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Second Party Opinion

Schaeffler AG's Green and Sustainability-Linked Financing Framework

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Schaeffler AG is a global supplier to the automotive and industrial sectors headquartered in Herzogenaurach, Germany. Together with its subsidiaries, the company manufactures and sells precision components and systems for automotive and industrial applications in Europe, the Americas, China, and Asia-Pacific. In 2022 the group generated sales of €15.8 billion from its three operating business divisions: Automotive Technologies (60.1%), Industrial (27%), and Automotive Aftermarket (12.9%).

In our view, Schaeffler AG's Green and Sustainability-linked Financing Framework published on Aug. 3, 2023 is aligned with:

- ✔ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)
- ✔ Green Loan Principles, LMA/LSTA/APLMA, 2023
- ✔ Sustainability-Linked Bond Principles, ICMA, 2023
- ✔ Sustainability-Linked Loan Principles, LMA/LSTA/APLMA, 2023

Issuer's Sustainability Objectives

Schaeffler's sustainability strategy comprises environmental, social, and governance (ESG) pillars under which it has defined 10 "action fields". These include the goal of achieving climate neutrality in the company's own operations by 2030, and throughout its entire supply chain by 2040, by targeting a reduction in carbon dioxide emissions (scopes 1, 2, and 3) and offsetting residual emissions (emissions that cannot be reduced).

To achieve its overarching goal of becoming carbon neutral, the group has set near-term greenhouse gas emission reduction targets that have already been validated by the Science-based Target Initiative (SBTi) and are aligned with the Paris Agreement's 1.5 degrees Celsius (C) pathway. Specifically, the group is committed to reducing absolute scopes 1 and 2 emissions by 75% by 2025 and 90% by 2030, as well as absolute scope 3 upstream emissions by 25% by 2030.

The group has developed the Green and Sustainability-Linked Financing Framework to invest and link proceeds to the business that support the U.N.'s Sustainable Development Goals (SDGs), as well as the EU Taxonomy's environmental objective of climate change mitigation, facilitating the transition toward a low-carbon and more sustainable economy.

IHO Verwaltungs GmbH, which holds a 75.1% stake (representing 100% of the voting rights) in Schaeffler AG, published a Sustainability-Linked Financing Framework in March 2023 that featured the same set of KPIs and SPTs that are included in the Schaeffler Green and Sustainability-Linked Financing Framework.

Selected Key Performance Indicators (KPIs) And Sustainability Performance Targets (SPTs)

KPI	SPT	Baseline (2019)	2022 performance
Greenhouse gas (GHG) emissions from own operations (scopes 1 and 2)	Reduction of absolute (gross) scopes 1 and 2 GHG emissions by 75% to 260,800 tCO2e or below Reduction of absolute (gross) scopes 1 and 2 GHG emissions by 90% to 104,300 tCO2e or below	1,043,000 tCO2e	488,000 tCO2e
GHG emissions from the upstream supply chain (scope 3 upstream)	Reduction of absolute (gross) scope 3 upstream GHG emissions by 25% to 4,603,500 tCO2e or below	6,138,000 tCO2e	6,234,000 tCO2

Second Party Opinion Summary

Use of proceeds

Alignment ✔ Schaeffler's Green and Sustainability-Linked Financing Framework is aligned with this component of the GBP and GLP.

Score	Not aligned	Aligned	**Strong**	Advanced

An amount equivalent to the net proceeds from the issuance of each Green Financing instrument will be allocated to capital expenditure (capex), operating expenditure (opex), and investments in pure play companies. Eligible categories include clean transportation, renewable energy, energy efficiency, and green buildings. The issuer draws, in part, on the EU Taxonomy Technical Screening Criteria for a substantial contribution to climate change mitigation. The issuer can both finance and refinance eligible projects, with a maximum look-back period of three years from issuance for opex.

Process for project evaluation and selection

Alignment ✔ Schaeffler's Green and Sustainability-Linked Financing Framework is aligned with this component of the GBP and GLP.

