

ODDO BHF VIRTUAL SUSTAINABILITY FORUM



Ticker: CON
ADR-Ticker: CTTAY
<http://www.continental-ir.com>

Thomas Sewald, Head of Group Environmental & Climate Protection
June 15, 2021

Technological and Societal Changes

Challenges and Opportunities



Our Objectives

What Drives Our Strategy?

**What do
we want?**



**Emerge as a winner
of the transformation.**



Create value for all stakeholders.

Customers, suppliers, employees,
partners, communities and shareholders.

Our Strategy

Emerge as a Winner of the Transformation

1

Strengthen operational performance

- › Right-size cost structure
- › Commitment to efficiency and quality

2

Differentiate our portfolio

- › Win in growth businesses
- › Manage value businesses for profitability and cash

3

Turn change into opportunity

- › Embrace sustainability
- › Focus on passion to win and transparency and ownership

Our Sustainability Ambition

Providing the Framework to Turn Change into Opportunities

Our Key Ambitions

By 2050 at the latest, we and our value chain partners are striving for:



100% Carbon Neutrality
along our entire value chain



100% Emission-free mobility and industry



100% Circular Economy



100% Responsible Value Chain



+ 8 Essentials



Good working conditions



Green and safe factories



Innovations and digitalization



Benchmark in quality



Safe mobility



Long-term value creation



Sustainable management practices



Corporate citizenship

**Foster innovation and
phase in new business**

**Transform or phase out
non-viable business**

**Sustainable
business practices**

Management of Sustainability

Systematic Approach Based on Ownership, Integration and KPIs

Governance

(Group Sustainability Steering Committee)

The relevant top management involved

Strategy Integration

Integrated in all aspects



Rating Performance

In the upper range

Reporting

According to various standards GRI, Global Compact, SDG referenced, TCFD considered

Scorecard





Basis for any kind of reporting and process integration

Compensation & Finance

Integrated non-financial KPIs

Implementation of the Ambitions Ranges from Products to Supply Chain

Our Value Chain

-  Carbon neutrality along our entire value chain
-  Emission-free mobility and industry
-  Closed resource and product cycles
-  Responsible sourcing and business partnerships

Supply Chain	Operations	Products & Customers
●	●	●
●	●	●
●	●	●
●	●	●





Product example:
Components for ID.3





Supply chain initiative
example: Rubberway

Continental's Comprehensive Pathway for Full Carbon Neutrality along Our Entire Value Chain

2020  Entirely green purchased electricity ^{achieved} **RE 100** Project

2022  Entirely Carbon neutral business with emission-free vehicles ^{started in 2021}

2040  Entirely Carbon neutral own operations ^{started in 2021}

2050  100% carbon neutral along our entire value chain
at the latest

What Does Carbon Neutrality Mean for Continental?

