

We pioneer motion

# Green & Sustainability-Linked Financing Framework

August 2023



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# 1. Overview of the Schaeffler Group

Schaeffler AG is a publicly listed stock corporation (“**Schaeffler**” or, together with its subsidiaries, the “**Schaeffler Group**”) that is an integrated global supplier to the automotive and industrial sectors. For more than 75 years, the Schaeffler Group has been driving developments and inventions in the fields of motion and mobility. Schaeffler develops and manufactures high-precision components and systems for engine, transmission, chassis, and electrified drive systems as well as rolling and plain bearing solutions for various industry sectors. Additionally, Schaeffler Group provides repair solutions in original-equipment quality for the automotive spare parts market worldwide.

Originating from a family of entrepreneurs, today, the Schaeffler Group is one of the world’s largest family-controlled companies with approximately 83,000 employees and approximately 200 locations in over 50 countries (as of December 31, 2022), which form a global network of manufacturing locations, research and development facilities, and sales companies. In 2022, the Schaeffler Group generated approximately €15.8 billion of sales with its three divisions:

- **Automotive Technologies:**

The Automotive Technologies division develops and manufactures products for engine, transmission, and chassis applications based on internal combustion engines as well as for hybrid and electric vehicles, where Schaeffler in all cases aims to increase efficiency, improve technological design, reduce friction and hence increase the energy efficiency of each vehicle.

- **Automotive Aftermarket:**

The Automotive Aftermarket division delivers components and complete repair solutions to the automotive spare parts market worldwide. Schaeffler supports garages with overarching system understanding and comprehensive services for complex repairs, thereby supporting longer use and hence reducing consumption of natural resources.

- **Industrial:**

The Industrial division supplies products such as rolling and plain bearings, linear and direct drive technology as well as services such as maintenance products and monitoring systems to customers from different industrial sectors, through direct sales and a global network of certified distribution partners. Schaeffler’s efforts here are to increase efficiency, reduce resource and energy consumption and extend use cycles to enable the sustainable efforts of its customers.

## 2. Sustainability at the Schaeffler Group

For the Schaeffler Group, sustainable company success means economic, environmental, and social responsibility throughout the entire value chain, which is why sustainability is not only one of the Schaeffler Group's four company values, but also a key component of the Schaeffler Roadmap 2025.

To ensure that the Schaeffler Group is able to maintain these standards in the future as well, the overall responsibility for sustainability was transferred to the Chief Executive Officer in 2022. This goes along with a more decentralized approach of decision-making for sustainability issues as well as the establishment of a dedicated sustainability network across all divisions, functions and regions.

Moreover, the sustainability strategy was further developed along the dimensions environment, social, and governance (ESG) and ten action fields were defined (see below).

The definition of these ten action fields is a key element of the sustainability strategy of the Schaeffler Group.

### Action fields

Ten action fields, defined along the dimensions of environment, social, and governance (ESG), form a comprehensive framework, for some of which Schaeffler Group has already developed specific targets and key performance indicators and will enhance this structure going forward.

For example, as part of the action field climate neutrality, the Schaeffler Group announced in October 2021 its target to achieve climate-neutral supply chain by 2040, which entails reducing greenhouse gas emissions to the highest degree possible and offsetting the remaining emissions, for instance, with reduction projects. The climate neutrality action field, in particular, requires significant efforts throughout the company.

## TEN ACTION FIELDS



### ENVIRONMENT

- 1 Climate neutrality
- 2 Circularity
- 3 Resource efficiency and environmental protection
- 4 Green products



### SOCIAL

- 5 Diversity, employee and people development
- 6 Occupational health and safety
- 7 Responsibility in society and supply chain
- 8 Product safety and integrity



### GOVERNANCE

- 9 Corporate governance
- 10 Business integrity

## Schaeffler’s Sustainability Strategy is in line with the UN Sustainable Development Goals (SDGs)

Guided by its company values, the Schaeffler Group assumes responsibility for the environment and the society. The 17 Sustainable Development Goals (SDGs) of the United Nations provide a guiding principle for the directions of Schaeffler’s sustainability activities. The SDGs recognize that ending poverty and other deprivations must go hand-in-hand with

strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests. With its sustainability strategy and the corresponding action fields, the Schaeffler Group specifically contributes to twelve SDGs:

### Action fields

Climate neutrality

Circularity

Resource efficiency & environment

Green products

Diversity, employees & people development

Occupational health & safety

Responsibility in society & supply chain

Product safety & integrity

Corporate governance

Business integrity

### SDG-alignment



n/a<sup>1</sup>



<sup>1</sup> No explicit reference to individual SDGs

## Schaeffler Group Product Portfolio

The Schaeffler Group defines green products as those products whose production, transport, use, and disposal are responsible for less CO<sub>2</sub>e<sup>2</sup> emissions than those of their substitutes. CO<sub>2</sub>e reduction is integrated into the product development process, which includes product design and material selection. The entire life cycle takes center stage, from the extraction of raw materials and production to product use and potential circular economy concepts at the end of the service life.

The Schaeffler Group conducts life cycle assessments (LCA) to measure the environmental impact of its products throughout their entire life cycle. Based on the ISO 14040 and ISO 14044 standards, internal guidelines were developed to regulate LCA administration, processing, reporting, and more for the entire life cycle. These methods were certified by TÜV Rheinland. The LCAs serve as a key tool for documenting the sustainability performance of products and processes, with a particular focus on the product carbon footprint (PCF). LCAs also enable analysis of the supply chain and production and identify suitable reduction measures.

## Automotive Technologies

- **E-Mobility:** The Schaeffler Group is developing a variety of components and system solutions for electric mobility, with a portfolio that ranges from powertrains for hybrid and all-electric mobility to fuel cells.
- **Engine and Transmission Systems:** New cars with internal combustion engines will continue to be produced in the coming years. The Schaeffler Group's goal is to make this drive as efficient and resource-friendly as possible, offering solutions for consumption-optimized internal combustion engines.
- **Bearings:** Bearings play a key role in the safety and efficiency of future vehicles and offer enormous savings potential especially for commercial vehicles – whether electric or gas-powered. That is why the Schaeffler Group is developing special bearing solutions for an efficient powertrain that reduces wear on light commercial vehicles and even more so on heavy commercial vehicles and thus decreases resource consumption and CO<sub>2</sub> emissions.
- **Chassis systems:** The Schaeffler Group is helping to transform mobility, including for new chassis applications that, for example, enable highly automated driving.

## Automotive Aftermarket

- The Automotive Aftermarket division is responsible for the Schaeffler Group's worldwide spare parts business for passenger cars and commercial vehicles and supplies innovative repair solutions in original-equipment quality. The company is thus helping to increase the service life of vehicles.

## Industrial

- **Renewables:** As a partner of the energy industry, the Schaeffler Group supplies key components for the expansion of renewable energy production. Efficient bearing solutions boost energy production and the level of efficiency.
- **Transportation & Mobility:** The Transportation & Mobility market cluster represents a range of solutions that the Schaeffler Group offers for the aerospace, rail, off-road, and two-wheeler sector clusters. For rail transport, the Schaeffler Group develops and produces new product solutions with optimized functions, high energy efficiency, an extended service life, and longer maintenance intervals.
- **Machinery & Materials:** In the Machinery & Materials market cluster, the Schaeffler Group is continuously working to develop solutions for optimizing friction and extending the service life of roller bearings, which also includes the remanufacturing of roller bearings.
- **Industrial Automation:** As a development partner for customers in the sectors of medical technology, machine tools, robotics, foods, packaging and general industrial machinery, the Schaeffler Group pursues sustainable progress with measures for increasing efficiency which includes innovative concepts for linear and rotary direct drives, with 30% less power loss and thus reduced energy requirements.

## Cross-divisional approach to hydrogen

The Schaeffler Group views hydrogen as a promising, renewable source of energy and raw material that is universal and suitable for storage and global transportation.

