Independent Practitioner's Report on a Limited Assurance Engagement on Selected Sustainability Information in the Integrated Sustainability Report 2021 of Continental AG[1]

To Continental AG, Hannover

We have performed a limited assurance engagement on selected sustainability information in the Integrated Sustainability Report of Continental AG, Hannover (hereinafter the "Company"), for the period from 1 January to 31 December 2021 (hereinafter the "Report"). Our engagement in this context relates solely to the following selected sustainability information denoted in green in the Report:

- Indirect CO2 emissions (Scope 3) in total and broken down into each of the 15 categories specified by the GHG Protocol, as well as the related qualitative text claims,
- Energy consumption by energy source,
- Waste generation by type,
- Water demand by source,

hereinafter the "selected sustainability information".

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the selected sustainability information in the Report in accordance with the principles stated in the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter the "GRI-Criteria").

This responsibility of Company's executive directors includes the selection and application of appropriate methods of sustainability reporting as well as making assumptions and estimates related to individual sustainability disclosures, which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as they have considered necessary to enable the preparation of a Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW

[1] PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft has performed a limited assurance engagement on the German version of selected sustainability information in the Integrated Sustainability Report and issued an independent practitioner`s report in German language, which is authoritative. The following text is a translation of the independent practitioner`s report.

Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner´s Responsibility

Our responsibility is to express a limited assurance conclusion on the selected sustainability information in the Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the selected sustainability information in the Company's Report for the period from 1 January to 31 December 2021 has not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Inquiries of personnel involved in the preparation of the Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Report
- Inspection of processes for collecting, controlling, analyzing and aggregating selected data at specific sites of the Company on a sample basis
- Identification of the likely risks of material misstatement of the Report under consideration of the GRI-Criteria
- Analytical evaluation of selected disclosures in the Report
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
- Evaluation of the presentation of the selected disclosures regarding sustainability performance

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the selected sustainability information in the Company's Report for the period from 1 January to 31 December 2021 have not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement. The report is not intended to provide third parties with support in making (financial) decisions. Our responsibility lies solely toward the Company. We do not assume any responsibility towards third parties.

Frankfurt am Main, 12 April 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke
Wirtschaftsprüfer
(German Public Auditor)

ppa. Valerio Politi

Appendix

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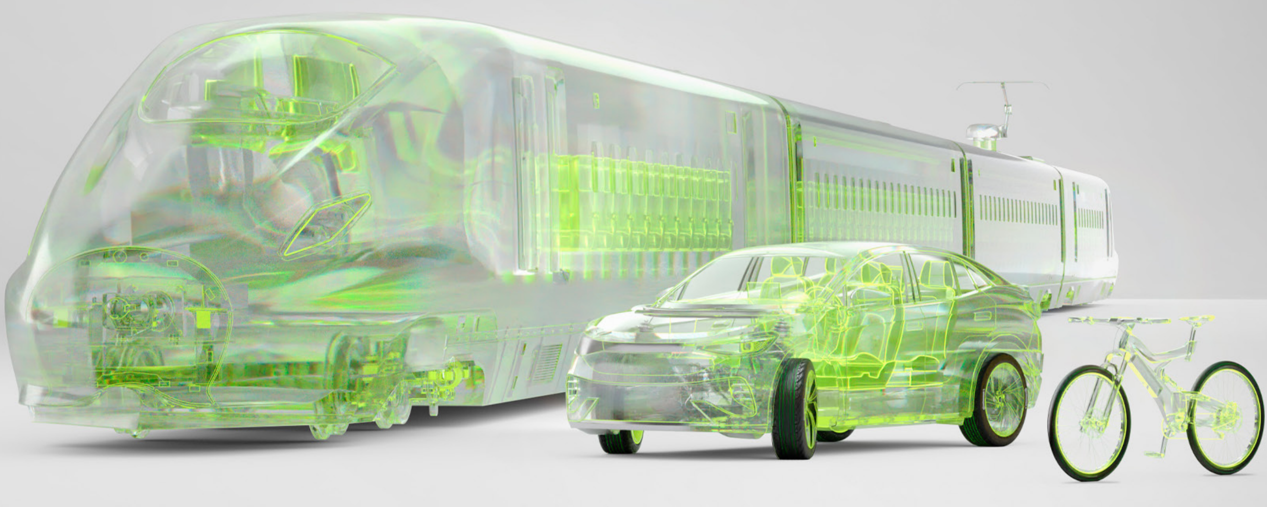
Continental
The Future in Motion

Turn Change Into Opportunity – Embrace Sustainability

Integrated Sustainability Report 2021



Continental AG

Continental develops pioneering technologies and services for sustainable and connected mobility of people and their goods. Founded in 1871, the technology company offers safe, efficient, intelligent and affordable solutions for vehicles, machines, traffic and transportation. In 2021, Continental generated sales of €33.8 billion and currently employs more than 190,000 people in 58 countries and markets.

www.continental.com

Development of Strategic Performance Indicators

Group Sustainability Scorecard	**2021 continuing operations**	2020 continuing and discontinued operations
Carbon neutrality[1]		
Direct CO_2 emissions (Scope 1) in millions of metric tons of CO_2	0.82[2]	0.78[4, 5]
Indirect CO_2 emissions (Scope 2) in millions of metric tons of CO_2[3]	0.23[2]	0.21[4]
Total own CO_2 emissions (Scope 1 and 2) in millions of metric tons of CO_2	1.05[2]	0.99[4]
Emission-free mobility and industries		
Allocated zero-tailpipe-emission vehicles business in € millions[6, 7]	986	826
Allocated low-carbon business beyond zero-tailpipe-emission vehicles business in € millions €[8]	6	n. a.
Allocated business with emission-free mobility and industry und Industrie in € millions	991	n. a.
Circular economy		
Waste recycling quota in %[9]	81[2]	81[4]
Responsible value chain		
Number of available, valid supplier self-assessment questionnaires (as at Dec. 31)[10]	631	696
Good working conditions		
OUR BASICS Live Sustainable Engagement index in %[11, 12]	80	82
Sickness rate in %[13, 14]	3.7	3.5
Unforced fluctuation rate in %[14, 15]	7	4.6
Green and safe factories		
Environmental protection management system certifications (ISO 14001) Employee coverage quota (as at Dec. 31) in %[16]	76	82
Energy management system certifications (ISO 50001) Employee coverage quota (as at Dec. 31) in %[16]	40	51
Occupational safety and health management system certifications (ISO 45001 or similar) Employee coverage quota (as at Dec. 31) in %[16]	62	69
Accident rate (number of accidents per million working hours)[17, 18]	2.6	2.9
Benchmark in quality		
Quality management system certifications (ISO 9001 or similar) Employee coverage quota (as at Dec. 31) in %[16]	84	91
New field quality events (as at Dec. 31)[19]	36	18
Sustainable management practice		
Gender diversity – share of female executives and senior executives (as at Dec. 31) in %	17.8	16.1
Innovation and digitalization		
Research and development expenses (net) in € millions	2,586.8	3,381.8
in % of sales	7.7	9.0

1 Definitions in accordance with the GHG Protocol. Scope 1 includes emissions from the burning of fossil fuels as part of Continental's own processes, and Scope 2 includes emissions from purchased electricity, steam and heat. CO_2 emission factors correspond to CO_2 equivalents (CO_2e).
2 Contains a small amount of imputed data for parts of the Continental Group that did not report data directly.
3 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 (September 2020) were used.
4 Includes the relevant production and research and development locations.
5 CO_2 emissions from fleet consumption for company cars (leased vehicles) are only partially and not systematically included.
6 Definition: allocated business with zero-tailpipe-emission vehicles comprises all business with products for vehicles transporting goods and people that count as taxonomy-eligible low-carbon technologies for transport under the delegated regulation (2021/2800) for climate change mitigation and adaptation of the Taxonomy Regulation (2020/852).
7 The business can be allocated via the vehicle manufacturer, the vehicle platform or the product specification, for example. The data includes both pure business and attributable business, such as in the case of combined vehicle platforms. For the Tires, ContiTech and Contract Manufacturing business areas, the sales reported at the end of the year were included. For Contract Manufacturing, this was based on an estimation by the customer Vitesco Technologies. In the case of the Automotive Technologies group sector, a calculation was carried out for passenger cars and light commercial vehicles using internal, vehicle-specific planning data for sales and external data for production quantities, and for medium and heavy commercial vehicles this was based on the relevant customer portfolio.
8 Definition: allocated low-carbon business beyond business with zero-tailpipe-emission vehicles measures business that enables our customers to significantly contribute to climate change mitigation and is considered Taxonomy-eligible under the delegated regulation (2021/2800) for climate change mitigation and adaptation of the Taxonomy Regulation (2020/852), excluding low-carbon technologies for transport.
9 Definition: proportion of waste that has been sent for material recycling, thermal recovery or any other form of recycling or reuse.
10 Based on the self-assessment questionnaires via the sustainability platforms EcoVadis and NQC by suppliers selected for this process.
11 Definition: employee agreement on topics relating to sustainable engagement in the employee survey OUR BASICS Live.
12 This is based on the responses of 47,472 participants (PY: 4,918 participants) as a representative random sample of Continental's group sectors and countries.
13 Definition: sickness-related absence relative to contractual worktime.
14 Excluding leasing personnel (i.e. permanent staff only).
15 Definition: voluntary departure of employees from the company relative to the average number of employees.
16 Valid certifications and concluded recertification processes were counted, as well as ongoing recertification processes, if the achievement of recertification was considered highly probable.
17 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.
18 Excluding leasing personnel (i.e. permanent staff only) and way-to-work accidents.
19 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.

Content

Letter from the Executive Board

Dear Readers,

Sustainability is transforming our society – globally, comprehensively and with increasing speed. This means that many certainties and structures are undergoing change. Already, sustainability is leading to tectonic shifts in the global economy, with far-reaching social effects. This makes sustainability a fundamental paradigm for companies – and so far there is a clear consensus. However, it is not yet possible for us to speak of a true consensus. Collective approval means that public discourse has shifted from "IF" to "HOW." Even so, a transition period of at least a decade lies before us, and its shaping is characterized above all by uncertainty.

In the course of this development, sustainability will move into the core of every business model. Indeed, it is becoming a business in its own right. On the one hand, implementing global sustainability goals leads to transformation costs. These must be divided as fairly as possible along the value chain. On the other hand, sustainable products and technologies offer significant commercial potential as demand and interest in them is rapidly growing among consumers, customers and policymakers. It is important to set the course for this now. Because sustainability is neither a purely ecological or social issue, nor a niche topic. Instead, it will play a decisive role in determining companies like Continental's future (commercial) success.

The compass we are using for this transformation is our sustainability ambition, which we introduced in 2020 and interlinked closely with our corporate strategy. In the "consistent use of opportunities" strategic pillar, the idea of "living sustainability" is explicitly referred to – a clear message that we must accept this transformation and actively shape it. This attitude illustrates our commitment to the strong and visionary focus areas of our ambition, as well as our wish to achieve them by 2050 at the latest together with our partners along the value chain:

- 100% carbon neutrality,
- 100% emission-free mobility and industries,
- 100% closed resource and product cycles, and
- 100% responsible procurement and business partnerships.

The speed at which we can achieve these goals will be influenced by the transformation speeds of our customers and markets worldwide. Our aim is to be able to accommodate these different speeds. Increased and closer cooperation and communication are required to ensure that all the links in the value chain can join together. We can only build up a sustainable economic system when politicians, society, the financial sector and companies come together.
This means leaving the "feel-good" corner, vacating the silos and getting into active shaping. Only by working together, can we make the economic transformation toward sustainability a success. Our integrated sustainability report will show you where we are on this journey.

We look forward to your questions and suggestions. And now, on behalf of the entire Executive Board and all our employees, I wish you an exciting and informative read.

With warm regards,

Ariane Reinhart

Dr. Ariane Reinhart
Group Human Relations, Director of Labor Relations, Group Sustainability

Information on Reporting

This is Continental's eleventh sustainability report. It also represents our progress report for the UN Global Compact ("Communication on Progress").

Integrated sustainability reporting concept
Continental has published a sustainability report every year since 2012 and a combined non-financial statement each year since 2018, with both reports looking at the past fiscal year. The main medium of our sustainability reporting is the integrated sustainability report. This report brings together information, in a modular format, from the company's combined non-financial statement, management report, consolidated financial statements and other sources, as well as additional information.

Reporting standards
Reporting is based on the standards of the Global Reporting Initiative (GRI), the UN Global Compact, the UN Sustainable Development Goals (SDG), the Task Force on Climate-related Financial Disclosures (TCFD), and the Sustainability Accounting Standards Board (SASB). The relevant indices can be found starting on page 134.

Reporting period
The report covers the 2021 fiscal year from January 1 to December 31, 2021, and was published on April 19, 2022.

Scope of consolidation
The integrated sustainability report encompasses the same scope of consolidation as for the consolidated financial statements (see the section on "General Information and Accounting Principles" on page 125 of the annual report). The information refers – unless otherwise indicated – to continuing operations of the Continental Group and therefore exclude Vitesco Technologies, which was spun off on September 15, 2021. The content taken from the combined non-financial statement relates in principle to continuing and discontinued operations, with the exception of performance indicators for the financial year 2021.

Material topics
The material topics in our sustainability strategy, and therefore our sustainability reporting, were identified in 2019 on the basis of a stakeholder survey of more than 1,700 stakeholders, as well as additional analyses. The table below provides an overview of these key topics and indicates the reports in which they are specifically covered.

		Reports in which the individual topics are covered			
			Statutory reporting		
	Key topics in the sustainability strategy	Integrated sustainability report	Combined non-financial statement in the annual report	Management report in the annual report	Other annual reporting (not part of the management report)
1	Carbon neutrality	X	X		
2.	Emission-free mobility and industries	X	X		
3	Circular economy	X	X		
4	Responsible value chain	X	X		
5	Good working conditions	X	X		
6.	Green and safe factories	X	X		
7	Innovation and digitalization	X		X (Research and Development section)	
8	Benchmark for quality	X	X		
9	Safe mobility	X		X (Research and Development section)	
10.	Long-term value creation	X		X (Corporate Management and Economic Report section)	
11.	Sustainable management practice	X	X		X (Corporate Governance section)
12.	Corporate citizenship	X			

Topics covered in the various reporting formats

The integrated sustainability report presents the management approach and results, including key performance indicators and other key figures and examples, for each key topic of the sustainability strategy. By contrast, the combined non-financial statement in accordance with Sections 315b and 315c in conjunction with Sections 289b to 289e of the German Commercial Code (HGB) focuses exclusively on information required by law.

Text and assurance markings

The main content of this integrated sustainability report is derived from Continental AG corporate publications, such as the consolidated financial statements, the annual report or the remuneration report, which were audited by an independent auditor. It should be noted that the audits were carried out in a different context, such as the statutory audit, and that the audited content for this integrated sustainability report was recompiled. Further selected information in this report was subject to an additional audit with limited assurance by an independent auditor. The entire integrated sustainability report has not been assured. The externally verified content is color-coded as per the following overview.

Significance of color coding and the applicable auditor's report

Color coding	Significance	Applicable auditor's report	Page reference auditor's report
Yellow marking	This text section is derived from Continental AG corporate publications (consolidated financial statements, management report incl. the combined non-financial statement or remuneration report), which was assured by an independent auditor.	Report on the Audit of the Consolidated Financial Statements and the Consolidated Management Report	145
		Auditor's Report on the Remuneration Report	
Green marking	This text section has been assured in a separate audit for the integrated sustainability report.	Independent Practitioner's Report on a Limited Assurance Engagement on selected Sustainability Information in the Integrated Sustainability Report of Continental AG	
No color-coding	This text has not been subject to an external audit.	---	---

Corporate Profile
Structure of the Continental Group

Source: 2021 Annual Report> Management Report > Corporate Profile > Structure of the Continental Group (starting p. 26)

Five dynamic and flexible business areas in Automotive. Tires and ContiTech now independent group sectors.

New organizational structure
Since January 1, 2022, the Continental Group has been divided into four group sectors: Automotive, Tires, ContiTech and Contract Manufacturing. These comprise a total of 17 business areas.

The former Autonomous Mobility and Safety (AMS) and Vehicle Networking and Information (VNI) business areas were dissolved with effect from January 1, 2022. At the same time, five new, dynamic and flexible business areas were created. Their organizational structure is based on the business strategy of the Automotive group sector and thus on market development in the context of the transformation of the mobility industry.

Tires and **ContiTech** are now independent group sectors, and the former consolidation of business areas in Rubber Technologies has been dissolved.

Following the spin-off of Vitesco Technologies, **Contract Manufacturing** was created as both a new group sector and business area. Contract Manufacturing comprises contract manufacturing for Vitesco Technologies and therefore the continuing operations of the former Powertrain Technologies group sector.

Business responsibility
A group sector or business area with overall responsibility for a business, including its results, is classified according to product requirements, market trends, customer groups and distribution channels.

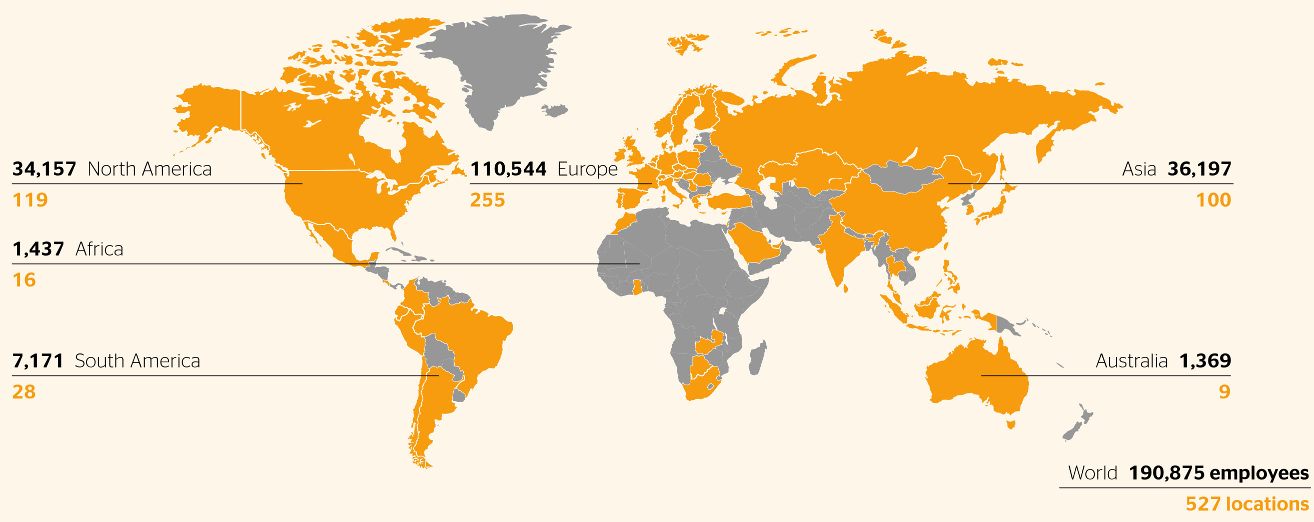
Overall responsibility for managing the company is borne by the Executive Board of Continental Aktiengesellschaft (AG). The Automotive, Tires and ContiTech group sectors are each represented on the Executive Board.

With the exception of Group Purchasing, the central functions of Continental AG are represented by the chairman of the Executive Board, the chief financial officer and the Executive Board member responsible for Human Relations, and assume the functions required to manage the Continental Group across the group sectors. These include, in particular, finance, controlling, compliance, law, IT, human relations, sustainability, as well as quality and environment.

Customer structure
With a 61% share of consolidated sales, the automotive industry – with the exception of the replacement business – is our most important customer group. This industry is particularly important for the growth of the Automotive group sector. In the Tires group sector, sales to dealers and end users represent the largest share of the tire-replacement business. In the ContiTech group sector, the customer base is made up of the automotive industry and other key industries such as railway engineering, machine and plant construction, mining and the replacement business. In the Contract Manufacturing group sector, Vitesco Technologies constitutes the sole customer.

Companies and locations
Continental AG is the parent company of the Continental Group. In addition to Continental AG, the Continental Group comprises 472 companies, including non-controlled companies. The Continental team is made up of 190,875 employees at a total of 527 locations in the areas of production, research and development, and administration, in 58 countries and markets. Added to this are distribution locations, with 944 company-owned tire outlets and a total of around 5,200 franchises and operations with a Continental brand presence.

527 locations in 58 countries and markets



Structure of the Continental Group in 2022

Continental Group

Automotive	Tires	ContiTech	Contract Manufacturing

The **Automotive group sector** comprises technologies for passive safety, brake, chassis, motion and motion control systems. Innovative solutions for assisted and automated driving, display and operating technologies, as well as audio and camera solutions for the vehicle interior, are also part of the portfolio, as is intelligent information and communication technology for the mobility services of fleet operators and commercial vehicle manufacturers. Comprehensive activities relating to connectivity technologies, vehicle electronics and high-performance computers round off the range of products and services. The group sector is divided into five business areas:

- Architecture and Networking
- Autonomous Mobility
- Safety and Motion
- Smart Mobility
- User Experience

With its premium portfolio in the car, truck, bus, two-wheel and specialty tire segment, the **Tires group sector** stands for innovative solutions in tire technology. Intelligent products and services related to tires and the promotion of sustainability complete the product portfolio. For specialist dealers and fleet management, Tires offers digital tire monitoring and tire management systems, in addition to other services, with the aim of keeping fleets mobile and increasing their efficiency. With its tires, Continental makes a significant contribution to safe, efficient and environmentally friendly mobility. In the reporting year, 21% of sales in Tires related to business with vehicle manufacturers, and 79% related to the tire-replacement business. The group sector is divided into five business areas:

- Original Equipment
- Replacement APAC
- Replacement EMEA
- Replacement The Americas
- Specialty Tires

The **ContiTech group sector** develops and manufactures, for example, cross-material, environmentally friendly and intelligent products and systems for the automotive industry, railway engineering, mining, agriculture and other key industries. Guided by the vision of “smart and sustainable solutions beyond rubber,” the group sector draws on its long-standing knowledge of the industry and materials to open up new business opportunities by combining various materials with electronic components and individual services. In the reporting year, 48% of sales in ContiTech related to business with automotive manufacturers, and 52% to business with other industries and in the automotive replacement market. The group sector is divided into six business areas:

- Advanced Dynamics Solutions
- Conveying Solutions
- Industrial Fluid Solutions
- Mobile Fluid Systems
- Power Transmission Group
- Surface Solutions

As of September 2021, the contract manufacturing of products by Continental companies for Vitesco Technologies has been consolidated in the **Contract Manufacturing group sector**. This contract manufacturing is not intended to be a permanent situation; rather, the operational separation of production will be promoted in the coming years, and the volume of contract manufacturing reduced. Contract Manufacturing includes one business area:

- Contract Manufacturing

Globally interconnected value creation

Research and development (R&D) took place at 84 locations in the reporting year, predominantly in close proximity to our customers to ensure that we can respond flexibly to their various requirements and to regional market conditions. This applies particularly to projects of the Automotive and ContiTech group sectors. In the Tires group sector, R&D is largely centrally organized, since product requirements for tires are much the same across the world. They are adapted according to the specific requirements of each market. Continental generally invests between 7% and 8% of sales in R&D each year. For more information, see the Research and Development section.