Overview and Terminology on CO₂ Emissions



0.99 mn mt
CO₂e

related to
our own operations



Scope 1
emissions

Emissions that are the direct result
of **owned or controlled** sources



108 mn mt
CO₂e

related to
our business
activity



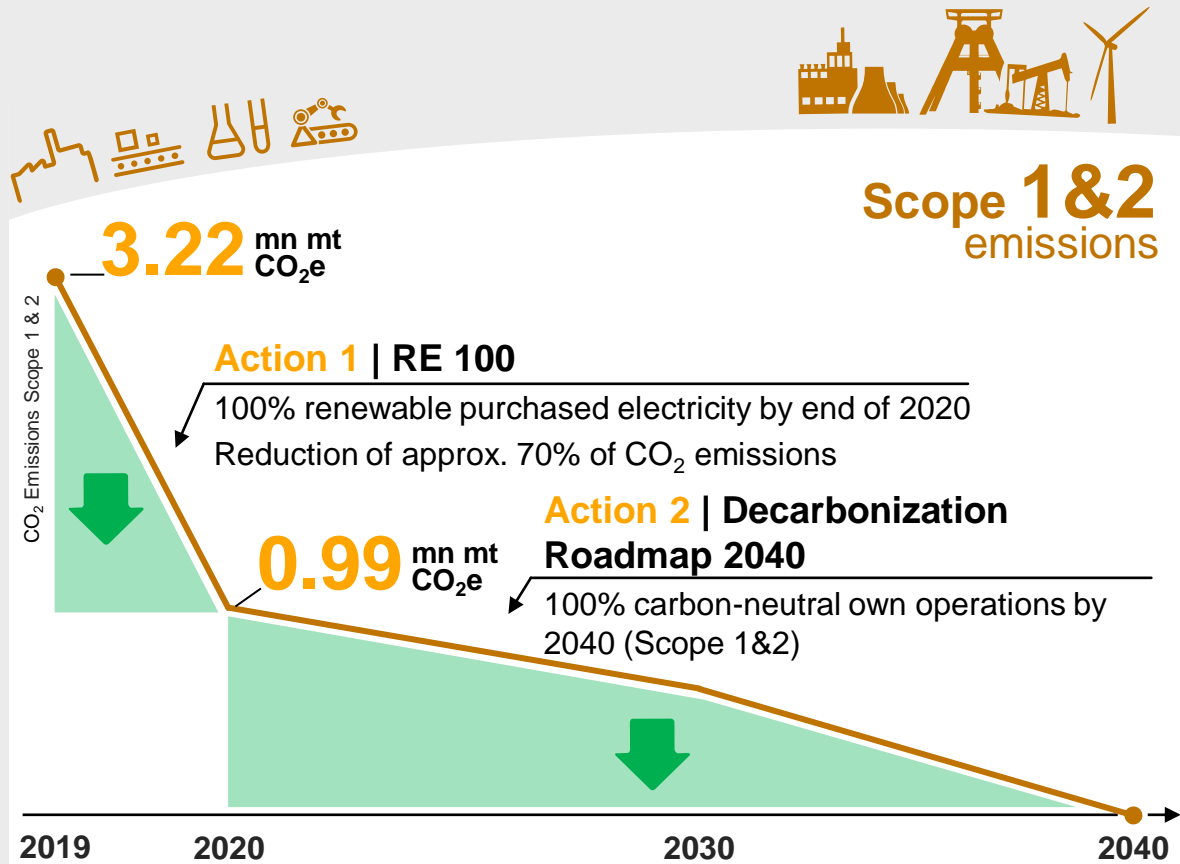
Scope 3
emissions

Emissions indirectly resulting from
the **extraction of purchased materials**
and fuels, transport-related activities such
as business travel, outsourced activities,
waste disposal, etc.

Scope 2
emissions

Emissions indirectly resulting from
the **generation of purchased energy**

How Will We Reach Our CO₂ Targets for Own Operations?



SCIENCE
BASED
TARGETS

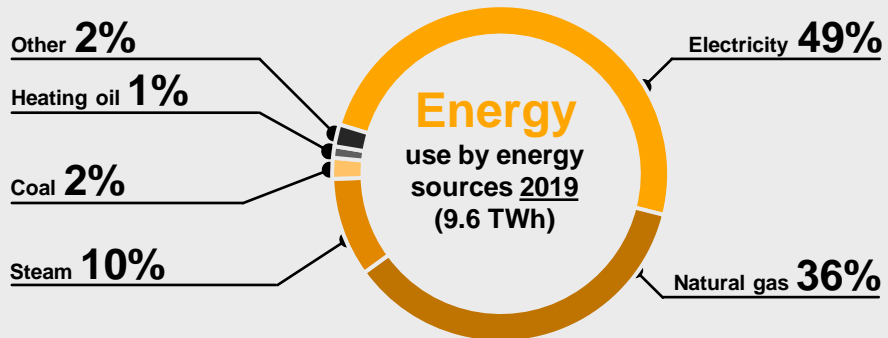
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

- › Our targets are in line with the **1.5°C** trajectory for **Scope 1 & Scope 2**
- › Our targets are in line with a **well-below 2°C** trajectory for **Scope 3**
- › So far, only few other companies in the automotive sector have a 1.5°C target approved – that brings Continental into a top 10 position among its competitors

