

Corporate Governance

Report of the Supervisory Board

Dear shareholders,

The Supervisory Board comprehensively fulfilled all tasks incumbent upon it under applicable law, the Articles of Incorporation and By-Laws in fiscal 2020. We closely supervised, carefully monitored and advised the Executive Board in the management of the company. We have satisfied ourselves of the legality and expediency of management. We were directly involved in a timely manner in all decisions of fundamental importance to the company.

The Executive Board provided the Supervisory Board with regular, timely and comprehensive updates at its meetings and in writing on all issues of relevance to the company. In particular, these include the business performance, planning, business strategy, significant business transactions in the company and the Continental Group, and the related risks and opportunities, as well as compliance issues. The members of the Supervisory Board were also available to the Executive Board for consultation outside the meetings. As chairman of the Supervisory Board, I had regular contact with the Executive Board, in particular with its chairman, and discussed current company issues and developments with them. Pursuant to a suggestion of the German Corporate Governance Code, I also held discussions with investors in 2020 on topics specific to the Supervisory Board.

Meetings of the Supervisory Board and the committees

The COVID-19 pandemic affected the work of the Supervisory Board in a variety of ways. Due to the contact and travel restrictions, the Supervisory Board and its committees were only able to meet in person at the start of the year and in September 2020. Most meetings were held virtually. This meant that the participants were connected to one another via a secure online communication platform, could follow the presentations on screen and make contributions to the discussions at any time. In total, the Supervisory Board convened for four ordinary meetings and five extraordinary meetings in 2020, as well as for the strategy meeting and an information session. The Supervisory Board passed one resolution by means of a written procedure. At its meetings, the Supervisory Board regularly conferred part of the time in the absence of the Executive Board. The Chairman's Committee held eight meetings in the reporting year. The Audit Committee met four times in 2020. The Nomination Committee held a written vote. The Mediation Committee in accordance with Section 27 (3) of the German Co-determination Act (Mitbestimmungsgesetz - MitbestG) was not required to meet in 2020. The Committee for Related Party Transactions, which was newly established in 2020, was likewise not required to meet. There are no other committees. All committees report to the plenary session on a regular basis. The corporate governance statement starting on page 16 describes their responsibilities in more detail and names their members.

In fiscal 2020, all members of the Supervisory Board attended more than half of the meetings of the plenary session and also of the committees to which they belonged. A detailed account of each Supervisory Board member's meeting attendance will be published in the Investors section of our [website](#) on March 23, 2021, with the invitation to the Annual Shareholders' Meeting.

Key topics dealt with by the Supervisory Board and the Chairman's Committee

At each meeting of the plenary session, the Executive Board informed the Supervisory Board in detail of the sales, results and employment development in the Continental Group and individual business areas as well as the financial situation of the company. Where the actual course of business deviated from the defined plans and targets, the Executive Board provided detailed explanations. It discussed the reasons for these deviations and the measures introduced in depth with the Supervisory Board. In addition, the Executive Board regularly informed us about the Continental Group's main raw materials and sales markets and about Continental AG's share price performance.

As was the case in the second half of 2019, the Supervisory Board meetings throughout the reporting year additionally addressed the major challenges that the company is facing as a result of the partially disruptive and ever accelerating transformation of the automotive industry, and which have become exacerbated to the point of crisis due to the effects of the COVID-19 pandemic worldwide. The restructuring plans summarized in the Transformation 2019-2029 structural program as well as further measures taken by the Executive Board to increase the company's financial strength and competitiveness were the subject of intense and sometimes contentious discussions in several meetings throughout the year, starting with an extraordinary meeting on **February 19, 2020**.