Continental processes a wide range of raw materials and semi-finished products. The purchasing volume in the reporting year was €23.2 billion in total, €15.7 billion of which was for production materials. The Automotive and Contract Manufacturing group sectors use primarily steel, aluminum, precious metals, copper and plastics. Electronics and electromechanical components together make up around 37% of the Continental Group's purchasing volume for production materials, while mechanical components account for around 15%. Natural rubber and oil-based chemicals such as synthetic rubber and carbon black are key raw materials for the Tires and ContiTech group sectors. The total purchasing volume for these materials amounts to around 23% of the total volume for production materials. For more information, see the Development of Raw Materials Markets section in the economic report.

Production and sales in the Automotive and ContiTech group sectors are organized across regions. For the Tires group sector, economies of scale play a key role when it comes to tire manufacturing. Low production costs coupled with large volumes and proximity to our customers or high rates of regional growth constitute key success factors. For this reason, manufacturing takes place at major locations in the dominant automotive markets, namely Europe, the USA and China. Tires are sold worldwide via our dealer network with tire outlets and franchises, as well as through tire trading in general.

Globally interconnected value creation

R&D	Purchasing	Production	Sales & Distribution
Innovative €2.6 billion in expenditure	**Diverse** €23.2 billion in volumes	**Global** 210 locations	**Local** €33.8 billion in sales

Shareholder Structure

Source: 2021 Annual Report > To Our Shareholders > Continental Shares and Bonds (p. 7)

Note: This text has been shortened.

Free float unchanged at 54.0%
As in the previous year, free float as defined by Deutsche Börse AG amounted to 54.0% as at the end of 2021. The most recent change took place on September 17, 2013, when our major shareholder, the IHO Group, Herzogenaurach, Germany, announced the sale of 7.8 million Continental shares, reducing its shareholding in Continental AG from 49.9% to 46.0%.

As at the end of 2021, the market capitalization of Continental AG amounted to €18.6 billion (PY: €24.3 billion including Vitesco Technologies). Market capitalization on the basis of free float averaged €10.1 billion over the last 20 trading days of the reporting year (PY: €12.6 billion including Vitesco Technologies). Free-float market capitalization is the decisive factor for index calculation in the new regulatory framework of Deutsche Börse AG.

At the end of 2021, Continental AG ranked 36th in terms of free-float market capitalization in the new DAX, which has consisted of 40 constituents since September 2021 (PY: 26th out of 30 DAX constituents).

Share of free float in the USA rises further
As at the end of the year, we once again determined the distribution of free float of Continental shares by way of shareholder identification (SID).

We were able to assign 105.4 million of the 108.0 million shares held in the form of shares or alternatively as American depositary receipts (ADRs) in the USA to more than 570 institutional investors, banks and asset managers across 40 countries. The identification ratio was 97.6% (PY: 90.7%).

According to the SID, the identified level of Continental shares held in Europe was slightly lower than the previous year at 49.0% of free float (PY: 52.5%).

The identified level of shares held by investors from the UK and Ireland remained unchanged compared to the previous year at 29.7%.

The identified free-float holdings of German investors fell to 6.3% in the year under review (PY: 9.3%).

French investors held 3.4% of Continental free-float shares at the end of 2021.

The free-float holdings of Scandinavian investors fell to 3.1% in 2021 (PY: 4.1%).

Investors in other European countries increased their share of free float to 6.5% in 2021 (PY: 6.0%).

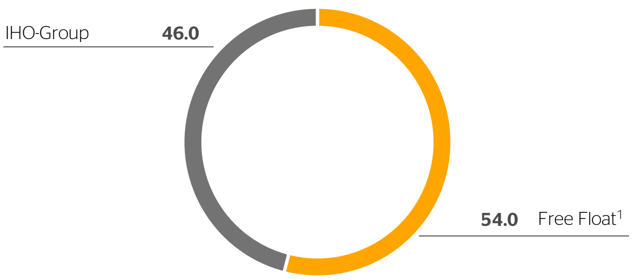
Shareholdings of investors in North America increased significantly in 2021. In total, they held 45.7% (PY: 34.5%) of the free float in the form of shares or ADRs.

The identified shareholdings of investors in Asia, Australia and Africa were at 2.9% at the end of 2021 (PY: 3.6%).

In the Spotlight

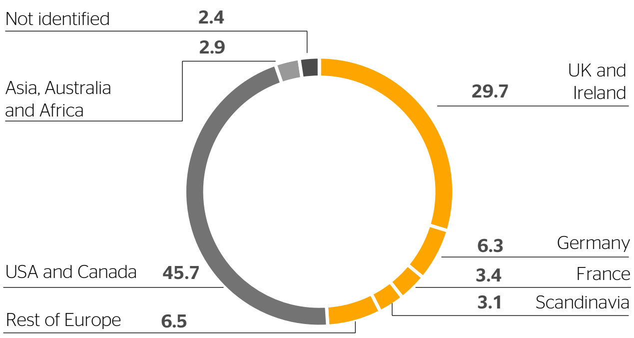
Shareholder Structure and Regional Distribution of Free Float

Shareholder Structure as at Dec. 31, 2021 in %



1 *According to the definition from Deutsche Börse AG, holdings of less than 5 % are considered free float unless they are attributable to a shareholder with a total holding of more than 5 %.*

Regional distribution of the free float as at Dec. 31, 2021 in % (97.6 % identified)



Strategy of the Continental Group

Source: 2021 Annual Report > Management Report > Corporate Profile > Strategy of the Continental Group (starting p. 29)

Strategy of profitable growth to address the transformation in the mobility industry. We are committed to our targets.

With our strategy, which was realigned to address the transformation in the mobility industry in 2020, we have paved the way for profitable growth over the coming years. In 2021, we systematically realigned our entire organizational structure and our management processes to this strategy. We see the transformation in the mobility industry as an opportunity. Our strategy is based on three cornerstones:

- Strengthening operational performance
- Differentiating the portfolio
- Turning change into opportunity

1. Strengthening operational performance
By strengthening our operational performance, we can ensure our future viability and competitiveness. We are aligning our cost structure to global market conditions. In 2019, we introduced appropriate measures with our Transformation 2019–2029 structural program. This will allow us to achieve gross savings of €850 million annually from 2023 onward. The new strategy was implemented in 2020, and the organizational structure was aligned with it in 2021.

The former Automotive Technologies group sector (which became the Automotive group sector from January 1, 2022) now has an entirely new organizational structure. The five new business areas are responsible for the successful implementation of this strategy. They have the decision-making authority and flexibility required to be able to quickly respond to market changes. They are supported by an overarching advanced engineering organization called Holistic Engineering and Technologies, or "he[a]t." he[a]t operates in particular on projects across all strategic action fields, such as the development of high-performance computers. The former Rubber Technologies group sector has been dissolved, and Tires and ContiTech are now independent group sectors. This new structure eliminates an entire intermediate level, making us more streamlined, faster and more efficient.

In connection with the semiconductor shortage, we have launched a task force with the aim of enabling us to better respond to fluctuations on the procurement markets. As a result, we have optimized our early warning systems and adapted our purchasing structure to the procurement networks. In addition, we are building up safety stocks in a targeted manner in order to more reliably bridge possible supply shortages.

2. Differentiating the portfolio
Efforts to differentiate our product portfolio in a more targeted manner concentrating on growth and value are progressing well. Our focus on growth is aimed at establishing strong market positions in innovative fields featuring highly dynamic growth, while our focus on value addresses saturated markets with stable but low growth.

In our Automotive, Tires and ContiTech group sectors, our focus on growth is centered around innovations for safe, connected and automated driving, which will be a critical factor in customers' future purchasing decisions. Vehicles require technologies from Continental, such as tires, braking systems, hoses for thermal management, digital solutions and services, as well as high-performance computers – irrespective of the vehicle's drive technology.

We are purposefully entering into partnerships that make us better and faster, in particular with smaller specialist firms and start-up companies. In the year under review, for example, we invested in collaborations for assisted and autonomous driving. Funding that we do not contribute to partnerships is used to establish and develop our in-house expertise.

When it comes to "value," our focus is on profitable product areas where we have solid competitive positions in markets with a high degree of maturity. These include, for example, display and control systems, surface materials and the European tire business. The aim here is to sustain profitability and generate sufficient funds to enable us to ensure competitive expansion geared to market and technology leadership in growth areas that as yet are unable to fully finance their ambitious growth themselves.

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

The portfolio strategy also includes possible acquisitions, divestments and partnerships. The business areas are regularly assessed to determine whether they are capable of creating the best possible value for Continental, and how their value can be maximized. The spin-off of Vitesco Technologies was completed in the year under review as part of these efforts.

3. Turning change into opportunity

Continental's sustainability ambition comprises the four focus areas of carbon neutrality, emission-free mobility and industries, circular economy, and responsible value chain. It describes how, together with our partners, we seek to shape the transformation in the relevant topic areas along the entire value chain by 2050 at the latest. Along with the corresponding guidelines, this sustainability ambition brings together the existing strategies, programs and processes, as well as their further development. The systematic expansion of our business in particular with zero-tailpipe-emission vehicles contributes significantly toward achieving our ambitions in the area of carbon neutrality and emission-free mobility and industries, as well as toward reducing greenhouse gas emissions in the mobility sector. As part of our global Net|Zero|Now program, we also offer our customers the neutralization of our business carbon backpack through negative emissions as of fiscal 2022. The program focuses on business with zero-tailpipe-emission vehicles and thus promotes their expanded use. Detailed information on the implementation of our sustainability ambition can be found in the Sustainability and Combined Non-Financial Statement section starting on page 36 of this annual report.

Our comprehensive new organizational structure helps us seize market opportunities and translate them into profit even more quickly. Transparent structures and a high level of autonomy make us more flexible in an increasingly complex market environment.

In the Automotive group sector, we are focusing on the growing global demand for safer, connected and convenient mobility. This means, in particular, the development of non-differentiating software, which makes up around 60% of a vehicle's software. Such software consists of programs that are not critical for the marketing of vehicles, but that are necessary to ensure their safe operation. It is crucial to achieve cost advantages through standardization and scaling in this area. 40% of a vehicle's software relates to functions that make a visible difference, such as for automated driving or infotainment systems. For Automotive overall, we anticipate an adjusted EBIT margin of around 6% to 8% in the medium term as well as a return on capital employed (ROCE) of over 15%.

We want to further consolidate our position among the world's top tire manufacturers, particularly in the growth markets of Asia and North America. In the passenger-car tire segment, we intend to expand our business with tires for electric mobility and ultra-high performance tires. We also see future growth in vehicle fleet management services. For the Tires group sector, we anticipate an adjusted EBIT margin of around 12% to 16% in the medium term as well as an ROCE of over 20%.

For the ContiTech group sector, the main opportunities are presented by the growing demand for digital and intelligent solutions. Business continues to be based on products and systems made from rubber, plastic, metal, textiles and electronic components which in the future we will be able to combine with customized and digital service offerings. For ContiTech overall, we anticipate an adjusted EBIT margin of around 9% to 11% in the medium term as well as an ROCE of over 20%.

At corporate level, we aim in the medium term to achieve an adjusted EBIT margin of around 8% to 11% and an ROCE of around 15% to 20%. The cash conversion ratio is expected to exceed 70%.

Sustainability Management in the Continental Group

Source: 2021 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Non-Financial Statement (starting p. 36)

Note: This section relates to continuing and discontinued operations, with the exception of performance indicators for the financial year 2021.

Ambition, strategy and program

Sustainability is a driver of innovation for Continental during the current transformation of mobility and industries, and is thus firmly anchored in its corporate strategy in the cornerstone of "turning change into opportunity."

In the Continental Group's sustainability ambition, we describe how we want to shape this transformation in the relevant topic areas with respect to sustainability. Along with the relevant guidelines, this sustainability ambition brings together existing strategies, programs and processes, as well as their further development. The specific ambitions, strategies, programs and processes are presented in the following sections for the reporting topic areas of the combined non-financial statement. The entire ambition can be found at www.continental-sustainability.com.

Management, organization and responsibilities

Ultimate responsibility for sustainability lies with the Executive Board member for Group Human Relations and Group Sustainability, under whose supervision the Group Sustainability group function is responsible for sustainability management in the Continental Group. Sustainability organization is further supplemented by sustainability functions in the group sectors as well as coordinators in several business areas and countries.

The Group Sustainability Steering Committee is responsible for assessing interdepartmental issues, weighing up risks and opportunities and discussing relevant Executive Board decisions in advance. In fiscal 2021, it consisted of three members of the Executive Board (chairman of the Executive Board, Group Sustainability, Group Finance and Controlling) as well as the heads of the sustainability functions at corporate level and group sector level and the heads of other relevant group functions. The committee is chaired by the Executive Board member for Group Sustainability and managed by the head of the Group Sustainability group function. Some of the group sectors have their own interdepartmental sustainability committees, which are coordinated by the relevant sustainability functions.

The sustainability performance indicators are consolidated in the Continental Group's sustainability scorecard, which is approved by the Executive Board on an annual basis. The scorecard is based on defined quality criteria for the indicators, is continuously developed further and establishes the formal basis for integrating sustainability into other corporate processes.

As of fiscal 2021, the topic of sustainability has also been an integral part of the Continental Group's strategy development. Significant investments must be reviewed and assessed as to their contribution to sustainability as a standard part of the approval process. For the Automotive, Tires and ContiTech group sectors, detailed roadmaps for the implementation of sustainability ambitions in the relevant topic areas are currently being drawn up in stages.

Remuneration

The Executive Board and global managers are measured against the achievement of sustainability goals. Long-term remuneration components (long-term incentive – LTI) are thus linked to sustainability aspects. The LTI plans are updated on an annual basis. For more information, see the remuneration report on our website under Company/Executive Board.

Cultural change

In order to support cultural change in the organization, we stepped up internal communication with respect to sustainability in fiscal 2021, held numerous sustainability events – mostly virtual due to the COVID-19 pandemic – and integrated the topic into key internal event formats for managers.

In the Spotlight

Inclusion of Stakeholders

Our key stakeholders and interest groups are our employees and customers, the capital market, public policymakers, actors in civil society, and suppliers. We maintain a regular, ongoing dialog via various channels with all relevant stakeholders on issues relevant to the company and society as a whole.

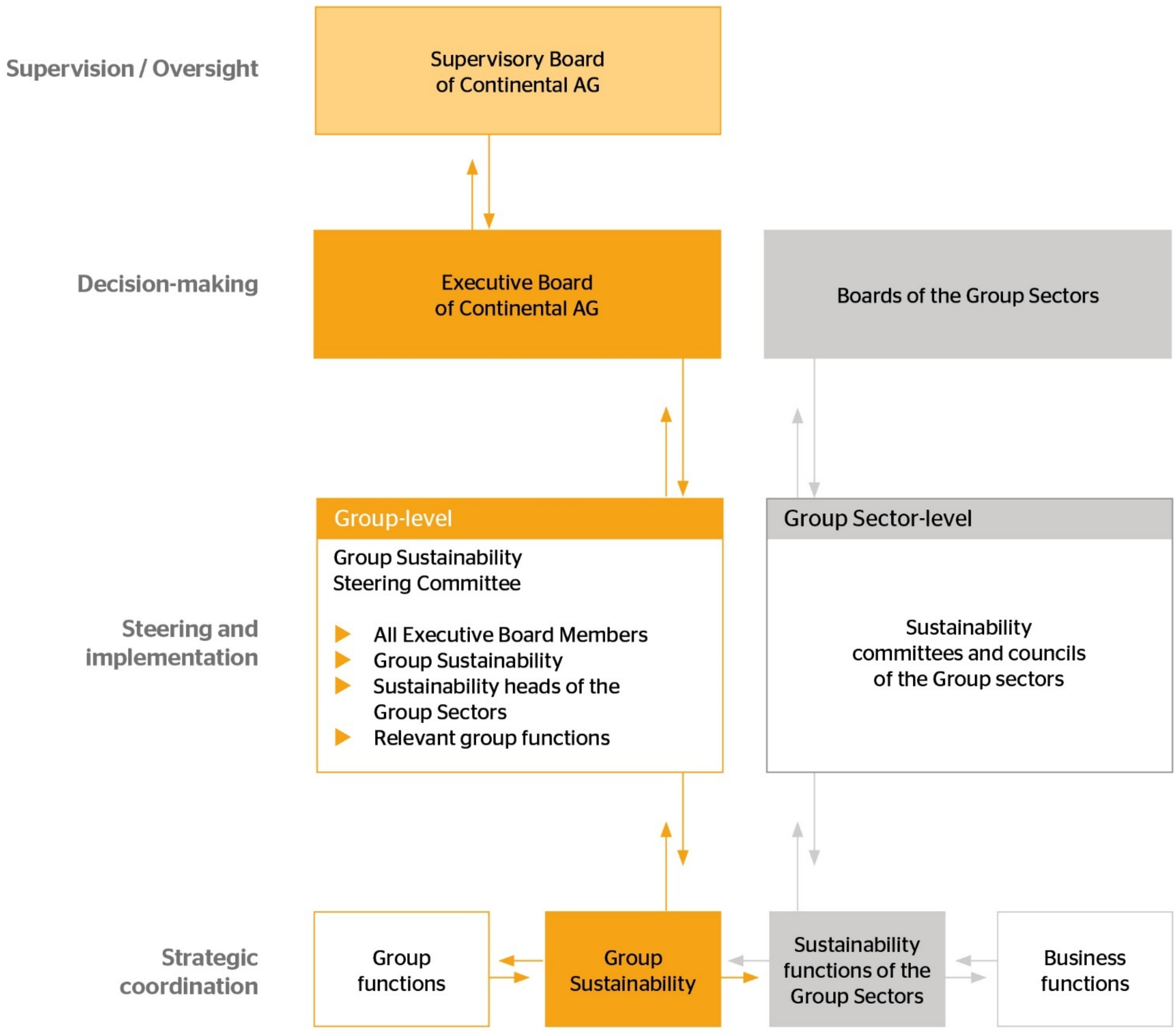
- Customers: e.g. via sales departments or key account management, cooperative undertakings, and trade fairs
- Investors and shareholders: e.g. via the annual shareholders' meeting, webcasts, and roadshows
- Employees: e.g. via town hall meetings, employee surveys, webcasts, and employee representatives
- The general public, e.g. via surveys, trade fairs, engagement projects, and open-house events

The aim of these efforts is to bring together different perspectives, discuss any conflicting points of view that arise, and to learn from one another.

In the first quarter of 2019, we conducted a global stakeholder survey to initiate a dialog on the key sustainability issues for Continental, and to further develop our sustainability strategy. More than 1,700 stakeholders across all groups responded to this survey.

The results of this survey, along with further analyses and new ideas, are continuously incorporated into the process of further developing our sustainability strategy and reporting.

Steering of Sustainability in the Continental Group



Development of Material Sustainability Topic Areas
Carbon Neutrality

Management Approach

Source: 2021 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Non-Financial Statement (starting p. 36)

Note: This section relates to continuing and discontinued operations, with the exception of performance indicators for the financial year 2021.

Carbon neutrality

Our ambition

As set out in our sustainability ambition, we strive for 100% carbon neutrality along our entire value chain (products, operations and supply) by 2050 at the latest, together with our partners along the value chain.

Of central importance for our ambition are the requirements and speed of transformation of our customers, industries and markets.

Concept

We have set ourselves the corporate target of achieving carbon neutrality throughout our production processes – in terms of Scope 1 and market-based Scope 2 CO_2 emissions in accordance with the Greenhouse Gas (GHG) Protocol – by 2040. We aim to achieve this by means of three measures in particular:

› Switching our reported supply of energy to renewable energy, including through special electricity supply agreements and the purchase of energy attribute certificates.
› Implementing energy efficiency measures and using new technologies.
› Reviewing the neutralization of remaining emissions.

The corporate target of carbon neutrality throughout our production processes is managed by the Group Environmental and Climate Protection group function as part of the corporate roadmap for decarbonization. The group sectors are each responsible for the implementation of appropriate measures and must report on this internally on a regular basis.

Scope 1 and market-based Scope 2 CO_2 emissions have also been part of the LTI plans for the members of the Executive Board and global managers since fiscal 2020. For more information, see the remuneration report on our website under Company/Executive Board.

In addition, we have identified various effective levers for achieving carbon neutrality beyond our own production processes and throughout the value chain (Scope 3 CO_2 emissions in accordance with the GHG Protocol) by 2050 at the latest. These relate to the use phase of our products, coupled with the global shift toward emission-free mobility and industries, product design and the conversion of materials used to renewable and recycled materials, as well as generally a transition to circular processes. For more information on our concepts in this respect, see the sections on emission-free mobility and industries and circular economy in this combined non-financial statement. For example, it will be necessary to switch to green electricity along the supply chain. The Business Partner Code of Conduct was expanded accordingly with a view to carbon neutrality in the reporting year. The implementation of carbon neutrality throughout the value chain is managed in the individual group sectors, each of which is responsible for implementing appropriate measures. This is not only the responsibility of Continental, however, but also requires sustainability efforts on the part of customers, suppliers and other partners.

In order to support these efforts, we offer our customers the neutralization of our business carbon backpack through negative emissions from fiscal 2022, as part of our global program Net|Zero|Now. Carbon backpack refers to CO_2 emissions produced along the value chain (Scope 1, 2 and 3), except for emissions related to the customer and product use. The offer focuses on business with zero-tailpipe-emission vehicles, but can now also be used for other business. Our measure announced in the 2020 annual report as "carbon neutrality of the allocated business with zero-tailpipe-emission vehicles" is thus developed further.

The Continental Group's 2040 climate goal and 2050 ambition were reviewed by the Science Based Targets initiative (SBTi) in 2020. On the basis of the method used, the linear derivations for 2030 were validated and confirmed as being compliant with the Paris climate agreement. The derived absolute emission reductions for Scope 1 and Scope 2 are set to keep us on track for the 1.5°C pathway.

Results of the concept

Scope 1 and market-based Scope 2 CO_2 emissions, i.e. own CO_2 emissions, amounted to 1.05 million metric tons in fiscal 2021 (PY: 0.99 million metric tons including Vitesco Technologies). The increase is attributable to various causes, in particular higher energy consumption (e.g. as a result of uninterrupted production operations with the exception of pandemic-related stoppages) and the completion of data collection. This previously covered the relevant production and research and development locations and now for the first time also includes the rest of the – mostly smaller – locations within the Continental Group.

Following the switch to green electricity for reported energy consumption in fiscal 2020, Continental's total CO_2 emissions have been reduced by 70% compared with fiscal 2019, as this green electricity produces no CO_2 emissions. Appropriate energy attribute certificates were purchased for the full volume of reported electricity consumption not already covered by other instruments (such as green electricity contracts). Due to national register processes, not all deletions of energy attribute certificates were available for small residual quantities at the time the report was prepared.

Carbon neutrality performance indicators[1]	2021[2]	2020[4]
Direct CO_2 emissions (Scope 1) in millions of metric tons of CO_2	0.82	0.78[5]
Indirect CO_2 emissions (Scope 2) in millions of metric tons of CO_2[3]	0.23	0.21
Total own CO_2 emissions (Scope 1 and 2) in millions of metric tons of CO_2	**1.05**	**0.99**

1 Definitions in accordance with the GHG Protocol. Scope 1 includes emissions from the burning of fossil fuels as part of Continental's own processes, and Scope 2 includes emissions from purchased electricity, steam and heat. CO_2 emission factors correspond to CO_2 equivalents (CO_2e).

2 Contains a small amount of imputed data for parts of the Continental Group that did not report data directly.

3 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 (September 2020) were used.

4 Includes the relevant production and research and development locations.

5 CO_2 emissions from fleet consumption for company cars (leased vehicles) are only partially and not systematically included.