Action 1 | RE 100

100% Emission-free from Purchased Electricity

RE 100 Project

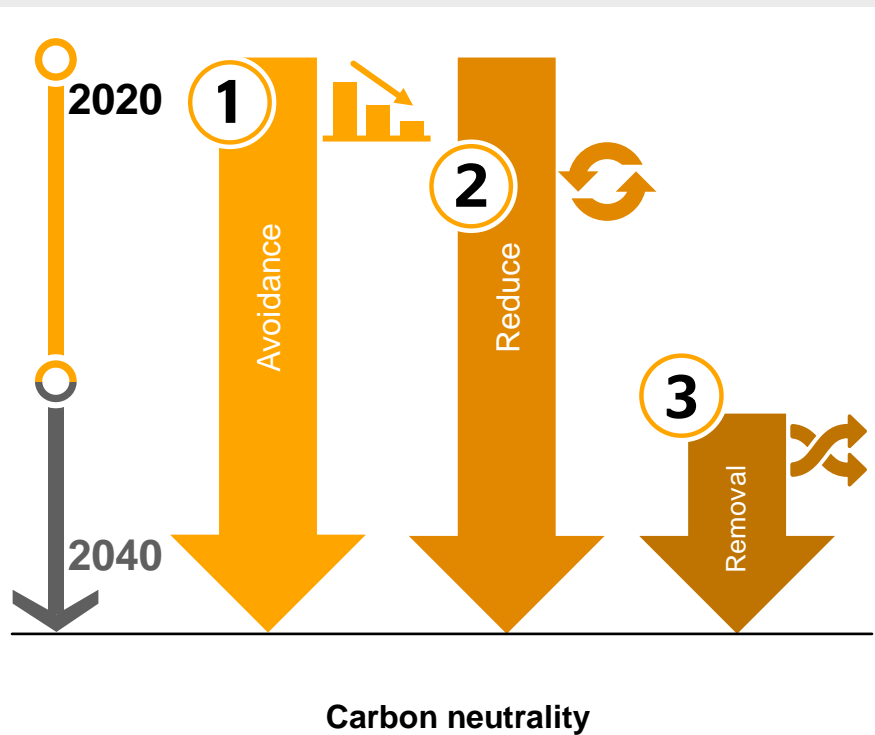


Goal of **100%** reached by end of 2020 incl. “reasonable assurance” by third party

100% reduction of Scope 2 emissions from purchased electricity

Action 2 | Technology Roadmap 2040

Our Three-Step Approach towards Decarbonization

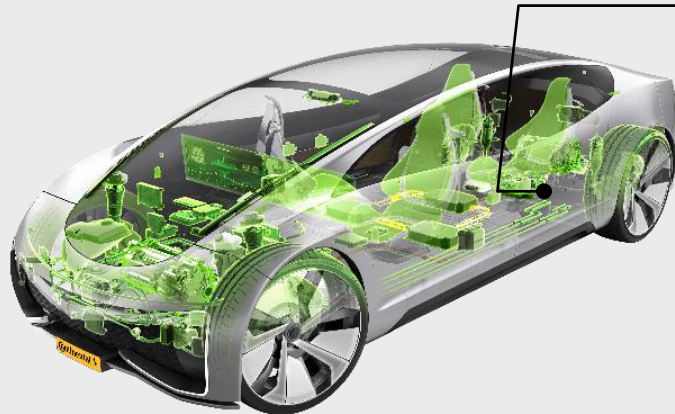


- 1 Reduction of CO₂ emissions**
Effective and sustainable avoidance of CO₂-emissions with energy efficiency measures (Scope 1&2), technology transformation, guidelines and the implementation of a clear roadmap to zero Scope 1 emissions
- 2 Switch to renewable energies**
Switch to renewable energy sources along our operational processes by using renewable electricity (Scope 2) and e.g. biofuels, green Hydrogen (Scope 1)
- 3 Removal of unavoidable CO₂ emissions**
Removal as a last step for remaining unavoidable emissions which can not be reduced by efficiency measures or technology transformation processes

We Are Already a Relevant Player in Emission-Free Mobility

already **0.83** bn €

allocated ZTEV business in 2020



Key components for emission-free mobility

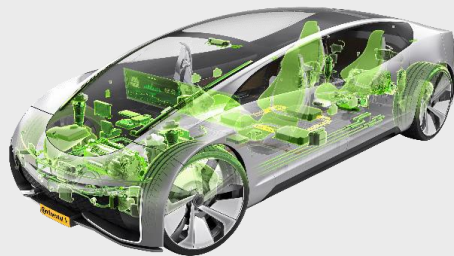
- High-performance computer
- Advanced surface materials
- Drum brakes with electromechanical parking brake function
- Sophisticated thermal management
- High performance tires
- And many more

100% emission-free mobility and industries latest by **2050**

Program: “Carbon Neutral for Emission-free Vehicles”

Starting in 2022, We Will Neutralize the CO₂ Backpack

“CO₂ backpack”
from raw materials,
production, logistics and
utilization at the end of
product life



Allocated ZTEV Business

“Negative CO₂ emissions”:

In the first step, emissions are
neutralized by generating
negative emissions of the same
magnitude.



