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## Terms of Reference

# SUPERVISORY BOARD OF SCHAEFFLER AG

**Governance Framework  
Schaeffler Group**

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Board Resort: Supervisory Board  
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## §1 General

The supervisory board performs its activities in accordance with the statutory provisions, the articles of association and these Rules of Procedure. All members have equal rights and duties and are not bound by instructions.

In connection with its activities, the supervisory board takes into account the recommendations and suggestions of the German Corporate Governance Code ("Code") and in particular ensures that

- a) The remuneration of the board of managing directors as well as the reporting on the remuneration of the board of managing directors corresponds to the recommendations and suggestions of the Code;
- b) the principle of diversity is observed in the composition of the board of managing directors and the supervisory board;
- c) together with the board of managing directors that there is long-term succession planning in the board of managing directors;
- d) the initial appointment of members of the board of managing directors is for a maximum of three years;
- e) members of the board of managing directors are only reappointed prior to one year before the end of the term of appointment simultaneously terminating the current appointment in the event of special circumstances;
- f) that an upper age limit is determined for members of the board of managing directors;
- g) specific objectives for the composition of the supervisory board and a competence profile for the whole board are determined, and proposals of the supervisory board to the annual general meeting take these objectives into account and aim to complete the competence profile for the whole board;
- h) more than half of the shareholder representatives in the supervisory board are independent of the company and the board of managing directors and at least two of the shareholder representatives are independent of the controlling shareholder and no more than two former members of the board of managing directors are members of the supervisory board;
- i) information about any conflicts of interest which have arisen and how they were dealt with is included in the supervisory board's report to the annual general meeting;
- j) the supervisory board regularly reviews the efficiency of its activities;
- k) transactions involving shares of the company or financial instruments relating to these, especially derivatives, are notified to the company and the Federal Financial Supervisory Authority in accordance with article 19 (1) EU Market Abuse Regulation (MAR);
- l) it is agreed with the auditor that the chair of the supervisory board and the audit committee are informed without undue delay about any reasons for exclusion or partiality which arise during the audit, to the extent that these are not removed without undue delay;
- m) it is agreed with the auditor that the auditor informs without undue delay about all determinations and occurrences during performance of the audit which are significant for the tasks of the supervisory board;
- n) it is agreed with the auditor that the auditor informs the supervisory board and/or notes in the supervisory report any facts it establishes during the audit which would render the declarations incorrect under the Code as submitted by the board of managing directors and the supervisory board.

## §2 Composition

- <sup>1</sup> The supervisory board will have twenty members. Of these, ten members will be appointed by the general meeting and ten members by the employees in accordance with the provisions of the German Co-determination Act (Mitbestimmungsgesetz).
- <sup>2</sup> The members should have the knowledge, skills and professional experience required to properly perform their duties and be in a position to spend the time required for the activity.
- <sup>3</sup> The supervisory board should not have any members who are members of bodies of or carry out advisory activities for significant competitors of the company or its group companies or who have a personal relationship with a significant competitor.

## §3 Confidentiality, conflicts of interest

- <sup>1</sup> The supervisory board members must observe confidentiality with respect to confidential information and secrets of the company and its affiliated companies, namely trade and business secrets, even after the end of their office as supervisory board members. The supervisory board members especially have a duty to observe confidentiality with respect to confidential reports received and confidential consultations.
- <sup>2</sup> If a supervisory board member intends to pass information on to third parties and it cannot be excluded for certain that this information is confidential or concerns secrets of the company, he/she must, subject to the provision under subsection 3 below, inform the chair of the supervisory board and obtain his/her prior written consent to pass the information on. No written consent from or information of the chair of the supervisory board is necessary when involving the secretary of the supervisory board member or consulting a lawyer for the purpose of obtaining legal advice.
- <sup>3</sup> If the members of the supervisory board are entitled (either on the basis of statutory provisions or on the basis of consent in accordance with subsection 2 above) to inform third parties about confidential information and secrets, they will ensure that the third parties involved also observe the confidentiality obligations in accordance with the above.  
  