Score	Not aligned	**Aligned**	Strong	Advanced

Schaeffler will establish a dedicated panel responsible for deciding the allocation of proceeds based on the green eligibility criteria, as well as monitoring relevant developments, among other aspects. The company applies risk management measures to identify and, if applicable, mitigate ESG risks, including processes such as the EUT DNSH or minimum safeguard assessment, as well as policies that cover Schaeffler's own operations and those of its business partners across the supply chain.

Management of proceeds

Alignment ✔ Schaeffler's Green and Sustainability-Linked Financing Framework is aligned with this component of the GBP and GLP.

Schaeffler commits to using a portfolio register to manage the net proceeds from the instruments issued under the framework, to document and monitor the allocation of proceeds to the eligible green projects. Unallocated proceeds will be held in the issuer's treasury liquidity portfolio, and the company aims to allocate these within three years from issuance.

Reporting

Alignment ✔ Schaeffler's Green and Sustainability-Linked Financing Framework is aligned with this component of the GBP and GLP.

Score	Not aligned	**Aligned**	Strong	Advanced

The issuer commits to reporting at least annually on the allocation of proceeds until it has reached full allocation of the green financing instruments. Reporting will include information on the nature of the projects financed, as well as the expected environmental impacts. The framework specifies that the company will seek to receive limited assurance by an external auditor, or other third party on its annual allocation report, though not on its impact report.

Selection of key performance indicators (KPIs)

Alignment ✔ Schaeffler AG's Sustainability-linked Financing Framework is aligned with this component of the Sustainability-Linked Bond and Loan Principles.

		Not aligned	Aligned	Strong	Advanced
KPI 1	GHG emissions from own operations (scopes 1 and 2)		**Aligned**		
KPI 2	GHG emissions from the upstream supply chain (scope 3 upstream)			**Strong**	

Calibration of sustainability performance targets (SPTs)

Alignment ✔ Schaeffler AG's Sustainability-linked Financing Framework is aligned with this component of the Sustainability-Linked Bond and Loan Principles.

		Not aligned	Aligned	Strong	Advanced
SPT 1	Reduction of absolute (gross) scopes 1 and 2 GHG emissions by 75% to 260,800 tCO2e or below by 2025 Reduction of absolute (gross) scopes 1 and 2 GHG emissions by 90% to 104,300 tCO2e or below by 2030			**Strong**	
SPT 2	Reduction of absolute (gross) scope 3 upstream GHG emissions by 25% to 4,603,500 tCO2e or below by 2030			**Strong**	

Instrument characteristics

Alignment ✔ Schaeffler AG's Sustainability-linked Financing Framework is aligned with this component of the Sustainability-Linked Bond and Loan Principles.

If Schaeffler AG does not achieve the SPTs by the target observation date, or if reporting on the applicable KPI is not aligned with the requirements set out in the terms and conditions of the respective Sustainability-Linked Financing Instrument, a trigger event will occur. If this happens, the instruments the company issues under this framework will be subject to a coupon step-up(s) or coupon step-down(s). A trigger event could also result in the payment of a higher or lower amount upon redemption of the instrument or if Schaeffler is not able to accurately calculate the KPI(s).

Reporting

Alignment ✔ Schaeffler AG's Sustainability-linked Financing Framework is aligned with this component of the Sustainability-Linked Bond and Loan Principles.

	Not aligned	Aligned	Strong	Advanced
Score				**Advanced**

Schaeffler commits to publish annually the absolute performance of each relevant KPI, information on the achievement of the SPTs for the relevant KPIs, any potential recalculations, and the measures it is taking to progress a KPI toward its SPT, either as part of its sustainability report, annual report, or in a dedicated KPI report on its website. If deemed material, Schaeffler will also disclose potential technological advancements, structural changes, and external factors that may impact operations, along with the positive sustainable impact achieved by the progression of the KPIs toward the SPTs. The sustainability reporting will also be subject to and include a verification assurance statement (limited assurance) with respect to the performance of the selected KPI and the achievement of the relevant SPTs and will be made publicly available.