ZTEV = Zero Tailpipe Emission Vehicles = vehicles without
emissions related to the propulsion = especially electric, fuel
cells or hydrogen vehicles, but also streetcars and bicycles

In a Circular Economy There is No Waste – Just Material in the Wrong Place

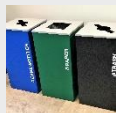
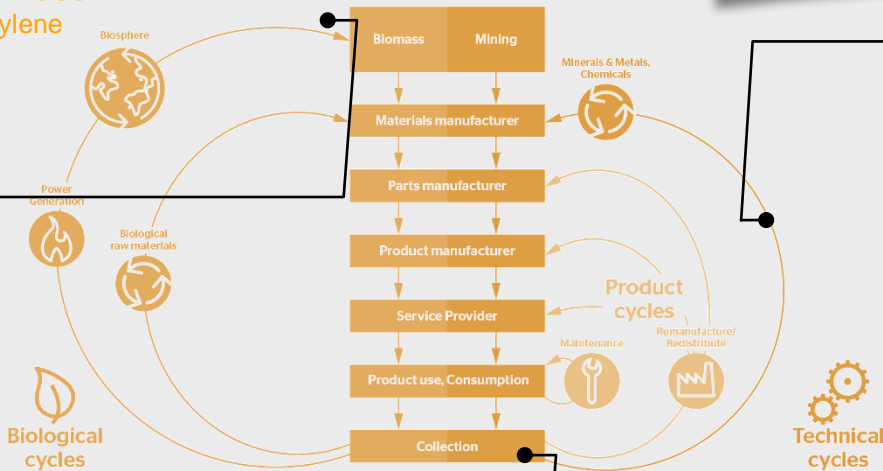
100% closed product and resource cycles latest by **2050**



Eco rubber garden hose
made of sugar cane ethylene



Bicycle tires
made of natural rubber
from dandelions



95% recycling quota in own operations until 2030



Refurbished air springs
for urban trains in Hamburg



Recycled carbon black
recovered from end-of-life tires



Retreaded tires
for commercial vehicles

Reducing Waste

We Reach Our Targets by Striving for Closed Resource Cycles

The Challenges

- › Globally around 90 billion tons of materials are used each year to fuel our economy
- › Most of the resources follow a linear value chain model.
- › Closed material cycles are necessary to mitigate negative impact on our business.

Our Approach

The Waste Hierarchy



2%

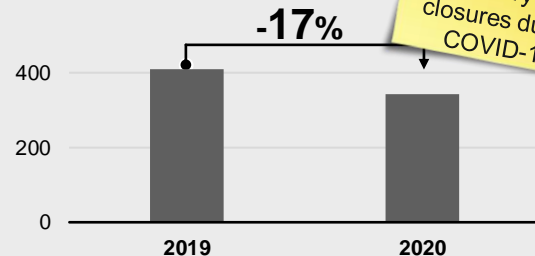
reduction of waste generation per year based on sales

95%

improvement of the recycling quota by 2030

Our Results

Total Waste [in kilotons]



Recycling Quota [in %]

Saving Water

Reduction of Water Intensity Driven by Risk-Based Approach

The Challenges

- › Water is an existential and important resource
- › Water scarcity and water scarcity risks in the value chain must be mitigated effectively

Our Approach

Risk-based targets for water security and a global framework for water programs:



4%

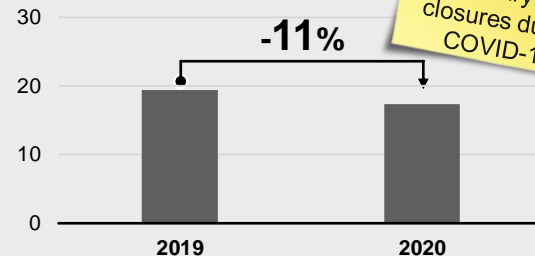
reduction of water demand per year based on sales in water stress high risk areas

2%

reduction of water demand per year based on sales in water stress medium and low risk areas

