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Policy

REMUNERATION SYSTEM OF THE BOARD OF MANAGING DIRECTORS OF SCHAEFFLER AG

**Governance Framework
Schaeffler Group**

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Schaeffler AG

Herzogenaurach

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(Resolution on the approval of the remuneration system for the members of the Board of Managing Directors)

On 21 April 2022, the Annual General Meeting of Schaeffler AG resolved, in accordance with the proposal of the Supervisory Board, to approve the system for the remuneration of the members of the Board of Managing Directors of Schaeffler AG pursuant to § 87a of the German Stock Corporation Act (AktG) as presented in the notice convening this Annual General Meeting.

The resolution and the system for the remuneration result from agenda item 6 of the agenda for the Annual General Meeting of Schaeffler AG on 21 April 2022 published in the Federal Gazette of March 10, 2022 and are reproduced below:

6. Resolution on the amendment and approval of the remuneration system of the Board of Managing Directors

Pursuant to section 120a para. 1 AktG, in the case of listed companies, a resolution on the approval of the remuneration system for the members of the Board of Managing Directors presented by the Supervisory Board must be adopted by the annual general meeting whenever there is a significant change, but at least every four years.

As part of its regular review of the remuneration system of the Board of Managing Directors of Schaeffler AG, the Supervisory Board of Schaeffler AG has decided to make selective adjustments to the remuneration system approved by the annual general meeting on April 23, 2021. Under the adjusted remuneration system, sustainability targets will be reflected even more strongly in both short-term and long-term remuneration in the future. The Schaeffler Group is thus emphasizing the importance it assigns to the topic of “sustainability”. In addition, the peer group relevant for the horizontal comparison of Board of Managing Directors’ remuneration, the definition of the remuneration-relevant financial performance criteria and the amount of the maximum remuneration were updated, and the weighting of the service condition was reduced and made more flexible for future financial years. Furthermore, the date by which the share purchase obligation must be fulfilled was specified.

The adjusted remuneration system applies retroactively as of January 1, 2022 for already appointed members of the Board of Managing Directors as well as for all members of the Board of Managing Directors whose service contracts are newly concluded or extended.

The Supervisory Board proposes – based on the recommendation of its Executive Committee – that the remuneration system for the members of the Board of Managing Directors resolved by the Supervisory Board with effect from January 1, 2022, be approved.

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Preamble

As part of its regular review of the remuneration system for the members of the Board of Managing Directors, the Supervisory Board of Schaeffler AG has reviewed the system of remuneration for the Board of Managing Directors of Schaeffler AG with focus on the importance of the topic of “sustainability” for the Schaeffler Group and has decided to reflect sustainability objectives even more strongly in both short-term and long-term remuneration in the future. The changes will be explicitly reflected in the remuneration system and will not be based on the opening clauses contained in the remuneration system approved by the Annual General Meeting on April 23, 2021. In doing so, the Schaeffler Group is emphasizing the relevance it attaches to the issue of sustainability.

The description of the remuneration system starts with the guiding principles applied to the remuneration system of the Board of Managing Directors as well as the process of determining, implementing and reviewing the remuneration system. This is followed by a description of individual remuneration components as well as the maximum remuneration. The possibility to withhold and reclaim variable remuneration components (Malus and Clawback Provisions), the Share Ownership Guidelines as well as the terms and termination provisions of the Managing Directors’ service contracts are outlined at the end of the document.

The remuneration system applies to all members of the Board of Managing Directors with retroactive effect as of January 1, 2022 as well as to new or renewed service contracts with members of the Board of Managing Directors and reappointments.

A.

Guiding principles of the remuneration system for the members of the Board of Managing Directors of Schaeffler AG

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

- **Alignment of pay and performance:** The variable performance-based remuneration components shall exceed the fixed remuneration components with reference to the total target remuneration amount in order to create a strong link between pay and performance.
- **Focus on value creation and Free Cash Flow:** The remuneration shall support the achievement of the main strategic objectives of Schaeffler AG: ensuring sustainable value creation and Free Cash Flow. The related strategic and operative performance indicators shall be reflected in the variable remuneration of the members of the Board of Managing Directors as performance criteria.
- **Focus of variable remuneration on long-term and sustainable company value creation:** The variable remuneration shall be predominantly long-term oriented and linked to the company's value appreciation. Furthermore, sustainability targets shall be addressed in the variable remuneration to emphasize the increasing importance of sustainability as a part of the business strategy.
- **Fostering the capital market orientation and alignment with shareholder interests:** Members of the Board of Managing Directors are obligated to purchase shares of Schaeffler AG in a pre-defined amount and to hold them until the termination of their service agreement with Schaeffler AG (Share Ownership Guidelines).