The Schaeffler Group uses the opportunities provided by green hydrogen technology to develop its own products as well as decarbonize both the company and the supply chain. These activities are bundled at the hydrogen competence center in Herzogenaurach and managed by the internal "Schaeffler Hydrogen Council". Made up of leading specialists and members of the Schaeffler AG Executive Board, the Council discusses the program's progress on a quarterly basis and develops measures accordingly.

- **Fuel Cells:** The Schaeffler Group firmly believes that hydrogen will play a key role in the sustainable mobility of the future, which is why the company relies on the fuel cell powertrain and efficient industrialization of the required technology. Collaboration in the "Innoplate" joint operation is an important step on this journey. The partnership aims to produce bipolar plates, which are key components of fuel cells, in large numbers in the future.
- **Electrolyzers:** The Industrial division supplies key components for electrolyzers, which are the underlying technology in the production of green hydrogen. The technologies and processes are similar to those associated with fuel cells. Both technologies benefit from the synergies of the jointly developed and used foundation in coating, material, and forming technologies.

<sup>2</sup> Carbon Dioxide equivalents (CO<sub>2</sub>e)

## Schaeffler ESG targets and performance

In order to be economically successful while at the same time assuming responsibility for the environment and society, the Schaeffler Group focuses on eight ESG targets.

These targets as well as their progress report are published on an annual basis in Schaeffler's Sustainability Report.

Action fields	Key indicator	Target	SDG	Target year	Base year
Climate neutrality	Climate-neutral supply chain	Climate-neutral supply chain (Scope 3 upstream) by 2040 <sup>3</sup>	12, 13	2040	n. a.
	Climate-neutral production	Climate-neutral production (Scope 1 and 2) by 2030 <sup>3</sup>	12, 13	2030	n. a.
	Energy efficiency	100 GWh cumulated annual efficiency gains through implementation of energy efficiency measures by 2024	12, 13	2025	2020
	Renewable energy	100% of purchased power from renewable sources by 2024	7, 13	2024	n. a.
Resource efficiency and environmental protection	Freshwater withdrawal	20% reduction of freshwater withdrawal by 2023 (compared to 2019 value: 5,784 Thous. m <sup>3</sup> )	6	2030	2019
Occupational health and safety	Employee safety	10% average annual reduction of accident rate (LTIR) by 2024 (compared to 2018 LTIR value: 6.2)	3	2024	2018
Diversity, employees, and people development	Diversity in top management	Increase in the share of women in top management to 20% by 2025	5	2025	n. a.
Responsibility in society and the supply chain	Sustainable suppliers	90% of purchasing volume of production material from suppliers with sustainability self-assessments by 2022	8, 17	2022	n. a.

The Schaeffler Group is also committed to reducing absolute (gross) Scope 1 and Scope 2 greenhouse gas emissions by 90% compared to the base year 2019 by 2030. In addition, the company has set itself the target of decreasing the absolute (gross) Scope 3 greenhouse gas emissions resulting from purchased goods and services, fuel- and energy-related activities, and upstream transport and distribution by 25% in the same period. Compensation measures to achieve these targets do not apply in this context.

The "Science Based Targets initiative" (SBTi) has categorized these targets as compliant with the criteria and recommendations of the SBTi and thus the latest climate science for fulfilling the 2015 Paris Agreement on Climate Change. Established in 2015 to help companies define emission reduction targets in compliance with climate science and the

targets of the Paris Agreement, the SBTi is a joint initiative of global nonprofit environmental organization CDP, the United Nations Global Compact, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF).

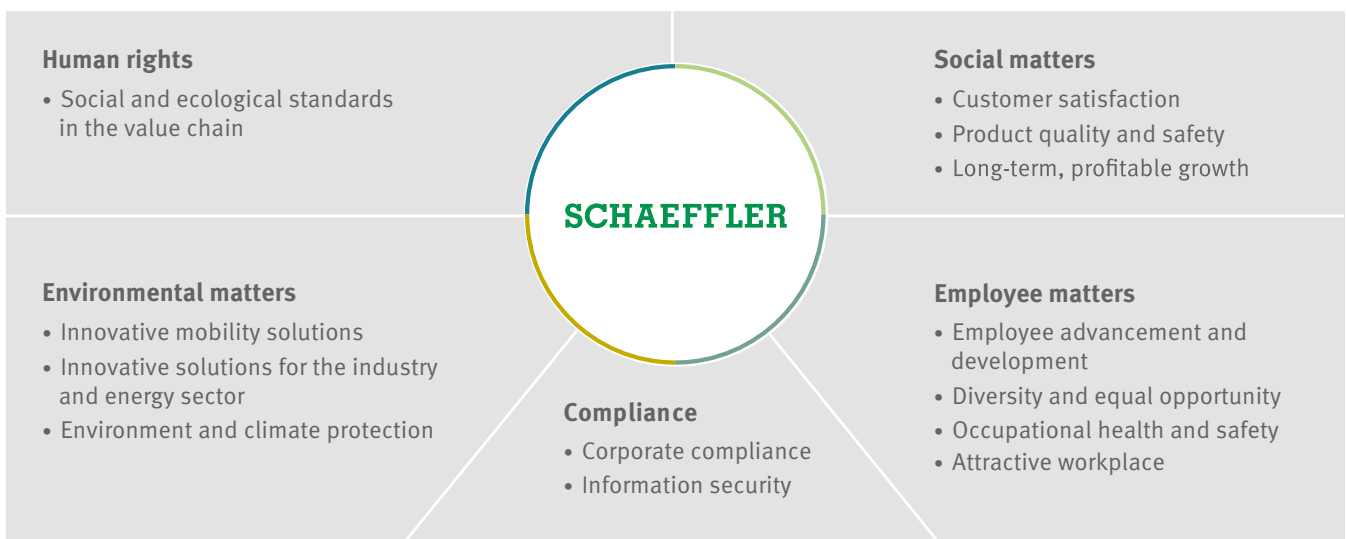
Schaeffler Group's eight sustainability targets as well as the additional absolute (gross) targets for Scope 1 and 2 and Scope 3 GHG emissions were derived from a comprehensive analysis of the business environment as well as the relevant topics for the Schaeffler Group with regards to sustainability.

A corresponding materiality analysis is to be conducted on a regular basis, to ensure that the Schaeffler Group is always aware of key topics as they emerge from changes in the legal environment, technology, consumer preference, society and its employees.

<sup>3</sup> Efforts to achieve these targets focus on reduction measures, and unavoidable emissions are offset with compensation measures.

On the basis of the materiality analysis, the Schaeffler Group identified areas of focus for the sustainability strategy and defined key topics for reporting. This in-depth analysis is conducted every two years and validated by internal stakeholders in the years between. The most recent detailed analysis was conducted in 2021, during which 13 key topics were identified that cover the five legally defined aspects of Section 289c of the German

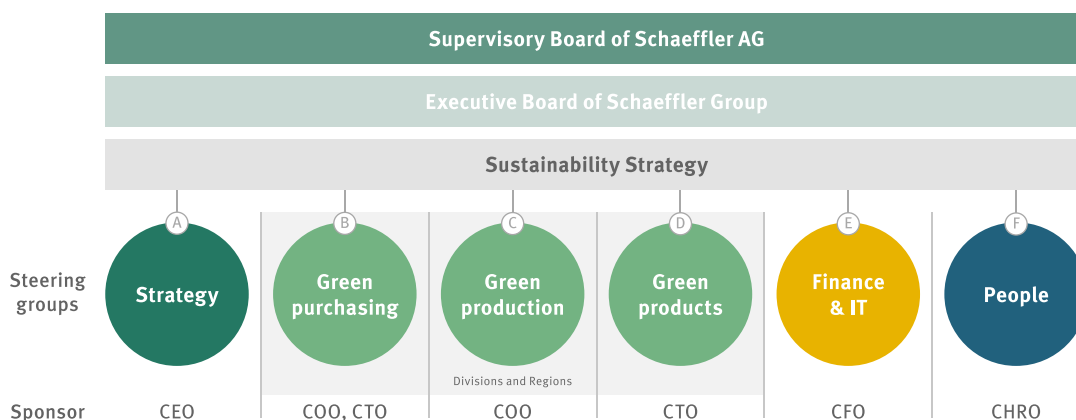
Commercial Code (HGB) (environmental matters, employee-related matters, social matters, respect for human rights and combating corruption and bribery (compliance)). These were validated with the relevant departments in the 2022 reporting year. Representatives included employees of the strategy, compliance, HR, and finance functions and the three divisions. The results were confirmed by the Schaeffler Group’s Executive Board.