Post-issuance review

Alignment ✓ Schaeffler AG's Sustainability-linked Financing Framework is aligned with this component of the Sustainability-linked Bond and Loan Principles.

The issuer commits to have the KPI performance and achievement of the relevant SPTs verified annually by an independent and external third-party assurance provider. The company will publish the verification assurance report on its website annually.

Framework Assessment

Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

✔ Schaeffler's Green and Sustainability-Linked Financing Framework is aligned with this component of the GBP and GLP.

Commitments score	Not aligned	Aligned	**Strong**	Advanced

We consider Schaeffler's overall use-of-proceeds commitments to be strong.

Schaeffler commits to exclusively allocate the net proceeds from its green financing instruments to eligible green projects in clean transportation, renewable energy, energy efficiency, and green buildings. The proceeds can be allocated to capex, opex, and investments in pure play companies. Schaeffler stipulates that undertakings would need to derive at least 90% of annual turnover from activities that are listed in the framework or qualify as environmentally sustainable under the EU Taxonomy.

The eligible green projects are detailed and largely draw on the EU Taxonomy's Technical Screening Criteria (TSC) for a substantial contribution to climate change mitigation, which we view as advanced practice. For clean transportation, Schaeffler aims to finance projects related to the powertrain transition, notably activities around electric mobility and rail. With respect to renewable energy, Schaeffler intends to finance its own products, such as efficient bearings solutions for wind turbines, as well its operations by promoting the generation of renewable energy at its plants, for instance. Finally, Schaeffler intends to allocate financing to improve the energy efficiency of its operations. It plans to invest in efficient lighting sources and/or the electrification of furnaces, as well as the construction and renovation of energy-efficient buildings. Regarding the latter, Schaeffler details globally recognized building standards as well as the EU Taxonomy TSC, which we view favorably.

The issuer commits to disclose the proportion of proceeds used to finance and refinance eligible projects in its annual allocation report. Schaeffler also defines a maximum three-year look-back period for allocation to opex, in line with standard market practice.

Process for project evaluation and selection

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. We consider the commitments to and clarity around the processes the issuer uses to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

✔ Schaeffler's Green and Sustainability-Linked Financing Framework is aligned with this component of the GBP and GLP.

Commitments score	Not aligned	**Aligned**	Strong	Advanced

We consider Schaeffler's overall process for project selection and evaluation commitments to be aligned.

Schaeffler will establish a dedicated panel responsible for deciding the allocation of proceeds based on the green eligibility criteria, as well as monitoring relevant developments and ensuring the relevant processes for ESG risks have been applied. While the framework does not specify whether there is comprehensive and relevant ESG subject-matter expertise on this panel, Schaeffler is transparent about its processes for identifying and mitigating ESG risks. This entails an assessment of the DNSH and minimum safeguard requirements for EUT-aligned activities, as well as management systems or assessment processes linked to energy, water, health and safety, or human rights, among others. These are complemented by various policies from the Schaeffler Group, which apply to Schaeffler's own operations, as well as those of its business partners and supply chain.

Finally, as outlined in the section above, we view drawing on market-based taxonomies and certifications as strong practice. Nonetheless, we note that for the energy efficiency category several projects may be eligible to be financed for which Schaeffler has not defined specific minimum thresholds for improved efficiency.

Management of proceeds

The Principles require Schaeffler to disclose the management of proceeds from sustainable finance over the life of the funding. Our alignment opinion focuses on how clearly the documentation sets out Schaeffler's commitment to ensure that the funds raised will remain dedicated to eligible sustainability projects over the life of the sustainable finance funding.

✔ Schaeffler's Green and Sustainability-Linked Financing Framework is aligned with this component of the GBP and GLP.