The remuneration system of the members of the Board of Managing Directors is clear and transparent.

The remuneration system is compliant with the requirements set out in the German Stock Corporation Act (Aktiengesetz – AktG), as amended by the German Act Implementing the Second Shareholder Rights Directive in the version dated December 12, 2019 (BGBl. Part I 2019, no. 50, as of December 19, 2019) and considers recommendations of the German Corporate Governance Code (DCGK) as resolved by the Commission on December 16, 2019. It provides the Supervisory Board with the required flexibility to reflect the organizational changes and considers changing market conditions.

B.

Process of determining, implementing and reviewing the remuneration system

The Supervisory Board determines the remuneration system, the amount of remuneration including the maximum remuneration for the members of the Board of Managing Directors. The Supervisory Board's Executive Committee prepares the decisions of the Supervisory Board on the remuneration system as well as the remuneration of individual members of the Board of Managing Directors.

This remuneration system was developed with the support of independent external compensation consultants. The Supervisory Board ensures the independency of mandated external consultants.

Procedures in respect of conflicts of interests defined by the rules of procedure for the Supervisory Board also apply to the process of determining, implementing and reviewing the remuneration system.

The Supervisory Board submits the remuneration system that it has resolved upon to the Annual General Meeting for approval. The Supervisory Board regularly reviews the appropriateness of the system and amount of executive remuneration. The assessment of appropriateness is based on a horizontal review of the structure and amount of remuneration, where the amount and structure of remuneration of each member of the Board of Managing Directors is compared against the market remuneration data of comparable companies (peer group) selected by the Supervisory Board. The peer group of Schaeffler AG consists of comparable national as well as international companies operating in a comparable sector. Furthermore, the Supervisory Board considers the remuneration levels of Schaeffler AG's employees when determining and reviewing the remuneration system of the members of the Board of Managing Directors (vertical review). For this purpose, the ratio between the amount of remuneration of each member of the Board of Managing Directors and the average remuneration per employee of the Schaeffler Group is compared against the corresponding ratios of comparable national companies defined by the Supervisory Board of Schaeffler AG. The average remuneration per employee is calculated based on the total global workforce of the Schaeffler Group, which reflects the international character of the company. In the event of significant changes, and no fewer than every four years, the remuneration system shall be submitted to the Annual General Meeting for approval. If the Annual General Meeting does not approve the submitted remuneration system, the Supervisory Board shall submit to the general meeting for approval a reviewed remuneration system at the subsequent Annual General Meeting, at the latest.

The remuneration system as described herein applies to already appointed members of the Board of Managing Directors with retroactive effect as of January 1, 2022 as well as to new or renewed service contracts with members of the Board of Managing Directors and reappointments.

The Supervisory Board may temporarily deviate from the remuneration system (Provisions related to the Process of Determination and the Remuneration Structure), its individual components and regarding individual remuneration components of the remuneration system or implement new remuneration components, if this is required in the interest of the company's long-term well-being. Such deviations may apply in the event of extraordinary circumstances, for example a severe financial or economic crisis. Such deviations may also temporarily result in a deviating maximum remuneration for the Chief Executive Officer or other members of the Board of Managing Directors.

C. Details of the remuneration system

I. Remuneration Components

1. Overview of the Remuneration Components and their relative proportions of the remuneration

The remuneration of members of the Board of Managing Directors comprises both fixed and variable components. The fixed components include the fixed annual salary, fringe benefits and retirement benefits. The variable components include the short-term variable remuneration (the Short-Term Bonus, STB) and the long-term variable remuneration (the Long-Term Bonus, LTB). Moreover, Share Ownership Guidelines (SOG) are also covered by the remuneration system.