## Sustainability Organization

Schaeffler Group pursues a decentralized and topic-specific decision-making approach for sustainability issues. As the central decision-making body, the Executive Board is supported by topic-specific steering groups, which share information on a monthly basis, assess implementation progress, and prepare discussions for the Executive Board. The steering groups are managed according to topic by sponsors defined

at the Executive Board level and coordinated by the sustainability strategy department, which reports to the Chief Executive Officer. The company’s global sustainability network does preparatory work for the steering groups according to topic and consists of representatives of all the divisions, functions, and regions in accordance with the Schaeffler Group’s organizational structure. This approach should ensure acquisition of the appropriate people as well as efficient, targeted implementation.





## Memberships and Sustainability Ratings

To establish a shared understanding of sustainability, the Schaeffler Group is involved in a variety of initiatives and associations that promote standardized measures and processes for effective sustainability management. A list of memberships and supported initiatives is available on the Schaeffler website and updated regularly.

In addition to its memberships the sustainability performance of the Schaeffler Group is further reflected in the high ranking of several sustainability ratings. The sustainability ratings of Schaeffler AG are available on the Schaeffler website and updated regularly.

## 3. Green & Sustainability-Linked Financing Framework

### 3.1 Rationale

The Schaeffler Group has established this Green & Sustainability-Linked Financing Framework (the “Framework”) which serves as a universal basis for the issuance of Green Financing Instruments as well as Sustainability-Linked Financing Instruments by Schaeffler. Green Financing Instruments as referred to in this Framework are financial instruments for which an allocation of proceeds towards specific projects with environmental benefits in accordance with the criteria below is intended. Sustainability-Linked Financing Instruments constitute financial instruments whose financial performance is tied to one or more sustainability targets. This Framework replaces the previously established Green Finance Framework by Schaeffler AG for the future.

Schaeffler is convinced that the use of sustainable finance can help to facilitate the transition to a low-carbon and more sustainable economy and serve as a tool to bring additional transparency and commitment to sustainability matters. Already in 2020, Schaeffler had issued “Green Schuldschein loans” under its then current Green Finance Framework, emphasizing the operational and financial means Schaeffler was and is still committing to green financings. Further, Schaeffler has also included an ESG-link into its syndicated loan facilities in November 2022.

With this Framework, Schaeffler intends to follow up on the previously established formats and continue its track record in applying sustainable finance instruments.

### 3.2 Structure

To cater for both formats of instruments, the Framework consists of two parts: Green Financing Instruments & Sustainability-Linked Financing Instruments.

#### Green Financing Instruments

The Green Financing Instruments section is aligned with the 2021 version of the Green Bond Principles (2021 GBP) with June 2022 Appendix I<sup>4</sup>, as administered by the International Capital Markets Association (ICMA) and the 2023 version of the Green Loan Principles (2023 GLP)<sup>5</sup> as administered by the Loan Markets Association (LMA).

In accordance with the 2021 GBP and the 2023 GLP, the Green Financing Instruments section is structured around the following paragraphs:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

#### Sustainability-Linked Financing Instruments

The Sustainability-Linked Financing Instruments section is aligned with the Sustainability-Linked Bond Principles (2023 SLBP)<sup>6</sup> as administered by the ICMA and the Sustainability-Linked Loan Principles (2023 SLLP)<sup>7</sup> as administered by the LMA.

In accordance with the five core principles of the ICMA 2023 SLBP and the LMA 2023 SLLP, the Sustainability-Linked Financing Instruments section contains the following paragraphs:

1. Selection of the Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Characteristics of Sustainability-Linked Financing Instruments
4. Reporting
5. Verification

The referred principles represent voluntary guidelines setting out best practices and market standards for different kinds of sustainable finance instruments.

Green Financing Instruments & Sustainability-Linked Financing Instruments as defined in this Framework may include but are not limited to “Schuldscheindarlehen” (SSD), secured/unsecured bonds, and loans. The instruments issued under this Framework can be of any seniority, including subordinated/hybrid instruments, but are in all cases ranking *pari passu* with other conventional instruments of similar status and subordination.

Schaeffler may periodically review and update the Framework at its sole discretion to ensure its alignment with the relevant market practices and expectations (such as the relevant ICMA principles), thereby also considering relevant regulatory developments. In case of material updates of the Framework, Schaeffler will obtain a renewed Second Party Opinion (SPO).

<sup>4</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles-June-2022-060623.pdf>

<sup>5</sup> <https://www.lsta.org/content/green-loan-principles/#>

<sup>6</sup> Sustainability-Linked-Bond-Principles-June-2023-220623.pdf (icmagroup.org)

<sup>7</sup> Documents (lma.eu.com)

## 4. Green Financing Instruments

### 4.1 Use of Proceeds

An amount equivalent to the net proceeds from the issuance of each Green Financing Instrument under this Framework will be allocated at issuance or over time to finance and / or refinance, in whole or in part, new or existing projects (“Eligible Green Projects”) which fulfill at least one of the below outlined green eligibility criteria (“Green Eligibility Criteria”). Eligible Green Projects can occur in the form of capital expenditures, operating expenditures, as well as investments, directly made by Schaeffler Group or indirectly through investment vehicles, in financial assets in form of debt or equity in whole or in part of “pure play”<sup>8</sup> companies, which are identified as such based on their revenue share in activities which meet the criteria in this Framework or the EU Taxonomy.

For allocation of proceeds towards operating expenditures, Schaeffler will apply a three-year look-back period from the issuance of the relevant Green Financing Instrument.

The Green Eligibility Criteria featured in the below table replicate, in part, criteria provided by the EU Taxonomy. However, certain limitations of the legislative framework, such as a lack of coverage of economic activities pursued by the Schaeffler Group, as well as particular data requirements existing under the EU Taxonomy or low overlap with other commonly accepted sustainable building certificates and standards, limit the ability of Schaeffler Group to report EU-Taxonomy alignment of certain economic activities.

Schaeffler Group will therefore adhere to the Green Eligible criteria set out below, which may be based on corresponding EU Taxonomy criteria or differ from the EU Taxonomy criteria but in all cases adhere to the 2021 GBP or the 2023 GLP.

<sup>8</sup> “pure play” companies are defined as undertakings disclosing (i) at least 90% of annual turnover derived from activities fulfilling any of the categories of the Green Eligibility Criteria in this Framework or (ii) at least 90% of annual turnover derived from products or services associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of Regulation (EU) 2020/852 (EU Taxonomy Regulation), as disclosed pursuant to Article 8 EU Taxonomy Regulation, in the financial year preceding the investment.