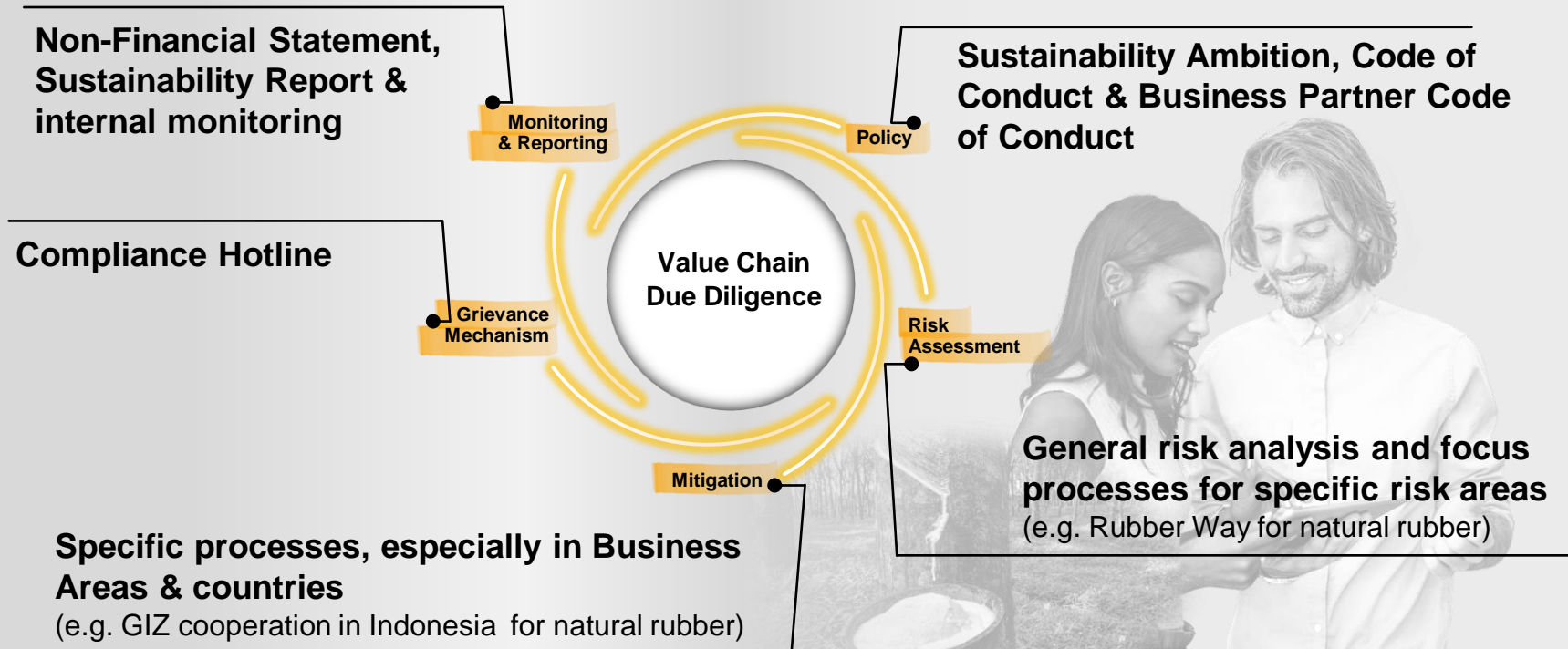
Our Results

Water withdrawal [in million m³]



Effected by temporary plant closures due to COVID-19

Our Approach on Responsible Value Chains Follows the Due Diligence Cycle



The Sustainability Scorecard Monitors Our Performance

Key Performance Indicators (Reasonable Assurance)

Material Sustainability Topics	Key Performance Indicators	2019	2020
Carbon neutrality	Direct CO ₂ emissions (Scope 1) in millions of metric tons of CO ₂ ^{1, 2, 3}	0.84	0.78
	Indirect CO ₂ emissions (Scope 2) in millions of metric tons of CO ₂ ^{1, 2}	2.38 ⁴	0.21 ⁵
Emission-free mobility and industries	Allocated business with zero-tailpipe-emission vehicles in € billions ^{6, 7}	n.a.	0.83
Circular economy	Waste recycling quota in % ^{2, 8}	80	81
Responsible value chain	Number of available, valid supplier self-assessment questionnaires (as at Dec. 31) ⁹	670 ¹⁰	696
Innovations and digitalization	R&D expenses in € millions	3,364.2	3,381.8
	R&D expenses in % of sales	7.6	9.0
Good working conditions	OUR BASICS Live Sustainable Engagement index in %	81	82
	Sickness rate in % ^{11, 12}	3.4	3.5
	Unforced fluctuation rate in % ^{12, 13, 14}	6.0	4.6
Green and safe factories	Environmental protection management system certifications (ISO 14001) - employee coverage quota (as at Dec. 31) in %	82	82
	Energy management system certifications (ISO 50001) - employee coverage quota (as at Dec. 31) in %	49	51
	Occupational safety and health management system certifications (ISO 45001 or similar) - employee coverage quota (as at Dec. 31) in %	69	69
	Accident rate (number of accidents per million working hours) ^{15, 16}	3.0 ¹⁷	2.9
Benchmark in quality	Quality management system certifications (ISO 9001 or similar) - employee coverage quota (as at Dec. 31) in %	86	91
	New field quality events (as at Dec. 31) ¹⁸	n.a.	18
Sustainable management practice	Gender diversity – share of female executives and senior executives (as at Dec. 31) in % ¹⁹	15.8	16.1