Remuneration System of the Board of Managing Directors: Overview						
Total Target Remuneration						
40%			60%			
Fixed components			Variable components			
Fixed annual salary	Retirement benefits Defined contribution plan		Short-term bonus (STB)		Long-term bonus (LTB)	
	Fringe benefits e.g. D&O insurance and company car		29%		31%	
			<ul style="list-style-type: none">Schaeffler Value-Added (SVA)*Free Cash Flow (FCF)*Non-financial targets (ESG targets)Additional special targetsIndividual performance		<ul style="list-style-type: none">Service conditionTotal Shareholder Return (TSR)Earnings Per Share (EPS)Climate target CO₂	
			Cap at 150% of target bonus		Cap at 300% of grant value	
Function and responsibility			Incentivizing the contribution to the business strategy and the long-term company's value appreciation			
			Subject to Malus and Clawback (possibility to reclaim variable remuneration)			
Total remuneration cap per role						

The weightings of remuneration components as a % of total target remuneration (provided above) may slightly vary for various Managing Directors depending on the individual amounts of fringe benefits.
* For the divisional CEOs, division-specific performance indicators Schaeffler Value Added of the Division (SVA Division) und Divisional Cash Flow (DCF Division) are considered in addition to the above performance criteria.

Figure 1 Remuneration System of the Board of Managing Directors: Overview

The total target remuneration includes the fixed annual salary, the contributions to retirement benefits, the fringe benefits and the target variable remuneration. With respect to the STB and the LTB, the target value and the grant value, respectively, both corresponding to 100% target achievement, are taken into consideration. The proportions of the fixed and variable remuneration elements are presented in relation to the total target remuneration.

The proportion of fixed remuneration for the Chief Executive Officer and the ordinary members of the Board of Managing Directors is currently approx. 40%. The proportion of variable remuneration is currently approx. 60%. The proportion of the STB currently amounts to approx. 29%, while the proportion of the LTB is approx. 31%.

The percentages of individual remuneration components of the total target remuneration for individual members of the Board of Managing Directors may slightly deviate from the above-mentioned percentages.

The remuneration system ensures that the variable remuneration exceeds the fixed remuneration in relation to the total target remuneration under any circumstances.

The percentages stated may differ for future fiscal years, e.g. due to the granting of temporary payments or other benefits on the occasion of the assumption of office to new members of the Board of Managing Directors in accordance with Paragraph 4 or the development of the expense of contractually agreed fringe benefits and for any new appointments.

2. Fixed Remuneration Components

2.1 Fixed Annual Salary

Each member of the Board of Managing Directors receives a fixed annual salary, which is paid in cash and in twelve equal monthly installments.

2.2 Retirement Benefits

Furthermore, members of the Board of Managing Directors are entitled to retirement benefits including an old-age, disability and surviving dependents' pension. For ordinary members of the Board of Managing Directors, the company's contributions to retirement benefits per financial year amount to a maximum of EUR 195,000 and for the Chief Executive Officer to a maximum of EUR 390,000. From age 65, members of the Board of Managing Directors are no longer entitled to the annual contributions to retirement benefits – even if the service period goes beyond that age.

In the event of retirement or disability, each member of the Board of Managing Directors is entitled to a lump-sum payment in the amount of the accrued plan assets as of such date. Alternatively, a member of the Board of Managing Directors can opt for the accrued plan assets to be paid out in ten annual installments or as a monthly pension annuity for life. The installment amount as well as the level of monthly pension annuity is based on a contribution of the accrued plan assets into a then to be concluded temporary or life pension insurance.

2.3 Fringe Benefits

As a fringe benefit, Schaeffler AG provides each member of the Board of Managing Directors with a company car, also for private use. In addition, there is a D&O insurance policy with a deductible in accordance with the requirements of the German Stock Corporation Act of 10% of the damage up to at least 150% of the fixed annual salary. The members of the Board of Managing Directors members also receive an allowance for health and long-term care insurance and for contributions to the personal pension scheme (Persönliches Vorsorgekonzept – PVK). The members of the Board of Managing Directors are also included in the group accident insurance. In the case of new appointments, further fringe benefits may be agreed in individual contracts.

3. Variable Remuneration Components

3.1 Short-term Variable Remuneration (STB)

The STB is a performance-based bonus with a one-year performance period. This short-term variable remuneration component is designed to reward the annual contribution to the sustainable company value creation as well as the operational realization of the business strategy. The payout of the STB is based on the achievement of the performance criteria defined by the Supervisory Board for each financial year. Those cover the financial targets derived from the business strategy as well as non-financial targets. The financial targets are weighted at 80%, the non-financial targets at 20%. In addition, the Supervisory Board can define other special targets and may set deviating weightings of the performance targets in this case. Moreover, the Board of Managing Directors member's individual performance measured by the Supervisory Board according to its reasonably exercised discretion may be considered for the determination of the STB payout.