Schaeffler commits to using a portfolio register to manage the net proceeds from the instruments issued under the framework, to document and monitor the allocation of proceeds to the eligible green projects.

Unallocated proceeds will be held in the issuer's treasury liquidity portfolio as cash or other short-term and liquid investments. These may also be used to pay back a portion of its outstanding indebtedness, which we consider to be below best market practice. The company aims to achieve a level of allocation of eligible green projects that matches or exceeds the proceeds of its green financing instruments within three years from issuance. We consider this timeframe to be below the best market practice of 12-24 months.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider plans for updates to the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

✔ Schaeffler's Green and Sustainability-Linked Financing Framework is aligned with this component of the GBP and GLP.

Disclosure score	Not aligned	**Aligned**	Strong	Advanced

We consider Schaeffler's overall reporting practices to be aligned.

Schaeffler commits to reporting at least annually on the allocation of proceeds until it reaches full allocation of the green financing instruments. The report will include information on the projects being financed, such as a description of the projects, among other aspects. Schaeffler will also report on the environmental impacts of the financed activities, for which it states exemplary impact metrics for each project category. For instance, indicators for the renewable energy category may comprise an estimate of the annual greenhouse gas emissions avoided/reduced during production.

We view favorably that Schaeffler commits to receiving limited assurance on its annual allocation report by an external auditor. Nevertheless, it will not seek external verification for its impact reporting post-issuance. Similarly, the framework does not specify that impact reporting will rely on the ICMA harmonized framework, which we would consider stronger practice.

Selection of key performance indicators (KPIs)

The Principles make optional recommendations for stronger structuring practices, which inform our relevancy opinion as aligned, strong, or advanced. For each KPI, we consider how relevant the KPI is for sustainability by exploring the clarity and characteristics of the defined KPI; its significance for the issuer's sustainability disclosures; and how material it is to the issuer's industry and strategy.

✔ Schaeffler's Green and Sustainability-linked Financing Framework is aligned with this component of the Sustainability-Linked Bond and Loan Principles.

KPI 1	GHG emissions from own operations (scopes 1 and 2)	Not aligned	**Aligned**	Strong	Advanced

We believe the selected KPI is aligned with the principles given that the scope, objective, and calculation methodology are clearly articulated in the framework. The KPI, aimed at an absolute reduction in scopes 1 and 2 emissions from own operations, contributes to the global effort to address climate change, which is a topic we consider material for the capital goods and automotive sector (see "Key Sustainability Factors: Capital Goods," published May 11, 2021, on RatingsDirect).

We view favorably that the selected KPI is directly linked to the issuer's sustainability strategy and the group's overarching goal of carbon neutral operations by 2030. It is one of the most used KPIs in the market, allowing for external benchmarking. Furthermore, it has been calculated according to the GHG protocol, which represents the most widely used international standard globally. Scope 1 emissions are a result of direct activities at Schaeffler's facilities, while indirect scope 2 emissions stem from the use of purchased electricity, heating, and cooling. The calculation of the relevant GHG emissions is based on the scope of consolidation used in Schaeffler's external sustainability reporting, comprising the company's plants and operating sites classified as material in Schaeffler's internal environmental management system. These cover 98% of the company's total GHG emissions. We view favorably that the KPI is expressed as a sustainability outcome rather than a financial proxy.

We acknowledge that reducing scopes 1 and 2 emissions is necessary for Schaeffler to achieve its sustainability objectives; however, as there is no certainty that instruments issued under the framework will be linked to both KPIs, we view this KPI as weaker than KPI 2. In our view, tackling scope 3 emissions will have a greater impact on Schaeffler and its sector's decarbonization efforts.

KPI 2	GHG emissions from the upstream supply chain (scope 3 upstream)	Not aligned	Aligned	**Strong**	Advanced

We consider the second KPI selected by Schaeffler to be strong, given that the scope, objective, and calculation methodology are clearly articulated and that the KPI responds to the most material topic for the capital goods and automotive sector.