At this meeting on **February 19, 2020**, the Supervisory Board also approved the new remuneration system for members of the Executive Board, valid as of January 1, 2020, after further extensive discussion. This is described in detail in the remuneration report. We also dealt with the preparations for the spin-off and subsequent listing of Vitesco Technologies, and were informed about this in detail once again at a separate information session on **March 3, 2020**. This spin-off was also discussed at the meeting to approve the annual financial statements on **March 17, 2020**, in which the Supervisory Board further acknowledged the decision to postpone the Annual Shareholders' Meeting scheduled for April 30, 2020, due to the restrictions as a result of COVID-19. Other topics of focus in this meeting included the determination of remuneration paid to individual members of the Executive Board as well as the company's annual financial statements and the consolidated financial statements for 2019, which we discussed and approved in the presence of the auditor. In addition, based on the reasoned recommendation of the Audit Committee, we declared our intention to propose to the 2021 Annual Shareholders' Meeting the appointment of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hanover (PwC), as the new auditor for fiscal 2021. At a further extraordinary meeting on **April 16, 2020**, the Executive Board provided the Supervisory Board with an in-depth report on the situation for employees and the company with respect to the coronavirus pandemic and the measures to protect against it. The meeting on **April 30, 2020**, was devoted, among other topics, to the presentation of Prof. Paul Erker's study on the history of Continental during the Nazi era as well as reports on the status of the Transformation



2019-2029 structural program. The Supervisory Board further acknowledged the Executive Board's decision to postpone the spin-off of Vitesco Technologies due to the COVID-19 pandemic and the resulting ongoing economic uncertainty. In addition, the Supervisory Board approved amendments to its By-Laws and those of the Audit Committee in line with the German Act for the Implementation of the 2nd EU Shareholder Rights Directive (*ARUG II*) and the new version of the German Corporate Governance Code.

On **June 3, 2020**, another extraordinary Supervisory Board meeting was held. The main topics of discussion were the approval for holding a virtual Annual Shareholders' Meeting on July 14, 2020, and its preparation, a waiver of remuneration for the members of the Supervisory Board and the Executive Board, and the appointment of Andreas Wolf as a member of the Executive Board for the Powertrain business area. Following the virtual Annual Shareholders' Meeting on **July 14, 2020**, the Supervisory Board convened again to discuss business performance and agreed on restructuring measures in Mexico and Spain. At the full-day strategy meeting on **September 29, 2020**, the Executive Board and the Supervisory Board once again discussed at length the strategic objectives and strategic planning of the Continental Group and the business areas, as well as the HR strategy. The main topics of discussion were the growth strategy for Rubber Technologies, vehicle architecture and connectivity, software and systems excellence, and autonomous

mobility and safety, as well as the activities of co-pace, Continental's start-up organization. We again devoted a larger part of the meeting on **September 30, 2020**, to discussions without the Executive Board, including discussions relating to the succession planning for the Executive Board. The Supervisory Board also approved the closure of the tire plant in Aachen and the automotive location in Karben, the restructuring measures at the Regensburg location, and the repatriation of the business from associate Osram Continental. Finally, the head of the Compliance department submitted her annual report to the plenary session on the department's work and significant compliance cases. On **November 12, 2020**, another extraordinary meeting took place: we approved the early termination of the directorship of Dr. Elmar Degenhart, who announced on October 29, 2020, that he would be stepping down from his position as chairman of the Executive Board for health reasons effective November 30, 2020, and we appointed Nikolai Setzer as his successor. The Executive Board also informed us about the Capital Market Days in December 2020.

At its meeting on **December 15, 2020**, the Supervisory Board discussed in detail the annual planning for 2021 and the long-term planning. It also approved the planning and the investment plans for fiscal 2021. In addition, we determined the objectives for the short-term and long-term variable remuneration components for the members of the Executive Board.

At its meetings on **February 19, March 17, June 3, November 12** and **December 15, 2020**, the Chairman's Committee held preparatory discussions in particular regarding the plenary session's decisions on the remuneration system for the members of the Executive Board, the determination of their individual remuneration, the remuneration of the Supervisory Board, and other personnel matters relating to the Executive Board. In addition, at its meeting on February 19, 2020, it approved the granting of guarantees for the business of Vitesco Technologies with specific automotive manufacturers, which will remain effective after the spin-off. The Chairman's Committee also dealt with this topic again at an extraordinary meeting on **October 19, 2020** and at its December meeting. At a meeting on **April 30, 2020**, it approved additional financing for associate Osram Continental, and on **September 30, 2020**, it approved the issuing of bonds as part of the Debt Issuance Programme.