## Green Eligibility Criteria

ICMA category	Eligible Green Projects	Example Projects	UN SDGs
Clean Transportation	<ul style="list-style-type: none"> <li>Projects that are considered aligned with the EU Taxonomy under the following economic activities as adopted to the EU Taxonomy Climate Delegated Act by the European Commission on June 13, 2023 (Annex I, Climate Change Mitigation): <ul style="list-style-type: none"> <li>3.2 Manufacture of equipment for the production and use of hydrogen</li> <li>3.18 Manufacture of automotive and mobility components</li> <li>3.19 Manufacture of rail rolling stock constituents</li> </ul> </li> <li>Other projects not covered by economic activities of the EU Taxonomy (thus not being taxonomy-eligible), which relate to all kinds of zero exhaust vehicles</li> </ul>	<ul style="list-style-type: none"> <li>Fuel cell powertrains</li> <li>Powertrains for all-electric mobility</li> <li>Rail constituents</li> <li>Chassis applications for all-electric mobility</li> </ul>	
Renewable Energy	<ul style="list-style-type: none"> <li>Projects that are considered aligned with the EU Taxonomy under the following economic activities as included in the EU Taxonomy Climate Delegated Act adopted on June 4, 2021 (Annex I, Climate Change Mitigation): <ul style="list-style-type: none"> <li>3.1 Manufacture of renewable energy technologies</li> <li>4.1 Electricity generation from solar photovoltaic technology</li> <li>7.6 Installation, maintenance and repair of renewable energy technologies</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Efficient bearing solutions for wind business</li> <li>Renewable energy generation for Schaeffler's own operations</li> <li>Installation of renewable energy technologies (e.g. heat pumps)</li> </ul>	  
Energy Efficiency	<ul style="list-style-type: none"> <li>Projects that are considered aligned with the EU Taxonomy under the following economic activities as included in the EU Taxonomy Climate Delegated Act adopted on June 4, 2021 (Annex I, Climate Change Mitigation): <ul style="list-style-type: none"> <li>7.3 Installation, maintenance and repair of energy efficiency equipment</li> <li>8.1 Data processing, hosting and related activities</li> </ul> </li> <li>Projects relating to the decarbonization of Schaeffler's own operations and production processes as well as sustainability projects to increase energy efficiency in plants, which are not covered by economic activities of the EU Taxonomy (thus not being taxonomy-eligible)</li> </ul>	<ul style="list-style-type: none"> <li>Installation of energy efficient light sources</li> <li>Energy efficient data centre colocation</li> <li>Electrification of furnaces</li> <li>Energy efficiency in production processes e.g. compressed air</li> </ul>	 
Green Buildings	<ul style="list-style-type: none"> <li>Projects that are considered aligned with the EU Taxonomy under the following economic activities as included in the EU Taxonomy Climate Delegated Act adopted on June 4, 2021 (Annex I, Climate Change Mitigation): <ul style="list-style-type: none"> <li>7.2 Renovation of existing buildings</li> <li>7.7 Acquisition and ownership of buildings</li> </ul> </li> <li>Properties that are subject to one of the following building certifications: <ul style="list-style-type: none"> <li>LEED: Gold or above;</li> <li>BREEAM: Excellent or above;</li> <li>HQE: Excellent or above;</li> <li>DGNB: Gold or above</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Construction of new buildings</li> <li>Retrofitting, upgrade or renovation of existing buildings</li> </ul>	 

## 4.2 Process for Project Evaluation and Selection

Schaeffler will establish a process for the governance of its green financing activities as formulated in this Framework. It will establish a dedicated panel prior to issuance of a Green Financing Instrument within the organization taking care of approvals for the allocation of projects based on the Green Eligibility Criteria, monitoring relevant developments, ensuring the relevant processes for ESG risks (outlined below) have been applied and approving the allocation and impact reporting. The panel may consist of representatives of different departments of Schaeffler Group with all relevant competences and will meet on a regular basis.

Schaeffler Group is aiming to identify and mitigate ESG risks including those associated with the projects that are financed and/or refinanced under this Framework. As such, Schaeffler applies risk management measures that help the company to identify and, if applicable and to the extent possible, mitigate risks that it is exposed to.

For all taxonomy aligned activities, Schaeffler has processes in place that cover the assessment of the minimum safeguards as well as the “do no significant harm” criteria as required by the EU-Taxonomy. Thus, relevant risks regarding environmental and social aspects are considered and assessed.

Further, the company has in place management systems or assessment processes that relate to, among others, energy, environmental, water, health & safety or human rights. For such systems, Schaeffler tries to align itself with relevant international standards, such as ISO 50001 for energy management, ISO 14001 for environmental management or ISO 45001 for occupational health & safety. Generally, Schaeffler is constantly evaluating and further developing its relevant risk management and assessment processes.

The management systems and relevant processes are accompanied by a comprehensive set of policies that are applied for Schaeffler’s operations and also relate to its business partners and supply chain. Thereby, Schaeffler supports the core principles outlined in the International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights, the UN Global Compact and the ILO Core Conventions on Labor Standards.

### **An overview of relevant policies can be found below:**

*Code of Conduct Schaeffler Group*

*Schaeffler Group Supplier Code of Conduct*

*Schaeffler Group EHS Policy*

*Schaeffler Group Critical Raw Materials Policy*

*Schaeffler Group Sustainable Procurement Policy*

*Schaeffler Group Human Trafficking Policy*

## 4.3 Management of Proceeds

Schaeffler Group intends to allocate Eligible Green Projects to the proceeds of any Green Financing Instrument, selected in accordance with the use of proceeds criteria and evaluation and selection process presented above. For this purpose, Schaeffler will use a Green Financing Register, that allows the documentation and monitoring of all Eligible Green Projects and their allocation to Green Financing Instruments. The Green Financing Register will be administered by the Schaeffler Finance function.

Schaeffler Group will generally strive, to achieve a level of allocation of Eligible Green Projects that matches or exceeds the proceeds of the relevant Green Financing Instruments as soon as possible, but latest until 3 years after issuance. Future changes to this Framework’s Green Eligibility Criteria will not affect the classification of Eligible Green Projects, which have already been allocated to a Green Financing Instrument.

In case projects do not longer meet the Green Eligibility Criteria as of the time of issuance of the instrument, or in case of divestments or other developments that change relevant characteristics, status or ownership of the allocated Eligible Green Projects and thus leading to a situation where Schaeffler considers these no longer suitable for allocation, Schaeffler strives to have the corresponding amount of proceeds reallocated to other Eligible Green Projects as soon as possible.

For Eligible Green Projects that have been allocated to the proceeds of any outstanding Green Financing Instrument, these will not be allocated again, unless the previous allocation is lifted, such as through redemption or repurchase of the Green Financing Instrument, subject to this project still meeting the Green Eligibility Criteria and being subject to the above outlined Process for Project Evaluation and Selection, thus also being aligned with Schaeffler’s relevant policies and risk management processes.

Whilst any Green Financing Instrument net proceeds remain unallocated, Schaeffler Group will hold and/or invest, at its own discretion, in its treasury liquidity portfolio, in cash or other short term and liquid instruments or to pay back a portion of its outstanding indebtedness, the balance of net proceeds not yet allocated to Eligible Green Projects.

## 4.4 Reporting

The Schaeffler Group will make and keep readily available reporting on the allocation of Eligible Green Projects to the proceeds of its Green Financing Instruments at least annually until full allocation of the respective instruments (the “Allocation Reporting”). In addition, Schaeffler will report on the expected related environmental impact of the Eligible Green Projects (the “Impact Reporting”), on a best-effort basis. Such reporting will also be provided annually until full allocation of the respective Green Financing Instruments.

The reporting will be made publicly available in the Green & Sustainability-Linked Financing section of Schaeffler’s website.

## Allocation Reporting

To provide transparency on the allocation of proceeds to the relevant Green Eligibility Criteria, Schaeffler will provide an Allocation Reporting. Schaeffler Group will report one year after the issuance and on an annual basis thereafter, until full allocation of all outstanding instruments, the following metrics:

- Net proceeds of outstanding Green Financing Instruments
- The total amount of Eligible Green Projects allocated towards Green Financing Instruments and shown by the respective Green Eligibility Criteria
- The amount of financing and refinancing of Eligible Green Projects
- The nature of projects being financed (such as a description and/or classification of the projects)
- The balance of unallocated proceeds

The Allocation Reporting will provide information for all Green Financing Instruments outstanding. It will be subject to a limited assurance assessment by an external auditor, or other third party.