The individual target bonus is stipulated in the service agreement and amounts to 100% of the fixed annual salary. The existing contractual provisions for Dr. Stefan Spindler deviate from the above-mentioned rule. The STB payout is capped at 150% of the target bonus amount. This cap applies to the overall STB amount: both amendments of the STB by applying a multiplier and STB adjustments due to extraordinary circumstances are subject to this cap. The STB may be forfeited if the minimum level of the target achievement is not met.

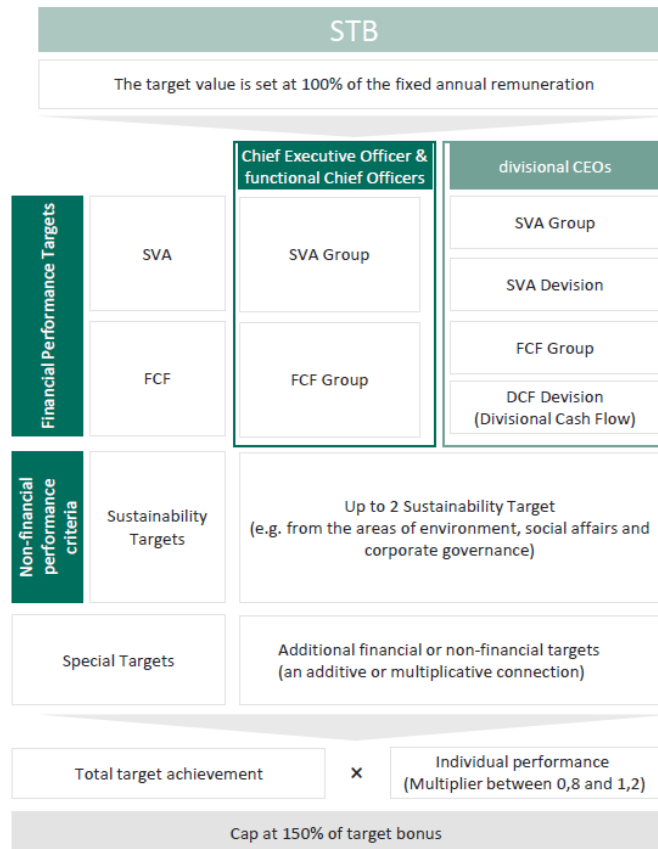


Figure 2 Short-term Variable Remuneration (STB)

3.1.1 Financial Performance Targets

Unless defined otherwise, the financial performance targets for the Chief Executive Officer and the functional Chief Officers¹ include Schaeffler Value Added of the Schaeffler Group (SVA Group) and Free Cash Flow of the Schaeffler Group (FCF Group), both equally weighted. To properly reflect the divisional performance, the financial performance targets for divisional CEOs² are measured both on the Group and the divisional levels. The financial performance targets SVA Group, Schaeffler Value Added of the division (SVA Division), FCF Group and Divisional Cash-Flow of the division (DCF Division) are all equally weighted.

Schaeffler Value Added: The Schaeffler Value Added provides a central performance indicator for the contribution to the sustainable company value creation achieved in the respective financial year. In order to grow profitably and create long-term value, earnings must be sufficient to cover the cost of capital. The performance criterion SVA Group is based on the Schaeffler Group's EBIT gross of special effects less its cost of capital. SVA Division is determined using the same methodology as Schaeffler Value Added but using parameters segmented in accordance with IFRS 8.

Free Cash Flow: The Free Cash Flow is the most important operative performance indicator in terms of the current business strategy. It measures the company's ability to convert its operating performance to cash inflows. FCF Group is generally calculated based on the Schaeffler Group's (1) Cash Flow from operating activities, (2) Cash Flow from investment activities, (3) repayments of lease liabilities, (4) excluding payments made and received for M&A activities in the relevant financial year. The DCF Division is calculated as from Schaeffler's internal divisional standard management reporting for the divisions in the relevant financial year and follows the basic business logic of the Group FCF (excl. tax and interest payments).