Climate Scenario Analysis

Continental uses various elements of scenario techniques to develop, implement and further develop the company's climate strategy. In fiscal 2020, we analyzed various projections, extrapolations and retropolations as well as strategies and scenarios from customers, governments and institutions with a particular focus on further advancing our path toward carbon neutrality. For Continental, such analysis always focuses on the impacts on Continental and our markets. Some of the scenarios considered assume that carbon neutrality would have to be achieved before 2050, or in the case of a 1.5°C path even much earlier, while other considerations assume that carbon neutrality will actually not be achieved globally until after 2050. Continental is therefore expecting our customers, industries and markets to proceed at differing speeds. Accordingly, we took into account in our sustainability ambitions that we want to achieve complete carbon neutrality by 2050 at the latest, but possibly also before 2050. The individual scenarios are used to enable comparison with global objectives, to better identify potential opportunities and risks, and to adapt to various developments at an early stage. Continental's climate targets were also reviewed by the Science Based Targets initiative (SBTi) against specific global reduction paths and climate scenarios. The SBTi confirmed that the targets for own emissions (Scope 1 and 2 of the Greenhouse Gas (GHG) Protocol) correspond to a 1.5°C path, while for Scope 3 the linear derivations for 2030 were validated on the basis of the method used and confirmed as being compliant with the Paris Climate Agreement and a path well below 2°C.

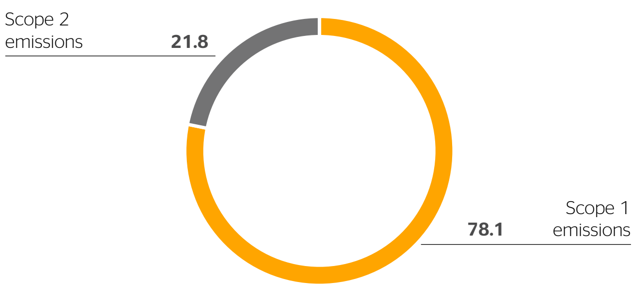
Continental Group Roadmap for Decarbonization

Continental's global production is to be completely carbon-neutral by 2040 at the latest. Already all reported electricity purchased in fiscal 2020 was made carbon-neutral, for example through special power purchase agreements and by purchasing of energy attribute certificates (EAC). This has already enabled the company to significantly reduce its own CO_2 emissions (Scopes 1 and 2). The initial reduction achieved in fiscal 2020 compared to fiscal 2019 marked a decrease of 70%.

Reducing the remaining CO_2 emissions in Scopes 1 and 2 will require transforming our production processes and shifting technologically toward the use of new technologies. Two key measures in this context include increasing the energy efficiency of plants, systems, and machinery, for example, and switching to renewable energy sources, e.g. green hydrogen or biomass.

These transformation efforts are managed centrally by a project team called the "Decarbonization Roadmap 2040," staffed and functioning across all Continental group sectors and business areas. Initial results that the project achieved in fiscal 2021 included clearly defined interim targets up to 2040, a global digital monitoring platform for regulatory frameworks and alternative energy sources, and a key performance indicator (KPI) dashboard that employees can use to transparently track the progress made towards decarbonization. The global financial assessment scheme for investments is currently being adapted, and an internal CO_2 price introduced with an eye to promoting climate-friendly projects in future.

Total own CO_2 emissions 2021 (1.05 in millions of metric tons of CO_2) in %[1,2,3]



1 Definitions in accordance with the GHG Protocol. Scope 1 includes emissions from the burning of fossil fuels as part of Continental's own processes, and Scope 2 includes emissions from purchased electricity, steam and heat. CO_2 emission factors correspond to CO_2 equivalents (CO_2e).

2 Contains a small amount of imputed data for parts of the Continental Group that did not report data directly.

3 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 (September 2020) were used.

Indirect CO_2 Emissions Along the Value Chain (Scope 3)

In fiscal 2021, total indirect CO_2 emissions along the value chain (Scope 3) amounted to 108.89 million metric tons of CO_2. (PY: n. a.). The CO_2 emission factors correspond to CO_2 equivalents (CO_2e). The figures for fiscal 2021 comprise, for the first time, all 15 categories of the GHG Protocol. These relate only to continuing operations and therefore no longer include the CO_2 emissions of Vitesco Technologies (cf. Remarks Regarding Reporting, p. 6). The largest categories in Scope 3 are "Use of sold products" and "Purchased goods and services," for which the most significant absolute changes compared to the previous year are also present. The reduction for "Purchased goods and services" results in particular from the absence of CO_2 emissions from Vitesco Technologies. The increase for "Use of sold products" is due to the increase in the product weight sold or tires sold as well as changes to accounting factors.

Indirect CO_2 emissions along the value chain (Scope 3) in millions of metric tons of CO_2[1]	**2021**	2020	Primary data base
Category 1: indirect CO_2 emissions (Scope 3) – Purchased goods and services	12.90	14.65	Purchased weight, service expenses
Category 2: indirect CO_2 emissions (Scope 3) – Capital goods	1.23	n. a.	Property, plant and equipment expenses
Category 3: indirect CO2 emissions (Scope 3) – Fuel- and energy related activities (not included in Scope 1 and 2)	0.61	0.41	Energy consumption
Category 4: indirect CO_2 emissions (Scope 3) – Upstream transportation and distribution	0.47	0.70	Logistics expenditures
Category 5: indirect CO_2 emissions (Scope 3) – Waste generated in operations	0.04	0.04	Waste generation
Category 6: indirect CO_2 emissions (Scope 3) – Business Travel	0.02	0.02	CO_2 data of service providers
Category 7: indirect CO_2 emissions (Scope 3) – Employee commuting	0.19	n. a.	Employee survey
Category 8: indirect CO_2 emissions (Scope 3) – Upstream leased assets	0.02	n. a.	Number of logistics warehouse locations
Category 9: indirect CO_2 emissions (Scope 3) – Downstream transportation and distribution	0.30	0.50	Logistics expenditures, expert assessment
Category 10: indirect CO_2 emissions (Scope 3) – Processing of sold products[2]	1.42	1.42	Product weight
Category 11: indirect CO_2 emissions (Scope 3) – Use of sold products[3]	87.95	86.88	Number of tires, product weight
Category 12: indirect CO_2 emissions (Scope 3) – End-of-Life treatment of sold products	3.66	3.42	Product weight
Category 13: indirect CO_2 emissions (Scope 3) – Downstream leased assets	0.01	n. a.	Number of buildings leased and rental income for leased equipment
Category 14: indirect CO_2 emissions (Scope 3) – Franchises	0.01	n. a.	Locations
Category 15: indirect CO_2 emissions (Scope 3) – Investments	0.05	n. a.	Sales of equity accounted investees
Total indirect CO_2 emissions along the value chain (Scope 3)	**108.89**	**n. a.**	

1 Definitions in accordance with the GHG Protocol. CO_2 emission factors correspond to CO_2 equivalents (CO_2e). Optional reporting aspects for Scope 3 are currently not taken into account.
2 Excluding the industrial business of the ContiTech business area due to an accounting approach that is currently missing.
3 Excluding the industrial business of the ContiTech business area due to an accounting approach that is currently missing as well as single business operations insignificant in terms of CO_2 of the Automotive Technologies group sector (two-wheel business) and the Tires business area (e.g. ContiTrade business, parts of the Speciality Tires business unit).

Particular Information About Calculating Scope 3 Emissions
CO_2 emissions are calculated in accordance with the Corporate Value Chain (Scope 3) Accounting and Reporting Standards 2011. In accordance with the company's financial reporting and, accordingly, its sustainability reporting, operational control was used as the consolidation approach (see also Remarks Regarding Reporting, page 6).

In most cases and where not otherwise specified, the calculation is based on the company's own primary data. Only the calculation of the categories "Business travel" and "Investments" was carried out using external primary data. In addition, external secondary data such as emission factors from Defra (Full set, Version 2.0, 2021) and Sphera (GaBi, version 10.6.0.110) were used, as well as other factors.

The calculation approaches and datasets applied are explained below for each report category:

Category 1: Purchased goods and services
The weight for purchased product groups was multiplied by the specific emission factors of GaBi or internally determined group sector- and business area-specific CO_2 factors.

For purchased product groups for which not all weight information was available, the missing share was determined through calculations. For this purpose, the missing value was extrapolated using either the number of units or the expenditures.

The expenditures for services were multiplied either by the specific emission factors from Defra or by an internally determined emission factor. For this purpose, a small volume of expenditure classifications have been extrapolated.

Category 2: Capital goods

The expenditures for property, plant and equipment were multiplied either by the specific emission factors from Defra or by an internally determined emission factor. For this purpose, a small volume of expenditure classifications have been extrapolated.

Category 3: Fuel- and energy-related activities (not included in Scopes 1 and 2)

Energy consumption was multiplied by the specific emission factors from Defra.

Category 4: Upstream transportation and distribution

The transportation performance for each mode of transport (road, rail, sea, and air) determined through calculations on the basis of logistics expenses were multiplied by the specific emission factors of GaBi. Representative routes and internal expert assessments were used to determine transportation performance.

Category 5: Waste generated in operations

Waste generation was multiplied by the specific emission factors from Defra.

Category 6: Business travel

CO_2 emissions for business trips were surveyed from among travel booking service providers. In order to cover business trips that may not have been booked via these service providers, internal expert assessments for this portion were also used.

Category 7: Employee commuting

Commuting mileage and means of transport were determined by means of a survey of employees worldwide. The random sample taken was extrapolated to the entire workforce and multiplied by relevant internal and external factors such as sick days and vacation days as well as specific emission factors from Defra.

Category 8: Upstream leased assets

Significant upstream leased assets are already accounted for under Scope 1 and Scope 2. The rented logistics warehouses that have not already been reported were identified as additional assets to be reported. These were multiplied by an internally determined CO_2 factor. The data were supplemented by internal expert assessments.

Category 9: Downstream transportation and distribution

The logistics paid by the customer were extrapolated from Continental to the customer as well as internal expert assessments on the basis of Continental's own logistics emissions ("Upstream transportation and distribution").

Category 10: Processing of sold products

With the help of the product weight sold and the average vehicle weight based on market data, a virtual vehicle quantity was modeled, and this quantity multiplied by the Scope 1 and Scope 2 emissions per vehicle manufactured by selected automotive manufacturers. The calculation therefore relates exclusively to Continental's vehicle business, and thus does not currently include the industrial business of the ContiTech business area.

Category 11: Use of sold products

The product weight sold for the Automotive Technologies group sector and the ContiTech business area, as well as the number of tires sold for the Tires business area, were calculated with emission factors and other assumptions. The EU tire label classes were also taken into account in the Tires business area.

In particular, the following assumptions were applied:

- The emission factor for passenger cars and light commercial vehicles comes from the International Council on Clean Transportation (ICCT) (January 2022).
- The emission factor for heavy to medium commercial vehicles comes from Defra.
- A service life of 200,000 km was assumed for passenger cars and light commercial vehicles (source: 2020 Sustainability Reports of Volkswagen and Daimler).
- For heavy to medium commercial vehicles, a service life of 1,000,000 km was assumed (source: internal expert assessment).
- The average vehicle weights for passenger cars and light commercial vehicles come from EEA (source: European Environment Agency 2021).
- The average vehicle weights for heavy to medium commercial vehicles come from IHS 2021 (access subject to a charge).
- The Tire's share of CO_2 emissions as well as other assumptions such as tire service life and the number of tires per vehicle are based on internal expert assessments and published industrial data.
- Bicycle tires were reported as zero CO_2 emissions since they do not cause direct CO_2 emissions during the use phase.

The calculation therefore relates exclusively to Continental's vehicle business in passenger cars and light commercial vehicles as well as heavy to medium commercial vehicles, and thus does not currently include, in particular, the industrial business of the ContiTech business area or the business operations insignificant in terms of CO_2 of the Automotive Technologies group sector (two-wheel business) and the Tires business area (e.g. ContiTrade business, parts of the Speciality Tires business unit).

Category 12: End-of-life treatment of sold products

The product weight sold was multiplied by the specific emission factors of GaBi in accordance with the disposal and recycling type. Internal expert assessments and industrial data were used in the classification of disposal and recycling type.

Category 13: Downstream leased assets

The leased buildings were multiplied by an internally determined emission factor. The leased equipment items (e.g. machinery) were multiplied by a specific emission factor from Defra. In order to include any leasing agreements that have not already been reported, internal expert assessments regarding this portion were also used.

Category 14: Franchises

The number of franchise locations was multiplied by internally determined emission factors and specific emission factors from Defra.

Category 15: Investments

Sales of equity-accounted investees in financial reporting were multiplied by the portion of Continental's financial contribution and the average of Continental's own CO_2 emissions (Scopes 1 and 2) per euro of sales. In the event that sales could not be calculated, CO_2 emissions were extrapolated based on the number of these companies.

CO_2 balance sheet of the Continental Group

The total CO_2 balance sheet is based on the audited Scope 1, 2 and 3 emissions, which can be found on pages 17 and 18 in this integrated sustainability report.

In fiscal 2021, the Continental Group's total carbon footprint, which includes the Scope 1, 2 and 3 CO_2 emissions in accordance with the GHG Protocol, amounted to 109.94 million metric tons of CO_2. (PY: n. a.). Total Scope 3 CO_2 emissions account for 99% of this overall total footprint.

The total gross CO_2 backpack of Continental's businesses measures the CO_2 emissions that can be directly or indirectly influenced by Continental that arise up until the goods are handed over, and for the product's end of life. It therefore includes all of Continental's own CO_2 emissions (Scopes 1 and 2) as well as indirect Scope 3 CO_2 emissions for the reporting categories "Purchased goods and services", "Capital goods", "Fuel- and energy-related activities (not included in Scopes 1 and 2)", "Upstream transportation and distribution", "Business travel", "Employee commuting", "Upstream leased assets" and "End-of-life treatment of sold products". The total gross CO_2 backpack of Continental's businesses comprised 20.19 million metric ton of CO_2. (PY: n. a.).

Since no negative CO_2 emissions could be added yet in fiscal 2021 as a result of carbon removal (PY: n. a.), the gross CO_2 backpack with 20.19 million metric tons of CO_2 (PY: n. a.) corresponds to the net CO_2 backpack, which we define as the gross CO_2 backpack plus the negative CO_2 emissions from the removal of CO_2.

Continental has only limited influence over most of its carbon footprint. We measure this part as total CO_2 emissions related to the customer and product use, including indirect Scope 3 CO_2 emissions for "Downstream transportation and distribution", "Processing of sold products", "Use of sold products", "Downstream leased assets", "Franchises" and "Investments". This amounted to 89.75 million metric tons of CO_2. (PY: n. a.). The key lever for reducing these CO_2 emissions is to expand our emission-free mobility business. For more information, see the section on emission-free mobility and industries on page 22.

CO_2 balance sheet in millions of metric tons of CO_2[1]	**2021**	2020
Total own CO_2 emissions (Scope 1 and 2)	1.05	0.99
Total indirect CO_2 emissions along the value chain (Scope 3)	108.89	n. a.
Total carbon footprint (Scope 1, 2 and 3)	**109.94**	**n. a.**
Total customer and product use-related CO_2 emissions[2]	89.75	n. a.
Total gross CO_2 backpack of Continental businesses[3]	**20.19**	**n. a.**
Total negative CO_2 emissions by carbon removals[4]	0.00	n. a.
Total net CO_2 backpack of Continental businesses[5]	**20.19**	**n. a.**

1 Definitions in accordance with the GHG Protocol. CO_2 emission factors correspond to CO_2 equivalents (CO_2e).
2 Definition: The customer and product use-related CO_2 emissions measure the CO_2 emissions over which Continental has no influence or only limited influence, and include indirect Scope 3 CO_2 emissions for the reporting categories "Downstream transportation and distribution", "Processing of sold products", "Use of sold products", "Downstream leased assets", "Franchises" and "Investments".
3 Definition: The total gross CO_2 backpack of Continental's businesses measures the CO_2 emissions that can be directly or indirectly influenced by Continental and which arise up until the goods are handed over, and for the product's end of life. It therefore includes all own CO_2 emissions (Scopes 1 and 2) as well as indirect Scope 3 CO_2 emissions for the reporting categories "Purchased goods and services", "Capital goods", "Fuel- and energy-related activities (not included in Scope 1 or 2)", "Upstream transportation and distribution", "Business travel", "Employee commuting", "Upstream leased assets" and "End-of-life treatment of sold products".
4 Only those negative CO_2 emissions due to carbon removal that are purchased as part of the Net|Zero|Now global customer program.
5 Definition: The total net CO_2 backpack of Continental's businesses includes the gross CO_2 backpack as well as the total negative carbon emissions due to removal of CO_2.

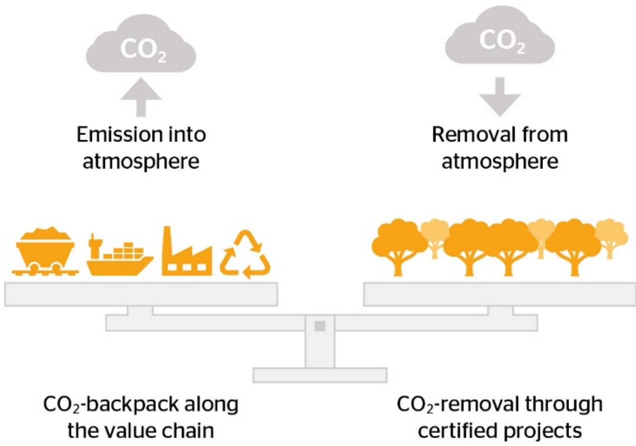
Carbon-Neutral Business with Net|Zero|Now

Together with our partners along the value chain, we are implementing short-, medium- and long-term measures aimed at achieving an entirely carbon-neutral value chain by 2050 at the latest (see page 16). In doing so, we take into account the varying requirements and speed of transformation of our customers, industries and markets.

In addition to innovative and sustainable products, we are already offering our customers the opportunity to achieve complete carbon neutrality for their business with Continental along the entire value chain. As part of its global program Net|Zero|Now, Continental will be offering its customers the neutralization of the carbon backpack of our business, which remains after reduction measures, through negative emissions, as of fiscal 2022.

The carbon footprint relates to the CO_2 emissions generated along the value chain (Scopes 1, 2, and 3), except for the emissions related to the customer and product use contained therein (see page 20). The offer focuses on business with zero-tailpipe-emission vehicles (see page 22), which, in the best case scenario, already use renewable energy sources during their use phase, and can also use the program to neutralize Continental's share of the carbon footprint. To this end, we are investing in certified reforestation projects that absorb CO_2 from the atmosphere. And we are also contributing to the restoration of ecosystems. Furthermore, the program is no longer limited to these business operations, but can now also be applied to other business beyond zero-tailpipe-emission vehicles. The Net|Zero|Now program supplements, and thus rounds off, the range of reduction measures with a component that is already able to achieve carbon neutrality for the included business without curbing our reduction efforts. The program is therefore aimed in particular at customers with ambitious climate targets and programs.

Simplified principle of Net|Zero|Now



We deliberately opted for negative emissions for our neutralization efforts. Negative emission measures – also known as greenhouse gas removal (GGR) – remove CO_2 from the atmosphere. They are an integral part of the net zero carbon footprint concept required in line with the Paris Climate Agreement. Accordingly, carbon neutrality means that no more emissions are produced than are removed from the atmosphere. To achieve this, emissions need to be reduced to a minimum and existing emissions must be offset, so that ultimately the carbon footprint comes out to "net zero". Hence, negative emissions are still necessary in order to achieve complete carbon neutrality for a product or business today. Negative emissions are thus reducing the burden on the global carbon budget and are a valuable addition to comprehensive reductions.

To calculate what volume of negative emissions needs to be generated, the carbon footprint for the business recognized in the program was determined on the basis of the reported Scope 1, 2, and 3 emissions in accordance with the Greenhouse Gas Protocol. These calculated emissions are then neutralized by an equal amount of negative emissions. The projects used for this purpose are purchased by recognized partners. In doing so, we attach importance to projects certified exclusively in accordance with international standards, to complete long-term projects, a variety of projects, social aspects, to safeguarding reductions, and other quality criteria.

Emission-free Mobility and Industries

Management Approach

Source: 2021 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Non-Financial Statement starting p. 36)

Note: This section relates to continuing and discontinued operations, with the exception of performance indicators for the financial year 2021.

Our ambition

As set out in our sustainability ambition, we strive for 100% emission-free mobility and industry by 2050 at the latest, together with our partners along the value chain. "Emission-free" refers to zero emissions of greenhouse gases and nitrogen oxides (NO_x), for example, but does not include harmless emissions such as water vapor, non-toxic biodegradable particulate emissions or minimal noise emissions.

Of central importance for our ambition are the requirements and speed of transformation of our customers, industries and markets.

Concept

Continental is shaping the transformation toward emission-free mobility and emission-free industries with customer-oriented solutions, such as for electric mobility, emission-free railway engineering, bicycles and wind turbines. In doing so, we rely both on new product developments and on the further development of our existing product portfolio.

The respective group sectors and business areas are responsible for implementing the sustainability ambition. To this end, relevant aspects have been and will continue to be incorporated in portfolio analyses, and are included in the strategy and business development processes for the group sectors and business areas.

For the implementation of our concept with respect to emission-free mobility and industries., we record our allocated business with emission-free mobility and industries as a performance indicator. This consists of allocated business with zero-tailpipe-emission vehicles as well as allocated low-carbon business beyond business with zero-tailpipe-emission vehicles. Only all clearly allocated sales are recorded. In terms of vehicles, these include sales of tires, displays, sensors, electronic control units, artificial leather and hoses for emission-free passenger cars and trucks, as well as air springs for emission-free trains and trams; in terms of other business, they include sales of hoses for wind turbines or photovoltaic systems.

Results of the concept

In fiscal 2021, the allocated business with emission-free mobility and industries amounted to a total of €991 million (PY: n. a.). The allocated business with zero-tailpipe-emission vehicles accounted for the largest share at €986 million (PY: €826 million including Vitesco Technologies). Despite the absence of corresponding sales for Vitesco Technologies, business with emission-free mobility and industries therefore increased considerably in fiscal 2021. This is attributable in particular to the growing market success of electric mobility, since Continental's products can now be found in many mass-produced models.

Emission-free mobility and industries performance indicators	**2021**	2020
Allocated business with zero-tailpipe-emission vehicles in millions of euros[1, 2]	986	826
Allocated low-carbon business beyond business with zero-tailpipe-emission vehicles in millions of euros[3]	6	n. a.
Allocated business with emission-free mobility and industries in millions of euros	**991**	**n. a.**

1 Definition: allocated business with zero-tailpipe-emission vehicles comprises all business with products for vehicles transporting goods and people that count as Taxonomy-eligible low-carbon technologies for transport under the delegated regulation (2021/2800) for climate change mitigation and adaptation of the Taxonomy Regulation (2020/852).

2 The business can be allocated via the vehicle manufacturer, the vehicle platform or the product specification, for example. The data includes both pure business and attributable business, such as in the case of combined vehicle platforms. For the Tires, ContiTech and Contract Manufacturing business areas, the sales reported at the end of the year were included. For Contract Manufacturing, this was based on an estimation by the customer Vitesco Technologies. In the case of the Automotive Technologies group sector, a calculation was carried out for passenger cars and light commercial vehicles using internal, vehicle-specific planning data for sales and external data for production quantities, and for medium and heavy commercial vehicles this was based on the relevant customer portfolio.