## Impact Reporting

Schaeffler will also report on the environmental impacts resulting from the Eligible Green Projects, where and when feasible and subject to data availability. Such reporting will be subject to confidentiality agreements, competitive considerations, or a large number of underlying projects limiting the amount of detail that can be made available. Hence, the information may be presented on an aggregated basis.

The reporting may include a description of relevant projects (to the extent feasible) and then focus on selected impact metrics (illustrative examples outlined below, subject to data availability):

<b>ICMA category</b>	<b>Example impact metrics</b>
Clean Transportation	<ul style="list-style-type: none"> <li>• Number of electrified vehicles covered (#)</li> <li>• Estimate of annual GHG emissions avoided during use (tCO<sub>2</sub>e, scope 3)</li> </ul>
Renewable Energy	<ul style="list-style-type: none"> <li>• Estimate of annual GHG emissions avoided/reduced during production (tCO<sub>2</sub>e, scope 1, 2)</li> <li>• Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)</li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>• Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings)</li> <li>• Estimate of annual GHG emissions reduced/avoided during production in (tCO<sub>2</sub>e)</li> </ul>
Green Buildings	<ul style="list-style-type: none"> <li>• Building certifications</li> </ul>

## 5. Sustainability-Linked Financing Instruments

### 5.1 Selection of the Key Performance Indicators (KPIs)

The selection of the Key Performance Indicators (KPIs) for this Framework and consequently implementation into financial instruments by Schaeffler was conducted considering relevance, core and materiality to its business operations and sustainability strategy. Those KPIs and Sustainability Performance Targets (SPTs) were derived in line with the global political ambitions and action plans with regards to sustainability, such as the EU Sustainable Finance Action Plan, to which Schaeffler is committed to contribute. The selected KPIs and the corresponding SPTs are fully implemented within the Schaeffler Group's sustainability strategy and overall corporate strategy and parts of it are also reflected in the management remuneration for Schaeffler, as well as influencing financing costs under the syndicated loan facilities signed in November 2022 to a certain extent.

Sustainability-Linked Financing Instruments issued under this Framework by the Schaeffler Group are linked to Schaeffler's sustainability performance, meaning their financial performance is dependent on the evolution of one or more KPIs up to a defined point in time defined for each Sustainability-Linked Financing Instrument in accordance with the final terms and conditions of the respective instrument.

#### Allocation Reporting

##### **KPI 1: Greenhouse Gas (GHG) Emissions from own operations (Scope 1+2)**

##### **KPI 2: GHG Emissions from the upstream supply chain (Scope 3 upstream)**

As climate change poses an existential threat to humanity, decarbonization is essential to mitigate the effects of the increase in global warming. For companies, this means efforts to decarbonize both their own operations as well as further value chain. For this purpose, Schaeffler selected the **GHG Emissions (measured in CO<sub>2</sub>e) from own operations (Scope 1+2)** as defined in its respective Sustainability Report as the first KPI for this Framework.

The decision for this KPI was made based on an assessment of the most material sustainability issues for the automotive supplier sector and considering where Schaeffler can use its influence to further improve sustainability.

Besides GHG emissions stemming from the company's own operations, Schaeffler is committed on GHG reductions along the extended value chain, which represent a significant share of overall GHG emissions. For this reason, the Schaeffler Group has selected **GHG emissions (measured in CO<sub>2</sub>e) of Schaeffler's supply chain (Scope 3 upstream)** as the second KPI for this Framework. This decision was made based on an assessment of the materiality of this KPI and Schaeffler's ability to have a meaningful influence on the KPI performance.

Schaeffler will consider on an ongoing basis the addition of further KPIs and SPTs.

#### Methodology for KPI 1 and KPI 2

Schaeffler's Scope 1+2 GHG emissions<sup>9</sup> (KPI 1) are reported referring to the GHG Protocol Corporate Accounting and Reporting Standard<sup>10</sup> and calculated based on supplier-specific primary data, VDA (2022), DEFRA (2022) and the ProBas database of the German Federal Environmental Agency. Scope 2 GHG emissions follow the market-based approach.

Schaeffler's Scope 3 upstream GHG emissions<sup>9</sup> (KPI 2) calculation, according to the methodology of the target validation by SBTi, includes the following upstream categories: Scope 3.1 "Purchased goods and services", Scope 3.3. "Fuel- and energy-related GHG emissions" and Scope 3.4 "Upstream transport and distribution".

The Sustainability Report contains further information on the calculation of the KPIs.

<sup>9</sup> The relevant GHG emissions are calculated based on the scope of consolidation used in Schaeffler's external sustainability reporting which includes the plants and operating sites classified as material in the Issuer's internal environment management system. This scope of key figure consolidation for GHG emissions may not be fully identical with the scope of consolidation applied in the preparation of Schaeffler's consolidated financial statements.

<sup>10</sup> Corporate Standard | Greenhouse Gas Protocol ([ghgprotocol.org](http://ghgprotocol.org))

### Baseline and historical data

	Tons of CO <sub>2</sub> e	2019 <sup>11</sup>	2020 <sup>12</sup>	2021 <sup>12</sup>	2022 <sup>12</sup>
	Scope 1 GHG emissions	208,000	180,000	207,000	180,000
	Scope 2 GHG emissions	835,000	564,000	492,000	308,000
KPI 1	Sum of Scope 1+2 GHG emissions	1,043,000	744,000	699,000	488,000
KPI 2	Scope 3 upstream GHG emissions	6,138,000 <sup>13</sup>	5,499,000 <sup>13</sup>	6,176,000 <sup>13</sup>	6,234,000 <sup>13</sup>

For both KPI 1 and KPI 2, the performance in the years 2020, 2021 and 2022 was subject to a limited assurance by Schaeffler’s auditor or any such other qualified provider of third-party assurance or attestation services appointed by it, as described in the section “5.5 Verification”. The performance in the year 2019 was not subject to such an assessment but considered in the target validation by SBTi. The year ending 31 December 2019 in each case was chosen as the baseline year to exclude any effects from the Covid-19 pandemic on production volumes and overall operations.

### Materiality of the selected KPIs

All stakeholders must contribute to drive decarbonization as far as possible, given the enormous threat of climate change. With the 2015 Paris Agreement on Climate Change, the international community committed itself to limit global warming to well-below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. Schaeffler, in line with its majority shareholder, fully supports the commitment of the United Nations’ 2015 Paris Agreement on Climate Change and intends to align itself with the global ambitions to limit global warming to 1.5°C. In this regard, Schaeffler is fully acknowledging the necessity to take comprehensive action and identified climate change mitigation and environmental protection as a key aspect of relevance for its business operations. Schaeffler pursues the vision to achieve a climate-neutral production (Scope 1 and 2) by 2030 for its own operations and by 2040 among the supply chain (Scope 3 upstream). The selected KPIs will display and measure this journey on a gross basis and will allow investors to monitor the progress Schaeffler is achieving.

### Positive sustainable impact

The KPIs with the respective sustainability targets are expected to generate significant positive sustainability impact by reducing Schaeffler’s absolute (gross) Scope 1+2 GHG emissions and absolute (gross) Scope 3 upstream GHG emissions (both measured in tonnes of CO<sub>2</sub>e) and hence contribute to the decarbonization of the economy.

With the KPIs and the corresponding targets, Schaeffler is specifically contributing to the UN’s SDG 13 – Climate Action and the EU Taxonomy’s environmental objective climate change mitigation. It will thereby help the global ambition to limit global warming to 1.5°C vs. preindustrial levels, in line with the 2015 Paris Agreement on Climate Change.