The Sustainability Scorecard Frames Our Monitoring

Key Performance Indicators – Footnotes

- 1 Definitions in accordance with the GHG Protocol. CO₂ emission factors correspond to CO₂ equivalents (CO₂e).*
- 2 Includes the relevant production and research and development locations.*
- 3 CO₂ emissions from fleet consumption are only partially and not systematically included.*
- 4 Calculated using the location-based calculation method of the GHG Protocol.*
- 5 Calculated using the market-based calculation method of the GHG Protocol. Where contract-specific emission factors were not available, the standard emission factors from Defra (November 2019) were used.*
- 6 Definition: allocated business with zero-tailpipe-emission vehicles measures both pure business and attributable business, e.g. in the case of combined vehicle platforms. The figure includes the entire business with products for vehicles transporting goods and people.*
- 7 The calculation was also based on external data sources and internal planning data. In the tire trade organization business (e.g. Vergölst) and business with car dealerships, there is no allocation at the individual customer level.*
- 8 Definition: proportion of waste that has been sent for material recycling, thermal recovery or any other form of recycling or reuse.*
- 9 Based on the self-assessment questionnaires completed by suppliers via the sustainability platforms EcoVadis and NQC. In fiscal 2020, a change was made to the definition of validity with regard to supplier self-assessment questionnaires by Continental. This will always last for two years, irrespective of the platform used.*
- 10 Figures for 2020 and 2019 only comparable to a limited extent due to a change in definition.*
- 11 Definition: sickness-related absence relative to contractually agreed working times.*
- 12 Excluding temporary staff (i.e. permanent staff only).*
- 13 Definition: voluntary departure of employees from the company relative to the average number of employees.*
- 14 In fiscal 2020, the key performance indicator was renamed. This was previously called “unforced fluctuation.”*
- 15 Definition: number of accidents during working hours per million paid working hours. Counted from more than one lost day, i.e. with at least one lost day beyond the day of the accident.*
- 16 Excluding temporary staff (i.e. permanent staff only) and way-to-work accidents.*
- 17 Excluding Continental Tire Sales (approx. 2% of the total workforce).*
- 18 Definition: a field quality event is a risk-minimizing measure for a product manufactured and/or sold by Continental based on a safety-related defect and/or non-compliance with regulations that was initiated by Continental, a customer and/or an authority.*
- 19 In fiscal 2020, the key performance indicator was renamed. This was previously called “proportion of women in management positions.”*

Sustainability Is Integrated in the Annual Report and All Reporting on Sustainability Bundled in a Separate Report



Download Non-financial Statement and Sustainability Report:

www.continental-sustainability.com/downloads



- Long history in sustainability reporting since FY 2011
- Combined non-financial statement in accordance with Sections 315b and 315c in conjunction with Sections 289b to 289e HGB for the Continental Group and Continental AG which has been issued an unqualified opinion by the independent auditor (reasonable assurance)
- Additional Integrated Sustainability Report in orientation towards GRI Standards, TCFD, UN Global Compact, SDG, SASB

Sustainability

Memberships and Initiatives



econsense

Forum Nachhaltige Entwicklung
der Deutschen Wirtschaft

TCFD

Fask Force on
Climate-Related
Financial Disclosure



RE 100

THE CLIMATE GROUP  CDP
UNCLIMATE INITIATIVE ACTION

Please click on the
logos for more
Information.



