

Schaeffler Group Green Finance Framework



Green Finance Framework

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1_We support the United Nations Goal 13 to limit global warming this century to well below 2° Celsius.

2_We want to make the most efficient use of energy used for development and production.

3_Schaeffler has developed a Sustainability Roadmap focusing on employee health and safety.



2



3

1 Rationale

The Schaeffler Group is a publicly listed family business with a strong foundation in its values that shapes its corporate culture and entrepreneurial activity. Sustainability is deeply rooted in Schaeffler's DNA and represents one of its four corporate values. For the Schaeffler Group, sustainable corporate success means assuming ecological and social responsibility in production, at product level, and in its own supply chain.

By taking the 17 Sustainable Development Goals (SDGs) adopted by the United Nations as part of "Agenda 2030" as guideline for sustainable orientation, Schaeffler aims at making an active contribution to sustainable development. Schaeffler has developed a Sustainability Roadmap with defined action fields focusing on climate protection, health and safety and supply chain management and has established governance structures to ensure the execution process.

Economic success, long-term orientation, and awareness of the social and environmental concerns of its own business are traditionally inseparably interlinked at Schaeffler and are the compass that sets the company's course for the future.

With its strategy, Schaeffler has set the foundation for sustainably profitable growth and is based on four target areas:



Building on the strategy, the Schaeffler Group has developed eight strategic cornerstones that represent the framework of the ongoing development of the company. The implementation of the current strategy will be supported by the program "Agenda 4 plus One", which includes 20 strategic activities to drive Schaeffler through its current transformation.

The department Sustainability, Environment, Occupational Health and Safety, coordinates group-wide sustainability activities and is responsible in its function for designing and implementing the Sustainability Roadmap. A newly established Sustainability Committee, which consists of the Executive Board of the Schaeffler Group and selected managers with a close focus on sustainability, decides and controls the execution of the roadmap and respective performance improvements.

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Basis of this Green Finance Framework

The Schaeffler Group has established a Green Finance Framework under which the company can obtain green financing such as Green Schuldschein (SSD) and/or Green bonds and Green Loans to finance or refinance projects related to Clean transportation, Renewable energy, Eco-efficient and/or circular economy adapted products, production technologies and processes, and Energy efficiency. The Framework aligns with the 2018 version of the ICMA Green Bond Principles (GBP)¹ as well as the LMA Green Loan Principles (GLP)², which are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of green financing instruments. In alignment with those guidelines, the Schaeffler Group Green Finance Framework is presented through the following four components:

For each Green Finance Instrument issued, Schaeffler Group asserts that it will adopt (1) Use of Proceeds (2) Process for Project Evaluation and Selection (3) Management of Proceeds and (4) Reporting, as set out in this Framework. The Schaeffler Group's Green Finance Framework also follows the recommendations of the Green Bond Principles and Green Loan Principles regarding External Review.

The Schaeffler Group intends to update the Green Finance Framework periodically at its sole discretion to reflect developments in the best practices of the Green Finance Market.

Elements of the Green Finance Framework

1

Use of Proceeds

2

Process for Project
Evaluation and Selection

3

Management of
Proceeds

4








Reporting

¹ Green Bond Principles

² Green Loan Principles

2 Use of Proceeds

The proceeds from the issuance of each Green Finance Instrument will be used to finance or re-finance, in part or in full, new or existing green projects (“Eligible Green Projects”) falling within one of the eligible categories detailed below:

ICMA GBP Category	Eligible Green Projects	UN SDGs	Examples of Impact Metrics
Clean Transportation	Investments and/or expenditures for the development, manufacture and distribution of products for fully electric, zero emissions vehicles and energy storage systems		<ul style="list-style-type: none"> • Number of electrified vehicles covered (#) • Estimate of annual GHG emissions avoided during use (tCO₂, scope 3) • Other environmental production indicators (waste, water, air)
Renewable Energy	Investments and/or expenditures for the development, manufacture and distribution of components for renewable energy generation and storage systems	  	<ul style="list-style-type: none"> • Estimate of annual GHG emissions avoided/reduced during production (tCO₂, scope 1, 2) • Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)
Eco-efficient and/or circular economy adapted products, production technologies and processes	Investments and/or expenditures to develop and implement approaches to conserve natural resources and enhance waste diversion/recycling through operational improvements and product design		<ul style="list-style-type: none"> • R&D spent on product design to conserve natural resources (€) • Amount of auto-components material and car batteries material recycled and/or reused (ktons) • Other environmental production indicators (waste, water, air)
Energy efficiency	Investments and/or expenditures to increase energy efficiency in the manufacturing process	 	<ul style="list-style-type: none"> • Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings) • Estimate of annual GHG emissions reduced/avoided during production in tons of CO₂ equivalent

The Schaeffler Group may, at any time, extend the list of Eligible Green Projects to other type of assets which provide verifiable sustainability benefits. In this case, the Schaeffler Group commits to update the current Framework and to extend the set of criteria to appropriately analyse the new asset class.

