

SCHAEFFLER

We pioneer motion

Supplier Information Letter | Renewable Electricity in the Supply Chain



Supplier information letter

Dear supplier,

This letter intends to inform you about a sustainability measure that we are implementing in our supplier portfolio and want to incorporate in our ongoing collaboration. As part of our efforts to achieve a climate-neutral supply chain by 2040, we are focusing on encouraging our suppliers to transition to 100% renewable electricity (RE).

Why this initiative?

Climate change is one of the world's most pressing challenges, which is why the Schaeffler Group is making every effort to significantly reduce its climate impact. For the company, climate-neutral means reducing the impact of its operations on the climate to an absolute minimum: from raw material sourcing to the final delivery of products. Together with our upstream partners, we want to implement sustainability measures and foster greater awareness for the topic. A combination of multiple activities is necessary to achieve a successful transition. As one of the initiatives, we encourage the use of 100% RE for all relevant production sites until 2030.

What do we want to achieve?

We are urging suppliers to completely transition to 100% RE use in all production sites that are used to produce Schaeffler products until 2030, starting with our direct suppliers.

What does this mean for Schaeffler's suppliers?

As part of this measure, we are incorporating the criterium of 100% RE use in our procurement processes and data as well as documentation requirements are introduced. Key aspects are:

- Data Request: You will be requested to report data to assess compliance with our RE objectives. In Q1/2025, we will initiate a data request via SupplyOn and Coupa for the following two data points:
 - o Classification, if 100% RE usage at all Schaeffler relevant sites [yes/no]
 - o If no: Target year planned to use 100% RE at all Schaeffler relevant sites [date]
- Declaration: We will request you to sign a declaration to confirm that 100% RE is used at all sites relevant for Schaeffler as of now (Conformity Statement) or if not yet implemented to confirm 100% RE as of a declared target date (Declaration of Intend). The declaration will be shared with you via SupplyOn and Coupa.
- Documentation: Within random samples, we will ask you to provide relevant proof documents (cf. Annex I) depending on the type of electricity procurement, such as Energy Attribute Certificates (EACs), Green Energy Contracts or PPAs, to verify the use of RE and other sustainability commitments.

How to approach this request?

To comply with the implementation of the RE measure and the data request, we recommend taking the following steps:

1. Identify all Schaeffler relevant production sites
2. Analyze if all the identified sites are using 100% RE
3. For sites not yet using 100% RE: explore options for transitioning to 100% RE usage and define a target year along with an implementation plan
4. Gather proof documents (cf. Annex I) for sites already using 100% RE
5. Sign Conformity Statement or Declaration of Intent

How will we support you?

Attached in the annex you already find a FAQ with key information, including the scope and definitions used. To assist you in meeting these new requirements, we will offer access to a training and Q&A session.

What are the contact options in case of queries?

Should you have any questions or require further assistance regarding associated tasks and processes, please feel free to reach out. Our support team is available via purchasing-sustainability@schaeffler.com. Or reach out directly to your respective Schaeffler purchaser. We look forward to supporting you in any way we can.

Thank you for your contribution!

We believe that by working together, we can achieve significant reductions in greenhouse gas emissions and set a new standard for sustainability in our industry. Your role in this journey is critical, and we are looking forward to jointly unlock the potentials of this transition.

Thank you for your continued partnership and dedication to a more sustainable future. We look forward to our ongoing collaboration and the positive impact we can make together.

Kind regards

Your Schaeffler Purchasing Team

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Which suppliers are affected by the requirements?

The requirements target Schaefflers' tier-1 suppliers in the first step. Additionally, Schaeffler encourages tier-1 suppliers to share and implement these requirements within their own supply chain. Your cooperation is critical in maximizing our efforts of transitioning Schaeffler's supply chain towards RE, and your commitment to achieving this objective together is appreciated.

What constitutes a Schaeffler relevant site?

In Scope is electricity used by direct suppliers at all of their Schaeffler relevant production sites. This includes: All production sites of the supplier (incl. its subsidiaries) that manufacture products for Schaeffler (incl. parts, materials or similar outputs that are used directly or indirectly in the development of Schaeffler's own products).