Key topics dealt with by the Audit Committee

The Audit Committee was also informed by the Executive Board in detail and on an ongoing basis about sales, results and employment development in the Continental Group and individual business areas as well as the financial situation of the company. The Executive Board is assisted by the heads of Accounting and Group Controlling, who can provide the Audit Committee directly with information at its meetings. In addition, the chairman of the Audit Committee is in contact with the chief financial officer and the auditor of the Continental Group outside of the meetings on a regular basis.

As a focus of each of its quarterly meetings, the Audit Committee talks with the Executive Board about the accounting as at the end of the previous quarter and the outlook for the year as a whole as well as the quarterly and half-year financial reports prior to their publication. At its meeting on **March 3, 2020**, the Audit Committee discussed the company's annual financial statements and the consolidated financial statements as well as the non-financial statement for 2019 with the Executive Board and the auditor and recommended their approval to the plenary session of the Supervisory Board. The interim financial statements as at June 30, 2020, were reviewed by KPMG AG Wirtschaftsprüfungsgesellschaft, Hannover (KPMG), on behalf of the Audit Committee. The work of the Compliance and Group Audit departments and reporting on significant incidents are also regular topics at each quarterly meeting. This includes in particular the matters described in more detail in the report on risks and opportunities and in the notes to the consolidated financial statements. The head of the Compliance department and the head of Group Audit are also available to provide information directly to the Audit Committee and its chairman in coordination with the Executive Board. The chairman of the Audit Committee shares key information as part of his regular reporting to the plenary session. In addition, the Executive Board reports to the Audit Committee on the material risks covered by the risk management system and the corresponding measures resolved. The Audit Committee has satisfied itself of the effectiveness of the internal control system, the risk management system and the internal audit system.

In addition to these recurring topics, at its meeting on **March 3, 2020**, the Audit Committee had a final discussion of the results of the selection process for the change of auditor required in 2021 and decided to recommend to the plenary session of the Supervisory Board that the appointment of PwC as the new auditor for fiscal 2021 be proposed. On **July 31, 2020**, the Audit Committee heard information on the progress of major acquisition and investment projects, as it does regularly every year. In 2020, this related in particular to the purchase of an indirect minority stake in HERE International B.V., Netherlands, as well as the takeover of Kathrein Automotive GmbH, Germany, by the Vehicle Networking and Information business area and of Kmart Tyre and Auto Service Ltd., Australia (now operating under the name Tyre and Auto Pty Ltd, Australia), by the Tires business area. The Executive Board provided the Audit Committee, at its meetings on **July 31** and **November 4, 2020**, with in-depth information about the investigations initiated by the public prosecutor's office against Continental employees in connection with the diesel scandal as a result of supplying the engine control unit for the EA 189 engine to VW. This matter was also the subject of reports by the chairman of the Audit Committee to the plenary session and of regular exchanges with the Supervisory Board chairman. Also discussed on multiple occasions were the allegations made by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) regarding an alleged failure to issue an ad hoc disclosure in connection with the publication of the results for the third quarter of 2016. At the meeting on **November 4, 2020**, the Audit Committee issued the mandate for the audit of the 2020 annual and consolidated financial statements and the dependent company report to the auditor appointed by the Annual Shareholders' Meeting, KPMG, after obtaining the necessary dependent company report, and coordinated key audit matters with the auditor. KPMG was also commissioned to audit the combined non-financial statement. In addition, the Audit Committee defined an approval framework for commissioning the auditor with permissible non-audit services in accordance with the EU Audit Regulation. The Executive Board regularly informs the Audit Committee about the use of this authorization.

Corporate governance

At its meeting in December 2020, the Supervisory Board agreed to an updated declaration in accordance with Section 161 of the German Stock Corporation Act (*Aktiengesetz - AktG*) on the recommendations of the German Corporate Governance Code (*Deutscher Corporate Governance Kodex*) ("the Code"). It refers to both the Code as amended on February 7, 2017, and the new version of the Code dated December 16, 2019. Owing to the Code's revised recommendations, the Supervisory Board also approved adjustments to the "objectives for the composition of the Supervisory Board." There were no conflicts of interest for members of the Supervisory Board in the reporting year. In its opinion, the Supervisory Board also had an appropriate number of independent members, in particular on the shareholder side, as defined in the Code at all times in the period under review. Further information on this topic and on corporate governance in general is included in the corporate governance statement starting on page 16.