3 Definition: allocated low-carbon business beyond business with zero-tailpipe-emission vehicles measures business that enables our customers to significantly contribute to climate change mitigation and is considered Taxonomy-eligible under the delegated regulation (2021/2800) for climate change mitigation and adaptation of the Taxonomy Regulation (2020/852), excluding low-carbon technologies for transport.

In the Spotlight

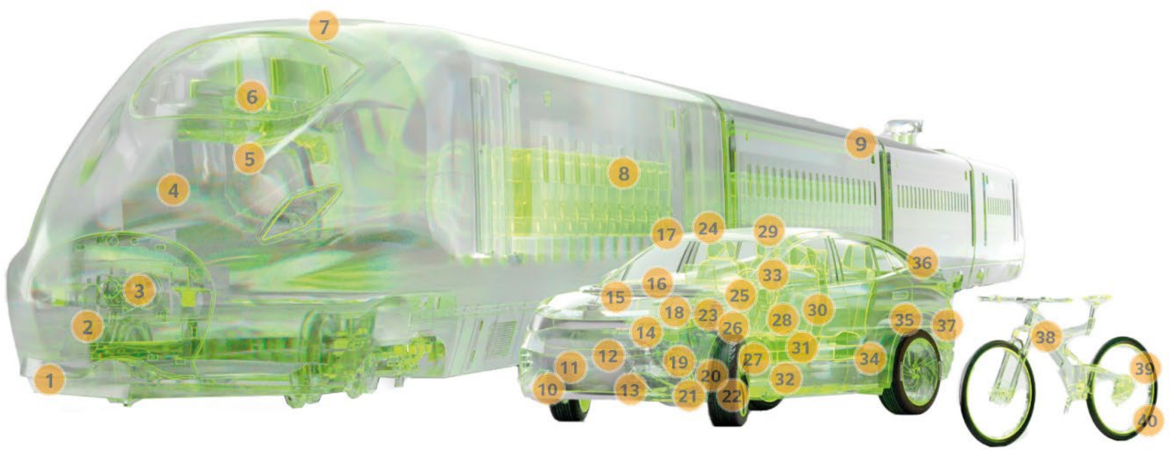
Allocated Business with Zero-Tailpipe-Emission-Vehicles – Product Examples

The transformation of mobility, combined with the end of classic combustion engine drives, is a megatrend, in which Continental is already participating. In fiscal 2021, our allocated business with zero-tailpipe-emission vehicles amounted to just €1 billion. Sales have already increased significantly compared to the previous year. We expect further growth in the future.

The chart below provides an exemplary overview of which Continental products are currently part of this growth market and are covered in the above-mentioned sales for allocated business with zero-tailpipe-emission vehicles.

Exemplary Overview

1 Traction Links
2 Bearings for Powertrain
3 Primary and Secondary Suspension Systems for Railway Applications
4 Radar
5 Head-up Display
6 Driver Monitoring Camera
7 Actuators for Pantographs
8 Seat Upholstery
9 Folding Bellow Material
10 Pedestrian Protection System
11 Long-Range Radar for Intelligent Driving Functions
12 BEV Coolant Lines
13 Acceleration Sensors for Crash Detection
14 Electric Vehicle Engine Mounts
15 Air Conditioning (Heating and Cooling System)
16 Acella® Lux surface material for Instrument Panel, Door Panel, Seat Covers
17 Radio Frequency Transceiver
18 Chassis Position Sensor
19 Spring Seat
20 Linear Passive Dampers
21 Wheel Speed Sensors
22 Summer and Winter Tires
23 Strut Mount
24 Bluetooth and UWB Transceiver
25 Full Digital Cluster-Silverbox (IC-Box)
26 Integrated Brake System MK C1
27 Smartphone Terminal/NFC Reader
28 Inertial Measurement Unit
29 Airbag Control Unit
30 Intelligent Glass Control
31 Door Control Units
32 Pressure Sensors for Side Crash Detection
33 Control Unit for Passenger Seat
34 Chassis Control Unit
35 Intelligent Battery Sensor
36 Broadcast Window Antennas
37 UWB Transceivers
38 ContiMobilityKit
39 Bicycle Tires
40 Bicycle Tubes
...



Circular Economy

Management Approach

Source: 2021 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Non-Financial Statement starting p. 36)

Note: This section relates to continuing and discontinued operations, with the exception of performance indicators for the financial year 2021.

Our ambition

As set out in our sustainability ambition, we strive for 100% closed resource and product cycles by 2050 at the latest, together with our partners along the value chain.

Of central importance for our ambition are the requirements and speed of transformation of our customers, industries and markets.

Concept

The switch to a circular economy is a profound and complex transformation process for Continental, which at the same time is highly relevant for the achievement of other sustainability ambitions of the company. The group sectors are responsible for implementing circularity, in particular with respect to product design, business models, material use and material procurement. They have each started to design and/or implement specific initiatives and projects that are aimed at improving circularity. Examples include the use of recycled materials, the reprocessing of products and the reduction or substitution of resource inputs.

With regard to operational waste management, as a further key component of the circular economy, we have set ourselves the corporate target of increasing the waste recycling quota to 95% by 2030. Waste recycling includes material recycling, thermal recovery or any other form of recycling or reuse.

The implementation of the corporate target is managed by the Group Environmental and Climate Protection group function as part of operational environmental management. For more information on the organization of operational environmental management, see the section on green and safe factories in this combined non-financial statement. The waste recycling quota has also been part of the LTI plans for the members of the Executive Board and global managers since fiscal 2020. For more information, see the remuneration report on our website under Company/Executive Board.

Results of the concept

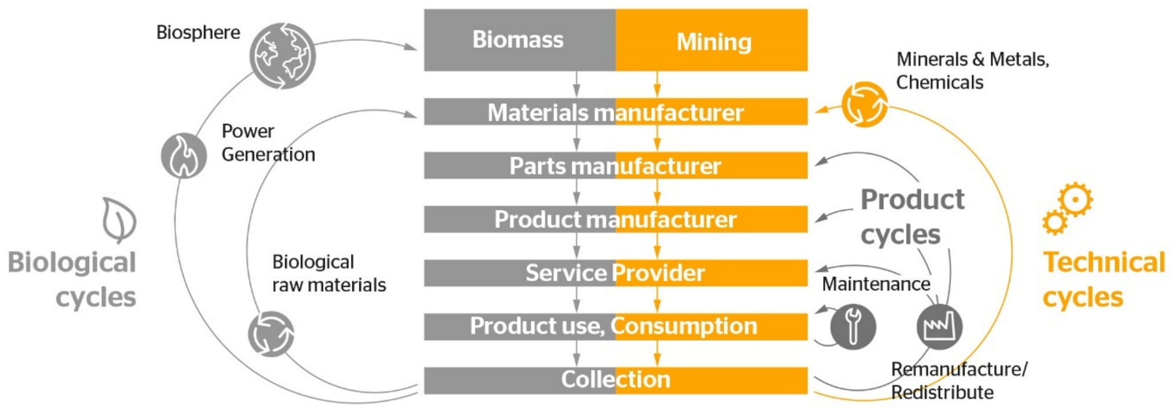
The waste recycling quota was at 81% in fiscal 2021 (PY: 81% including Vitesco Technologies) and was therefore on a par with the previous year, despite the discontinued reporting of waste recycling from Vitesco Technologies. This is attributable primarily to the completion of data collection. This previously covered the relevant production and research and development locations and now for the first time also includes the rest of the – mostly smaller – locations within the Continental Group.

Circular economy performance indicator	2021[2]	2020[3]
Waste recycling quota in %[1]	81	81

1 Definition: proportion of waste that has been sent for material recycling, thermal recovery or any other form of recycling or reuse.
2 Contains a small amount of imputed data for parts of the Continental Group that did not report data directly.
3 Includes the relevant production and research and development locations.

In the Spotlight

In a circular economy, there is no waste, only material in the wrong place



In the Spotlight

Product Examples from the Group Sectors and Business Areas

Tires

Conti GreenConcept – Low Resource Consumption Along the Value Chain

With the Conti GreenConcept tire concept presented for the first time at IAA Mobility in fiscal 2021, Continental is emphasizing its vision of being the most progressive tire along the value chain target by 2030. The integrated sustainable tire concept aims to keep resource consumption particularly low along the value chain for tires: from the sourcing of the materials to production and right through to extending service life or useful life.

To this end, we rely on innovative lightweight construction methods, a renewable and functional tread and a particularly high proportion – over 52% – of renewable and recycled raw materials.

Thanks to the innovative lightweight construction method, the rolling resistance of the Conti GreenConcept tire is also around 25% lower than that of tires with rolling resistance class A according to the EU tire label, making it the best in this range.

The tread of the Conti GreenConcept can be exchanged several times and with little time and material effort. In addition, the latest generation Continental sensor continuously monitors temperature, pressure and tread depth inside the tire.

Polyester yarn made from recycled PET is being used for the first time. From 2022, Continental will allow the introduction of polyester yarn in passenger car tire production, which will be produced from plastic bottles that have been recycled.

ContiTech

New TPO film –Designed for Recycling

The focus is not only on the drive system, but also on the path to sustainable mobility of the future. Components for vehicle interiors are also manufactured in an increasingly resource-efficient way. One example is the new TPO film: this plasticizer-free surface material for automotive interiors can be efficiently recycled.

TPO material consists of olefin-based thermoplastic elastomers. Bio-based polymers are made of plant waste. They thus absorb CO_2 from the atmosphere.

By combining thermal-mechanical recycling with bio-based polymers, the new TPO film becomes a product with significantly improved CO_2 balance. This has already resulted in components with a film solution containing 30% recyclate from recycled film material. In combination with chemical recycling, we work on a closed circle.

Various vehicle manufacturers use TPO film in their models: on instrument panels, door panels, door sills, center consoles, or seat backs, for example. The material saves weight and is equally robust, resistant to aging, and is a low-emissions product. TPO now becomes even more attractive for monomaterial concepts in the development of interior components due to its significantly improved CO_2 balance.

Automotive Technologies

Recycled Display Units

Since 2015, Continental has sold several million of its double thin-film transistor (TFT) display worldwide, and installed them in vehicles in the middle and upper price segments of a major German automobile manufacturer. Compound technology – at that time an innovation – made it possible to implement visually attractive customer solutions.

On some displays, however, a physical effect triggered by UV light – known as “white lining” – occurred after a few years. This problem can be solved by means of recycling. The displays can be broken down into their constituent components and reassembled in a specially developed process. Only the glass that was previously painted with an UV-resistant coating is replaced in order to prevent the negative effect from occurring again. All other parts can be reused.

In this way, 470,000 displays could theoretically be recycled in China alone, thereby avoiding the production of spare parts and generation of waste, which has a positive impact on the energy balance.

Responsible Value Chain

Management Approach

Source: 2021 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Non-Financial Statement (starting p. 36)

Note: This section relates to continuing and discontinued operations, with the exception of performance indicators for the financial year 2021.

Our ambition

As set out in our sustainability ambition, we strive for 100% responsible sourcing and business partnerships by 2050 at the latest, together with our partners along the value chain.

Our understanding of a responsible value chain thus refers to our supply chain and customer relationships and to our own locations.

Of central importance for our ambition are the requirements and speed of transformation of our customers, industries and markets.

Concept

In our Business Partner Code of Conduct, which was most recently updated in fiscal 2021, we define the fundamental requirements, among others for our suppliers, and for their suppliers, including with regard to human rights, working conditions, environmental protection, conflict minerals and anti-corruption. Violations of our regulations can also be reported via the Compliance & Anti-Corruption Hotline, which is available around the clock and worldwide. In the event that violations of our binding regulations are identified, we demand improvements and reserve the right to terminate the business relationship. For suppliers of natural rubber, our sourcing policy for sustainable natural rubber additionally applies.

Before even establishing a business relationship, we screen potential suppliers by means of self-assessments as well as local audits, which may also include sustainability topics (such as fire protection and occupational safety). We assess selected suppliers with the help of self-assessment questionnaires, which we collect via the generally accepted sustainability platforms for our industries, EcoVadis and NQC, and the amount of which we assess at a corporate level on an annual basis.

We continue to develop our approach for the responsible value chain further in dialog with external stakeholders and support the development of industry-wide standards, for example through our active participation in industry dialog with the German government on human rights in the automotive industry and through the Global Platform for Sustainable Natural Rubber (GPSNR).

Responsible sourcing is the responsibility of the relevant purchasing organizations, which are established at Continental by group sector and product group, for example, with teams in the various countries. A corporate purchasing network regularly deals with responsible sourcing topics as well. The Group Quality group function coordinates the management of conflict minerals, including the corresponding reporting processes.

More information on the implementation of a responsible value chain with regard to our own locations can be found in the following sections on good working conditions and green and safe factories.

In the reporting year, under the leadership of the Group Sustainability group function, a corporate project was launched for the implementation of the German Supply Chain Due Diligence Act (*Lieferkettensorgfalts-pflichtengesetz – LkSG*), which will enter into force in 2023.

Results of the concept

With regard to the sourcing of sustainable natural rubber, the piloted approaches for traceability have been further expanded upon as part of the Rubberway project and collaboration with the German Society for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit – GIZ) in Indonesia.

As at December 31, 2021, 631 valid supplier self-assessment questionnaires were available via the two sustainability platforms EcoVadis and NQC (PY: 696 including Vitesco Technologies). This corresponds to a completion rate of 53% of suppliers selected for this process (PY: 59% including Vitesco Technologies). The decline in the number of available valid self-assessment questionnaires and the lower completion rate are due in particular to a large number of self-assessment questionnaires completed by suppliers that have expired and need to be renewed, and, to a lesser extent, to the spin-off of Vitesco Technologies.

Responsible value chain performance indicator	2021	2020
Number of available valid supplier self-assessment questionnaires (as at December 31)[1]	631	696

1 Based on the self-assessment questionnaires via the sustainability platforms EcoVadis and NQC completed by suppliers selected for this process.

Management Approach to Human Rights at a Glance

Continental pursues an integrated management approach to fulfilling its duty of care with respect to human rights. This means that we apply our management approach to both our supply chain and our customer relationships, as well as our own locations. The group function Group Sustainability coordinates the ongoing development of this management approach.

Principles, guidelines, and training
In the corporate-wide codes of conduct for our own employees and our business partners as well as in the company's sourcing policy for sustainable natural rubber, Continental is committed to respecting human rights and the core labor standards of the International Labour Organization (ILO) in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGP). We expect our business partners, including all suppliers and service providers, to drive forward the implementation of the requirements specified in our Code of Conduct and in our sourcing policy for sustainable natural rubber in their respective supply chains as well. In our Business Partner Code of Conduct, which was last updated in fiscal 2021, we define the basic requirements for our suppliers and, in turn, their suppliers, with respect to human rights, working conditions, environmental protection, conflict minerals, and anti-corruption, among other issues.

Employees are informed about the Code of Conduct. In fiscal 2021, 6,378 employees received e-learning on the Code of Conduct (PY: n. a.). In addition, training sessions and workshops on specific areas of human rights are carried out with relevant group functions in order to promote the integration of human rights aspects into the relevant management and decision-making processes.

Risk analysis and mitigation
The group function Group Security systematically analyzes and assesses country-specific risks at a corporate level and makes these assessments available to various group functions, such as Purchasing.

Location-specific risks are analyzed and evaluated in particular by our local environment, occupational safety and health managers (ESH managers) within the framework of the local management systems and our network of country coordinators for labor relations. Certifications for the environmental management system reached a coverage level of 76% as at December 31, 2021 (PY: 82% including Vitesco Technologies), while the occupational safety and health management system had a coverage of 62% of employees (PY: 69% including Vitesco Technologies).

Prior to entering into any business relationship, we analyze and evaluate risks in our supply chain by means of self-assessment and, in some cases, on-site audits, which may also include topics with relevance to human rights (e.g. fire protection and occupational safety). We assess compliance with the sustainability requirements set by our Code of Conduct for Business Partners, in particular by means of self-assessments using the EcoVadis and NQC platforms. Measures for processing priority areas such as natural rubber or conflict minerals (incl. cobalt) have been handled by cross-group sector working groups. To continuously develop the responsible value chain approach, Continental is actively working with various stakeholders in cooperative industry initiatives (see page 28) on new joint solutions and approaches along our supply chains.

Complaint mechanism
Continental has set up a Compliance & Anti-Corruption Hotline to give its employees and third parties outside the Group the opportunity to report violations of the company's Code of Conduct or suspected violations of the same. Information may also be communicated anonymously via the hotline, if permitted by law. The group functions Group Internal Audit, Group Security, and Group Compliance review and track the information received. Confirmed violations of our Code of Conduct will be sanctioned. In the event of any violation of our human rights regulations by our business partners, Continental explicitly reserves the right to demand corrective action or to terminate the business relationship.

Review and reporting
In the reporting year, a group-wide project was set up under the leadership of the group function Group Sustainability in order to implement the requirements of Germany's Supply Chain Due Diligence Act (LkSG) set to come into force in 2023. Further information on our approach to human rights management can also be found in the Continental Group's latest "Modern Slavery Statement" (available in English only) on the corporate website at www.continental-sustainability.com.

Sustainability in the Natural Rubber Value Chain

In the past fiscal year, Continental further developed its management approach for the strategic dimension of "Sustainability in the natural rubber supply chain," in compliance with the human rights and due diligence guidelines of the Organisation for Economic Co-operation and Development (OECD).

For Continental, all responsibilities and obligations along the natural rubber supply chain are based on the "Sustainable Natural Rubber Sourcing Policy" and the Business Partner Code of Conduct – both updated in 2021. They serve as a starting point for an active and responsible contribution to promoting a responsible value chain for the raw material. We expect our suppliers, service providers and partners to promote the implementation of the requirements specified in the Code of Conduct and the Sustainable Natural Rubber Sourcing Policy in their respective supply chains as well. By the end of 2023 at the latest, Continental has also set itself the goal of reaching all direct suppliers of Central Purchasing with its purchasing policy and documenting their acknowledgement.

Continental uses digital risk analysis systems to ensure compliance with the defined principles of its relevant purchasing policies. For all direct and centrally managed suppliers (Tier 1), we assess human rights, environmental and ethical risks in our suppliers' business and procurement processes, in particular using verified self-information with the help of third-party partners (EcoVadis). In the past fiscal year, Continental has reached more than 90% coverage by volume of all direct natural rubber suppliers of Central Purchasing.

To increase transparency and sustainability along our supply chains, Continental is actively collaborating with multiple stakeholders in various cooperative industry approaches. As a driver of innovation in the natural rubber sector, Continental and its partners (Michelin, SMAG) announced back in 2019 the establishment of the "Rubberway" joint venture for digital risk analysis of the upstream supply chain (Tier 1 – Tier X). In the past fiscal year, Continental has reached more than 30% coverage by volume of all direct natural rubber suppliers of Central Purchasing, and on track to reach the ambitious target of more than 95% volume by 2030.

As a founding member of the Global Platform for Sustainable Natural Rubber (GPSNR), Continental is actively involved in the development of global guidelines for sustainable natural rubber and consistently implements the agreed guidelines. In the past fiscal year, Continental was elected to the Executive Committee (EC) by the GPSNR plenary meeting. In addition, we are actively involved in working groups on the platform and share relevant project experiences. Furthermore. the update of our Sustainable Natural Rubber Sourcing Policy in 2021 was aligned with GPSNR policy components.

In collaboration with the Gesellschaft für Internationale Zusammenarbeit (GIZ) and the Federal Ministry for Economic Cooperation and Development (BMZ), Continental has been ensuring the traceability of natural rubber from the project region in West Kalimantan, Indonesia, since 2018 by implementing a digital system, capacity building activities and optimization of the value chain. As part of the capacity building activities, Continental, GIZ and BMZ are also involved in training small farmers involved in the project in sustainable farming practices. These training sessions and optimization of the supply chain enable small farmers and their families to improve their income through higher raw material yields, and to encourage agroforestry.

In the previous phase of our project, 450 small holders have received training and engaged in the project. In the past fiscal year, 1500 smallholders have been registered, trained and connected to Koltiva, the digital tracing system. The aim is to increase the number of small farmers participating in the program to 4,000 by 2024.

Starting in 2022, Continental will report annually on the status of the achievement of the various indicators (acceptance of the purchasing policy, verified supplier self-disclosures, Rubberway purchasing volume, small farmers reached in the pilot project).

Innovation and Digitalization

Research and Development

Source: 2021 Annual Report > Management Report > Corporate Profile > Research and Development (starting p. 34)

Mobility of the future is sustainable, automated and connected.

In the future, vehicles will have a variety of powerful senses. They will speak the same language and communicate with their environment and the driver. They will be highly responsive and seamlessly interconnected, and a central intelligence system will steer them reliably and safely to their destination in all situations.

Driving Planner for highly automated driving
Continental is developing a software solution that allows vehicles to independently perform complex driving maneuvers. The Driving Planner demonstrates that automated driving is not reserved exclusively for premium vehicles with special equipment. The software determines precise decision-making alternatives from a wide range of sensor data in order to automatically master complex driving maneuvers on the highway or expressway. The Driving Planner can thereby calculate traffic situations several seconds in advance and use this information to derive the vehicle's appropriate response.

One example illustrating where this new system can relieve drivers in the future is when entering highways via a merging acceleration lane. The Driving Planner calculates this complex maneuver from radar sensor and camera data and makes the best decision. Other software modules then carry out the calculated driving maneuver. The vehicle accelerates, merges onto the highway and then picks up speed according to the flow of traffic.

The Driving Planner can calculate driving maneuvers up to a speed of 130 km/h. The development phase of the software system has been completed, and the technology is expected to be launched in 2024.

ShyTech displays – essential information at a glance or touch
ShyTech displays are an innovative and intelligent solution from Continental that help drivers keep an eye on important information at all times. As modern vehicles become more and more connected and automated, the amount of data they process and display continues to grow. In order to visualize this wealth of information, increasingly large screens are being installed in cars. However, not all messages are relevant in all situations, and excessive notifications can cause distraction and endanger driving safety. ShyTech displays increase user-friendliness and enhance safety by hiding potential distractions.

If required, they can take up the entire width of the dashboard, but they will only become visible when needed. This is made possible by a semi-transparent surface that allows the screens to be seamlessly integrated into the surrounding panel – both visually and haptically. When the displays are not needed, they are practically invisible to the human eye. Navigation and communication information and the touch screen menu are therefore readily available at all times, but the dashboard appears as if it is a single component. The indicators and controls are only activated when a hand, for example, draws near the display. It is also possible to activate the display via voice control or by briefly tapping the screen surface. The display surface is designed to imitate the look of the dashboard. This appearance can take many forms depending on the configuration; examples include wooden panels, carbon panels or leather-covered surfaces. In addition, it not only looks like the original material, but feels like it too. ShyTech innovations allow screens to be placed virtually anywhere in the vehicle interior. Continental plans to launch the ShyTech display in 2023.

	2021		2020	
Research and development expenses (net)	€ millions	% of sales	€ millions	% of sales
Autonomous Mobility and Safety	1,082.3	14.4	1,005.0	13.3
Vehicle Networking and Information	1,054.3	13.2	1,274.8	16.1
Tires	293.8	2.5	268.0	2.6
ContiTech	156.5	2.6	149.7	2.7
Contract Manufacturing	-0.1	0.0	3.2	0.3
Continental Group	**2,586.8**	**7.7**	**2,700.7**	**8.5**
Capitalization of research and development expenses	**31.5**		**137.6**	
in % of research and development expenses	1.2		4.8	
Depreciation on research and development expenses	**44.0**		**164.6**	

Conti GreenConcept – sustainable, lightweight, efficient

The Conti GreenConcept from Continental leverages both current and emerging technological approaches to the engineering of sustainable tires for passenger cars. The new concept tire is based on three levels: a particularly high proportion of traceable, renewable and recycled materials, a resource-saving, lightweight design and an extended service life thanks to a renewable tread.