A site entails the location of one or more physical installations. If there is more than one physical installation from the same or different owners or operators and certain infrastructure and facilities are shared, the entire area where the physical installation is located may constitute a site.

How does Schaeffler define RE?

While other forms of energy are also recognized as relevant to Schaeffler's broader sustainability efforts, this definition of RE specifically pertains to electricity. Electricity from renewable sources is defined according to ESRS Annex II (Currently: Electricity from renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas. For details see Annex II in its latest version.

Electricity generated from nuclear power, natural gas, and other non-renewable sources is not considered as renewable in this scope.

Combined heat and electricity systems (as combustion turbine with heat recovery) are just perceived as RE, if the fuel used is considered renewable. For example, if natural gas is used, it is not considered RE, whereas if renewable hydrogen is used, it qualifies as RE. In cases where fossil fuels are used due to process requirements and waste heat is used for electricity generation, this must

be explicitly reported by the supplier, as such use is permitted as long as it is explicitly disclosed.

What types and options are available for using RE?

RE can be achieved by on-/offsite self-generation, by purchased electricity from PPA, green tariffs or unbundled certificates EACs (GoOs, RECs, I-RECs) – proven, produced and claimed in the same market as the respective supplier’s plant.

The following types of RE procurement are considered relevant and acceptable for meeting this requirement. Suppliers are encouraged to adopt one or more of these procurement methods to fulfill the 100% RE requirement, thereby contributing to Schaeffler’s sustainability goals. The procurement of RE is focused on market-based instruments. To support sustainable development in the best possible way, suppliers are recommended to follow the list in decreasing priority, with the first option being the most preferable and the third being the least.

- a. Self-Generation: Generating RE on-site at corporate facilities, utilizing technologies such as solar panels, wind turbines, or other renewable energy systems.
- b. Physical Power Purchasing Agreement (PPA): Engaging in direct procurement of RE from generators through a physical power purchasing agreement (or alternatively options as sleeved PPAs), ensuring the direct delivery of RE from the source.
- c. Unbundled EACs: Either through entering into a contract with an electricity supplier to purchase RE directly through a retail supply agreement (electricity provider manages EACs) or through direct management of EACs (including virtual Power Purchase Agreements); Purchasing unbundled EACs allows suppliers e.g. to effectively claim renewable attributes to the electricity they draw from the general grid. Even if the grid electricity is claimed as 100% renewable, suppliers or the energy provider must use EACs to substantiate this claim.

I am a **small/medium-sized enterprise (SME)**. Can you recommend **which purchasing options** I should prioritize?

As an SME with an annual energy consumption of less than 30 GWh, you may face challenges when trying to purchase Power Purchase Agreements (PPAs), as many providers require a minimum level of energy consumption. Additionally, investing in on-site generation may not be feasible. Therefore, the two most suitable options for SMEs are:

1. Green tariffs
2. Unbundled EACs

If in my country (e.g. China), **RE is not yet commonly available**. Are there any **exclusions** for my case?

No, Schaeffler does not accept exceptions. RE is available in all major industrial countries with a tendency of increasing RE production.

For **which countries** do I have to **claim 100% RE**?

There are no regional restrictions. For all Schaeffler relevant production sites, Schaeffler aims to transition its supply chain to 100% RE.

In how far are **combined heat and power systems** considered renewable?

Combined heat and electricity systems (as combustion turbine with heat recovery) are just perceived as RE, if the fuel used is considered renewable. For example, if natural gas is used, it is not considered RE, whereas if renewable hydrogen is used, it qualifies as RE. In cases where fossil fuels are used due to process requirements and waste heat is used for electricity generation, this must be explicitly reported by the supplier, as such use is permitted as long as it is explicitly disclosed.

What types of **proof documents** are accepted to verify my RE share to Schaeffler?

There are different options available for companies to procure RE which are presented in the following. Depending on company-specific RE strategies, a company may opt to combine multiple RE procurement types, such as using on-

site installations while simultaneously entering into PPAs to meet their overall electricity demand.