LUXEMBURGER
DEKLARATION

ZUR BETRIEBLICHEN
GESUNDHEITSFÖRDERUNG



In support of

**WOMEN'S
EMPOWERMENT
PRINCIPLES**

Established by UN Women and the
UN Global Compact Office

Sustainability

Ratings and Indexes

› Continental is listed in the following indexes:



DAX® 50 ESG

› Ratings:



› Prime (C+) (2020)

› Climate: Score B (2020)
› Water: Score B (2020)
› Supply chain: Score A;
Supplier engagement
leader board (2020)

› Gold Status (2020)
› 69/100
› 97 percentile

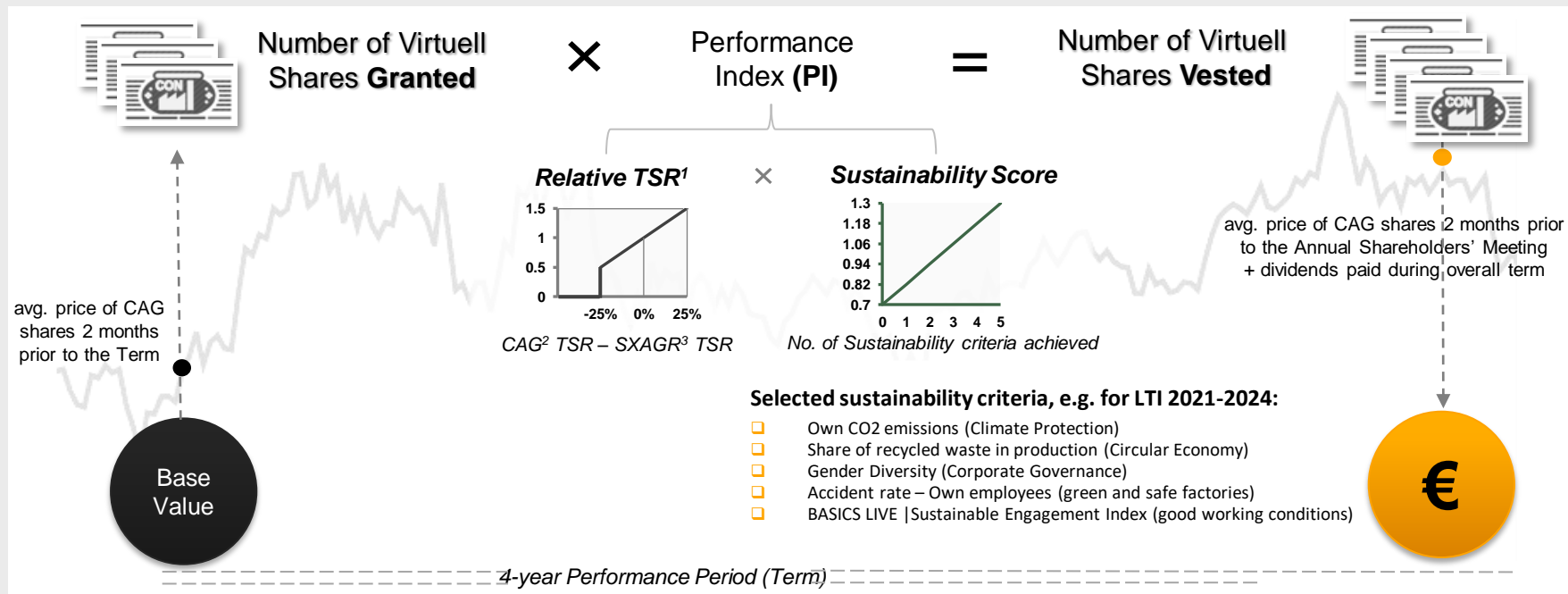
› BBB (2021)

› 13.6 low risk (2021)
› Industry Group
Auto Components:
Rank 8 out of 200
› Subindustry
Auto Parts:
Rank 6 out of 174

Sources: <https://www.ecpigroup.com>; <https://www.cdp.net>; <https://www.sustainalytics.com>; <https://www.msci.com>; <https://www.ecovadis.com/>.

Corporate Governance

Consideration of TSR and Sustainability for Long-Term Incentive (LTI) Adjusted to fulfill the DCGK legal requirements and investor's expectations



¹ TSR = Total Shareholder Return = Share price appreciation + Dividends paid. | ² "CAG" = Continental AG. | ³ "SXAGR" = STOXX® Europe 600 Automobiles & Parts (Gross Return).

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Continental



The Future in Motion