If involving third parties leads to costs for the company, the prior consent of the chair of the supervisory board will be required.
- <sup>4</sup> Each supervisory board member will disclose to the chair of the supervisory board any conflicts of interest, especially those which could result from an advisory or body function at customers, suppliers, lenders or other business partners. In case of a significant conflict of interests which is not only temporary the supervisory board member will resign from office in accordance with the statutory provisions.

## §4 Committees

- <sup>1</sup> In addition to the Committee in accordance with section 27 (3) German Co-determination Act (conciliation committee), an presidential committee, an audit committee, a nomination committee and a technology committee will be created.
- <sup>2</sup> Unless otherwise prescribed by statute or these Rules of Procedure, the supervisory board will appoint one committee member as chair of each committee. The respective committee chair will regularly report to the supervisory board on the work of the committees.

	<p><sup>3</sup> Committees will be convened by the committee chairs. Each member of a committee has the right to apply to the committee chair for the committee to be convened providing reasons.</p> <p><sup>4</sup> Unless otherwise prescribed by statute, the provisions of the articles of association on convening, preparing and conducting the meetings and resolutions of the supervisory board apply to resolutions in supervisory board committees accordingly. The chair of the presidential committee and the chair of the audit committee respectively will have the casting vote in the event of a tie in the executive or audit committees. In the event of a tie in the presidential committee, however, where there is no particular urgency for a decision in accordance with § 6 (8) of the Rules of Procedure, a further meeting of the presidential committee must be convened, without observing notice periods, in which the vote of the chair of the presidential committee will be the casting vote in the event of a further tie. Committees which make decisions in place of the supervisory board will only be quorate if at least three members participate in the vote on the resolution.</p> <p><sup>5</sup> The supervisory board may, on a case-by-case basis, form a committee for transactions with related parties within the meaning of section 107 (3) sentence 4 German Stock Corporation Act, which will decide in place of the supervisory board on the approval of transactions with related parties within the meaning of sections 111a to 111c German Stock Corporation Act. The committee for related party transactions consist of six members. The supervisory board elects half of the members at the proposal of the shareholder representatives and half at the proposal of the employee representatives on the supervisory board as well as the chair of the committee. Related parties involved in the transaction within the meaning of section 111a (1) sentence 2 German Stock Corporation Act cannot be members of the committee. A committee for transactions with related parties shall be composed of a majority of members, including the chair, who would not give reason for a conflict of interest due to their relationship with a related party.</p>
<p><b>§5</b> <b>Committee in accordance with section 27 (3) German Co-determination Act</b></p>	<p>Directly after electing the chair of the supervisory board and his/her deputy in accordance with section 27 German Co-determination Act, the supervisory board will create a committee to carry out the tasks set out in section 31 (3) first sentence German Co-determination Act. The composition of the committee will be in line with section 27 (3) German Co-determination Act. The chair of the supervisory board is the chair of the committee.</p>
<p><b>§6</b> <b>Presidential committee</b></p>	<p><sup>1</sup> The presidential committee consists of the chair of the supervisory board, his/her deputy under section 27 of the German Co-determination Act and four further members who will be elected on the basis of the majority of the votes.</p> <p><sup>2</sup> The chair of the presidential committee will be the chair of the supervisory board; his/her deputy in accordance with section 27 German Co-determination Act is simultaneously the deputy of the chair of the presidential committee.</p> <p><sup>3</sup> The presidential committee advises and assists the chair of the supervisory board and his/her deputy on/with his/her supervisory board activities. It will prepare the meetings of the supervisory board, especially the resolutions of the supervisory board on adopting the annual plan (including the investment plan).</p> <p><sup>4</sup> The presidential committee prepares the personnel decisions of the supervisory board and provides recommendations for the appointment and/or reappointment of members of the board of managing directors. The same applies accordingly to removing members of the board of directors from office.</p>

<sup>5</sup> The presidential committee prepares the decisions of the supervisory board on the system of remuneration and the remuneration of individual members of the board of managing directors.