Procurement type	Procurement specification	Use of Energy Attribute Certificates (EACs)	Central proof documents required	Expected content of respective documents
<p>Additionally, to a necessary overview of the total electricity demand of the relevant sites (e.g. through invoices), for the different RE procurement types the following proof documents are requested:</p>				
1. Self-generation	Own and directly consume from own projects (On-Site/Off-Site, On-Grid/Off-Grid)	a) With EACs	EAC cancellation statement	EAC: Follow EU legislation (AIB EECS scheme) for EU countries and otherwise contain: Information on “cancelled by”, “cancelled in favour of”, “cancelled against the electricity consumption of site(s) X”, cancelled volume, cancellation date, cancellation registry, resource/fuel type, consumption period, serial ID
		b) Without EACs (On-Site)	Proof of generation, <u>and</u> Declaration of self-consumption	Accurate generation data incl. static data (e.g. fuel type, location, date of first operation, etc.) with third-party verification Metering of generation quantity, best when using a “revenue-grade meter” Producer identification (name, address), amount of electricity generated and self-consumed (MWh), sites relevant for Schaeffler supplied with self-generated RE
2. PPAs	Agreement between power producer/generator and company (on-site/off-site); Physical or Sleeved (energy service provider as intermediary involved)	a) With EACs	EAC cancellation statement, <u>and</u> PPA Contract	EAC: Follow EU legislation (AIB EECS scheme) for EU countries and otherwise contain: Information on “cancelled by”, “cancelled in favour of”, “cancelled against the electricity consumption of site(s) Xs.”, cancelled volume, cancellation date, cancellation registry, resource/fuel type, consumption period, serial ID Contract of the PPA agreement specifying central aspects as type of electricity generation, MWh used
		b) Without EACs (On-Site)	PPA Contract, <u>and</u> Proof of generation, <u>and</u>	Contract of the PPA agreement specifying central aspects as type of electricity generation, MWh used (individual examination of cases without EACs) Accurate generation data incl. static data (e.g. fuel type, location, date of first operation, etc.) with third-party verification Metering of generation quantity, best when using a “revenue-grade meter”

			Declaration of self-consumption	Producer identification (name, address), amount of electricity generated and self-consumed (MWh), sites relevant for Schaeffler supplied with self-generated RE
3. Unbundled EACs and Green Tariffs	Procurement of electricity at electricity provider	<p>a) green electricity is procured (energy provider manages EACs)</p> <p>b) grey electricity is procured and additionally, company manages EACs itself</p>	<p>Power supply contract, and</p> <p>EAC cancellation statement</p> <p>If no EAC cancellation statement is available: Certificate of attestation or similar</p>	<p>Buyer identification (name, address of site), contract duration, tariff type (green electricity tariff), electricity mix disclosure (detailed overview of RE shares)</p> <p>EAC: Follow EU legislation (AIB EECS scheme) for EU countries and otherwise contain: Information on “cancelled by”, “cancelled in favour of”, “cancelled against the electricity consumption of site(s) X”, cancelled volume, cancellation date, cancellation registry, resource/fuel type, consumption period, serial ID</p> <p>If power supply contract does not provide the information on RE share required or no EAC cancellation statement is available, certificate of attestation or similar is requested Confirmation that sufficient EACs have been cancelled and provision of information about electricity mix provided.</p>

Why is it required to submit **specific EACs to proof my RE share?**

The primary goal is to ensure that double counting is avoided, guaranteeing that specific EACs are claimed by only one entity, maintaining the integrity of RE claims. Each EAC is tied to 1 MWh of RE and serves as proof that this electricity was generated and claimed by a single entity. By submitting EACs, you verify your RE usage, ensuring it cannot be claimed by another party, which is crucial for maintaining integrity and compliance in energy reporting. Examples of prohibited double counting include, but are not limited to, e.g. when more than one party claims the same EAC - whether stated or implied - related to electricity from renewable sources.

How can I **communicate my RE usage** to Schaeffler?

Existing suppliers will be gradually contacted to request for datapoints via SupplyOn and Coupa.

My **grid mix** shows a **huge share of nuclear power**. Is this considered RE? If not, what can I do?