The Supervisory Board sets performance scales for each financial year, including the minimum and maximum target values for each financial performance target. The actual target achievement for the respective financial year is determined by comparing the actual values achieved for the financial year against the set target value. In case of extraordinary circumstances in the course of a year, the Supervisory Board is entitled to adjust the target achievement of the STB at its own reasonably exercised discretion. This may lead to either an increase or a decrease in target achievement.

¹ Functional Chief Officers are members of the Board of Managing Directors who are responsible for one or multiple of the following corporate functions: Research & Development (CTO), Production, Supply Chain Management & Purchasing (COO), Finance & IT (CFO) or Human Resources (CHRO).

² Divisional CEOs are those members of the Board of Managing Directors who are each responsible for one or multiple of the following divisions: Automotive OEM Technologies (CEO Automotive Technologies OEM), Automotive Aftermarket (CEO Automotive Aftermarket) or Industrially (CEO Industrial).

3.1.2 Non-financial performance criteria

The non-financial targets relate to environmental, social and governance (ESG targets) performance criteria. The Supervisory Board sets up to two non-financial targets and their weighting for the upcoming financial year. Non-financial targets are based on the Schaeffler Group's sustainability strategy and anchor related measures in the remuneration.

The Supervisory Board sets the target scales for the non-financial performance criteria annually. Target achievement for the respective financial year is determined by comparing the respective actual value with the target value set.

3.1.3 Special Targets

The Supervisory Board is entitled to define additional special targets and thus further financial and non-financial targets. The special targets can either be defined as additional performance criteria (leading to a reduction of the weighting of the financial and non-financial performance criteria) or as a multiplier applied to the overall target achievement of the STB.

3.1.4 Individual Performance

At its own reasonably exercised discretion, the Supervisory Board is entitled to apply a multiplier (ranging from 0.8 to 1.2) to the overall target achievement of the STB, which would reflect the Board of Managing Directors member's individual performance. While exercising its discretion, the Supervisory Board may particularly consider additional tasks and responsibilities due to interim roles of a member of the Board of Managing Directors.

3.1.5 STB Payout

The Supervisory Board determines the STB payout within the first three months of the year following the respective financial year. The STB payout is payable in cash on 31 March of the year following the respective financial year. If the service period of a member of the Board of Managing Directors in the respective financial year was shorter than 12 months, the STB amount is prorated accordingly and is paid on the regular payout date.

In the event of the termination of the Board of Managing Directors member's service agreement for good cause, revocation of the appointment for good cause by Schaeffler AG or in the event of the Board of Managing Directors member's resignation without cause, the STB entitlement for the respective financial year lapses. The event is deemed to be effective as of the day of the receipt of the notice of termination, revocation or resignation.

3.2 Long-term Variable Remuneration (LTB)

The LTB creates an incentive towards the long-term company value creation. Due to the share-based character of the LTB, the members of the Board of Managing Directors participate in the long-term company value creation. The LTB performance conditions are linked to the business strategy and incentivize

sustainable and profitable growth, long-term competitiveness as well as the implementation of the strategic sustainability program “Path to Net Zero”. Moreover, the share-based design of the LTB further contributes to the alignment of interests between the shareholders and the Board of Managing Directors.

The LTB is a share-based Performance Share Unit Plan (PSUP) with a four-year performance period attributable to each tranche. LTB tranches are granted annually. Each performance period starts at the January 1, of the respective financial year. Virtual shares (Performance Share Units, PSUs) are granted annually to the members of the Board of Managing Directors. The number of PSUs is determined based on the individual grant value in Euro and the share price at grant. The share price at grant is defined as the average closing price of the preferred share of Schaeffler AG in the XETRA trading system of Frankfurt Stock Exchange (or any successor system) for the last 60 trading days before the beginning of the performance period.

Vesting of PSUs at the end of the four-year performance period is based on the fulfillment of the service and performance conditions. Performance conditions are set by the Supervisory Board and currently comprise Total Shareholder Return outperformance (“**TSR outperformance**”) and EPS growth as well as CO2 emission level (“**climate neutrality target**”).

