payout amount is capped at 250% of the individual target amount agreed in the Managing Director contract.

Starting with the LTB granted for the 2025 to 2028 performance period, the Supervisory Board can opt to settle some or all of the PSUs vested in shares. In this case, the Managing Director receives, as at the due date, a number of real shares of Schaeffler AG equal to the final number of PSUs vested.

The number of real shares of Schaeffler AG is to be reduced to the extent that any payout that would be payable in the case of cash settlement would have to be reduced due to the share price trend or the caps on the payout and on remuneration.

### **3.2.7 Other provisions: Leaver rules and capital events**

The PSUP plan terms differentiate between “good leavers” and “bad leavers” for cases when a Managing Director leaves Schaeffler AG. In a “good leaver” case (including contract expiration, contract annulment, reaching retirement age), as a matter of principle, the number of performance share units granted vest pro rata temporis on the last day of the performance period and are settled in cash as contractually agreed. In a “bad leaver” case (especially termination for good cause by Schaeffler AG), all performance share units for performance periods not yet expired by the time a termination notice is received are forfeited.

The plan terms of the PSUP also provide for the number of virtual shares granted to be correspondingly adjusted for capital events (including capital increase, change in legal structure of Schaeffler AG). In case of a delisting, all entitlements to a payout of the value of the performance share units lapse and Schaeffler AG provides the Managing Directors with a plan that is in substance equivalent to the LTB.

## **4. Other benefits**

The Supervisory Board is entitled to grant sign-on payments or other sign-on benefits to new Managing Directors in the first and/or second year of appointment. Such payments or other benefits can, for instance, be made to compensate for financial disadvantages from previous employment or service that a Managing Director suffers as a result of joining Schaeffler AG – especially in the form of forfeited variable remuneration – or disadvantages in connection with relocation.

## **II. Cap on remuneration**

The total amount of remuneration that can be granted to Managing Directors for a given year (sum of all amounts of remuneration incurred for the relevant year including fixed annual salary, variable components of remuneration, benefit contributions, fringe benefits, as well as sign-on payments and other sign-on benefits in accordance with section I.4) – regardless of whether it is paid out in that year or at a later date – is capped at a maximum amount for each Managing Director (“**cap on remuneration**”).

Remuneration is capped at EUR 7,650,000 (EUR 10,000,000 starting January 1, 2025) for the Chief Executive Officer and, in principle, EUR 3,875,000 (EUR 5,500,000 starting January 1, 2025) for each ordinary Managing Director. In deviation from this principle, the remuneration for Dr. Spindler is capped at EUR 4,580,000 as a result of existing contractual commitments.

### **III. Malus clause and claw-back provision**

In the event of a severe violation of:

- compliance with the Schaeffler Code of Conduct by a Managing Director,
- the duty of care in managing the company by a Managing Director, or
- compliance with the Schaeffler Code of Conduct by employees of Schaeffler AG or by members of governing bodies or employees of companies affiliated with Schaeffler AG, provided the Managing Director has severely breached the obligation to organize and supervise the company,

during the performance period of a variable remuneration component (for the STB: during the relevant one-year performance period; for the LTB: during the relevant four-year performance period), the Supervisory Board is entitled to withhold up to 100% (malus) of the payout under the STB and the LTB or reclaim (claw back) such payout in full or in part.

The payout of some or all variable remuneration components of the STB and LTB for a performance period during which one of the three violations defined above occurs may be withheld, in full or in part, provided payout has not been made by the time the Supervisory Board decides to withhold the remuneration. If a violation becomes known or is detected at a later date, any variable remuneration components already paid out under the STB and LTB may be clawed back in full or in part provided no more than five years have passed since the payout date.

Such withholding, in full or in part, or claw-back is possible even if the Managing Director contract has ended by the time the decision to withhold or claw back is made.

The Supervisory Board is entitled to decide on withholding or clawing back the payment amount at its own discretion.

#### **IV. Share ownership guidelines**

Ordinary Managing Directors are required to purchase shares of the company equivalent to 100% of their gross fixed annual salary and to own them during the term of their Managing Director contract (target number of shares). Existing shareholdings count toward meeting this requirement. The corresponding requirement for the CEO is equivalent to 200% of the gross fixed annual salary. The amount is based on the share price at acquisition. Managing Directors in office on January 1, 2020, had to first meet the requirement by December 31, 2023. All other Managing Directors are required to meet the requirement by the end of the first LTB performance period. Where a Managing Director's term of office commences during the year, the requirement needs to be met by the end of the first four-year LTB performance period starting in the calendar year following the beginning of the Managing Director contract. Payout of the LTB is conditional on proof of compliance with the share ownership guidelines as at the end of the relevant performance period. If a Managing Director's Managing Director contract ends before the end of the first performance period, the target number of shares is reduced pro rata temporis based on the duration of the Managing Director contract in proportion to the four-year LTB performance period. If a Managing Director's Managing Director contract ends after the end of the first performance period and the Managing Director has provided proof of compliance with the share ownership guidelines, LTB payouts for subsequent performance periods are no longer conditional on proof of compliance with the share ownership guidelines.

The share ownership guidelines provide an incentive towards a long-term increase in the value of the company that is additional to the LTB and extends beyond its four-year performance period. Moreover, these guidelines increase orientation toward the capital markets and more extensively align the interests of the Managing Directors and shareholders of Schaeffler AG.

#### **V. Legal transactions related to remuneration**

##### **1. Terms of and prerequisites for termination of remuneration-related legal transactions, including relevant notice periods**

The term of the Managing Director contracts is the term of Managing Directors' current appointment. As a general rule, Managing Directors are initially appointed for three years. Reappointments are generally made for a term of five years.

Managing Director contracts are renewed for the period for which the Supervisory Board, with the consent of the Managing Director, resolves to reappoint him/her as a Managing Director of the company.

The Managing Director contract ends automatically at the end of the month in which the Managing Director reaches the age of 68. Moreover, the Managing Director contract also ends in case of termination for good cause.



The parties are not entitled to terminate the agreement due to a change of control and there is no commitment to provide termination benefits if the contract is terminated early as a result of a change of control.

## **2. Termination benefits**

Payments that may be agreed if a Managing Director contract is terminated early must not exceed twice the annual remuneration and must not exceed the remuneration for the remaining term of the Managing Director contract (severance cap). If the Managing Director contract is terminated early for good cause for which the Managing Director is responsible, any termination benefits are precluded.

The Supervisory Board can agree with Managing Directors on a non-competition clause for a period of up to two years following the end of their Managing Director contract. During this period, they are entitled to non-compete-related compensation in the amount of 50% of the fixed annual salary most recently agreed plus 50% of the last STB paid prior to the end of the Managing Director contract. The amount for certain Managing Directors differs due to existing contractual commitments. These Managing Directors receive non-compete-related compensation in the amount of 50% of the average contractual remuneration granted to the relevant Managing Director for the last 12 months before their departure. The Supervisory Board is entitled to maintain such existing commitments even when the Managing Director contract is renewed. Any income from activities not covered by the non-competition clause is deducted from the non-compete-related compensation to the extent that the total of such income and the compensation would exceed the contractually agreed remuneration most recently received by the Managing Director from Schaeffler AG by more than one tenth. The Supervisory Board is entitled to agree upon a different deduction provision with Managing Directors.