No, nuclear energy is not considered RE. To claim RE, you or the electricity provider must retain EACs to substantiate this claim. Purchasing unbundled EACs allows you e.g. to effectively claim renewable attributes to the electricity you draw from the general grid.

My **grid mix shows 50% RE**. Thus, can I claim 50% RE?

No, claiming the grid mix of RE is double-claiming use of RE which other companies have actively purchased for themselves. To claim 50% RE, you must request the EACs from your electricity supplier. For the non-renewable share of your grid mix, purchasing unbundled EACs allows you e.g. to effectively claim renewable attributes to the electricity you draw from the general grid.

My **grid mix** shows 60% of RE and 40% of non-renewable electricity. Would it be **sufficient to acquire EACs for the 40% share of non-renewable electricity only?**

No, claiming the grid mix of RE is double-claiming use of RE which other companies have actively purchased for themselves. While you can claim the 40% share of RE by acquiring sufficient EACs, you must also provide evidence for the 60% RE through sufficient EAC cancellation statements from your electricity supplier to substantiate this claim.

How can I **verify the share of RE in my regular electricity mix** provided by my electricity supplier?

You cannot directly claim the share of RE in your standard electricity mix. Instead, you need to select one of the procurement options for renewable electricity, such as green tariffs.

I have a **green tariff** with my electricity supplier. Thus, can I **claim 100% RE?**

Yes, but in addition to the electricity supply contract, in order to claim 100% RE, you are required to provide evidence through sufficient EAC cancellation statements from your electricity supplier.

Can I purchase **carbon offsetting programs** for my electricity consumption to claim 100% RE?

No, Schaeffler does not accept offsetting measures.

Is it sufficient if I **proof 100% RE for the Schaeffler product manufactured**, or is the proof required for the entire production site?

As defined the requirements focuses on the transition of entire production sites to 100% RE. If, after exhaustion of all alternatives, suppliers can only provide 100% RE for the share that is used for the production of Schaeffler products and not the entire site, this mass-balance approach must be externally audited. Suppliers must ensure that methodology applied is fully transparent, thoroughly documented, and subject to external audits. Suppliers are required to submit all relevant external audit reports as part of their proof documentation. Used EAC Cancellation statement should in this case also include information that the electricity is cancelled against the electricity consumption of the electricity use for Schaeffler products. All documents must clearly outline how the allocation of RE to Schaeffler's products is calculated and that the methodology is independently verified.

I have installed an **off-grid solar panel** on my roof, which **supplies 10% of my total electricity consumption**. Can I automatically **classify this as RE**? Additionally, can I **allocate all of that 10% to Schaeffler products**, even though they account for 25% of my total production volume?

Even with on-site off-grid electricity generation, you must verify the attributes of the RE. You need to demonstrate the annual production of your solar panel and provide proof of the electricity consumption for Schaeffler products in your facility. You can only claim the portion of electricity consumption that is covered by the solar panel's production as RE. In this case, the 10% generated is insufficient to meet the total electricity needs of Schaeffler products. You will

need to use an additional method to cover the remaining 15%, such as purchasing unbundled EACs.

You must ensure that the "mass-balance" methodology applied is fully transparent, thoroughly documented, and subject to external audits. You are required to submit all relevant external audit reports as part of their proof documentation. The used EAC Cancellation statement should in this case also include information that the electricity is cancelled against the electricity consumption of the electricity use for Schaeffler products. All documents must clearly outline how the allocation of RE to Schaeffler's products is calculated and that the methodology is independently verified.

Can I transfer an EAC from one market to another, for example, by purchasing a Renewable Energy Certificate (REC) in the USA and using it for my plant in China?

No, EACs must be obtained from the same EAC market as the company consuming the electricity.

Can I use an EAC from one country for another country within the same EAC market, such as buying a Guarantee of Origin (GoO) in Spain and applying it to my plant in Germany?

Yes, you can. Since Germany and Spain are part of the same EAC market (European Energy Certificate System (EECS)), a GoO is recognized across all countries within that market.