The KPI's objective, baseline, and applicable scope are clearly stated in the framework: to reduce Schaeffler's absolute scope 3 emissions from purchased goods and services, fuel, and energy-related greenhouse gas emissions and transport and distribution by 25% by year-end 2030. Schaeffler states that these emissions will be based on both primary as well as secondary data. We view positively that the KPI is calculated following the GHG Protocol and the SBTi methodology for target validation, both widely used international standards. To reflect the energy procured for each location, Schaeffler uses a market-based approach for scope 2 accounting in the framework. In our view, the selected KPI directly matches the issuer's sustainability strategy and is key to decarbonizing Schaeffler's supply chain by 2040.

We view favorably that Category 1--purchased goods and services--is included in the KPI's scope, because it represents the second most material category for the capital goods and original equipment manufacturer (OEM) sector as per the CDP Technical Note on the relevance of the Scope 3 categories by sector published in 2022. However, we see as limitation that the KPI excludes downstream emissions, which, along with the reduction of upstream emissions, would result in a more significant impact.

While we view favorably that the 2020-2022 historical performance was subject to limited third-party assurance, we see as a limitation that the baseline figure (2019) is not externally verified.

However, in the financing framework the issuer explains the rationale as to why the 2019 baseline was chosen and states that it has been part of the SBTi target validation.

Calibration of sustainability performance targets (SPTs)

The Principles make optional recommendations for stronger structuring practices, which inform our ambition opinion as aligned, strong, or advanced. We consider the level of ambition for each target by assessing its clarity and characteristics, how the issuer defines the target with reference either to its past performance, or to external or competitor benchmarks, and how it explains what factors could influence future performance.

✔ Schaeffler's Green and Sustainability-linked Financing Framework is aligned with this component of the Sustainability-Linked Bond and Loan Principles.

SPT 1	Reduction of absolute (gross) scopes 1 and 2 GHG emissions by 75% to 260,800 tCO2e or below by 2025 and reduction of absolute (gross) scopes 1 and 2 GHG emissions by 90% to 104,300 tCO2e or below by 2030.	Not aligned	Aligned	**Strong**	Advanced

We believe the ambition, clarity, and characteristics of the issuer's SPT 1 are strong. Specifically, the framework outlines the strategy to reach the targets, providing relevant information on past and expected future performance. The framework lays out the expected observation date and the trigger events. Specifically, a 75% reduction of absolute scopes 1 and 2 GHG emissions will be observed on Dec. 31, 2025, while carbon neutrality in own operations (90% reduction) will be observed on Dec. 31, 2030.

The SPT is benchmarked against Schaeffler's past performance. Schaeffler has been able to reduce its scopes 1 and 2 emissions by 53% in 2022 since 2019. It achieved the bulk of this (29%) in 2020, when the effects of pandemic-related lockdowns contributed to an accelerated reduction in emissions, and in 2022 (30%), when it achieved its goal of ensuring 100% of its sites in Europe and China purchased green power exclusively. To achieve the targets, the company needs to reduce emissions by an additional 37% (more than 7% per year until 2025 and 3% per year until 2030) compared with the baseline. While this trajectory represents a slowdown in the necessary reductions to achieve the first target on the first observation date, we acknowledge that residual emissions are the most difficult to remove. The absolute level of emissions reduction to be achieved (a 90% reduction) will represent a material improvement in emissions compared with the baseline and peers' emissions.

We view positively that the issuer conducted a peer benchmarking exercise to demonstrate the ambition of the SPT compared with the most advanced peers in the automotive supplier and industrial sector. We believe the selected SPT is one of the most ambitious among peers because it aims to reduce absolute scopes 1 and 2 greenhouse gas emissions as much as feasible (90%) and will use carbon offsets as a last resort to compensate for the unavoidable residual emissions. We consider the selection of peers to be adequate given that it encompasses a diverse group of counterparts from the same sector.