#### UN Sustainable Development Goal 13 – Climate Action

Take urgent action to combat climate change and its impacts



#### European Union Taxonomy Regulation – Climate Change mitigation<sup>14</sup>

Actions that reduce the expulsion of greenhouse gas emissions

<sup>11</sup> Emissions as considered in target validation by SBTi

<sup>12</sup> Numbers for the last three financial years for Scope 1+2 as disclosed by Schaeffler in the annual Sustainability Report

<sup>13</sup> Emissions resulting from Scope 3.1 “Purchased goods and services”, Scope 3.3 “Fuel- and energy-related activities” and Scope 3.4 “Upstream Transport and distribution”

<sup>14</sup> Art. 9 a) EU Taxonomy Regulation



## 5.2 Calibration of Sustainability Performance Targets (SPTs)

### Rationale

As a company, Schaeffler is constantly thriving to reduce its GHG emissions, in order to limit its environmental footprint and live up to the expectations that its stakeholders set into the group.

The Schaeffler Group has set ambitious reduction targets and wants to achieve climate-neutrality for its own operations (Scope 1+2) by 2030 and its supply chain (Scope 3 upstream) by 2040. These targets are underpinned by relevant intermediate targets. Thereby, Schaeffler fulfils the requirements

for the 1.5°C target according to the SBTi methodology, which highlights its sustainability leadership. The path to climate neutrality is a top priority for the company and plays a key role in the implementation of Schaeffler’s corporate strategy.

For the selected KPIs, and in line with its sustainability strategy, Schaeffler provides three Sustainability Performance Targets (SPTs), that emphasize its ambitious decarbonization trajectory:

	KPI 1		KPI 2
	SPT 1.1	SPT 1.2	SPT 2
Target	Reduction of absolute (gross) Scope 1+2 GHG emissions by 75% to 260,800 tCO <sub>2</sub> e or below	Reduction of absolute (gross) Scope 1+2 GHG emissions by 90% to 104,300 tCO <sub>2</sub> e or below	Reduction of absolute (gross) Scope 3 upstream GHG emissions by 25% to 4,603,500 tCO <sub>2</sub> e or below
Target Observation Date	31 December 2025	31 December 2030	31 December 2030
Baseline	1,043,000 tCO <sub>2</sub> e as of 31 December 2019		6,138,000 tCO <sub>2</sub> e as of 31 December 2019 <sup>15</sup>

While defining the targets, Schaeffler aligned itself with the requirements set out by the Science Based Targets Initiative (SBTi). The 2030 targets (SPT 1.2 and SPT 2) were validated by the SBTi in December 2022 confirming the GHG emission reduction pathway as being compliant with the criteria and recommendations of the SBTi and thus the latest climate science for fulfilling the 2015 Paris Agreement on Climate Change. While not being formally validated by the SBTi, the 2025 target (SPT 1.1) marks an intermediate milestone in Schaeffler’s validated decarbonization pathway.

Further, the target setting was based on a peer analysis and benchmarking exercise to assess the ambition of the SPTs selected in this framework and part of the corporate & sustainability strategy. In line with common market standard, in case of the application to a loan as a Sustainability-Linked Financing Instrument under this Framework, Schaeffler will provide annual targets for the respective relevant SPTs in the terms and conditions of the loan at the time of its issuance.

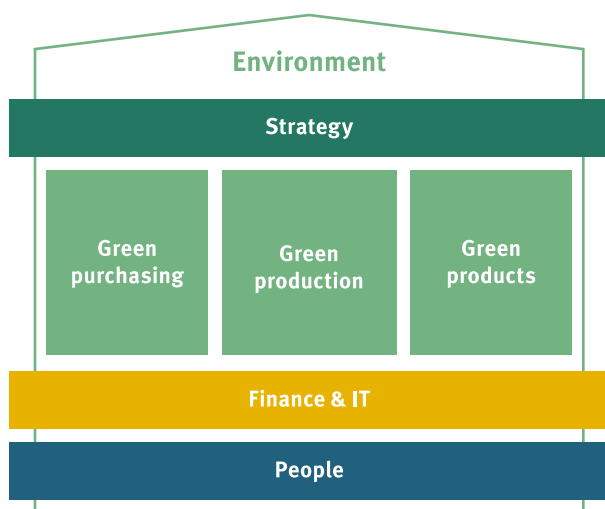
For the avoidance of doubt, the use of carbon offsets is not in scope of the KPIs or in any way the mechanics of this framework. Beyond that, Schaeffler will strive to make its own operations (Scope 1+2) climate neutral by 2030, which entails carbon offsets to counterbalance the residual up to 10% GHG emissions.

Besides Schaeffler’s own measures, other factors beyond our control that could influence the achievement of SPTs are the overall technological advancement (e.g. development of relevant technologies for decarbonization), the availability of the relevant technologies (in light of supply chain concerns) and green energy, legislative developments, geopolitical circumstances or events such as the Covid-19 pandemic.

<sup>15</sup> See Footnote 11 and 13

## Strategy to achieve the SPTs

In 2022, a holistic Climate Action Plan was developed to serve as the framework for the definition and implementation of the necessary climate protection measures and thus in particular against the background of the greenhouse gas reduction targets (Scope 1 + 2 and Scope 3 Upstream). The Climate Action Plan consists of six key elements: (1) Strategy, (2) Green purchasing, (3) Green production, (4) Green products, (5) Finance & IT, and (6) People. Each of the six elements is assigned to one or more Executive Board members and includes specific implementation measures.



### Strategy

The Climate Action Plan contains specific targets and measures to achieve a GHG emissions reduction path that is in line with the 2015 Paris Climate Agreement and to help Schaeffler Group achieve its aim of becoming climate-neutral within its own production (Scope 1 and 2) by 2030 and within the supply-chain (Scope 3 upstream) by 2040. One of the key tasks is to support group management even more in the future with non-financial key performance indicators – in line with the financial key performance indicators. In addition to the planned anchoring of sustainability criteria into key business processes – e.g., the product development, purchasing, and investment process – the company-wide modeling of the GHG emissions projection, the derivation of the financial implications of the emissions reduction path, and the definition and tracking of internal annual ambition levels form the core content of the “Strategy” element.

### Green Purchasing

The “Green purchasing” element describes in particular the purchase of low-emission materials and services. To this end, significant levers have been identified in steel, aluminum, plastics, electronic components, and logistics, among others,

which make a significant contribution to decarbonization based on the product portfolio. On this basis, the Schaeffler Group is continuing to develop its purchasing strategy and is seeking active dialog with its existing and potential suppliers, among others for the purchasing of green bearing steel. For example, Schaeffler uses the Drive Sustainability initiative’s standardized survey (self-assessment questionnaire – SAQ) via the service provider NQC to verify the sustainability performance of its suppliers. The company’s aim to purchase at least 90% of its production materials from suppliers with an SAQ by the end of 2022 was achieved in the reporting year with a compliance rate of 90.7% (prior year: 68.6%), thanks in large part to individual supplier conversations and intensive follow-up. The next target is currently under development. In order to be climate neutral in the supply chain by 2040 and to reduce GHG emissions by at least 25% by 2030 (base year 2019), an emissions balance sheet was drawn up in the reporting year for all purchased materials and raw materials and reduction potential was derived in certain cases. The measures include the Green Steel Activation program, which addresses several influencing factors in steel production and refinement in a technology-neutral manner. At the end of 2021, the Schaeffler Group agreed with the Swedish startup H2greensteel to purchase 100,000 tons per year of the virtually CO<sub>2</sub>-free steel produced with hydrogen starting in 2027. The steel produced in Sweden does not require any fossil fuels. The deal is a first important step towards making the company’s supply chain climate-neutral from 2040. Similar to steel, as part of Schaeffler’s Climate Action Plan, the company has identified specific abatement levers for further relevant material types (e.g., aluminum, plastics, electronics, etc.). Exemplary levers include the increased usage of renewable energy, secondary-material and scrap, the switch of production technology routes, and the increase of process efficiency.