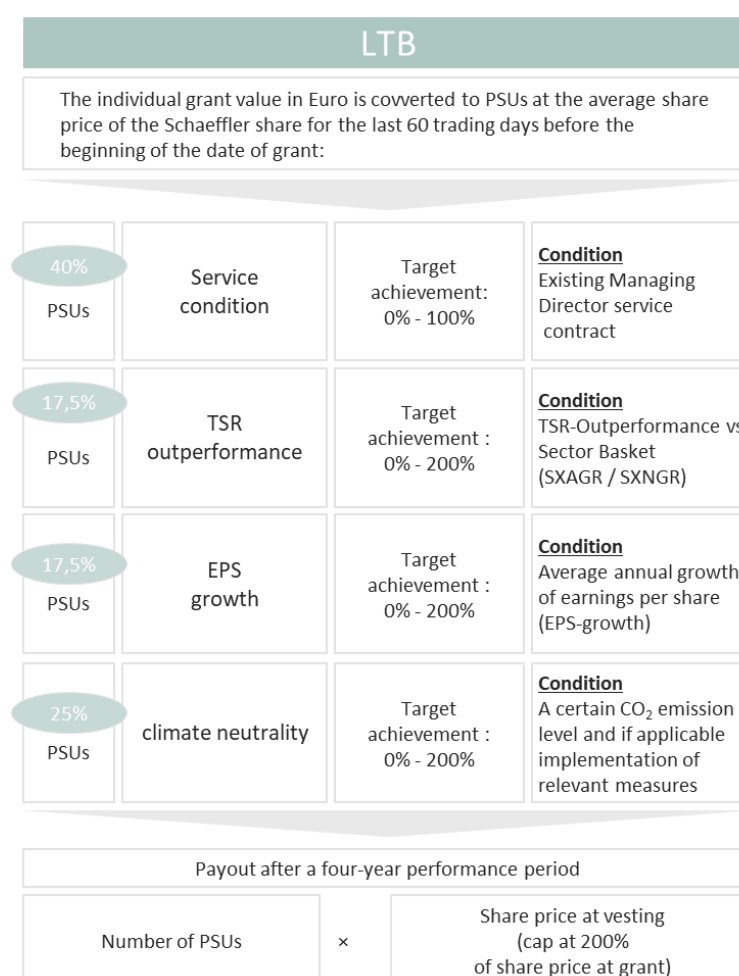


Figure 3 Long-term Variable Remuneration (LTB)

The Supervisory Board sets performance scales for each LTB tranche. Performance scales define the level of outperformance of Total Shareholder

Return, the level of the average annual growth of Earnings Per Share or at what CO2 emission level which is required for a defined percentage of PSUs to vest. The number of PSUs which vest subject to the fulfillment of the performance conditions is capped at 200%.

3.2.1 Service Condition

The vesting and payout of PSUs is generally subject to continuous existence of the Board of Managing Directors member's service agreement during the entire performance period. Should a member of the Board of Managing Directors join the Board of Managing Directors during a financial year, the service condition for the performance period beginning in the year of entry is deemed to be fulfilled if the Board of Managing Directors member's service agreement still exists at the end of the respective performance period. Unless defined otherwise, the weighting of the service condition is set at 40%. The Supervisory Board is entitled to adjust the weighting of the service condition for future financial years at its reasonable discretion.

3.2.2 TSR Outperformance

The TSR outperformance performance condition measures the resulting Total Shareholder Return (TSR) during the respective performance period compared to a relevant peer group. This relative TSR performance reflects the long-term competitiveness of the Schaeffler Group.

The peer group consists of a so-called Sector Basket, which reflects the sector-specific market conditions of Schaeffler AG: Automotive OEM, Automotive Aftermarket and Industry. This Sector Basket combines two performance indices: STOXX Europe 600 Automobiles and Parts Gross Return (SXAGR) and STOXX Europe 600 Industrial Goods and Services Gross Return (SXNGR) weighted at 75% and 25% respectively. These weightings correspond to the current revenue structure of the business segments within Schaeffler AG. The TSR outperformance is determined based on the difference between the TSR of the Schaeffler share and the TSR of the peer group. By mutual consent, the composition of and the weightings within the peer group may be amended to reflect potential changes in the market environment and company strategy.

Unless defined otherwise, the weighting of the TSR outperformance is set at 17.5%.

3.2.3 EPS Growth

The annual EPS growth measured during the four-year performance period reflects the operative performance of Schaeffler AG and long-term profitability growth. The combination of TSR outperformance and the EPS growth considers both the market conditions and the internal financial performance and therefore ensures a balanced performance measurement. The EPS growth is measured as average annual growth of the earnings per preferred share (EPS) during the performance period. The EPS is defined as earnings per preferred share (basic) from continued operations accounted in the audited consolidated financial statements.