The strategy to reach the selected SPT is clearly and comprehensively described in the framework. It primarily focuses on the energy efficiency measures in its production processes that will lead to annual energy savings of 100 GWh from 2025, as well as the increased reliance on the self-generated renewable energy sources (25% by 2030), along with the purchase of 100% green electricity in Americas and Asia-Pacific in 2023 and 2024. Currently, 100% of the purchased electricity at the European and Chinese plants comes from renewable sources. Although the company relies heavily on energy attributed certificates (EACs) to reduce its scope 2 emissions, we view favorably its aim to focus on other mechanisms such as on-site generation and PPAs. These strategies are more robust, in our view, because they provide the additional sustainability benefit of helping drive the expansion of renewable generation capacity.

Baseline	Reduction of absolute scopes 1 and 2 GHG emissions by 75% or below by 2025, and by 90% or below by 2030				
2019	**2020**	**2021**	**2022**	**2025**	**2030**
1,043,000 tCO_2e	744,000 tCO_2e	699,000 tCO_2e	488,000 tCO_2e	260,800 tCO_2e	104,300 tCO_2e
	Equivalent to 29% reduction from the baseline	Equivalent to 33% reduction from the baseline	Equivalent to 53% reduction from the baseline	Equivalent to 75% reduction from the baseline	Equivalent to 90% reduction from the baseline

SPT 2 Reduction of absolute (gross) scope 3 upstream GHG emissions by 25% to 4,603,500 tCO2e or below by 2030

Not aligned | Aligned | **Strong** | Advanced

We believe the ambition, clarity, and characteristics of the SPT 2 are strong, given that the issuer clearly outlines the timeline for achieving the target (expressed in absolute values), the target observation date, externally verified historical performance, trigger events, and the strategy to reach the SPT.

The SPT is benchmarked against Schaeffler's past performance, which shows it increased its upstream scope 3 emissions by 2% in 2022 compared with 2019 data. It needs to achieve a 27% reduction by 2030 to meet its target (an about 3.4% annual reduction), which demonstrates an improvement compared with its business-as-usual trajectory, and in our view shows the target's ambition.

We view positively that the issuer conducted and provided a peer benchmarking to allow a better comparison of the target's ambition versus sector peers and industry standards. In our view, the trajectory compares favorably with the peer group's ambitions. Also, according to SBTi, as of July 2023, of 183 companies in the sector globally that have a public commitment to set science-based targets, only 87 obtained validation and 75 (including Schaeffler) have targets in line with the 1.5 C trajectory.

The issuer clearly articulates the strategy to reach the SPT in the framework. It primarily focuses on improving its procurement criteria to favor the purchase of "low-emission materials and services" including low emissions steel, aluminum, plastics, electronic components, and logistics, and considers the reduction of emissions from the use phase during the development of the product. We view as strong practice that Schaeffler entered into an agreement with a Swedish start-up to purchase 100,000 tons per year of CO2-free steel from 2027, as well as the use of a supplier self-assessment questionnaire that allows a transparent overview of suppliers' sustainability performance.

Baseline	Reduction of absolute (gross) scope 3 upstream GHG emissions by 25% to 4,603,500 tCO2e or below by year-end 2030			
2019	**2020**	**2021**	**2022**	**2030**
6,138,000 tCO_2e	5,499,000 tCO_2e	6,176,000 tCO_2e	6,234,000 tCO_2e	4,603,500 tCO_2e
	Equivalent to 10% reduction from the baseline	Equivalent to 1% increase from the baseline	Equivalent to 2% increase from the baseline	Equivalent to 25% reduction from the baseline

Instrument characteristics

The Principles require disclosure of the type of financial and/or structural impact involving trigger event(s), as well as the potential variation to the instrument's financial and/or structural characteristics.

✔ Schaeffler's Green and Sustainability-linked Financing Framework is aligned with this component of the Sustainability-Linked Bond and Loan Principles.