Annual and consolidated financial statements; combined non-financial statement for 2020

KPMG audited the annual financial statements as at December 31, 2020, prepared by the Executive Board in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch - HGB*), the 2020 consolidated financial statements and the combined management report for the company and the Continental Group, including the accounts, the accounting-related internal control system and the system for early risk recognition. The 2020 consolidated financial statements of Continental AG were prepared in accordance with the International Financial Reporting Standards (IFRS). The auditor issued unqualified opinions. In terms of the system for early risk recognition, the auditor found that the Executive Board had taken the necessary measures under Section 91 (2) *AktG* and that the company's system for early risk recognition is suitable for identifying developments at an early stage that pose a risk to the company as a going concern. In addition, KPMG audited the Executive Board's report on relations with affiliated companies pursuant to Section 312 *AktG* (dependent company report). KPMG issued the following unqualified opinion on this report in accordance with Section 313 (3) *AktG*:

"Based on the results of our statutory audit and evaluation we confirm that:

- > the actual information included in the report is correct,
- > with respect to the transactions listed in the report, payments by the company were not unduly high or that detrimental effects had been compensated for, and
- > there are no circumstances in favor of a significantly different assessment than that made by the Executive Board in regard to the measures listed in the report."

The Audit Committee discussed the documents relating to the annual financial statements, including the dependent company report, and the auditor's reports with the Executive Board and the auditor on March 2, 2021. Furthermore, the plenary session of the Supervisory Board discussed these at length at its meeting to approve the annual financial statements on March 16, 2021. The discussions also concerned the combined non-financial statement for the Continental Group and for Continental AG according to Section 289b and Section 315b *HGB*. The required documents were distributed to all members of the Audit Committee and the Supervisory Board in good time before these meetings so that the members had sufficient opportunity to review them. The auditor was present at these discussions. The auditor reported on the main results of the audits and was available to provide additional information to the Audit Committee and the Supervisory Board. Based on its own review of the annual financial statements, the consolidated financial statements, the combined management report of Continental AG and of the Continental Group, as well as the dependent company report including the final declaration of the Executive Board, and based on the report and the recommendation of the Audit Committee, the Supervisory Board concurred with the results of the auditor's audit. There were no objections. The Supervisory Board approved the annual financial statements and the

consolidated financial statements. The annual financial statements are thereby adopted. KPMG issued an unqualified opinion for the combined non-financial statement. Based on the Supervisory Board's own review, the Audit Committee's report on its preliminary examination and its recommendation, and KPMG's audit and unqualified opinion on the combined non-financial statement, the Supervisory Board finds that the combined non-financial statement is correct and appropriate and was prepared in accordance with Sections 315b and 315c in conjunction with Sections 289c to 289e *HGB*.

The Supervisory Board together with the Executive Board will propose to the Annual Shareholders' Meeting on April 29, 2021, to forgo the payment of a dividend for the past fiscal year and that the retained earnings for fiscal 2020 be carried forward in full to new account.

Personnel changes in the Supervisory Board and Executive Board

There were no personnel changes made in the Supervisory Board in 2020.

Further information on the members of the Supervisory Board and its committees who were in office in the year under review can be found on pages 19 and 20 and on pages 219 and 220.

At its meeting on June 3, 2020, the Supervisory Board appointed Andreas Wolf as a member of the Executive Board for the Powertrain business area. After the spin-off of Vitesco Technologies had to be postponed, this decision gives due consideration to his responsibility for the business area that he took over in October 2018. On October 29, 2020, Dr. Elmar Degenhart informed us of his wish to resign from his position as chairman of the Executive Board for health reasons as of November 30, 2020. The Supervisory Board approved this on November 12, 2020. Once more, we would like to express our thanks to Elmar Degenhart for his outstanding performance, his exemplary leadership and his considerable contribution to Continental's success over the years. We wish him all the best for the future, and in particular good health. At the same time, the Supervisory Board appointed Nikolai Setzer as chairman of the Executive Board. Nikolai Setzer will continue to serve as chairman of the Automotive Board.

The Supervisory Board would like to thank the Executive Board, all the employees and the employee representatives for their considerable dedication over the past year.

Hanover, March 16, 2021

For the Supervisory Board,



Prof. Dr.-Ing. Wolfgang Reitzle
Chairman