### Green Production

Green production focuses on making Schaeffler Group’s production processes climate-neutral, which focuses on the increased use and self-generation of renewable energy. Since 2020, as part of its energy efficiency program, Schaeffler Group has implemented more than 270 measures leading to cumulative annual savings of approximately 64.2 GWh starting in 2023. Going forward, from 2023 to 2024, Schaeffler Group aims to identify and implement energy efficiency measures in its production processes that will lead to annual energy savings of 100 GWh from 2025. The use of renewable energy in production also drives forward the green production. That’s why since 2022, 100% of the purchased electricity at the European and Chinese production plants has come from renewable sources and Schaeffler Group plans for its plants in the Americas region to follow in 2023 and its plants in the Asia/Pacific region to follow in 2024. In addition, self-generated renewable energy should cover 10% of Schaeffler’s annual electricity demands worldwide by 2025 and 25% by 2030.

## Green Products

The Company is developing a holistic concept for automated life cycle assessments aimed at revealing a product's environmental impact throughout its entire life cycle and to be used to develop measures for the improvement of carbon footprints at the individual product level. For the systematic decarbonization of the product portfolio, in addition to the CO<sub>2</sub>e savings potential, the economic and technical feasibility of the products and their manufacture are taken into consideration. This ensures the most efficient and future-oriented decarbonization of the product portfolio. In addition to the decarbonization of the product portfolio, which is primarily aimed at the procurement of climate-neutral materials and climate-neutral production, the reduction of emissions from Schaeffler's products in their use phase is also taken into account in product development.

## Finance & IT

The element "Finance & IT" deals with the further development of internal and external sustainability reporting, the development of consistent models for sustainability data and an appropriate IT infrastructure, as well as the design of the necessary management models for sustainability management models. This includes, in particular, the further development of systems for providing and tracking company- and product-related emissions data.

## People

The measures to achieve the defined emissions reduction path represent a major challenge for the Schaeffler Group and require a high level of commitment from its employees. Against this backdrop, the company will conduct appropriate training and awareness campaigns to familiarize all employees with sustainable behaviors. Numerous ideas and suggestions were also submitted in this context as part of a Climate Action Day, which are continuously integrated into business processes.

## Recalculation Option

Schaeffler reserves the right to adjust the respective SPT levels in case of structural changes, such as acquisitions, mergers, investments or disposals, or methodology changes or better data availability or updated calculation methods or protocols, that significantly impact the respective SPT level, or adjust from each KPI determination the effects of any acquisitions, mergers or investments. The threshold value for a significant change is a change that impacts Schaeffler's Scope 1+2 GHG annual emissions and/or Schaeffler's Scope 3 upstream GHG annual emissions (KPI 1 and KPI 2) by at least 5%. The adjustment mechanism allows for a revision of the respective SPTs and/or baselines proportionate to the change in either or both of Schaeffler's Scope 1+2 or Scope 3 upstream GHG emissions, resulting from significant structural changes and/or from changes in the calculation methodology.<sup>16</sup>

The purpose of this mechanism is: (i) to ensure that changes in Schaeffler's annual GHG emissions due to M&A or similar activities are not preventing it from achieving the set performance targets, (ii) to adjust the impact of newly acquired businesses in the scope of Schaeffler's ambitious reduction targets, and (iii) to cater to any evolution in the principles and standards which govern the items which are included in the KPIs and to ensure alignment of the monitoring of each KPI and disclosure and reporting standards Schaeffler is subject to. Upon application of such adjustments, Schaeffler will update this Framework accordingly and apply the revised KPIs and SPTs going forward. For the avoidance of doubt: if, notwithstanding the application of adjustment measures referred to under (iii) above, Schaeffler is unable to calculate and report the items which represent the KPIs at the designated Target Observation Date, any SPT which forms part of the terms and conditions of any Sustainability-Linked Financing Instrument will be considered to be breached and a Trigger Event will have occurred (as described below and in the terms and conditions of the respective Sustainability-Linked Financing Instrument).

In case of other changes to the Framework, the KPIs and SPTs set out in this Framework will remain applicable throughout the tenor of any Sustainability-Linked Financing Instrument issued under this Framework in the form prevailing at the time of issuance of the respective Sustainability-Linked Financing Instrument, regardless of any subsequent changes to Schaeffler's sustainability strategy or changes and future updates of the Framework, independent whether or not they are driven by changes in the relevant principles or Schaeffler's corporate decisions.

## 5.3 Characteristics of Sustainability-Linked Financing Instruments

Sustainability-Linked Financing Instruments issued under this Framework by Schaeffler are linked to its sustainability performance, meaning their financial performance is dependent on the evolution of one or more KPIs up to a defined point in time defined for each Sustainability-Linked Financing Instrument in accordance with the final terms and conditions of the respective instrument.

In case that a KPI does not achieve the respective SPT, or if Schaeffler fails to report on any applicable KPI in the manner described in the terms and conditions of the respective Sustainability-Linked Financing Instrument, a so-called Trigger Event will occur, which will result in an impact on the financial performance of the instrument. For this case, Schaeffler will notify investors as soon as reasonably practical.

<sup>16</sup> Namely the GHG Protocol Corporate Accounting and Reporting Standard (Corporate Standard | Greenhouse Gas Protocol ([ghgprotocol.org](http://ghgprotocol.org))) or any similar that in the future might replace this standard

The applicable notification period following the respective Target Observation Date will be specified in the terms and conditions as they appear in the prospectus of the respective instrument.

The implications on the financial performance of the Sustainability-Linked Financing Instruments in case of a Trigger Event can occur in different variations which will be defined in the terms and conditions of the respective Sustainability-Linked Financing Instrument. Potential variations may include but are not limited to coupon step-up(s), coupon step-down(s) and/or may lead to a higher or a lower redemption amount payable in respect of the Sustainability-Linked Financing Instruments. The precise characteristics of these variations, i.e. the conditions and circumstances which provide for the occurrence of a Trigger Event (including but not limited to the KPI(s), the SPT(s), the Target Observation Date(s) as well as Schaeffler's reporting obligations) which lead to application of a step-up, step-down or a change in the redemption amount; timing and length of application of any step-up or step-down in terms of interest periods, the yield in- or decrease which defines the step-up or step-down; or the timing for application and the percentage amount in respect of the change in the redemption amount; and any other information deemed necessary by Schaeffler for the investors to understand and assess their legal position in respect of the sustainability-linked nature of the instrument and specifically the position in case of an occurrence of a Trigger Event and any other information required by securities law or stock exchange rules, if applicable, necessary or deemed necessary will be described in the prospectus which Schaeffler will use or prepare in context of an issuance of Sustainability-Linked Financing Instruments pursuant to this Framework.

As the market for Sustainability-Linked Financing instruments progresses dynamically, Schaeffler will consider appropriate structures and variations of the financial characteristics at the respective time of issuance.

As a general rule the terms and conditions of Sustainability-Linked Financing Instruments issued pursuant to this Framework will provide that, if, for any reason, Schaeffler does not publish or make available to investors the relevant KPI performance within the time limit as prescribed in such terms and conditions, or Schaeffler is not able to calculate the KPI(s) in a satisfactory manner, a Trigger Event will be deemed to have occurred and a change in certain financial metrics of the relevant instruments will become applicable.

For the avoidance of doubt, if Schaeffler has achieved the respective SPT for the KPI(s) applicable in respect of any Sustainability-Linked Financing Instrument, and has reported on such successful achievement of the respective SPT as prescribed in the terms and conditions of the respective instrument, the financial metrics of such instrument will not change, other than in case of a step-down or a reduction in the redemption amount which becomes effective upon an avoidance of a Trigger Event.