Unless defined otherwise, the weighting of the EPS growth is set at 25%.

3.2.4 Climate neutrality

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

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

Unless otherwise specified, the weighting of the climate neutrality target is 25%.

3.2.5 LTB Payout

Vested PSUs are paid out in cash. The payout amount is determined by multiplying the final number of vested PSUs with the average closing price of the preferred share of Schaeffler AG in the XETRA trading system of Frankfurt Stock Exchange (or any successor system) for the last 60 trading days of the performance period. The share price is capped at double the share price at grant for the respective tranche. The LTB is payable at the next ordinary payment date after approval of the consolidated financial statements of Schaeffler AG.

In case of extraordinary circumstances, the Supervisory Board is entitled to limit the grant of the PSUs and/or the payout of the LTB at its own reasonably exercised discretion. The Supervisory Board may also re-define the number of PSUs, if no PSUs or a reduced number of PSUs were granted to the member of the Board of Managing Directors due to extraordinary circumstances.

3.2.6 Other Provisions: Leaver Rules and Capital Events

The PSUP plan terms differentiate between "Good Leavers" and "Bad Leavers" for cases when a member of the Board of Managing Directors leaves Schaeffler AG. In a "Good Leaver" case (including contract expiration, contract annulment, reaching retirement age), generally, granted Performance Share Units vest pro rata temporis on the last day of the performance period and are settled on the normal payout date. In a "Bad Leaver" case (especially termination of the service agreement for good cause by Schaeffler AG), all Performance Share Units, which remain unvested by the time of the receipt of a termination notice, forfeit.

The plan terms of the PSUP also includes provisions for capital events (including capital increase, restructuring of Schaeffler AG) allowing potential adjustment of the number of granted virtual shares. In case of a delisting, all entitlements to a payout within the Performance Share Unit Plan forfeit and the members of the Board of Managing Directors will receive a grant within a subsequent plan offering economically equivalent conditions.

4. Other Benefits

The Supervisory Board is entitled to grant sign-on payments or other sign-on benefits to new members of the Board of Managing Directors in the first and/or second year of appointment, in order to e.g. compensate for forfeited remuneration elements (especially variable remuneration) from previous employment or service as well as relocation costs resulting from taking office at Schaeffler AG.

II. Maximum Remuneration

The overall remuneration amount payable to each member of the Board of Managing Directors in respect of a financial year is limited to a maximum total remuneration amount ("**Maximum Remuneration**"). The Maximum Remuneration covers all payouts and allocations of the total remuneration granted to a member of the Board of Managing Directors (including the fixed annual salary, variable remuneration components, service cost and fringe benefits as well as sign-on payment and benefits granted according to Paragraph I.4) for the relevant financial year, irrespective of the dates when the payouts and allocations are actually made.

The Chief Executive Officer's Maximum Remuneration amounts to EUR 7,650,000. For each ordinary member of the Board of Managing Director, the Maximum Remuneration amounts to EUR 3,875,000. Due to existing contractual provisions for Dr. Spindler the Maximum Remuneration amounts to EUR 4,580,000.

III. Malus and Clawback Provisions

The Supervisory Board is entitled to withhold up to 100% (Malus) of the payout to a member of the Board of Managing Directors or reclaim (Clawback) it, in full or in part, in respect of the variable remuneration components during the relevant performance periods (for the STB: during the relevant one-year performance period; for the LTB: during the relevant four-year performance period) in cases of severe breach of:

- compliance with the Code of Conduct of Schaeffler Group,
- duties related to managing the company,
- compliance with the Code of Conduct of Schaeffler Group by employees of Schaeffler AG or by executive bodies or employees of affiliated companies of Schaeffler AG in case the member of the Board of Managing Directors has severely breached the obligation to organize and supervise the company.

The individual payout within the variable remuneration, including STB and LTB, could be withheld in full or in part if during the relevant performance period (one year for the STB and four years for the LTB) one of the three breaches defined above apply and payout has not been made by the time the Supervisory Board decides to withhold the remuneration. In case such breaches are revealed or disclosed ex post, the already paid out amounts related to variable remuneration, including STB and LTB, could be reclaimed in full or in part. Such a reclaim is no more admissible if more than five years have passed.

Even after the service agreement has been terminated, the decision in respect of withholding or reclaiming the already paid variable remuneration could be made.