Annex 2: Glossary

Term	Definition
CS (Conformity Statement)	Formal document in which a supplier commits to using 100% RE immediately upon signing. By signing the CS, the suppliers take full responsibility for complying with this commitment, ensuring that all electricity consumed meets the specified renewable criteria.
DoI (Declaration of Intent)	Formal document in which a supplier commits to achieving 100% RE by a clearly defined target date, which must be no later than 2030. By signing the DoI, the supplier takes full responsibility for complying with this commitment, ensuring that all electricity consumed by the target date declared meets the specified renewable criteria.
Direct supplier	Suppliers that belonging to Schaeffler's tier 1 supply chain.
EAC (Energy Attribute Certificate)	EACs operate within a book-and-claim system to trace the attributes of each megawatt-hour (MWh) of electricity from the producer to the consumer. For renewable EACs, they serve as evidence of the unique characteristics of each MWh of generated renewable electricity. EACs must provide all relevant details about the generation of the underlying green electricity, including the location, fuel type, and the specific month or quarter of generation. Each EAC must be linked to 1 MWh of actual green electricity generation, regardless of the size of the facility or its proximity to the consumer.
EECS (European Energy Certificate System)	Refers to the harmonized system for European GoOs. It was established to promote the generation and consumption of RE within the EU and enables the tracking and verification of RE production through the issuance of certificates.
GoO (Guarantee of Origin)	Refers to the specific type of EAC, mainly used in Europe.
Green tariff	Pricing plan offered by utility companies that allows customers to purchase renewable electricity directly from the utility at a premium rate. This electricity is sourced from renewable energy projects, such as wind or solar farms, and is supplied through the existing power grid.
Mass balancing	In the context of renewable electricity, mass balancing provides a methodological framework for verifying and substantiating claims of RE consumption attributed to the manufacturing specific products or services.
on-grid / off-grid	Refers to the electricity source being either connected to the grid (on-grid) or operating independently from it (off-grid).
PPA (Power Purchasing Agreement)	A long-term contract between a company (the buyer) and an electricity producer (the seller). Through a PPA, the buyer agrees to purchase a specified amount of renewable electricity at a fixed price directly from the electricity producer. This arrangement allows companies to secure renewable electricity without owning or operating their own generation assets.
Production site	All production sites of the supplier (incl. subsidiaries) that manufacture products for Schaeffler (incl. parts, materials or similar outputs that are used in the development of Schaeffler's own products).

PVO (Purchasing Volume)	Refers to the total value of goods or services that a company procures from its suppliers over a specific period. It includes all purchases made to support the company's operations, such as raw materials, components, and services.
RE (Renewable Electricity)	Electricity from renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas (cf. ESRS Annex II). This means that electricity generated from nuclear power and other non-renewable sources is not considered as renewable.
REC (Renewable Energy Certificate)	Refers to the specific type of EAC, mainly used in the US and Canada.
RE KPI (Renewable Electricity Key Performance Indicator)	Refers to Schaeffler's commitment of 70% of its PVO to be produced with 100% RE. The RE KPI is designed to measure and track the progress of the company's progress towards transitioning towards RE within its supply chain.
Schaeffler relevant production site	All production sites of the supplier (incl. subsidiaries) that manufacture products for Schaeffler (incl. parts, materials or similar outputs that are used in the development of Schaeffler's own products).
Scope 1/2/3 emissions	According to greenhouse gas (GHG) Protocol corporate standard, a company's GHG emissions are classified into three scopes. Scope 1 includes direct emissions from sources the company controls, like company-owned vehicles or on-site electricity production. Scope 2 covers indirect emissions from the generation of purchased electricity, heating, or cooling used by the company. Scope 3 encompasses all other indirect emissions throughout the value chain, such as those from suppliers or the use of sold products. The scopes help companies identify, measure, and reduce their total GHG footprint across different areas of impact.
Tier 1/2	In supply chain management, Tier 1 and 2 refer to different levels of suppliers based on their proximity to the purchasing company. Tier 1 suppliers are the direct suppliers to a company. They provide components, products, or services that are immediately used in the company's production process or operations. Tier 2 suppliers are one step further back in the supply chain, providing goods or services to the Tier 1 suppliers.