More than 50% of the materials used to make the Conti GreenConcept are renewable or recycled. In other words, they originate from closed-loop cycles, have no harmful effects on people or the environment, are responsibly sourced, and are carbon-neutral throughout the supply chain. The proportion of renewable raw materials amounts to 35%. The organic materials used include natural rubber from dandelions (Taraxagum), silicate from the ashes of rice husks, as well as vegetable oils and resins.

In addition, the Conti GreenConcept is made from 17% recycled materials. The materials Continental uses in the tire's casing include reclaimed steel and recovered carbon black, plus – in an industry first – polyester from recycled polyethylene terephthalate (PET) bottles. Continental is planning the gradual rollout of its ContiRe.Tex technology from 2022, thus paving the way for the manufacture of tires using polyester yarn from recycled PET bottles. The recycling process does without the usual intermediate chemical processing steps, and the resulting polyester yarn is then made functionally capable of handling the high mechanical forces to which tires are subjected. As part of the so-called upcycling process, used PET bottles get a new life as high-performance polyester material. Conventional passenger car tires consist of roughly 400 grams of polyester yarn each. In manufacturing a set of four tires, a total of over 60 recycled PET bottles can be reused.

Thanks to its lightweight design, the Conti GreenConcept is also up to 40% lighter than today's standard tires. At the same time, the tire's rolling resistance has been reduced. This means the vehicle consumes less energy, thus leading to a positive effect on the environment. Internal combustion vehicles therefore have a greater mileage and lower carbon emissions, while electric vehicles can cover an extended range.

AMBIENC3 – the vehicle interior of the future

In its new AMBIENC3 concept vehicle – a converted VW microvan – Continental shows how driving, working and relaxing can be combined in a single space. "Third space" is the term used to describe the underlying concept, which brings together living and working areas within the vehicle.

The AMBIENC3 features new surface solutions for the floor and ceiling, walls, seats, recliners, storage areas and the instrument panel, all of which are made from innovative and sustainable materials. These are either natural and renewable, or recycled and reclaimed. Good air quality inside the vehicle is ensured through low-emission, low-pollutant materials, while the lightweight surfaces also help to reduce vehicle weight. This lowers energy consumption and therefore CO_2 emissions, and increases the range of electric vehicles.

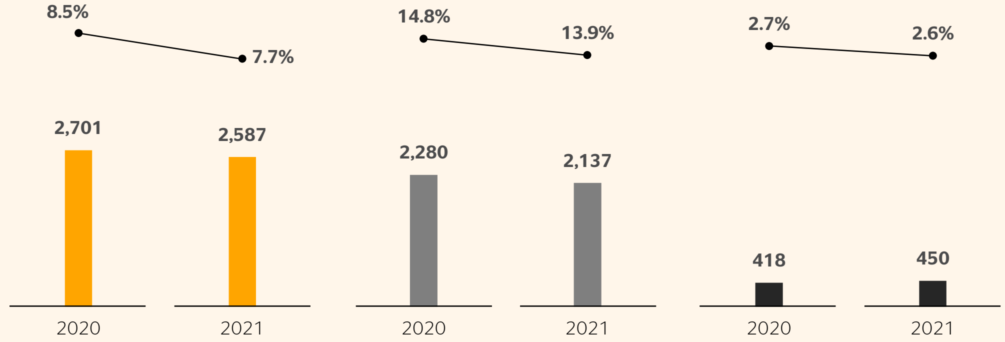
The cockpit does not contain any buttons or switches. Instead, thanks to shy technology, the functions are always intuitively at hand but not permanently displayed. Many of the functions integrated into the surface are invisible at first glance when in "off" mode.

Further highlights in the concept vehicle include a light and sound concept that creates different moods, and heatable materials. Made using functional printing methods, these can generate heat in seconds. Other surfaces in the AMBIENC3 are distinguished by special attributes such as optimized dirt resistance, maximum abrasion resistance and even self-repair in the event of damage.

By the time fully automated driving has arrived – if not before – the time spent in cars will be used for other activities besides steering, accelerating and braking. Alongside the driving zone, the new concept vehicle therefore also offers working and relaxing areas, each with their own design and materials. As more attention is focused on the vehicle interior, the surfaces employed here will become ever more important, calling for a holistic spatial concept.

With solutions and surfaces that can be customized using digital printing techniques, automotive manufacturers will have numerous options when it comes to tailoring vehicles to their customers' individual requirements.

R&D expenses (net) € millions **R&D ratio** %



Continental Group Automotive Technologies Rubber Technologies

Cybersecurity Strategy and Management

Strategic goals of the Continental Group
At Continental, cybersecurity, including IT security, deals with procedures for protecting all IT components connected to the company network (such as computers and servers, databases, and mobile devices) and the data stored or processed on said IT components. Our goal is to prevent attacks or unwanted activities that violate the confidentiality, integrity, or availability of data. Such attacks and unwanted activities include theft as well as manipulation or sabotage of data.

Continental Group directives
Continental cybersecurity management is based on the industry standards of the ISO 27001 standard series governing information security. While the directives define a corporate-wide cybersecurity policy and a dedicated supplementary policy governing non-office areas, multiple manuals and standards govern the design and implementation of specific topics. The Continental Group's key measures include both preventive measures as well as reactive, mitigating ones, including monitoring and control measures in particular:

- Preventive control measures include e.g. secure configuration of hardware and software, controlled access to devices and identities on the basis of necessary knowledge, software updates, vulnerability management, defense against malware, and efforts to raise user awareness.
- Proactive control measures include e.g. collecting and testing data, processing incidents, measuring external hazard potential, as well as site inspections, service testing, and penetration tests.
- Reactive control measures include e.g. handling incidents, protective system changes, and emergency response management.

Organization and responsibilities
The group function Cybersecurity headed up by the Group cybersecurity officer is responsible for strategic, corporate-wide cybersecurity management, and is supplemented by corresponding cybersecurity functions in the group sectors or business areas. Operational implementation of the security rules is the responsibility of group sector management and location management.

Certifications
As at December 31, 2021, a total of 38 locations in the Automotive Technologies group sector were certified to the standards of the Trusted Information Security Assessment Exchange (TISAX) (PY: n. a.). The aim is to certify all relevant locations of the Automotive Technologies group sector by the end of 2023.

Ethics Regulations for Artificial Intelligence

The technology field of artificial intelligence (AI) is no longer merely a strategically important future field for Continental, but rather an integral part of numerous current projects and technologies. Intelligent algorithms play a major role in various areas, not just in the automotive industry. Areas of application within the Continental Group include software architecture in motor vehicles, mobile robots, autonomous mobility, automated driving, the smart factory, and Industry 4.0. Internal processes are also increasingly based on artificial intelligence.

Yet, the global industrial and technical opportunities that AI presents are the subject of contentious social and economic debate. Securing the trust of our various stakeholders by using artificial intelligence responsibly is a matter of major concern for us. This is why we as a technology company are responsible for ensuring that all our product developments and internal processes are not only in line with legal standards, but also in line with ethical standards.

In fiscal 2020, Continental developed ethics guidelines for the use of such self-learning systems. These ethics guidelines correspond to international regulations such as the EU directives on the use of AI ("Ethics Guideline for Trustworthy AI"). The focus is on the traceability of computer-based decisions, transparency, data security, and compliance with Continental's other internal regulations, such as our Code of Conduct. If key work steps are taken over by artificial intelligence, a basic prerequisite for acceptance is that people continue to understand the growing "inner workings" of such a self-learning system. Where does what data come from? Which computing steps lead to which actions? How is the data saved?

The guidelines therefore include the following topics:

- Compliance with laws, regulations, Continental rules, standards and instructions
- Workplace and fair working conditions
- Health, safety, the environment, and product integrity
- Employee diversity, anti-discrimination, fairness in the use of AI
- Data protection and cybersecurity when using AI
- Confidential information, intellectual property

In the Spotlight

High-Performance Computers (HPC)

What is a high-performance computer?
High-performance computers (HPC) are the core element of new server-based vehicle architectures. They are used to centralize vehicle functions that were previously distributed across up to 100 control units throughout the entire vehicle. High-performance computers are characterized by exceptionally high computing power, rapid data throughput, and new possibilities for over-the-air online updates.

Areas of application for high-performance computers
High-performance computers are particularly suitable for realizing data- and computing-intensive applications in which conventional electronic control units and vehicle architectures are already pushing their performance limits. Examples of such applications include autonomous driving or the rapid processing of data traffic from the cloud, which will make motor vehicles a permanent part of the Internet of Everything (IoE) in future.

Advantages of high-performance computers
The reduced scope of control units as well as cable pathways in the interplay between HPCs and local control units, known as zone controllers, has a direct effect on the sustainability of motor vehicles. This reduces the amount of material required, weighs less than the total of the individual components, and saves a large part of the 1.5 km of copper wiring in the vehicle.

Another key advantage lies in new or improved vehicle functions, such as vehicle safety, user experience, and vehicle connectivity. By way of example, the option of updating your vehicle online via over-the-air (OTA) updates and downloading new functions from the cloud eliminates the need to drive to the workshop and additional vehicle downtimes.

Development status
With the launch of the VW ID.3, the first electric vehicle equipped with Continental's body high-performance computer is already on the market. But high-performance computers are currently developing rapidly toward an even greater bundling of functions from a wide range of vehicle domains. Continental is already in talks with numerous automobile manufacturers in this regard.

Cooperative undertakings / partnerships
Cooperation with various chip manufacturers is a particularly important factor in the development of high-performance computers for vehicles. This is not only about computing power, but also about complying with the high safety requirements within the automotive industry. In addition, numerous partners coordinate the integration of high-performance computers in the vehicle architecture, particularly in the field of software.

Green and Safe Factories

Management Approach

Source: 2021 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Non-Financial Statement (starting p. 36)

Note: This section relates to continuing and discontinued operations, with the exception of performance indicators for the financial year 2021.

Our ambition

As set out in our sustainability ambition, we conduct our business processes in a safe and responsible manner based on systematic management and protecting people and the environment.

Concept

Our company policy for environment, safety and health protection (ESH) defines corporate-wide guidelines for green and safe factories. On this basis, we pursue ESH targets for the Continental Group as a whole: all persons in our company are to be protected against accidents and work-related sickness, and their health is to be actively promoted. CO_2 emissions, energy use, water consumption and waste generation at the locations are to be reduced, and the waste recycling quota and energy efficiency at the locations increased.

Local management systems drive forward the implementation of these guidelines. The concrete organizational and technical requirements can be found in the relevant ESH management manuals for the group sectors. Many locations have additionally undergone external certification audits. The extent of these certifications are assessed on an annual basis as to how many employees they cover with respect to environmental management, energy management, and occupational safety and health management systems. The accident rate – the number of accidents per million working hours – is used as an effectiveness indicator for occupational safety and health management. The accident rate has also been part of the LTI plans for the members of the Executive Board and global managers since fiscal 2020. For more information, see the remuneration report on our website under Company/Executive Board.

The Group Environmental and Climate Protection and Group Safety and Health group functions are responsible for the related strategic, corporate-wide ESH management process, and are supplemented by corresponding functions in the individual group sectors. Local operational environment, safety and health protection is the responsibility of the locations and is coordinated by local ESH managers in each case.

Results of the concept

As at December 31, 2021, the majority of our employees throughout the Continental Group were covered by certified management systems. The environmental management system certification covered 76% of employees (PY: 82% including Vitesco Technologies), the energy management system certification covered 40% of employees (PY: 51% including Vitesco Technologies), and the occupational safety and health management system certification covered 62% of employees (PY: 69% including Vitesco Technologies). The lower year-on-year quotas are attributable in particular to the spin-off of Vitesco Technologies.

The accident rate declined to 2.6 accidents per million working hours in fiscal 2021 (PY: 2.9 accidents per million working hours including Vitesco Technologies). The decline in the accident rate is attributable to various effects, including the success of an occupational safety program in the ContiTech group sector.

In order to address the impact of the COVID-19 pandemic and facilitate safe production, the existing corporate-wide pandemic preparedness plan ("pandemic plan") was once again applied in fiscal 2021. The crisis teams set up at corporate and country level remained active. Continental's own mask production was continued, and psychosocial counseling for mental health continued to be offered in certain countries.

Green and safe factories performance indicators	2021	2020
Environmental management system certification (ISO 14001)[1] Employee coverage (as at December 31) in %	76	82
Energy management system certification (ISO 50001)[1] Employee coverage (as at December 31) in %	40	51
Occupational safety and health management system certification (ISO 45001 or similar)[1] Employee coverage (as at December 31) in %	62	69
Accident rate (number of accidents per million working hours)[2, 3]	2.6	2.9

1 Valid certification and concluded recertification processes were counted, as well as ongoing recertification processes, if the achievement of recertification was considered highly probable.
2 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.
3 Excluding leasing personnel (i.e. permanent staff only) and way-to-work accidents.

Occupational Health and Safety Strategy

In the field of occupational health and safety, we are pursuing the vision of "more healthy and profitable years of life."

We want to implement this vision with specific programs in the areas of industrial safety, occupational medicine, health management, ergonomics, and hazardous substance management which we develop on the basis of regular and systematic global risk analyses.

The Safety and Health group function supports and advises the individual organizational units and locations on implementing the programs, and maintains active networks of experts within the company to promote international cooperation, exchange of best practice, and strategic further development of our topic areas.

In fiscal 2021, one focus of occupational health and safety activities was on the prevention of work-related illnesses due to psychosocial risk factors. For this purpose, we have updated our groupwide standard for risk assessment of psychological stress.

Operational Environmental Protection Strategy

In addition to focusing on climate protection (see page 16), our strategy for operational environmental protection also includes the additional focal topics of energy, water, and waste.

Topic of focus: Energy
By 2030, we plan to reduce our energy consumption by 20% compared to 2018 in relation to sales. We also plan to save 1 TWh of energy by means of energy efficiency projects. This equates to roughly 10% of Continental's current annual corporate-wide energy consumption. We will therefore be focusing on implementing energy efficiency projects over the coming years. Our employees working in energy and engineering roles work closely together. This ensures a continuous transfer of knowledge and enables highly efficient technologies to be implemented in all areas. These efforts also include the regular review of fuels currently used with regard to carbon-neutral alternatives.

Our total energy consumption in fiscal 2021 was 9.0 TWh (PY: 8.7 TWh including Vitesco Technologies), with purchased electricity and natural gas accounting for most of this. Total energy consumption was up 3.1% year-on-year. The increase is attributable to various causes, in particular higher energy consumption (e.g. as a result of uninterrupted production operations with the exception of pandemic-related stoppages) and the completion of data collection. This previously covered the relevant production and research and development locations and now for the first time also includes the rest of the – mostly smaller – locations within the Continental Group. Measured in terms of group sales, total energy consumption rose by 15.2%. This is primarily attributable to the spin-off of Vitesco Technologies with its less energy-intensive processes.

Relative performance indicators of operational environmental protection	**2021**[1] continuing operations	2020[2] continuing and discontinued operations	Change
Total energy consumption in MWh/group sales in millions €	265.6	230.6[3]	+15.2%
Total water withdrawal in m^3/group sales in millions €	494.6	458.5	+7.9%
Total waste generation in metric tons/group sales in millions €	12.0	9.1	+31.9%

1 Contains a small amount of imputed data for parts of the Continental Group that did not report data directly.
2 Includes the relevant production and research and development locations.
3 CO_2 emissions from fleet consumption for company cars (leased vehicles) are only partially and not systematically included.

Topic of focus: Water
By 2030, we plan to reduce our water withdrawal in regions affected by high water risk by 4% year-on-year in relation to sales, and in regions with moderate water risk by 2% year-on-year in relation to sales. By adopting this risk-based approach, we're focusing specifically on those regions of the world where water is steadily growing scarcer. Our focus here is on implementing efficiency projects that avoid water use and promote reuse of water. All of our locations will be consistently evaluated in accordance with the regularly updated risk assessment tools provided by the World Resource Institute and Aqueduct. This will enable us to use the available resources in a targeted and efficient manner. Through our membership in the voluntary "CEO Water Mandate" initiative, we ensure a regular exchange of information on best practice solutions as well as current opportunities and risks in the field of water management.

In fiscal 2021, the total volume of water withdrawal amounted to 16.7 million m^3 (PY: 17.3 million m^3 including Vitesco Technologies). This mainly includes drinking water sourced from public-utility water providers, as well as extracted groundwater and surface water. The total volume of water withdrawal fell by 3.5% compared to the previous year. The main reason for this was the discontinued reporting of water use by Vitesco Technologies. In terms of group sales, our total water withdrawal rose by 7.9% year-on-year. This is likewise due primarily to the spin-off of Vitesco Technologies with its less water-intensive processes.

Some of these water sources are at the edges of groundwater protection zones. No negative effects on biodiversity or on local communities have been found either within the group or by authorities during regular inspections.

Topic of focus: Waste
By 2030, we plan to reduce the total annual volume of waste generated by 2% in relation to sales. To help us achieve this, we need to avoid generating waste or at least recycle it. In this context, the environmental strategy contributes significantly to mainstreaming the approach of a circular economy throughout the entire company.

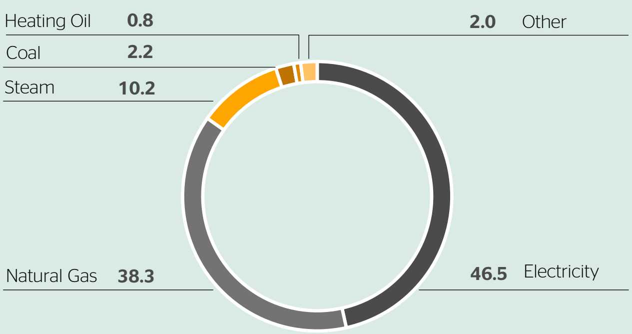
Accordingly, consistent and systematic waste management is already an integral part of our waste logistics. We also want to increase our waste recycling rate to 95% by 2030. A number of projects aimed at achieving this goal have already been initiated and implemented. These include, for example, greater use of regranulates in plastic injection molding processes, use of reusable packaging in collaboration with our suppliers and customers, and pyrolysis of vulcanized rubber materials.

Total waste generation in fiscal 2021 amounted to 405,249 metric tons (PY: 341,513 metric tons including Vitesco Technologies). Hazardous waste accounts for a smaller share of 8.2% of this (PY: 9.7% including Vitesco Technologies). The total volume of waste generated therefore increased by almost 18.7% year-on-year. The increase is attributable to various causes, in particular higher energy consumption (e.g. as a result of uninterrupted production operations with the exception of pandemic-related stoppages) and the completion of data collection. This previously covered the relevant production and research and development locations and now for the first time also includes the rest of the – mostly smaller – locations within the Continental Group. In terms of group sales, waste generation rose by 31.9%. This is primarily attributable to the spin-off of Vitesco Technologies with its less waste-intensive processes. The waste recycling rate stagnated at 81% in fiscal 2021 (PY: 81%).

In the Spotlight

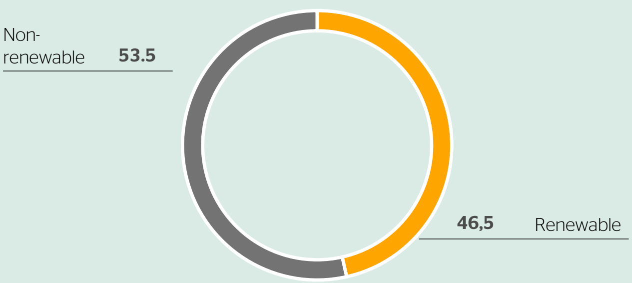
Figures for Operational Environmental Protection in Detail

Total energy consumption 2021 (9.0 TWh) in %[1]



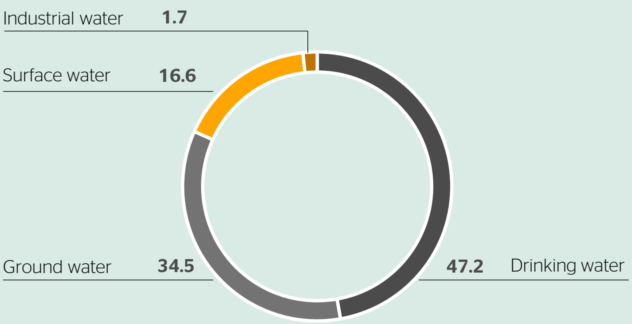
1 Contains a small amount of imputed data for parts of the Continental Group that did not report data directly.

Total energy consumption 2021 (9.0 TWh) in %[1]



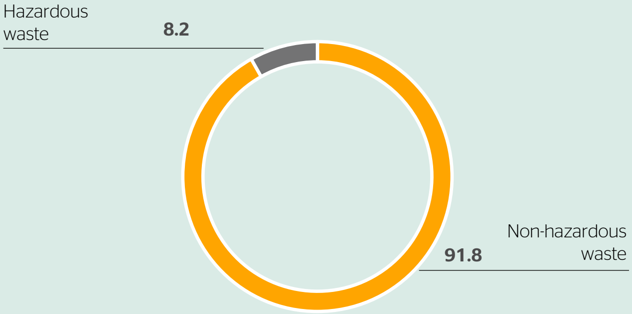
1 Contains a small amount of imputed data for parts of the Continental Group that did not report data directly.

Total water demand 2021 (16.7 Mio m³) in %[1]



1 Contains a small amount of imputed data for parts of the Continental Group that did not report data directly.

Total waste generation 2021 (405,249 t) in %[1, 2]



1 Contains a small amount of imputed data for parts of the Continental Group that did not report data directly.
2 Classification of waste according to national legislation.

Long-term Value Creation

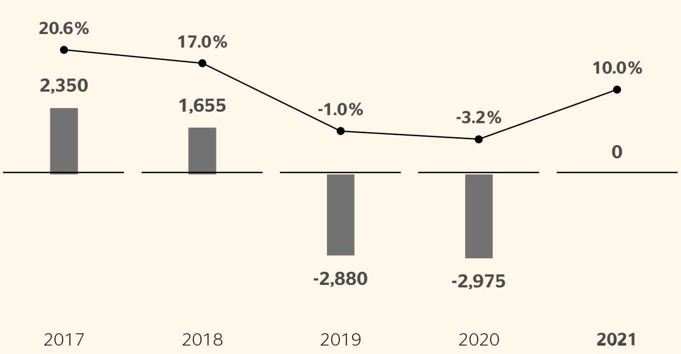
Corporate Management

Source: 2021 Annual Report > Management Report > Corporate Profile > Corporate Management (starting p. 31)

The goal is the sustained increase in the Continental Group's value.

Value management
Value management at Continental is focused on value creation through profitable sales growth. Key financial performance indicators are the adjusted EBIT margin, capital employed, as well as the amount of capital expenditure and free cash flow. To allow us to use the financial performance indicators for management purposes as well, and to map the interdependencies between these indicators, we summarize them as key figures as part of a value-driver system. Our corporate objectives center on the sustainable enhancement of the value of each individual business unit. This goal is achieved by generating a positive return on the capital employed in each respective business unit. At the same time, this return must always exceed the equity and debt financing costs of acquiring the operating capital. It is also crucial that the absolute contribution to value (Continental Value Contribution, CVC) increases year for year. This can be achieved by increasing the return on capital employed (with the costs of capital remaining constant), lowering the costs of capital (while maintaining the return on capital employed), or decreasing capital employed over time. The performance indicators used are EBIT, capital employed, and the weighted average cost of capital (WACC), which is calculated from the proportional weight of equity and debt costs.