<sup>6</sup> Subject to the prohibitions on delegation set out in section 107 (3) fourth sentence German Stock Corporation Act (Aktiengesetz), the presidential committee will resolve, instead of the supervisory board, the following matters:

- a. concluding, amending and terminating the service and pension contracts with members of the board of managing directors,
- b. representing the company in and out-of-court as against members of the board of directors in accordance with section 25 (1) German Co-determination Act, section 112 German Stock Corporation Act,
- c. consenting to significant transactions by the company with individuals who and undertakings which are related to or affiliated with members of the board of managing directors,
- d. consenting to ancillary activities or competitive activities by a member of the board of managing directors – especially supervisory board mandates outside of the company group and to what extent the remuneration for supervisory board mandates is to be credited,
- e. granting loans to individuals as set out in sections 89, 115 German Stock Corporation Act,
- f. consenting to agreements with supervisory board members in accordance with section 25 (1) German Co-determination Act, section 114 German Stock Corporation Act,
- g. granting the consent of the supervisory board to decisions by the board of managing directors on the content of new shares and the terms of issuing new shares in connection with capital increases from authorized capital.

<sup>7</sup> The presidential committee will also be responsible, instead of the supervisory board, for resolving whether to grant consent to transactions and measures which fall under section 10 (5) of the Rules of Procedure.

<sup>8</sup> In cases where transactions and measures under section 10 (4) of the Rules of Procedure which are subject to consent are particularly urgent, the chair of the supervisory board can decide that the presidential committee will make a decision, without observing convention periods, on the consent of the supervisory board instead of the entire supervisory board.

## **§7**

### **Audit committee**

<sup>1</sup> The audit committee consists of six members. The chair of the supervisory board is a member of this committee by virtue of his/her office. The chair of the audit committee must be independent and may neither be a former member of the board of managing directors nor the chair of the supervisory board.

The audit committee has to include at least one member of the supervisory board with expertise in the area of accounting and at least one other member with expertise in the area of auditing of financial statements. The expertise in the area of accounting shall consist of special knowledge and experience in the application of accounting principles and internal control and risk management systems, and the expertise in the area of auditing shall consist of special knowledge and experience in the auditing of financial statements. Accounting and auditing also include sustainability reporting and its audit and assurance. The chairman of the audit committee shall have appropriate expertise in at least one of the two areas.

<sup>2</sup> The audit committee is responsible for preparing the decision of the supervisory board on the adoption of the annual financial statement and on the approval of the consolidated annual financial statement. For this purpose it is responsible for