In its Green and Sustainability-linked Financing framework, the company discloses that if the KPI does not achieve its respective SPT, or the reporting on the applicable KPI is not aligned with the requirements set out in the terms and conditions of the Sustainability-Linked Financing Instrument, a trigger event will occur. If this happens, the instruments the company issues under this framework will be subject to a coupon step-up(s) or coupon step-down(s). Trigger events could also occur if Schaeffler is not able to accurately calculate the KPI(s).

The issuer also commits to disclose in the prospectus any other information deemed necessary for the investors to understand and assess their legal position in respect of the sustainability-linked nature of the instrument, including the occurrence of a trigger event or any other information required by securities law or stock exchange rules.

The framework includes a reference to a fallback mechanism whereby the recalculations will be performed, as well as a commitment to have annual observation dates based on the expected SPT trajectories linked to any loans issued under the framework, in line with the Sustainability-Linked Loan Principles and market practice.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

✔ Schaeffler's Green and Sustainability-linked Financing Framework is aligned with this component of the Sustainability-Linked Bond and Loan Principles.

Disclosure score	Not aligned	Aligned	Strong	**Advanced**

Schaeffler commits to disclose the performance of each relevant KPI against the respective SPT and achievement of the relevant SPT for such a KPI, as well as any relevant information for the assessment of the KPI's performance, including the application of any recalculation procedure where relevant and the measures taken by Schaeffler for progressing the KPI toward its respective SPT annually in a report on its website.

Further, the company will disclose information on the sustainability-linked impact and its timing on the instrument's economic characteristics in its annual reporting. We view positively that if deemed relevant, the issuer will provide information on technological advancements, and structural changes and external factors that impact operations, including but not limited to changes in the corporate structure, or global events such as a pandemic. Schaeffler commits to make the external verification report (limited assurance) publicly available.

We view positively that the issuer will also disclose the information regarding potential material changes to its corporate and sustainability strategy, as well as show the positive sustainable impact achieved by the KPIs progressing toward the SPTs.

Post-issuance review

The principles require post-issuance review commitments including the type of post-issuance third-party verification, periodicity, and how this will be made available to key stakeholders. Our opinion describes whether the documentation is aligned or not aligned with these requirements. Please note, our second party opinion is not itself a post-issuance review.

✔ Schaeffler's Green and Sustainability-linked Financing Framework is aligned with this component of the Sustainability-Linked Bond and Loan Principles.

The issuer commits to obtain an external and independent verification assurance statement on the measurements for the stated KPIs and achievement of the relevant SPTs by its auditor or any other qualified third-party assurance provider annually. This assurance statement will be published as part of Schaeffler's sustainability reporting or as a separate verification assurance report.

Moreover, in the sustainability reporting the issuer commits to disclose the level and type of the verification, description of the procedures, the criteria used, as well as the confirmation of the auditor's independence and auditor's conformance with quality management systems. If relevant, information will also be provided about a future and contemporary trigger event based on any KPIs performance in respect of the relevant SPT.

Mapping To The U.N.'s Sustainable Development Goals

The Sustainable Development Goals (SDGs), which the United Nations (U.N.) set up in 2015, form an agenda for achieving sustainable development by 2030.

Schaeffler's Green and Sustainability-Linked Financing Framework intends to contribute to the following SDGs:

Use of proceeds	SDGs
Clean Transportation	**11. Sustainable cities and communities***
Renewable Energy	**7. Affordable and clean energy***; **9. Industry, innovation and infrastructure***; **13. Climate action**
Energy Efficiency	**7. Affordable and clean energy***; **9. Industry, innovation and infrastructure***
Green Buildings	**7. Affordable and clean energy**; **9. Industry, innovation and infrastructure**

*The eligible project categories link to these SDGs in the ICMA mapping.

KPI	
Greenhouse Gas (GHG) Emissions from own operations (Scope 1+2)	**13. Climate action***
GHG Emissions from the upstream supply chain (Scope 3 upstream)	**13. Climate action***

*The KPI is likely to contribute to the SDGs