Continental Value Contribution (CVC) € millions **ROCE** %



For 2021, the figures for continuing operations are shown.

EBIT is the net total of sales, other income and expenses plus income from equity-accounted investees and from investments but before financial result and income tax expense. In the year under review, EBIT from continuing operations amounted to €1.8 billion.

Capital employed is the funds used by the company to generate its sales. At Continental, this figure is calculated as the average of operating assets as at the end of the quarterly reporting periods. In 2021, average operating assets from continuing operations amounted to €18.4 billion.

The return on capital employed (ROCE) represents the ratio of these two calculated values. Comparing a figure from the statement of income (EBIT) with one from the statement of financial position (capital employed) produces an integral analysis. We deal with the problem of the different periods of analysis by calculating the capital employed as an average figure over the ends of quarterly reporting periods. The ROCE for the continuing operations of Continental amounted to 10.0% in 2021.

The weighted average cost of capital (WACC) is calculated to determine the cost of financing the capital employed. Equity costs are based on the return from a risk-free alternative investment plus a market risk premium, taking into account Continental's specific risk. Borrowing costs are calculated based on Continental's weighted debt-capital cost rate. Based on the long-term average, the weighted average cost of capital for our company is about 10%.

Value is added if the ROCE exceeds the weighted average cost of capital (WACC). We call this value added, produced by subtracting the WACC from the ROCE multiplied by average operating assets, the Continental Value Contribution (CVC). For continuing operations in 2021, both the ROCE and the WACC amounted to 10%, hence no added value (CVC) was generated.

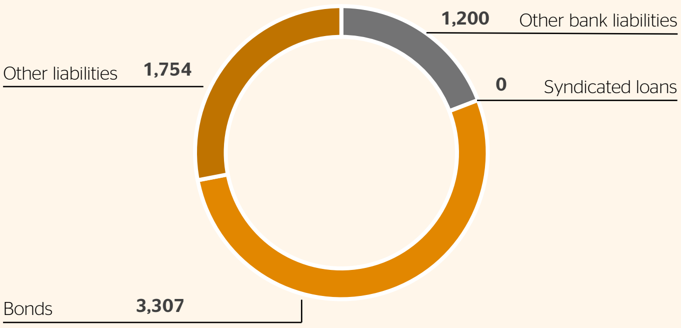
ROCE by business area (in %)	2021	2020 continuing operations	2020 continuing and discontinued operations
Autonomous Mobility and Safety	-2.8	-2.8	-2.1
Vehicle Networking and Information	-6.8	-33.3	-31.9
Tires	25.7	14.3	14.3
ContiTech	16.8	7.7	7.7
Contract Manufacturing	29.0	-28.8	–
Powertrain	–	–	-14.1
Continental Group	**10.0**	**-2.2**	**-3.2**

Financing strategy

Our financing strategy aims to support the value-adding growth of the Continental Group while at the same time complying with an equity and liabilities structure adequate for the risks and rewards of our business.

The Finance & Treasury corporate function provides the necessary financial framework to finance corporate growth and secure the long-term existence of the company. The company's annual investment requirements are likely to be around 7% of sales in the coming years.

Composition of gross indebtedness (€6,261 million)



Our goal is to finance ongoing investment requirements from the operating cash flow. Other investment projects, for example acquisitions, should be financed from a balanced mix of equity and debt depending on the ratio of net indebtedness to equity (gearing ratio) and the liquidity situation to achieve constant improvement in the respective capital market environment. In general, the gearing ratio should be below 40% in the coming years and not exceed 60% in general. If justified by extraordinary financing reasons or specific market circumstances, we can rise above this level under certain conditions. The equity ratio should exceed 30%. In the reporting year, it was 35.3% and the gearing ratio 29.8%.

Our gross indebtedness should be a balanced mix of liabilities to banks and other sources of financing on the capital market. For short-term financing in particular, we use a wide range of financing instruments. As at the end of 2021, this mix consisted of bonds (53%), a syndicated loan (not utilized), other bank liabilities (19%) and other indebtedness (28%) based on the gross indebtedness of €6,260.5 million. The syndicated loan that was renewed ahead of schedule in December 2019 consists of a revolving tranche of €4.0 billion and has an original term of five years. The margin will also depend on the Continental Group's sustainability performance. In November 2021, Continental exercised the second and final option to extend the term by one year. The lending banks then extended this financing commitment until December 2026 at unchanged conditions. The additional syndicated loan of €3.0 billion concluded in May 2020 with a term of 364 days expired in May 2021 and was not utilized.

The company strives to have at its disposal unrestricted liquidity of about €1.5 billion. This is supplemented by committed, unutilized credit lines from banks in order to cover liquidity requirements at all times. These requirements fluctuate during a calendar year owing in particular to the seasonal nature of some business areas. In addition, the amount of liquidity required is also influenced by corporate growth. Unrestricted cash and cash equivalents amounted to €1,998.2 million as at December 31, 2021. There were also committed and unutilized credit lines of €4,880.3 million.

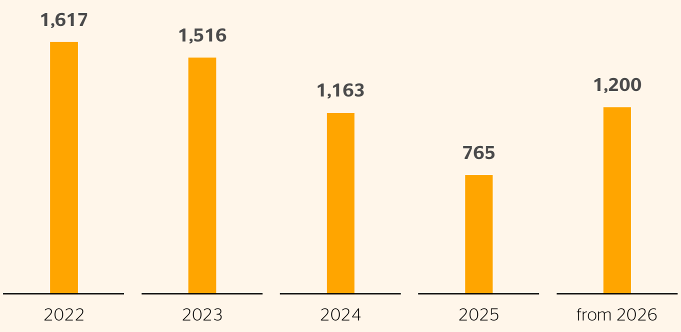
Gross indebtedness amounted to €6,260.5 million as at December 31, 2021. Key financing instruments are the syndicated loan with a revolving credit line of €4.0 billion that has been granted until December 2026, and bonds issued on the capital market.

As at December 31, 2021, the revolving credit line of €4.0 billion had not been utilized. Around 53% of gross indebtedness is financed on the capital market in the form of bonds. The interest coupons vary between 0.0% and 2.5%. The bonds with maturities between 2023 and 2026 ensure a balanced overall maturity profile for the repayment amounts. In addition to the forms of financing already mentioned, there were also bilateral credit lines with various banks in the amount of €2,103.7 million as at December 31, 2021. Continental's corporate financing instruments currently also include sale-of-receivables programs and commercial paper programs. In 2021, Continental had two commercial paper programs in Germany and the USA.

Maturity profile

Continental strives for a balanced maturity profile of its liabilities in order to be able to repay the amounts due each year from free cash flow as far as possible. Aside from short-term indebtedness, most of which can be rolled on to the next year, promissory note loans totaling €264.0 million will mature at the end of April/beginning of May 2022. No repayments of bonds are scheduled in 2022. The bonds issued in 2019 and 2020 require repayments of €1,250.0 million in 2023, €725.0 million in 2024, €600.0 million in 2025 and €750.0 million in 2026.

Maturities of gross indebtedness (€6,261 million)



Continental's credit rating unchanged

In the reporting period, Continental AG was rated by the three rating agencies Standard & Poor's, Fitch and Moody's, each of which maintained their investment-grade credit ratings in 2021. The most recent rating adjustment took place in spring 2020, when all three rating agencies adjusted their long-term credit rating downward by one notch. Our goal remains a credit rating of BBB/BBB+.

Credit rating for Continental AG

	December 31, 2021	December 31, 2020
Standard & Poor's[1]		
Long-term	BBB	BBB
Short-term	A-2	A-2
Outlook	negative	negative
Fitch[2]		
Long-term	BBB	BBB
Short-term	F2	F2
Outlook	stable	stable
Moody's[3]		
Long-term	Baa2	Baa2
Short-term	P-2	P-2
Outlook	negative	negative

1 Contracted rating since May 19, 2000.
2 Contracted rating since November 7, 2013.
3 Contracted rating since January 1, 2019.

Economic Report

Source: 2021 Annual Report > Management Report > Economic Report (starting p. 47)

Macroeconomic Development

Following the economic decline in the previous year as a result of the COVID-19 pandemic, the economy normalized in all regions across the world in 2021. In addition to the increasing number of coronavirus vaccinations, the economic stimulus programs in certain major economies also contributed to this recovery. According to the January 2022 World Economic Outlook Update (WEO Update) published by the International Monetary Fund (IMF), the global economy grew by 5.9% in fiscal 2021. This slightly exceeded the IMF's forecast of 5.5% growth from January 2021.

In the eurozone, gross domestic product (GDP) rose by 5.2% compared to the previous year's figures in 2021 according to statistical office Eurostat. Of the major eurozone economies, France, Italy and Spain reported strong growth rates of around 5% to just under 7% in 2021 according to the IMF, after experiencing steep declines in GDP in the previous year. In Germany, according to the Federal Statistical Office, GDP rose by 2.7% in 2021. Other major European economies also recorded high growth rates for their economic output. For the UK and Russia, the IMF estimated GDP growth in 2021 of 7.2% and 4.5%, respectively.

In North America, according to the Bureau of Economic Analysis, the USA reported GDP growth of 5.7% for 2021. For Canada and Mexico, the IMF estimated GDP growth of 4.7% and 5.3%, respectively. Other countries in the Americas also recorded an economic recovery in 2021. For Brazil, for example, the IMF reported GDP growth of 4.7%.

Asian countries also recorded an economic revival in the year under review according to the IMF. Very high growth rates were achieved in 2021 by India's economy, with growth of 9.0%, and China's economy, with GDP growth of 8.1%. According to the IMF, lower growth rates were reported for the Association of Southeast Asian Nations (ASEAN) and for Japan, with GDP growth of 3.1% and 1.6%, respectively.

Development of Key Customer Sectors and Sales Regions

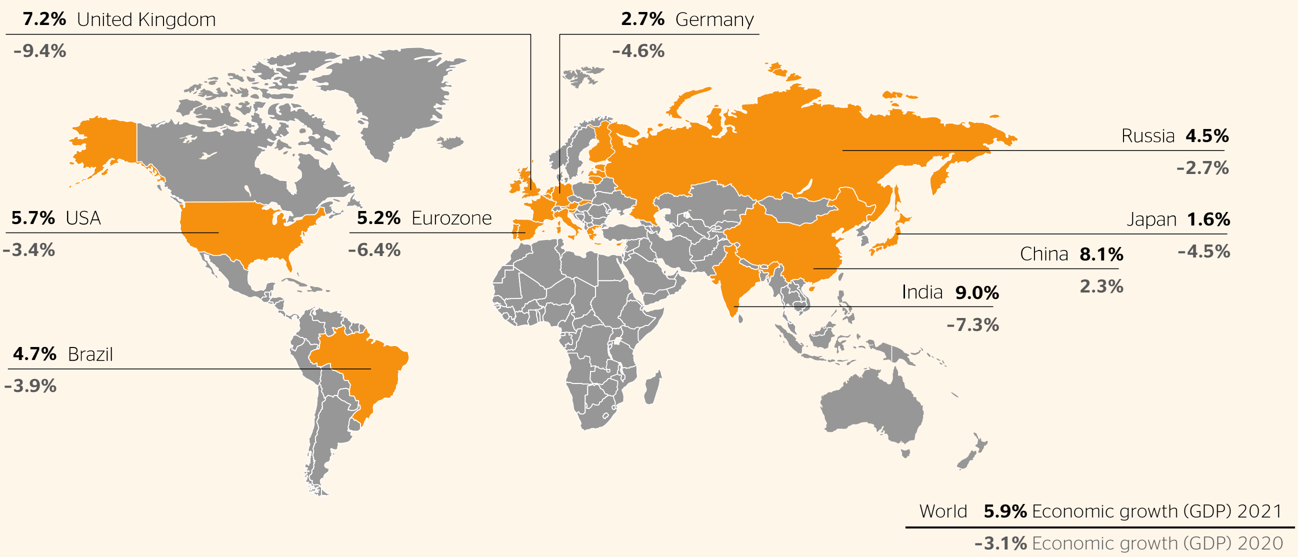
With a 61% share of consolidated sales, the automotive industry – with the exception of the replacement business – was Continental's most important customer group in fiscal 2021. Automotive Technologies accounted for the lion's share, but the Tires and ContiTech business areas also generated significant sales figures in this market segment.

The second-biggest market segment for Continental was the global replacement-tire business for passenger cars and commercial vehicles, with 28% of total sales in fiscal 2021. Because passenger cars and light commercial vehicles make up a considerably higher share of the replacement-tire business, their development is particularly important to our economic success.

The third-biggest market segment for Continental was the global business with industrial customers and spare parts from the ContiTech business area, with around 9% of total sales.

Continental's biggest sales region in the reporting year was still Europe, which accounted for 49% of sales, followed by North America at 25% and Asia-Pacific at 22%.

Year-on-year economic growth (GDP) in 2021 (for selected countries and the world)



Sources: IMF – World Economic Outlook Update January 2022, Eurostat, statistical offices of the respective countries, Bloomberg.

Development of new passenger-car registrations

2021 saw high demand for passenger cars in the world's automotive markets, including as a result of catch-up effects from the previous year, during which passenger car production was temporarily suspended due to the spread of the coronavirus. However, various events in the year under review led to an increasing shortage of semiconductors and ongoing production limitations among car manufacturers, particularly in the second and third quarters, resulting in limited availability of many car models in individual regions. In the European car market (EU27, EFTA and the United Kingdom), there were around 2% fewer new-car registrations in 2021 than in the previous year according to preliminary data from the German Association of the Automotive Industry (Verband der Automobilindustrie, VDA). According to the VDA, passenger car sales fell in Japan by around 4%.

In other countries, however, registration figures improved in 2021. According to the VDA, passenger car sales rose in the major car markets of China and the USA by just under 7% and by 3%, respectively. Russia and Brazil recorded growth of 4% and 1%, respectively. After the sharp decline in the previous year, India recorded very strong growth of 27%. According to preliminary data from car manufacturer Renault, new-car registrations rose by 5% globally in 2021.

Development of production of passenger cars and light commercial vehicles

In the year under review, semiconductor supply shortages limited the recovery of global production of passenger cars and light commercial vehicles weighing less than 6 metric tons after the previous year's pandemic-related decline. According to preliminary figures, global production for 2021 rose by around 3% to 77.1 million units.

European automotive plants were hit particularly hard by the semiconductor shortages in the year under review. As a result, the production volumes for passenger cars and light commercial vehicles in Europe decreased by 4% year-on-year. North American manufacturers were also forced to temporarily shut down several plants in 2021 as a result of the semiconductor shortages, with production stagnating at the low level seen in the previous year as a result. In China, on the other hand, preliminary data indicates that manufacturers were able to increase production by 5% year-on-year.

Development of production of medium and heavy commercial vehicles

Following the pandemic-related decline in the previous year, the production of medium and heavy commercial vehicles weighing more than 6 metric tons stabilized worldwide in 2021 according to preliminary figures, and was almost on a par with the previous year with a decline of 1%.

In Europe and North America, the semiconductor shortages limited the recovery of truck production. According to preliminary figures, however, production in Europe and North America rose by 13% and 21%, respectively, compared with the very weak prior-year figures.

China recorded high demand for commercial vehicles in the first half of 2021 due to new emission standards coming into effect around the middle of the year. In the second half of the year, demand and production then fell considerably short of the very high prior-year figures. Overall, production of medium and heavy commercial vehicles in China in 2021 was down 20% compared to the record high seen in the previous year.

Development of replacement-tire markets for passenger cars and light commercial vehicles

Following the market decline in the previous year in the wake of the measures to contain the COVID-19 pandemic, demand for tires recovered in 2021. According to preliminary data, global sales volumes of replacement tires for passenger cars and light commercial vehicles weighing less than 6 metric tons rose by 11% in the reporting year.

On the basis of preliminary data, sales volumes of replacement tires for passenger cars and light commercial vehicles rose by 11% in Europe and by 14% in North America in 2021. In China, preliminary data indicates a rise in sales volumes of replacement tires of 5%.

Development of replacement-tire markets for medium and heavy commercial vehicles

In our core markets of Europe and North America, preliminary data indicates that year-on-year demand for replacement tires for medium and heavy commercial vehicles weighing more than 6 metric tons rose by 10% and 20%, respectively, in 2021.

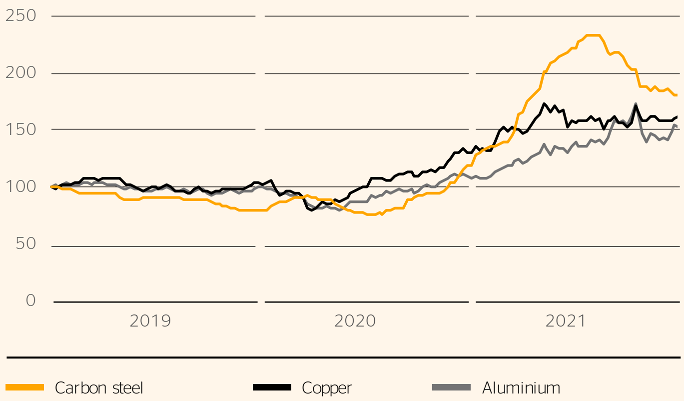
Changes to vehicle production and sales volumes in the tire-replacement business in 2021 (compared to 2020)

	Vehicle production		Replacement sales of tires	
	of passenger cars and light commercial vehicles	of medium and heavy commercial vehicles	for passenger cars and light commercial vehicles	for medium and heavy commercial vehicles
Europe	–4%	13%	11%	10%
North America	0%	21%	14%	20%
China	5%	–20%	5%	n. a.
Worldwide	**3%**	**–1%**	**11%**	**n. a.**

Sources:
Vehicle production: IHS Inc. (Europe with Western, Central and Eastern Europe incl. Russia and Turkey).
Tire-replacement business: LMC International Ltd.
Preliminary figures and own estimates.

Development of Raw Materials Markets
Carbon steel and stainless steel are input materials for many of the mechanical components such as die-cast parts integrated by Continental into its products. Steel wire is used in particular in tire production as steel cord but also, for example, in conveyor belts and timing belts to increase tensile strength. Aluminum is used in particular for die-cast parts and stamped and bent components, while copper is used in particular in electric motors, mechatronic components and printed circuit boards. On a euro basis, prices for carbon steel rose by more than 50% on average in 2021. For some materials such as hot-rolled coil, they more than doubled. Prices for aluminum and copper, which had already increased in the previous year, rose even further in the year under review. The annual average price of aluminum increased by around 44% on a US dollar basis in 2021, while that of copper rose by around 50% on a US dollar basis.

Steel, copper and aluminium Indexed to January 1, 2019



Sources:
Carbon steel: hot-rolled coil Northern Europe ex works, from Kallanish Commodities (€ per metric ton).
Copper and aluminum: rolling three-month contracts from the London Metal Exchange (US $ per metric ton).

Precious metals such as silver and gold are used by Continental and by our suppliers to coat components. The average price of silver was up 22% year-on-year on a US dollar basis in 2021. In contrast to this, following the rise in the previous year, the price of gold remained relatively stable with an increase of 2%.

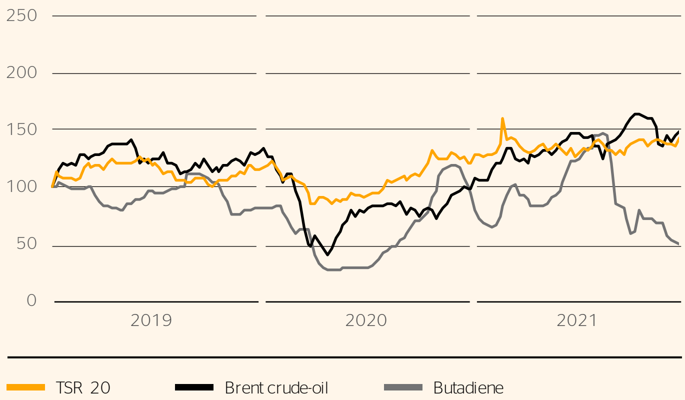
Renewed demand for tires led to a rise in prices for natural rubber in the year under review. The average price of natural rubber TSR 20 was up 27% year-on-year on a US dollar basis, for example.

Crude oil is the most important basic building block for synthetic-rubber input materials such as butadiene and styrene as well as for carbon black, various other chemicals, and plastics. The price of crude oil continued the upward trend seen in the second half of the previous year in 2021. Due to rising demand and only an incremental increase in production levels, the annual average price of Brent crude oil increased by 66% year-on-year on a US dollar basis.

The rise in the price of crude oil as well as increasing demand led to significant price increases for various input materials for synthetic rubber in 2021. Annual average prices for butadiene and styrene, for example, increased by 46% and 58%, respectively, on a US dollar basis.

Various plastic granules, known as resins, also saw a noticeable increase in 2021 as a result of the rise in the price of crude oil. Resins, as technical thermoplastics, are required by Continental and our suppliers, in particular for the manufacture of housing parts in the Automotive Technologies group sector and various other plastic parts in the ContiTech business area. On a US dollar basis, prices for resins rose by around 50% on average in 2021.

TSR 20, crude oil and butadiene Indexed to January 1, 2019



Sources:
TSR 20: rolling one-month contracts from the Singapore Exchange (US $ cents per kg).
Crude oil: European Brent spot price from Bloomberg (US $ per barrel).
Butadiene: South Korea spot price (FOB) from PolymerUpdate.com (US $ per metric ton).

Continental uses natural and synthetic rubber in large quantities for the manufacture of tires and industrial rubber products. It also uses relatively large quantities of carbon black as a filler material and of steel cord and nylon cord as structural materials. Due to the high volumes and direct purchasing of raw materials, their price development has a significant influence on the earnings of the Rubber Technologies group sector, particularly the Tires business area.

Overall, despite a slightly stronger euro, the described price developments for raw materials led to significant cost burdens in all group sectors in 2021, but in particular Rubber Technologies.

There is usually a gap of several months between purchasing raw materials, their delivery and their use in production, depending on the product and contractual arrangement. As a result, the rise in spot prices in the second half of 2021 is also expected to lead to increased costs for raw materials in fiscal 2022.

Earnings Position

- Sales up 6.0%
- Sales up 7.4% before changes in the scope of consolidation and exchange-rate effects
- Adjusted EBIT up 37.7%

The following table shows the figures for continuing operations for the reporting and comparative periods.

Continental Group in € millions	2021	2020	Δ in %
Sales	33,765.2	31,864.4	6.0
EBITDA	4,104.2	2,763.5	48.5
in % of sales	12.2	8.7	
EBIT	1,845.8	–428.0	531.3
in % of sales	5.5	–1.3	
Research and development expenses (net)	2,586.8	2,700.7	–4.2
in % of sales	7.7	8.5	
Depreciation and amortization[1]	2,258.4	3,191.5	–29.2
thereof impairment[2]	29.1	800.1	–96.4
Operating assets as at December 31	18,949.4	17,583.5	7.8
Operating assets (average)	18,416.1	19,565.7	–5.9
ROCE in %	10.0	–2.2	
Capital expenditure[3]	1,947.4	1,779.7	9.4
in % of sales	5.8	5.6	
Number of employees as at December 31[4]	190,875	195,896	–2.6
Adjusted sales[5]	33,754.3	31,648.8	6.7
Adjusted operating result (adjusted EBIT)[6]	1,900.4	1,379.9	37.7
in % of adjusted sales	5.6	4.4	

1 Excluding impairment on financial investments.
2 Impairment also includes necessary reversal of impairment losses. Expenses from derecognitions of brand values are likewise included.
3 Capital expenditure on property, plant and equipment, and software.
4 Excluding trainees.
5 Before changes in the scope of consolidation.
6 Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

The following table shows the figures for continuing and discontinued operations in the reporting and comparative periods.