	<p>the preliminary review of the annual financial statement and the consolidated annual financial statement, the management report and the group management report, the proposal for the appropriation of profits and discussing the audit report with the auditor. It is also responsible for the preliminary review of the non-financial reporting and the preliminary review of the report on relationships with affiliated companies and preparing the proposal of the supervisory board to the general meeting concerning the election of the auditor.</p> <p><sup>3</sup> The audit committee is instructed and authorised, in the name of the supervisory board, to grant the audit mandate – also for the non-financial reporting, to determine the key points of the audit and to agree the remuneration of the auditor. The audit committee also monitors the independence, qualification and efficiency of the auditor as well as the rotation of the members of the audit team. The audit committee evaluates the quality of the audit as well as the services of the auditor, including the additional services rendered by the auditor.</p> <p>The audit committee will supervise, in place of the supervisory board, the accounting process and the effectiveness of the internal auditing, the internal control system and the risk management and will deal with compliance in the company. It will ensure that it is regularly informed by the internal auditors about the key points of the audit and the results of the audit.</p> <p><sup>4</sup> Each member of the audit committee is entitled to obtain, via the chair of the audit committee, all information relevant to its activities from the independent auditors, from the board of managing directors and from the executive employees of the company who report directly to the board of managing directors. The chair of the audit committee shall promptly provide the information obtained to all members of the audit committee and shall immediately inform the board of managing directors that information has been obtained.</p>
<p><b>§8</b>  <b>Nomination committee</b></p>	<p><sup>1</sup> The nomination committee is composed of the chair of the supervisory board and three further members who meet the recommendations of section D.5 of the Code.</p> <p><sup>2</sup> The nomination committee will propose to the supervisory board suitable candidates for election proposals to be made to the general meeting for the election of supervisory board members.</p>
<p><b>§9</b>  <b>Technology committee</b></p>	<p><sup>1</sup> The technology committee is composed of eight members of the supervisory board, whereby the number of representatives of the shareholders and the number of representatives of the employees must be equal.</p> <p><sup>2</sup> The technology committee serves the purpose of the regular exchange of information between the supervisory board and the board of managing directors on technological developments and joint consulting on technology projects.</p>
<p><b>§10</b>  <b>Reports to the supervisory board, measures and transactions subject to consent</b></p>	<p><sup>1</sup> The board of managing directors will report to the supervisory board in accordance with section 90 German Stock Corporation Act.</p> <p><sup>2</sup> The board of managing directors will report to the supervisory board at regular intervals to be determined by the chair of the supervisory board, but at least once per year, on the strategy of the company and the group.</p> <p><sup>3</sup> The board of managing directors requires the consent of the supervisory board in order to resolve the annual plan (including the investment plan) of the company and the group.</p> <p><sup>4</sup> The board of managing directors requires the consent of the supervisory board for the following measures and transactions:</p> <p style="padding-left: 20px;">a) commencing, ceasing, significantly restricting or extending areas of activity of the company;</p>

- b) setting up, acquiring, selling, liquidating and otherwise disposing of companies, parts of companies, operations or parts of operations, and direct or indirect holdings in companies as well as disposing of technological know-how, copyrights and/or industrial property rights (with the exception of swapping patents and crossover licences in the framework of the ordinary course of business) if the measures are not included in the approved annual plan/investment plan and the value exceeds EUR 100 million in each case;
- c) acquiring and selling items of fixed assets or other investments if the measure is not included in the approved annual plan/investment plan and the value exceeds EUR 100 million in each case;
- d) concluding, amending and terminating control agreements, profit and loss transfer agreements and other company agreements pursuant to sections 291ff. German Stock Corporation Act as well as agreements under the German Transformation of Companies Act (Umwandlungsgesetz) unless the contracting partners are exclusively the company and companies in which the company has a direct or indirect holding of 100 %;
- e) issuing bonds and comparable financial instruments as well as taking out and granting financial loans if the value exceeds EUR 100 million in each case and assuming securities, guarantees and granting similar collaterals to third parties outside of the group if the value exceeds EUR 100 million in each case. Loans inside the group do not require consent;
- f) speculative treasury transactions, especially transactions with derivatives and forward exchange transactions. Treasury transactions must be regarded as speculative if they are not part of the operative business of the group or its financing and treasury transactions and therefore do not serve to secure existing risks in a suitable manner. Investments in instruments with a rating lower than "investment grade" will also be regarded as speculative;
- g) the measures according to b), c) and e) require consent if the thresholds are exceeded by the cumulative value (for the respective measure) irrespective of whether the measure is carried out in one financial year or if, according to the plan, it is distributed over several years;
- h) resolutions on measures under a) to g) for the companies described in subsection 6 below.