3 Process for Project Evaluation and Selection

At least annually, projects financed and/or refinanced through the Green Finance Instruments issued under the Framework are evaluated and selected based on compliance with the Eligibility Criteria by the Sustainability Committee formed by the Executive Board of the Schaeffler Group and selected managers with a close focus on sustainability.

Schaeffler Group's Treasury department will allocate the proceeds of the Green Finance Instrument to the selected portfolio of products/projects in accordance with the eligible budgetary sections described above.

Schaeffler Group takes care that all selected Eligible Projects comply with official national and international environmental and social standards and local laws and regulations on a best effort basis. Schaeffler Group applies core minimum environmental and social (ESG) requirements for many of its activities, including those financed with the proceeds of the Green Finance Instruments. Schaeffler Group also applies risk management measures in its capital allocation decisions which are supported by a company-wide planning, reporting and controlling system. Schaeffler Group's environmental, social and sustainability policies can be found on:



Code of Conduct

[Read document](#)



Supplier Code of Conduct

[Read document](#)



Energy Policy

[Read document](#)



EHS Policy

[Read document](#)



Conflict Minerals

[Read document](#)

4 Management of Proceeds

Schaeffler Group intends to allocate the proceeds from the Green Finance Instruments to an Eligible Green Project Portfolio, selected in accordance with the use of proceeds criteria and evaluation and selection process presented above.

Schaeffler Group will strive, over time, to achieve a level of allocation for the Eligible Green Project Portfolio which, after adjustments for intervening circumstances including, but not limited to, sales and repayments, matches or exceeds the balance of net proceeds from its outstanding Green Finance Instruments. Additional Eligible Green Projects will be added to the Issuer's Eligible Green Project Portfolio to the extent required to ensure that the net proceeds from outstanding Green Finance Instruments will be allocated to Eligible Green Projects.

Whilst any Green Finance 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 the Eligible Green Project Portfolio.



5 Reporting

The ICMA Green Bond Principles require Green Finance Instruments issuers to provide information on the allocation of proceeds. In addition to the information to which projects Green Finance Instruments proceeds have been allocated, the Green Bond Principles recommend communicating on the expected impact of the projects.

Schaeffler Group will make and keep readily available reporting on the allocation of net proceeds to the Eligible Green Project Portfolio and wherever feasible reporting on the impact of the Eligible Green Project Portfolio. Reporting will take place at least at the ICMA GBP project category level and will occur annually or until full allocation of green finance instrument proceeds. Schaeffler Group intends to provide aggregated reporting for all of Schaeffler Group's Green Finance Instruments and other potential green financings outstanding.

Schaeffler Group will align, on a best effort basis, the reporting with the portfolio approach described in "Green Bonds - working towards a Harmonized Framework for Impact Reporting (June 2019)".³

a. Allocation Reporting

Schaeffler Group will report one year after the issuance and on an annual basis thereafter, until full allocation:

- The total amount of investments and expenditures in the Eligible Green Project Portfolio
- The amount or number of new and existing investments and/or projects (financing and refinancing)
- The balance of unallocated proceeds
- The geographical distribution of the assets

b. Impact Reporting

Where and when feasible which is based on selected asset types, the company may report on the environmental impacts resulting from the Eligible Green Projects. Subject to confidentiality agreements, competitive considerations, or a large number of underlying projects limiting the amount of detail that can be made available, the information may be presented on an aggregated portfolio basis.

The impact reporting may include:

- a description of the Green Projects
- the breakdown of Green Projects by nature of what is being financed (assets, capital expenditures, operating expenditures)
- Impact Metrics regarding projects' environmental impacts will, on a best effort basis, align with those outlined in the Use of Proceeds table in Section 2.

³ Handbook Harmonized Framework for Impact Reporting

**SCHAEFFLER
PROVIDES
PRODUCTS
FOR GREEN
MOBILITY AND
SUSTAINABLE
INDUSTRIAL
SOLUTIONS.**



6 External Review

a. Second Party Opinion (pre issuance)

This Schaeffler Group Green Finance Framework has been reviewed by Sustainalytics who has issued a Second Party Opinion. The Second Party Opinion as well as the Green Finance Framework will be made available to the green investors on Credit Relations.

b. Verification (post issuance)

Schaeffler Group may request on an annual basis, starting one year after issuance and until maturity (or until full allocation), a limited assurance report of the allocation of the green finance instrument proceeds to eligible assets, provided by an external auditor.

Sustainalytics an approved third-party verifier, has been appointed to confirm the framework's conformance with the Low Carbon Transport criteria of the Climate Bonds Standard.



7 Disclaimer

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