Continuing and discontinued operations in € millions	2021	2020	Δ in %
Sales	38,197.9	37,722.3	1.3
EBITDA	4,574.8	3,033.8	50.8
in % of sales	12.0	8.0	
EBIT	2,159.8	-718.1	400.8
in % of sales	5.7	-1.9	
Net income attributable to the shareholders of the parent	1,455.0	-961.9	251.3
Basic earnings per share in €	7.28	-4.81	251.3
Diluted earnings per share in €	7.28	-4.81	251.3
Capital expenditure[1]	2,152.4	2,232.2	-3.6
in % of sales	5.6	5.9	
Free cash flow	1,372.4	878.7	56.2

1 Capital expenditure on property, plant and equipment, and software.

Sales up 6.0%
Sales up 7.4% before changes in the scope of consolidation and exchange-rate effects

Consolidated sales increased by €1,900.8 million or 6.0% year-on-year in 2021 to €33,765.2 million (PY: €31,864.4 million). Before changes in the scope of consolidation and exchange-rate effects, sales rose by 7.4%. The Rubber Technologies group sector reported a sales increase, in part because of the negative effects of the COVID-19 pandemic in the previous year and the resulting low basis for comparison. In the Automotive Technologies group sector, supply problems in the semiconductor industry negatively impacted sales growth, particularly in the second half of the year. Overall, Automotive Technologies generated unchanged year-on-year sales in 2021; they were slightly higher before changes in the scope of consolidation and exchange-rate effects. The Contract Manufacturing group sector comprises contract manufacturing for Vitesco Technologies. Its sales decreased in the reporting year in accordance with the contractually agreed procedure between Continental and Vitesco Technologies. The Continental Group's sales performance was impacted by negative exchange-rate effects of €247.2 million, while changes in the scope of consolidation had little effect. Sales from discontinued operations amounted to €4,432.7 million (PY: €5,857.9 million), resulting in total sales of €38,197.9 million (PY: €37,722.3 million) for continuing and discontinued operations.

Adjusted EBIT up 37.7%

Adjusted EBIT for the Continental Group increased by €520.5 million or 37.7% year-on-year to €1,900.4 million (PY: €1,379.9 million) in 2021, corresponding to 5.6% (PY: 4.4%) of adjusted sales.

The regional distribution of sales in 2021 was as follows:

Sales by region in %	2021	2020
Germany	17	18
Europe excluding Germany	31	31
North America	25	25
Asia-Pacific	22	22
Other countries	5	4

EBIT up 531.3%

EBIT was up by €2,273.8 million year-on-year in 2021 to €1,845.8 million (PY: -€428.0 million), an increase of 531.3%. The return on sales improved to 5.5% (PY: -1.3%). The cost of sales rose by €1,654.3 million to €26,024.9 million (PY: €24,370.6 million), primarily due to higher costs for raw materials, energy and logistics. For more information, see the Development of Raw Materials Markets section in the economic report and the report on expected developments.

EBIT from discontinued operations amounted to €314.0 million (PY: -€290.1 million), resulting in total EBIT of €2,159.8 million from continuing and discontinued operations (PY: -€718.1 million), with a return on sales of 5.7% (PY: -1.9%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT from the Continental Group's continuing operations by €159.0 million (PY: €174.5 million).

The ROCE was 10.0% (PY: -2.2%).

Special effects in 2021

Total consolidated income from special effects in 2021 amounted to €122.6 million. ContiTech accounted for €130.1 million of this, Contract Manufacturing for €26.4 million and the holding for €67.3 million. Expenses from special effects amounted to €87.3 million for Autonomous Mobility and Safety, €4.0 million for Vehicle Networking and Information and €9.9 million for Tires.

The spin-off of parts of the former Powertrain business area resulted in expenses totaling €86.4 million (Autonomous Mobility and Safety €48.4 million; Vehicle Networking and Information €44.3 million; holding income of €6.3 million).

The organizational realignment of the Automotive Technologies group sector resulted in expenses totaling €3.0 million (Autonomous Mobility and Safety €2.4 million; Vehicle Networking and Information €0.6 million).

Impairment on intangible assets resulted in expenses totaling €3.1 million (Vehicle Networking and Information €0.1 million; Tires €3.0 million; ContiTech €0.0 million).

Impairment on property, plant and equipment resulted in expenses totaling €25.9 million (Autonomous Mobility and Safety €7.1 million; Vehicle Networking and Information €6.6 million; Tires €1.8 million; Contract Manufacturing €10.4 million). In addition, reversals of impairment losses on property, plant and equipment resulted in income totaling €9.4 million (Autonomous Mobility and Safety €6.0 million; ContiTech €3.4 million). These figures do not include impairment and reversal of impairment losses that arose in connection with restructuring.

Severance payments resulted in a negative special effect totaling €112.2 million (Autonomous Mobility and Safety €38.1 million; Vehicle Networking and Information €20.8 million; Tires €24.0 million; ContiTech €18.7 million; Contract Manufacturing €2.0 million; holding €8.6 million).

In the Autonomous Mobility and Safety business area, restructuring expenses of €4.8 million were incurred. These included impairment on property, plant and equipment in the amount of €0.4 million. In addition, the reversal of restructuring provisions resulted in income of €36.5 million.

In the Vehicle Networking and Information business area, there were restructuring expenses of €10.0 million. These included impairment on property, plant and equipment in the amount of €4.3 million. In addition, the reversal of restructuring provisions resulted in income of €31.9 million.

In the Tires business area, restructuring expenses of €5.4 million were incurred. These included impairment on property, plant and equipment in the amount of €1.1 million. The reversal of restructuring provisions also resulted in income of €24.3 million.

In the ContiTech business area, restructuring expenses of €14.6 million were incurred. These included impairment on property, plant and equipment in the amount of €0.3 million. In addition, the reversal of restructuring provisions resulted in income of €14.4 million.

In the Contract Manufacturing business area, there were restructuring expenses of €3.5 million, of which €3.4 million were attributable to impairment on property, plant and equipment. In addition, the reversal of restructuring provisions resulted in income of €43.2 million.

Restructuring-related expenses resulted in expense totaling €59.5 million (Autonomous Mobility and Safety €29.0 million; Vehicle Networking and Information €19.8 million; ContiTech €9.8 million; Contract Manufacturing €0.9 million).

The termination of OSRAM CONTINENTAL GmbH, Munich, Germany – a joint venture with OSRAM GmbH, Munich, Germany – resulted in income of €33.5 million in the Vehicle Networking and Information business area from the fair value measurement of the 50% stake in the joint venture. In addition, income of €0.3 million was generated from the sale of an equity-accounted investee.

In the ContiTech business area, the sale of business activities of Special Technologies and Solutions as well as Conveying Solutions resulted in income of €155.4 million.

The spin-off of Vitesco Technologies in September 2021 led to the reclassification of components of other comprehensive income. This resulted in income amounting to €69.6 million at the holding level.

Furthermore, the Vehicle Networking and Information business area generated income of €32.5 million from the reversal of the provision for capital commitments to OSRAM CONTINENTAL GmbH, Munich, Germany.

Special effects in 2020

Total consolidated expense from special effects in 2020 amounted to €1,636.4 million. Autonomous Mobility and Safety accounted for €192.5 million of this, Vehicle Networking and Information for €902.8 million, Tires for €310.8 million, ContiTech for €75.2 million, Contract Manufacturing for €149.8 million, and the holding for €5.3 million.

The spin-off of parts of the former Powertrain business area resulted in expenses totaling €36.6 million (Autonomous Mobility and Safety €15.3 million; Vehicle Networking and Information €16.3 million; holding €5.0 million).

The organizational realignment of the Automotive Technologies group sector resulted in expenses totaling €1.6 million (Autonomous Mobility and Safety €0.8 million; Vehicle Networking and Information €0.8 million).

Within the context of the annual planning process, global production of passenger cars and light commercial vehicles was not expected to increase substantially compared to pre-crisis levels over the years between 2021 and 2025. The expected impact of restructuring measures was also taken into account in this planning process. Due to this triggering event and other significant assumptions made when calculating the value in use of a cash-generating unit (CGU) – such as free cash flows, discount rates and their parameters, and long-term growth rates – goodwill was impaired by €654.6 million in the Vehicle Networking and Information business area (September 30, 2020: €649.3 million).

Expenses from derecognitions of brand values totaled €85.7 million (Vehicle Networking and Information €71.2 million; ContiTech €14.5 million). In addition, expenses related to the impairment of intangible assets were incurred in the amount of €0.7 million in the Autonomous Mobility and Safety business area.

Impairment and reversal of impairment losses on property, plant and equipment resulted in expense totaling €36.7 million (Autonomous Mobility and Safety €5.4 million; Vehicle Networking and Information €17.9 million; Tires €0.5 million; ContiTech €3.0 million; Contract Manufacturing €9.9 million; holding €0.0 million). These figures do not include impairment and reversal of impairment losses that arose in connection with restructuring.

Severance payments resulted in a negative special effect totaling €78.7 million (Autonomous Mobility and Safety €21.3 million; Vehicle Networking and Information €20.0 million; Tires €17.7 million; ContiTech €17.5 million; Contract Manufacturing €1.9 million; holding €0.3 million).

In the Autonomous Mobility and Safety business area, restructuring expenses of €139.2 million were incurred. These expenses included impairment on property, plant and equipment in the amount of €3.4 million. In addition, the reversal of restructuring provisions resulted in income of €4.4 million.

In the Vehicle Networking and Information business area, there were restructuring expenses of €229.9 million. These restructuring expenses included impairment on property, plant and equipment in the amount of €0.1 million.

In the Tires business area, there were restructuring expenses of €293.9 million. These expenses included impairment on property, plant and equipment and intangible assets in the amount of €13.0 million. Furthermore, restructuring resulted in income of €1.7 million, which is entirely attributable to a reversal of impairment losses on property, plant and equipment.

In the ContiTech business area, there were restructuring expenses of €43.8 million, of which €7.7 million were attributable to impairment on property, plant and equipment. In addition, the reversal of restructuring provisions resulted in income of €7.8 million. This income included reversals of impairment losses on property, plant and equipment in the amount of €0.1 million.

In the Contract Manufacturing business area, there were restructuring expenses of €109.2 million. In addition, the reversal of restructuring provisions resulted in income of €8.7 million.

Restructuring-related measures resulted in expense totaling €16.1 million (Autonomous Mobility and Safety €10.5 million; Vehicle Networking and Information €3.7 million; Tires €0.2 million; ContiTech €1.7 million).

In the Autonomous Mobility and Safety business area, an expense of €3.7 million resulted from an allowance recognized on the carrying amount of an equity-accounted investee.

In the Vehicle Networking and Information business area, the 50% shareholding in equity-accounted associate SAS Autosystemtechnik GmbH & Co. KG., Karlsruhe, Germany, was sold. This resulted in income totaling €157.0 million.

Income on the sale of off-balance-sheet intangible assets was also realized in the Vehicle Networking and Information business area in the amount of €4.5 million.

Also in the Vehicle Networking and Information business area, an expense totaling €49.9 million was incurred in connection with the preparations to repatriate the business from associate OSRAM CONTINENTAL GmbH, Munich, Germany.

The Tires business area recorded an expense of €0.2 million resulting from the disposal of companies and assets.

For the ContiTech business area, there was a loss of €2.5 million from the disposal of a company.

Furthermore, an expense in the amount of €37.5 million was recorded in the Contract Manufacturing business area due to an allowance recognized on the carrying amount of an associate.

Procurement

2021 was characterized by high demand amid a limited supply of materials and increased transport costs. In the Automotive Technologies group sector, this led not only to long delivery times, but also to supply bottlenecks and significantly higher prices. The prices of key input materials and many raw materials for Rubber Technologies increased in the first half of 2021 and reached their peak in the second half of the year. Annual average prices for the raw materials used in the Tires and ContiTech business areas were above the previous year's level, in particular because of significant demand on the procurement market.

Reconciliation of EBIT to net income

€ millions	**2021**	2020	Δ in %
Autonomous Mobility and Safety	–128.0	–129.5	1.2
Vehicle Networking and Information	–245.8	–1,364.9	82.0
Tires	1,700.6	1,012.3	68.0
ContiTech	514.7	254.1	102.6
Contract Manufacturing	130.4	–94.0	238.7
Other/Holding/Consolidation	–126.1	–106.0	–19.0
EBIT	**1,845.8**	**–428.0**	**531.3**
Financial result	–136.3	–187.9	27.5
Earnings before tax from continuing operations	**1,709.5**	**–615.9**	**377.6**
Income tax expense	–359.5	50.3	-814.7
Earnings after tax from continuing operations	1,350.0	–565.6	338.7
Earnings after tax from discontinued operations	156.9	–353.2	144.4
Net income	**1,506.9**	**–918.8**	**264.0**
Non-controlling interests	-51.9	-43.1	-20.4
Net income attributable to the shareholders of the parent	**1,455.0**	**-961.9**	**251.3**
Earnings per share (in €) relating to			
Basic earnings per share from continuing operations	6.49	-3.02	314.9
Consolidated basic earnings per share	7.28	-4.81	251.3
Diluted earnings per share from continuing operations	6.49	-3.02	314.9
Consolidated diluted earnings per share	7.28	-4.81	251.3

Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) in 2021

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
Sales	**7,496.7**	**7,957.6**	**11,807.6**	**5,912.6**	**889.6**	**–298.9**	**33,765.2**
Changes in the scope of consolidation[1]	–	–10.8	–0.1	–	–	–	–10.9
Adjusted sales	**7,496.7**	**7,946.8**	**11,807.5**	**5,912.6**	**889.6**	**–298.9**	**33,754.3**
EBITDA	**395.2**	**272.9**	**2,525.9**	**833.7**	**194.2**	**–117.7**	**4,104.2**
Depreciation and amortization[2]	–523.2	–518.7	–825.3	–319.0	–63.8	–8.4	–2,258.4
EBIT	**–128.0**	**–245.8**	**1,700.6**	**514.7**	**130.4**	**–126.1**	**1,845.8**
Amortization of intangible assets from purchase price allocation (PPA)	1.9	66.2	18.7	72.2	–	–	159.0
Changes in the scope of consolidation[1]	–	18.1	0.1	–	–	–	18.2
Special effects							
Impairment on goodwill	–	–	–	–	–	–	–
Impairment[3]	1.1	6.7	4.8	–3.4	10.4	0.0	19.6
Restructuring[4]	–31.7	–21.9	–18.9	0.2	–39.7	–	–112.0
Restructuring-related expenses	29.0	19.8	–	9.8	0.9	–	59.5
Severance payments	38.1	20.8	24.0	18.7	2.0	8.6	112.2
Gains and losses from disposals of companies and business operations	–	–33.8	–	–155.4	–	–69.6	–258.8
Other[5]	50.8	12.4	–	–	–	–6.3	56.9
Adjusted operating result (adjusted EBIT)	**–38.8**	**–157.5**	**1,729.3**	**456.8**	**104.0**	**–193.4**	**1,900.4**

1 Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.
2 Excluding impairment on financial investments.
3 Impairment also includes necessary reversal of impairment losses. This item does not include impairment that arose in connection with a restructuring and impairment on financial investments.
4 This also includes restructuring-related impairment losses totaling €9.5 million (Autonomous Mobility and Safety €0.4 million; Vehicle Networking and Information €4.3 million; Tires €1.1 million; ContiTech €0.3 million; Contract Manufacturing €3.4 million).
5 Mainly includes expenses of €86.4 million in connection with the spin-off of parts of the former Powertrain business area. In addition, the termination of OSRAM CONTINENTAL GmbH, Munich, Germany, resulted in income of €32.5 million from the reversal of an unused provision for capital commitments.

Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) in 2020

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
Sales	**7,559.8**	**7,942.2**	**10,158.6**	**5,578.6**	**969.9**	**-344.7**	**31,864.4**
Changes in the scope of consolidation[1]	-14.8	-178.3	–	-22.5	–	–	-215.6
Adjusted sales	**7,545.0**	**7,763.9**	**10,158.6**	**5,556.1**	**969.9**	**-344.7**	**31,648.8**
EBITDA	**412.9**	**-29.7**	**1,864.9**	**628.7**	**-22.1**	**-91.2**	**2,763.5**
Depreciation and amortization[2]	-542.4	-1,335.2	-852.6	-374.6	-71.9	-14.8	-3,191.5
EBIT	**-129.5**	**-1,364.9**	**1,012.3**	**254.1**	**-94.0**	**-106.0**	**-428.0**
Amortization of intangible assets from purchase price allocation (PPA)	–	65.5	20.3	88.7	–	–	174.5
Changes in the scope of consolidation[1]	17.6	-18.6	–	-2.0	–	–	-3.0
Special effects							
Impairment on goodwill	–	654.6	–	–	–	–	654.6
Impairment[3]	6.1	89.1	0.5	17.5	9.9	0.0	123.1
Restructuring[4]	134.8	229.9	292.2	36.0	100.5	–	793.4
Restructuring-related expenses	10.5	3.7	0.2	1.7	–	–	16.1
Severance payments	21.3	20.0	17.7	17.5	1.9	0.3	78.7
Gains and losses from disposals of companies and business operations	0.0	-161.5	0.2	2.5	–	–	-158.8
Other[5]	19.8	67.0	–	–	37.5	5.0	129.3
Adjusted operating result (adjusted EBIT)	**80.6**	**-415.2**	**1,343.4**	**416.0**	**55.8**	**-100.7**	**1,379.9**

1 Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.
2 Excluding impairment on financial investments.
3 Impairment also includes necessary reversal of impairment losses. This item does not include impairment that arose in connection with a restructuring and impairment on financial investments. It does include expenses from derecognitions of brand values of €71.2 million in the Vehicle Networking and Information business area and of €14.5 million in the ContiTech business area.
4 This also includes restructuring-related impairment losses totaling €24.2 million (Autonomous Mobility and Safety €3.4 million; Vehicle Networking and Information €0.1 million; Tires €13.0 million; ContiTech €7.7 million) and reversals of impairment losses totaling €1.8 million (Tires €1.7 million; ContiTech €0.1 million).
5 Mainly includes expenses of €36.6 million in connection with the spin-off of parts of the former Powertrain business area, expenses totaling €49.9 million in connection with preparations for the repatriation of the business from associate OSRAM CONTINENTAL GmbH, Munich, Germany, and an expense of €37.5 million due to an allowance recognized on the carrying amount of an associate.

Research and development

Research and development expenses (net) declined by €113.9 million or 4.2% year-on-year to €2,586.8 million (PY: €2,700.7 million), corresponding to 7.7% (PY: 8.5%) of sales.

In the Automotive Technologies group sector, costs in connection with initial product development projects in the original-equipment business are capitalized. Costs are capitalized as at the time at which we are named as a supplier and have successfully achieved a specific pre-release stage. Capitalization ends with the approval for unlimited volume production. The costs of customer-specific applications, pre-production prototypes and testing for products already being sold do not qualify as development expenditure that may be recognized as an intangible asset. Capitalized development expenses are amortized on a straight-line basis over a useful life of three to seven years and recognized in the cost of sales. In the opinion of the Continental Group, the assumed useful life reflects the period for which an economic benefit is likely to be derived from the corresponding development projects. Of the development costs incurred in 2021, including development expenses for internally developed software, €31.5 million (PY: €137.6 million) in the Automotive Technologies group sector qualified for recognition as an asset.

The requirements for the capitalization of development activities were not met in the Tires, ContiTech and Contract Manufacturing business areas in the reporting year or the previous year.

This results in a capitalization ratio of 1.2% (PY: 4.8%) for the Continental Group.

Depreciation and amortization

Depreciation and amortization decreased by €933.1 million to €2,258.4 million (PY: €3,191.5 million), equivalent to 6.7% of sales (PY: 10.0%). This included impairment totaling €29.1 million in 2021 (PY: €800.1 million).

Financial result

The negative financial result improved by €51.6 million year-on-year to €136.3 million (PY: €187.9 million) in 2021. This is attributable primarily to interest income in connection with income tax payables.

Interest income rose by €12.0 million year-on-year to €102.7 million (PY: €90.7 million) in 2021. Interest income in connection with income tax payables accounted for €61.8 million of the total (PY: €1.6 million). This increase is primarily attributable to a ruling by the German Federal Constitutional Court in July 2021, according to which the interest rate of 6% p.a. previously applied for interest on claims for back taxes and tax refunds is unconstitutional. As a result, the provisions for possible interest payments on income tax liabilities were adjusted, and a reduced interest rate of 3% p.a. was assumed from January 1, 2019. As of the reporting year, expected income from long-term employee benefits and from pension funds is reported net against interest expense from long-term employee benefits. The resulting net expense is included in interest expense. In the previous year, expected income from long-term employee benefits and from pension funds amounted to €60.0 million. This did not include the interest income from the plan assets of the pension contribution funds.

Interest expense totaled €180.4 million in 2021 and was thus €83.8 million lower than the previous year's figure of €264.2 million. As of the reporting year, interest expense from long-term employee benefits is reported net against expected income from long-term employee benefits and from pension funds. The resulting net expense of €44.0 million is included in interest expense. This does not include the interest income from the plan assets of the pension contribution funds or the interest expense from the defined benefit obligations of the pension contribution funds. In the previous year, interest expense from long-term employee benefits totaled €112.3 million. This did not include the interest expense from the defined benefit obligations of the pension contribution funds. At €136.4 million, interest expense resulting mainly from bank borrowings, capital market transactions and other financing instruments was below the prior-year figure of €151.9 million. Interest expense on lease liabilities accounted for €25.1 million of this (PY: €26.0 million). Interest expenses in connection with income tax payables amounted to €10.6 million (PY: €16.1 million).

The bonds issued by Continental AG and Conti-Gummi Finance B.V., Maastricht, Netherlands, resulted in expenses of €50.7 million (PY: €50.0 million). The interest-reducing and interest-increasing effects from the repayments and issuance of bonds in 2020 largely offset each other. As a result, the expenses for 2021 were practically unchanged from the previous year.

Effects from currency translation resulted in a negative contribution to earnings of €128.1 million (PY: €86.0 million) in the reporting year. By contrast, effects from changes in the fair value of derivative instruments, and other valuation effects resulted in income of €69.5 million (PY: €71.6 million). Other valuation effects accounted for €121.7 million of this (PY: €7.0 million). The main cause was the reversal of allowances for doubtful accounts on loans and the reversal of a provision for loan commitments to the former associate OSRAM CONTINENTAL GmbH, Munich, Germany, and two of its subsidiaries. The derecognition of loans due to a debt waiver had an additional effect of €16.8 million. Taking into account exchange-rate effects, this resulted in income totaling €89.4 million. Additional income of €30.9 million (PY: €4.4 million) was derived from changes in the value of other financial assets. Taking into account the sum of the effects from currency translation and changes in the fair value of derivative instruments, earnings in 2021 were negatively impacted by €180.3 million (PY: €21.4 million). This resulted primarily from the development of the Chinese renminbi in relation to the euro.