## 5.4 Reporting

For its outstanding Sustainability-Linked Financing Instruments, Schaeffler will provide a reporting annually – either via its Sustainability Report (as a standalone document covering FY 2023 and as part of its annual report starting FY 2024), via its respective annual report (starting FY 2024) or via a dedicated KPI report – on its website, thus being readily available and easily accessible to investors (and lenders in case of loans).

The respective reporting by Schaeffler will include the absolute performance of each relevant KPI<sup>17</sup> identified in the terms and conditions of any Sustainability-Linked Financing Instrument outstanding in the respective financial year, information on the achievement of the relevant SPT for such KPI (in the applicable year), as well as any relevant information for the assessment of such KPI's performance (such as the reference baseline and the application of any recalculation procedure where relevant and the measures taken by Schaeffler for progressing such KPI towards its respective SPT<sup>17</sup>). Schaeffler will also refer to potential technological advancements, structural changes and external factors which impact operations, if Schaeffler deems these as material for the performance of such KPIs. These could include but are not limited to changes in the corporate structure (for example resulting from M&A transactions), aspects with global impact (e.g., Covid-19 pandemic or geopolitical factors), or the availability of green power from own operations and through market access. It will also provide information on material changes (if any) to its corporate and sustainability strategies, the evolution of the KPIs and illustrate the positive sustainable impact achieved by the progression of the KPIs towards the SPTs. Moreover, the annual reporting will also provide information on the sustainability-linked related impact and timing of such impact on the instrument's economic characteristics.

The relevant parts of the Sustainability Report (as a standalone document covering FY 2023 and as part of its annual group management report starting FY 2024) will be subject to and include a verification assurance statement (limited assurance) with respect to the performance of the selected KPI<sup>17</sup> during the relevant year and the achievement of the relevant SPT (in the year applicable for the assessment of the SPT)<sup>17</sup>, as set forth under "Verification" below.

<sup>17</sup> As provided in this Framework

## 5.5 Verification

Schaeffler will obtain an independent and external verification assurance statement (limited assurance) of the measurements for the stated KPIs<sup>18</sup> and the achievement of the stated SPT (in the year applicable for the assessment of the SPT)<sup>18</sup> included in its Sustainability Report (as a standalone document covering FY 2023 and as part of its annual report starting FY 2024) on an annual basis by its auditor or any such other qualified provider of third-party assurance or attestation services appointed by it. The verification assurance report will be included in the Sustainability Report (or in Schaeffler AG's annual group management report ("Konzernlagebericht") starting FY 2024) published by Schaeffler and thus publicly available. The Sustainability Report (or the annual management report starting FY 2024) published by Schaeffler with the included verification assurance report<sup>19</sup> will describe the level and type of verification, a description of the procedures conducted, a description of the subject matter of verification and the criteria used and a confirmation of the auditor's independence and auditor's conformance with quality management systems. In line with the annual reporting, information will be provided in any case for any date/period relevant for assessing a future or contemporary occurrence of a Trigger Event based on any KPIs<sup>18</sup> performance towards its respective SPT<sup>18</sup>. Alternatively, in case of an independent and external verification assurance statement by other qualified provider of third-party assurance or attestation services appointed by Schaeffler other than its auditor, the verification assurance report might be provided as separate verification assurance report and will in that case be published accordingly by Schaeffler.

<sup>18</sup> As provided in this Framework

<sup>19</sup> or Independent Auditor's Report to the Consolidated Financial Statements incl. Group Management Report starting FY 2024

## 6. External Review

### Second Party Opinion

Schaeffler has appointed S&P Global Ratings Europe Limited (“**S&P Global**”) to provide an independent Second Party Opinion (“**SPO**”) report to evaluate this Framework and its alignment with the 2021 GBP, the 2023 GLP, the 2023 SLBP and the 2023 SLLP prior to the issuance of the first instrument based upon this Framework. The independent SPO report will be made publicly available in the Green & Sustainability-Linked Financing section of Schaeffler’s website and is also available on the website of S&P Global.

## Disclaimer

The information and opinions contained in this Green & Sustainability-Linked Financing Framework (the “Framework”) are provided as at the date of this Framework and are subject to change without notice. Schaeffler AG (“Schaeffler” and, together with its subsidiaries, the “Schaeffler Group”) does not assume any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. This Framework represents current policy and intent of Schaeffler, is subject to change and is not intended to, nor can it be relied on, to create legal relations, rights or obligations. This Framework contains third-party information not separately reviewed by Schaeffler and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Schaeffler as to the fairness, accuracy, reasonableness or completeness of such information.

This Framework is provided for information purposes only and does not constitute or form part of, and should not be construed as, an offer or invitation or recommendation to underwrite, subscribe for, exchange, purchase or sell Green Financing Instruments or Sustainability-Linked Financing Instruments of Schaeffler, or the solicitation of an offer to underwrite, subscribe for or otherwise acquire any debt or bonds of Schaeffler, and nothing contained herein shall form the basis of or be relied on in connection with any contract or commitment whatsoever.

This Framework does not constitute a prospectus or other offering document in any jurisdiction and no securities have been or will be registered under the U.S. Securities Act of 1933, as amended, or the securities laws of any state of the U.S. or any other jurisdiction. Any decision to purchase any Green Financing Instruments or Sustainability-Linked Financing Instruments of Schaeffler should be made solely on the basis of the information to be contained in any separate and distinct documentation in the form of a prospectus, offering circular, memorandum or other equivalent document produced in connection with the offering of such Green Financing Instruments or Sustainability-Linked Financing Instruments. Prospective investors are required to make their own independent investment decisions. No representation is made as to the suitability of any Green Financing Instruments or Sustainability-Linked Financing Instruments of Schaeffler to fulfil environmental and sustainability criteria required by prospective investors. Each potential purchaser of Green Financing Instruments or Sustainability-Linked Financing Instruments of Schaeffler should determine for itself the relevance of the information contained or referred to in this Framework or the relevant documentation for such instruments and its purchase of Green Financing Instruments or Sustainability-Linked Financing instruments should be based upon such investigation as it deems necessary.

This Framework sets out the intended policy and actions of the Schaeffler Group in respect of Schaeffler Group’s sustainability targets and performance, and investor reporting in connection with Sustainability-Linked Financing Instruments and in respect of Schaeffler Group’s allocation of proceeds, eligible green projects and investor reporting in connection with Green Financing Instruments. However, it will not be an event of default or breach of contractual obligations under the terms and conditions of any Green Financing Instruments or Sustainability-Linked Financing Instruments if Schaeffler or any member of the Schaeffler Group fails to adhere to this Framework and only the provisions in the documentation of the

respective instrument will be binding when it comes to Schaeffler’s obligations under the respective instruments.

There currently is no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to, what constitutes or may be classified as, a “green”, “sustainable”, “sustainability-linked” or equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as “green”, “sustainable” or “sustainability-linked”, and, in addition, the requirements of any such label may evolve from time to time. Prospective investors in Green Financing Instruments or Sustainability-Linked Financing Instruments of Schaeffler must therefore make their own assessment of the suitability of such instruments for their purposes. In addition, it should be noted that all of the expected benefits of the eligible green projects, sustainability projects, goals and targets as described in this Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in government policy, changes in laws, rules or regulations, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the expected benefits of these initiatives. In addition, each environmentally-focused potential purchaser of Green Financing Instruments or Sustainability-Linked Financing Instruments of Schaeffler should be aware that allocating any proceeds in accordance with the eligibility criteria discussed in this Framework or achieving the targets discussed in this Framework may not deliver the environmental or sustainability benefits anticipated, and may result in adverse impacts. Under no circumstances will Schaeffler, any member of the Schaeffler Group or their (current or future) affiliates, representatives, directors, officers and employees have any liability whatsoever (in negligence or otherwise) for any loss or damage howsoever arising from any use of this document or its contents or otherwise arising in connection with the document.

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