<sup>5</sup> The board of managing directors requires the consent of the presidential committee of the supervisory board for the following measures and transactions:

- a) making significant changes to the organisation of the company or group including significant internal restructuring measures;
- b) granting and revoking general powers of attorney;
- c) setting up, acquiring, selling, liquidating and otherwise disposing of companies, parts of companies, operations or parts of operations, and direct or indirect holdings in companies as well as disposing of technological know-how, copyrights and/or industrial property rights (with the exception of swapping patents and crossover licences in the framework of the ordinary business operation) if the measures are not included in the approved annual plan/investment plan and the value is at least EUR 20 million but does not exceed EUR 100 million in each case;
- d) acquiring and selling items of fixed assets or other investments if the measure is not included in the approved annual plan/investment plan and the value is at least EUR 25 million but does not exceed EUR 100 million in each case;
- e) acquiring, selling and encumbering real properties, rights comparable to rights in real property and rights in real property if the measure is not



	<p>included in the approved annual plan/investment plan and the value exceeds EUR 15 million in each case;</p> <p>f) assuming securities, guarantees and granting similar collaterals to third parties outside of the group if the value is at least EUR 20 million but does not exceed EUR 100 million in each case;</p> <p>g) other transactions or measures with respect to which it is clear will have a significant disadvantageous effect on the assets, financial, profit or risk position of the company when they are concluded or carried out;</p> <p>h) The measures according to c), d), e) and f) require consent if the thresholds are exceeded by the cumulative value (for the respective measure) irrespective of whether the measure is carried out in one financial year or if, according to the plan, it is distributed over several years;</p> <p>i) resolutions on the measures under a) to h) for the companies listed in subsection 6 below;</p> <p><sup>6</sup> The board of managing directors will ensure as far as legally permissible that the transactions and measures listed under subsections 3, 4 and 5 above at subsidiaries and affiliates or companies affiliated with the company or significant subsidiaries and affiliates through enterprise agreements also require the consent of the bodies supervising the management to a reasonable extent.</p> <p><sup>7</sup> The supervisory board can extend or limit the list of transactions and measures requiring consent.</p>
<p><b>§11</b>  <b>Convening meetings of the supervisory board</b></p>	<p><sup>1</sup> The chair of the supervisory board, or his/her deputy where he/she is unable to do so, will convene meetings of the supervisory board with a notice period of two weeks providing the individual agenda items in writing by fax or by electronic media. In urgent cases the chair of the supervisory board can reduce the notice period to two days and also convene the meetings orally or by telephone. When calculating the notice period, the day on which the invitation is sent and the day of the meeting will not be counted.</p> <p><sup>2</sup> Motions for resolution on agenda items should be notified early enough before the meeting to ensure that it is possible for members of the supervisory board not attending the meeting to cast their votes in writing.</p>
<p><b>§12</b> <b>Honorary member</b></p>	<p><sup>1</sup> The supervisory board may confer the title "honorary member of the supervisory board" on former members who have rendered outstanding contributions to the interests of the company.</p> <p><sup>2</sup> An honorary member of the supervisory board is not a member of the supervisory board and is not considered equal to a member of the supervisory board; in particular, the honorary member does not have the rights of a member of the supervisory board. Honorary members shall participate in the discussion of individual items of the meetings of the supervisory board upon invitation of the chair of the supervisory board, to the extent required due to their special knowledge and their special expertise. Honorary members may participate in the discussions at the meetings, but they shall not have the right to vote.</p> <p><sup>3</sup> The chair of the supervisory board shall invite the honorary members to the meetings in accordance with § 12 paragraph 2, unless the supervisory board decides otherwise. He shall decide on the extent of the disclosure of information at his due discretion, taking into account the interest of the company. § 3 The duty of confidentiality shall apply accordingly to honorary members of the supervisory board.</p> <p><sup>4</sup> By accepting honorary membership, the honorary member submits to the regulation of Article 19 (11) of the Market Abuse Regulation, according to which, for a period of 30 calendar days prior to the publication of an interim and annual report, no proprietary transactions or transactions for third parties shall be</p>

	carried out, either directly or indirectly, in connection with the company 's shares, bonds or debt instruments, or with derivatives or other financial instruments related thereto.	
<b>§13</b> <b>Approval</b>	Document Owner	Supervisory Board
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