The Supervisory Board is entitled to decide on withholding or reclaiming of variable compensation at its own discretion.

IV. Share Ownership Guidelines

The ordinary members of the Board of Managing Directors are obligated to purchase common non-voting shares of Schaeffler AG in the amount of 100% of the gross fixed annual salary and to hold them during the period of their service agreements (target number of shares). For the Chief Executive Officer, the amount of 200% of the gross fixed annual salary applies accordingly. The value of the common non-voting shares by the time of purchase is relevant for the purpose of the guidelines. For the members of the Board of Managing Directors incumbent on January 1, 2020, the obligation must be fulfilled until 31 December 2023. All other members of the Board of Directors shall fulfil the obligation until the end of the first performance period of the LTB. In case of an appointment to the Board of Managing Directors during a financial year, the obligation must be fulfilled until the end of the four-year performance period of the LTB, which begins in the calendar year following the start of the service agreement. The payout of the LTB is contingent on the proof of compliance with the Share Ownership Guidelines until the end of the respective performance period. If the service agreement of a member of the Board of Managing Directors ends prior to the end of the first performance period, the target number of shares is reduced on a pro rata temporis basis and reflect the actual term of the service agreement in relation to the four-year performance period of the LTB. If the service agreement of a member of the Board of Managing Directors ends after the completion of the first performance period and the respective share ownership obligations are duly fulfilled, the LTB payouts in respect of the subsequent performance periods are no longer contingent on the proof of compliance with the Share Ownership Guidelines.

The Share Ownership Guidelines set further incentives towards the long-term company value creation beyond the four-year performance period of the LTB. Furthermore, Share Ownership Guidelines foster the capital market orientation and align the interests of the Board of Managing Directors with interests of shareholders of Schaeffler AG.

V. Legal Provisions related to Remuneration

1. Terms and Conditions for Termination of Remuneration-related Legal Transactions, Including the Respective Notice Periods

The service agreements of Managing Directors last for the current nomination period. As a general rule, Managing Directors are appointed for a period of three years when they are first appointed. The reappointment period is usually five years.

The service agreements shall be extended for the period for which the Supervisory Board, with the consent of the member of the Board of Managing Directors, resolves to reappoint him/her as a member of the Board of Managing Directors of the company.

The service agreement ends automatically at the end of the month in which the member of the Board of Managing Directors reaches the age of 68. Moreover, the service agreement ends automatically in case of an extraordinary termination for good cause.

There are no special provisions for the event that a change of control event occurs, that is, neither special rights to terminate the contract nor severance payments.

2. Severance Payments

The amount of severance payment payable in the event of early termination of a service agreement is limited to a maximum of two annual remuneration amounts and may not exceed the remuneration amount corresponding to the remaining term of service (severance cap). An early termination of the service agreement for a reason for which the member of the Board of Managing Directors is responsible disqualifies him or her for any severance payment. The severance cap is generally calculated based on the total remuneration for the last full financial year and on the expected total remuneration for the current year where applicable.

The members of the Board of Managing Directors are subject to non-competition clause for a period of two years following termination of the service agreement. In return, they are entitled to compensation in the amount of 50% of the latest fixed annual salary granted to the Managing Directors plus 50% of the last STB paid prior to termination of the service agreement. The existing contractual provisions of some members of the Board of Managing Directors stipulate deviating provisions in respect of the non-competition clauses. These members of the Board of Managing Directors are entitled to compensation in the amount of 50% of the average contractual remuneration granted to the members of the Board of Managing Directors for the last 12 months before the end of their appointment. In case members of the Board of Managing Directors receive any income from activities, which are not covered by the non-compete clause, this income amount shall be deducted from the compensation amount provided that the total of the compensation amount and received income exceeds the latest received and contractually agreed remuneration from Schaeffler AG by more than one tenth.

Herzogenaurach, April 2022
Schaeffler AG

List of figures	<p>Figure 1: Remuneration System of the Board of Managing Directors: Overview</p> <p>Figure 2: Short-term Variable Remuneration (STB)</p> <p>Figure 3: Long-term Variable Remuneration (LTB)</p>	
Cited documents	None	
Attachments	None	
Approval	Policy Owner	Head of Legal
	Responsible	Supervisory Board
	Approver	General Meeting of Schaeffler AG
Change History	Version	3.0
	Approval date	4/21/2022
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