Income tax expense

Income tax expense in fiscal 2021 amounted to €359.5 million (PY: tax income of €50.3 million). The tax rate was 21.0%, compared with 31.5% in the previous year. The prior-year tax rate is presented on an adjusted basis before the permanent effects of the goodwill impairment recognized in the previous year.As in the previous year, foreign tax rate differences as well as incentives and tax holidays had positive effects in the year under review. The tax rate was negatively impacted by non-cash allowances on deferred tax assets totaling €109.5 million (PY: €121.7 million), of which €26.9 million (PY: €25.8 million) was for previous years. Furthermore, as in the previous year, the tax rate was negatively affected by non-deductible expenses and non-imputable foreign withholding taxes.

Net income attributable to the shareholders of the parent

Net income attributable to the shareholders of the parent improved by €2,416.9 million in 2021 to €1,455.0 million (PY: -€961.9 million). Basic earnings per share amounted to €7.28 (PY: -€4.81). Basic earnings per share from continuing operations amounted to €6.49 (PY: -€3.02). The figures for basic earnings per share were the same as for diluted earnings per share.

Employees

The number of employees in the Continental Group fell by 5,021 from 195,896 in 2020 to 190,875.

In the Automotive Technologies group sector, lower production volumes and productivity improvements led to a total reduction of 2,311 employees. The number of employees in the Rubber Technologies group sector declined by 2,150. This was primarily due to the adjustment to demand-driven production as well as efficiency and structural programs. The number of employees in the Contract Manufacturing group sector fell by 598 to 2,904 (PY: 3,502).

Employees by region in %	**2021**	2020
Germany	24	25
Europe excluding Germany	34	33
North America	18	18
Asia-Pacific	20	19
Other countries	4	5

Financial Position
› Free cash flow at €1.4 billion
› Cash flow arising from investing activities at €1.6 billion
› Net indebtedness at €3.8 billion

Reconciliation of cash flow
EBIT from continuing and discontinued operations increased by €2,877.9 million year-on-year to €2,159.8 million (PY: -€718.1 million).

Interest payments fell by €4.0 million to €165.4 million (PY: €169.4 million).

Income tax payments decreased by €134.3 million to €751.2 million (PY: €885.5 million).

The cash-effective increase in working capital led to a cash outflow of €445.1 million (PY: €579.2 million). This resulted from an increase in inventories of €1,417.7 million (PY: decrease of €205.6 million). The increase was offset by a rise in operating liabilities of €941.4 million (PY: reduction of €925.0 million) and a decrease in operating receivables of €31.2 million (PY: €140.2 million).

Cash flow from operating activities rose by €240.4 million year-on-year to €2,954.4 million (PY: €2,714.0 million) in 2021, corresponding to 7.7% of sales (PY: 7.2%).

Cash flow arising from investing activities amounted to an outflow of €1,582.0 million (PY: €1,835.3 million). Capital expenditure on property, plant and equipment, and software was down €116.6 million from €1,942.4 million to €1,825.8 million before the capitalization of borrowing costs and right-of-use assets from leases. The net amount from the acquisition and disposal of companies and business operations resulted in a total cash inflow of €218.1 million in 2021 (PY: €233.2 million). This cash inflow is mainly attributable to a disposal in the ContiTech segment and the sale of a minority stake that had been held as a financial investment.

Free cash flow for fiscal 2021 amounted to €1,372.4 million (PY: €878.7 million), corresponding to a year-on-year increase of €493.7 million.

Capital expenditure (additions)
Capital expenditure for property, plant and equipment, and software amounted to €2,152.4 million in 2021 (PY: €2,232.2 million). The capital expenditure ratio was 5.6% (PY: 5.9%). Capital expenditure for continuing operations rose by €167.7 million to €1,947.4 million (PY: €1,779.7 million), whereas the disposal of Vitesco Technologies had an offsetting effect. The Tires and Autonomous Mobility and Safety business areas in particular contributed to the increase of €167.7 million. The capital expenditure ratio for continuing operations was 5.8% (PY: 5.6%).

Open purchase commitments for property, plant and equipment amounted to €672.7 million (PY: €569.9 million). Investment requirements are financed from operating cash flow and available cash and cash equivalents.

Financing and indebtedness
As at December 31, 2021, gross indebtedness amounted to €6,260.5 million (PY: €7,334.4 million), down €1,073.9 million on the previous year's level.

Based on quarter-end values, 80.9% (PY: 77.4%) of gross indebtedness taking into account hedging measures had fixed interest rates on average over the year.

The carrying amount of the bonds decreased by €194.4 million from €3,501.7 million in the previous year to €3,307.3 million. The only change in the bond portfolio in the reporting year was the repayment of the €200.0-million Continental AG bond due on April 12, 2021, at a rate of 100.00%. The private placement had a variable interest rate and a term of one and a half years.

Bank loans and overdrafts amounted to €1,199.7 million (PY: €1,559.8 million) as at December 31, 2021, and were therefore €360.1 million below the previous year's level.

The syndicated loan that was renewed ahead of schedule in December 2019 consists of a revolving tranche of €4,000.0 million and has an original term of five years. The margin will also depend on the Continental Group's sustainability performance. In November 2021, Continental exercised the second and final option to extend the term by one year. The lending banks then extended this financing commitment until December 2026 at unchanged conditions. As in the previous year, this revolving loan had not been utilized as at December 31, 2021. The additional syndicated loan of €3,000.0 million concluded in May 2020 with a term of 364 days expired in May 2021 and was not utilized.

Other indebtedness decreased by €519.4 million to €1,753.5 million (PY: €2,272.9 million) as at the end of 2021. This decline is primarily due to reduced use of commercial paper programs and lower lease liabilities. Commercial paper issuances resulted in a carrying amount of €17.1 million (PY: €263.4 million). Lease liabilities decreased by €268.9 million year-on-year to €1,274.1 million (PY: €1,543.0 million). As at the end of 2021, the utilization of sale-of-receivables programs, at €286.8 million (PY: €296.0 million), was only slightly lower than in the previous year. Three sale-of-receivables programs with a total financing volume of €400.0 million were used within the Continental Group as at the end of 2021, the same as in the previous year.

Cash and cash equivalents, derivative instruments and interest-bearing investments were down by €700.3 million at €2,495.0 million (PY: €3,195.3 million).

Net indebtedness decreased by €373.6 million as compared to the end of 2021 to €3,765.5 million (PY: €4,139.1 million). The gearing ratio declined year-on-year to 29.8% (PY: 32.7%).

As at December 31, 2021, the Continental Group had liquidity reserves totaling €7,149.4 million (PY: €10,719.5 million), consisting of cash and cash equivalents of €2,269.1 million (PY: €2,938.7 million) and committed, unutilized credit lines of €4,880.3 million (PY: €7,780.8 million).

The restrictions that may impact the availability of capital are also understood to comprise all existing restrictions on the cash and cash equivalents. In the Continental Group, the aforementioned cash and cash equivalents are restricted with regard to pledged amounts and balances in countries with foreign-exchange restrictions or other barriers to accessing liquidity. The assessment of any restrictions related to cash and cash equivalents is made on each respective reporting date. Taxes to be paid on the transfer of cash assets from one country to another are not usually considered to represent a restriction on cash and cash equivalents. As at December 31, 2021, unrestricted cash and cash equivalents totaled €1,998.2 million (PY: €2,639.8 million).

Reconciliation of net indebtedness

€ millions	December 31, 2021	December 31, 2020
Long-term indebtedness	4,643.2	5,144.4
Short-term indebtedness	1,617.3	2,190.0
Long-term derivative instruments and interest-bearing investments	–113.2	–142.6
Short-term derivative instruments and interest-bearing investments	–112.7	–114.0
Cash and cash equivalents	–2,269.1	–2,938.7
Net indebtedness	**3,765.5**	**4,139.1**

Reconciliation of change in net indebtedness

€ millions	2021	2020
Net indebtedness from continuing and discontinued operations at the beginning of the reporting period	**4,139.1**	**4,071.7**
Cash flow arising from operating activities	2,954.4	2,714.0
Cash flow arising from investing activities	–1,582.0	–1,835.3
Cash flow before financing activities (free cash flow)	**1,372.4**	**878.7**
Dividends paid	—	–600.0
Dividends paid to and cash changes from equity transactions with non-controlling interests	–29.3	–52.7
Non-cash changes	–163.7	–74.5
Other	–9.2	–172.8
Exchange-rate effects	44.8	–46.1
Change in net indebtedness	**1,215.0**	**–67.4**
Less net indebtedness from discontinued operations at the time of disposal	–841.4	n. a.
Net indebtedness at the end of the reporting period	**3,765.5**	**4,139.1**

Net Assets Position
- **Equity at €12.6 billion**
- **Equity ratio at 35.3%**
- **Gearing ratio at 29.8%**

Spin-off of Vitesco Technologies
The spin-off of Vitesco Technologies reduced Continental's net assets by €2,824.8 million. This therefore had a significant influence on its net assets position in fiscal 2021.

Total assets
At €35,840.8 million (PY: €39,638.0 million), total assets as at December 31, 2021, were €3,797.2 million lower than on the same date in the previous year. Goodwill, at €3,711.8 million, was down by €649.8 million compared to the previous year's figure of €4,361.6 million. Other intangible assets fell by €259.2 million to €1,087.7 million (PY: €1,346.9 million). Property, plant and equipment decreased by €2,349.0 million to €11,411.6 million (PY: €13,760.6 million). Deferred tax assets were down €221.9 million at €2,529.5 million (PY: €2,751.4 million). Inventories rose by €755.5 million to €4,993.7 million (PY: €4,238.2 million), while trade accounts receivable declined by €263.7 million to €7,089.5 million (PY: €7,353.2 million). At €2,269.1 million, cash and cash equivalents were down €669.6 million from €2,938.7 million on the same date in the previous year.

Non-current assets
Non-current assets fell by €3,331.9 million year-on-year to €19,786.0 million (PY: €23,117.9 million). In relation to the individual items of the statement of financial position, this is primarily due to the decline in property, plant and equipment of €2,349.0 million to €11,411.6 million (PY: €13,760.6 million), the reduction in goodwill of €649.8 million to €3,711.8 million (PY: €4,361.6 million) and the decline in other intangible assets of €259.2 million to €1,087.7 million (PY: €1,346.9 million).

Current assets
Current assets fell by €465.3 million to €16,054.8 million (PY: €16,520.1 million). In the year under review, inventories increased by €755.5 million to €4,993.7 million (PY: €4,238.2 million), while trade accounts receivable fell by €263.7 million to €7,089.5 million (PY: €7,353.2 million). Cash and cash equivalents were lower by €669.6 million at €2,269.1 million (PY: €2,938.7 million).

Equity
Total equity (including non-controlling interests) was €4.1 million higher than in the previous year at €12,643.2 million (PY: €12,639.1 million). Net income attributable to the shareholders of the parent added €1,455.0 million to equity. Other comprehensive income increased by €1,629.9 million to -€2,735.5 million (PY: -€4,365.4 million). The gearing ratio changed from 32.7% to 29.8%. The equity ratio improved to 35.3% (PY: 31.9%).

Non-current liabilities
At €10,329.4 million, non-current liabilities were down €2,413.7 million from €12,743.1 million in the previous year. This decline is primarily due to a decrease in long-term employee benefits of €1,366.9 million to €4,743.0 million (PY: €6,109.9 million). In addition, long-term indebtedness fell by €501.2 million to €4,643.2 million (PY: €5,144.4 million). Long-term provisions for other risks and obligations were lower by €454.9 million at €787.7 million (PY: €1,242.6 million).

Current liabilities
At €12,868.2 million, current liabilities were down €1,387.6 million from €14,255.8 million in the previous year. The main contributing factors were short-term provisions for other risks and obligations, which fell by €594.7 million to €1,130.7 million (PY: €1,725.4 million) and short-term indebtedness, which decreased by €572.7 million to €1,617.3 million (PY: €2,190.0 million). Tax payables also fell by €117.2 million to €672.9 million (PY: €790.1 million).

Operating assets
Operating assets from continuing operations increased from €17,583.5 million to €18,949.4 million as at December 31, 2021. In the previous year, operating assets from continuing and discontinued operations amounted to €20,471.0 million. The following figures for the previous year refer to continuing and discontinued operations.

Working capital was up €563.6 million at €6,259.5 million (PY: €5,695.9 million). This development was due to a €755.5 million increase in inventories to €4,993.7 million (PY: €4,238.2 million) and a €67.7 million decline in operating liabilities to €5,865.4 million (PY: €5,933.1 million). Operating receivables had an offsetting effect, falling by €259.6 million to €7,131.2 million (PY: €7,390.8 million).

Non-current operating assets were down €3,124.6 million year-on-year at €16,922.4 million (PY: €20,047.0 million). Goodwill fell by €649.8 million to €3,711.8 million (PY: €4,361.6 million). Property, plant and equipment decreased by €2,349.0 million to €11,411.6 million (PY: €13,760.6 million). Other intangible assets fell by €259.2 million to €1,087.7 million (PY: €1,346.9 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €159.0 million (PY: €183.6 million) reduced the value of intangible assets.

In the Vehicle Networking and Information business area, the agreement with OSRAM GmbH, Munich, Germany, to terminate the joint venture OSRAM CONTINENTAL GmbH, Munich, Germany, in the form of five share deals and three asset deals led to an increase in operating assets of €102.9 million.

As a result of a share deal in the Tires business area, operating assets rose by €12.7 million.

In the ContiTech business area, business activities of Special Technologies and Solutions as well as Conveying Solutions were sold. This reduced operating assets by €60.9 million.

Other changes in the scope of consolidation did not result in any notable additions to or disposal of operating assets at corporate level.

Exchange-rate effects increased the Continental Group's total operating assets by €657.2 million (PY: decrease of €1,069.7 million).

Average operating assets from continuing operations fell by €1,149.6 million to €18,416.1 million as compared to the previous year (€19,565.7 million). In the previous year, average operating assets from continuing and discontinued operations amounted to €22,536.6 million.

Consolidated statement of financial position

Assets in € millions	**December 31, 2021**	December 31, 2020
Goodwill	3,711.8	4,361.6
Other intangible assets	1,087.7	1,346.9
Property, plant and equipment	11,411.6	13,760.6
Investments in equity-accounted investees	305.9	351.3
Long-term miscellaneous assets	3,269.0	3,297.5
Non-current assets	**19,786.0**	**23,117.9**
Inventories	4,993.7	4,238.2
Trade accounts receivable	7,089.5	7,353.2
Short-term miscellaneous assets	1,702.5	1,990.0
Cash and cash equivalents	2,269.1	2,938.7
Current assets	**16,054.8**	**16,520.1**
Total assets	**35,840.8**	**39,638.0**

Equity and liabilities in € millions	**December 31, 2021**	December 31, 2020
Total equity	**12,643.2**	**12,639.1**
Non-current liabilities	**10,329.4**	**12,743.1**
Trade accounts payable	5,865.4	5,933.1
Short-term other provisions and liabilities	7,002.8	8,322.7
Current liabilities	**12,868.2**	**14,255.8**
Total equity and liabilities	**35,840.8**	**39,638.0**
Net indebtedness	**3,765.5**	**4,139.1**
Gearing ratio in %	**29.8**	**32.7**

Reconciliation to operating assets in 2021

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
Total assets	**7,537.1**	**6,982.4**	**9,754.6**	**4,418.8**	**1,036.5**	**6,111.4**	**35,840.8**
Cash and cash equivalents	–	–	–	–	–	2,269.1	2,269.1
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	–	225.9	225.9
Other financial assets	16.0	31.6	28.8	5.7	0.4	16.9	99.4
Less financial assets	**16.0**	**31.6**	**28.8**	**5.7**	**0.4**	**2,511.9**	**2,594.4**
Less other non-operating assets	**31.5**	**-16.9**	**42.6**	**5.1**	**0.3**	**524.5**	**587.1**
Deferred tax assets	–	–	–	–	–	2,529.5	2,529.5
Income tax receivables	–	–	–	–	–	303.4	303.4
Less income tax assets	**–**	**–**	**–**	**–**	**–**	**2,832.9**	**2,832.9**
Segment assets	**7,489.6**	**6,967.7**	**9,683.2**	**4,408.0**	**1,035.8**	**242.1**	**29,826.4**
Total liabilities and provisions	**4,404.7**	**4,254.4**	**4,098.5**	**2,025.6**	**388.5**	**8,025.9**	**23,197.6**
Short- and long-term indebtedness	–	–	–	–	–	6,260.5	6,260.5
Interest payable and other financial liabilities	–	–	–	–	–	26.9	26.9
Less financial liabilities	**–**	**–**	**–**	**–**	**–**	**6,287.4**	**6,287.4**
Deferred tax liabilities	–	–	–	–	–	101.6	101.6
Income tax payables	–	–	–	–	–	672.9	672.9
Less income tax liabilities	**–**	**–**	**–**	**–**	**–**	**774.5**	**774.5**
Less other non-operating liabilities	**1,493.3**	**1,176.0**	**963.5**	**713.6**	**106.6**	**805.7**	**5,258.7**
Segment liabilities	**2,911.4**	**3,078.4**	**3,135.0**	**1,312.0**	**281.9**	**158.3**	**10,877.0**
Operating assets	**4,578.2**	**3,889.3**	**6,548.2**	**3,096.0**	**753.9**	**83.8**	**18,949.4**

Reconciliation to operating assets from continuing operations in 2020

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
Total assets	**7,035.3**	**6,216.9**	**8,970.5**	**4,257.8**	**529.4**	**7,131.9**	**34,141.8**
Cash and cash equivalents	–	–	–	–	–	2,938.7	2,938.7
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	–	256.6	256.6
Other financial assets	23.7	27.1	13.9	5.6	0.5	23.4	94.2
Less financial assets	**23.7**	**27.1**	**13.9**	**5.6**	**0.5**	**3,218.7**	**3,289.5**
Less other non-operating assets	**32.5**	**4.7**	**49.9**	**0.5**	**6.6**	**654.6**	**748.8**
Deferred tax assets	–	–	–	–	–	2,751.4	2,751.4
Income tax receivables	–	–	–	–	–	234.8	234.8
Less income tax assets	**–**	**–**	**–**	**–**	**–**	**2,986.2**	**2,986.2**
Segment assets	**6,979.1**	**6,185.1**	**8,906.7**	**4,251.7**	**522.3**	**272.4**	**27,117.3**
Total liabilities and provisions	**4,357.8**	**4,144.9**	**3,467.7**	**1,967.1**	**401.5**	**9,228.6**	**23,567.6**
Short- and long-term indebtedness	–	–	–	–	–	7,334.4	7,334.4
Interest payable and other financial liabilities	–	–	–	–	–	36.4	36.4
Less financial liabilities	**–**	**–**	**–**	**–**	**–**	**7,370.8**	**7,370.8**
Deferred tax liabilities	–	–	–	–	–	168.6	168.6
Income tax payables	–	–	–	–	–	790.1	790.1
Less income tax liabilities	**–**	**–**	**–**	**–**	**–**	**958.7**	**958.7**
Less other non-operating liabilities	**1,711.4**	**1,293.8**	**963.3**	**768.9**	**81.1**	**885.8**	**5,704.3**
Segment liabilities	**2,646.4**	**2,851.1**	**2,504.4**	**1,198.2**	**320.4**	**13.3**	**9,533.8**
Operating assets	**4,332.7**	**3,334.0**	**6,402.3**	**3,053.5**	**201.9**	**259.1**	**17,583.5**

In the Spotlight

Financial support from public authorities

Source: 2021 Annual Report > Consolidated Financial Statements > Notes to the Consolidated Financial Statements > Notes to the Consolidated Statement of Income >
8. Research and Development Expenses (p. 147), 9. Other Income and Expenses (p. 148), 14. Grants in Connection with the COVID-19 Pandemic (p. 153)
and 2021 Annual Report> Consolidated Financial Statements > Notes to the Consolidated Financial Statements > Notes to the Consolidated Statement of Financial Position >16. Property, Plant and Equipment (p. 156)

Note: These texts are a compilation of the Annual Report and have been shortened.

Research and Development:
The research and development expenses include government grants totaling €43.9 million (PY: €37.3 million).

Assets:
In addition, government grants amounting to €7.5 million (PY: €9.2 million) that were not intended for investments in non-current assets were received and recognized in profit or loss in the "Miscellaneous" item.

COVID-19 Pandemic:
Government grants paid to the Continental Group as a result of the COVID-19 pandemic totaled €10.3 million (PY: €95.6 million) in the year under review and were recognized in the income statement. These primarily include reimbursements of social security contributions in the amount of €4.5 million (PY: €56.6 million), the majority of which relate to short-time work income.

Property, Plant and Equipment:
Government investment grants of €86.7 million (PY: €23.7 million) were deducted directly from cost.

In the Spotlight

Continental Value Sharing Bonus

The Continental Value Sharing Bonus (CVSB – the Continental Group's profit sharing scheme) is a global program by which each and every employee worldwide benefits from the Group's positive performance.

When calculating the bonus, both the legal regulations and contractual agreements in the individual countries are taken into account, in addition to economic performance.

Due to the continuing economic challenges the company is facing,-Continental has decided to suspend the CSVB for the years from 2020 up to and including 2023, payable in 2024. The company intends to resume paying a profit sharing bonus in the future, however. The Group is in this regard in negotiations with the employees' representatives.

Good Working Conditions

Management Approach

Source: 2021 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Non-Financial Statement (starting p. 36)

Note: This section relates to continuing and discontinued operations, with the exception of performance indicators for the financial year 2021.

Our ambition

As set out in our sustainability ambition, we provide inspiring, healthy and fair working conditions.

Concept

The Continental Group's Code of Conduct sets out the cornerstones for good working conditions as the basis of our global collaboration, including respect for human rights and fair working conditions. Employees regularly receive training on the Code of Conduct.

Our HR strategy is geared toward meeting staffing requirements in terms of both quantity and quality. The two HR strategy initiatives "Industrialize Best Fit" and "Enable Transformation" are therefore focused on efficiently and effectively bringing together the right people and positions and shaping the digital and technological transformation and cultural shift toward new forms of collaboration. Workforce planning, the search for, diagnostic selection and development of talent (in particular in the areas of software and IT), the promotion of employee diversity and lifelong learning, the further development of the management culture and the flexibilization of working hours are therefore essential action fields of strategic HR work.

We are tackling the impact of our Transformation 2019–2029 structural program, which among other things is associated with the transformation in mobility and is likely to change up to 23,000 jobs worldwide, with targeted training measures for the employees affected. New career prospects and employment opportunities are to be opened up on the internal as well as the external employment markets.

Those responsible for HR are the HR functions at Continental Group, group sector, business area and country level, which work together in a global network. A special network of country coordinators for labor relations is also part of this organization.

We measure the success of HR work against the OUR BASICS Live Sustainable Engagement index, which is calculated on the basis of the annual employee survey. The index measures employee agreement on topics such as whether they personally back the company values and whether they are proud to work for Continental. Other performance indicators we consult are the sickness rate and the unforced fluctuation rate. The sickness rate measures sickness-related absence relative to contractual work time, and the unforced fluctuation rate measures the voluntary departure of employees from the company relative to the average number of employees.

The OUR BASICS Live Sustainable Engagement index has also been part of the LTI plans for the members of the Executive Board and global managers since fiscal 2020. The sickness rate is also part of this, although only for the plans launched in fiscal 2020. For more information, see the remuneration report on our website under Company/Executive Board.

Results of the concept

In fiscal 2021, the Sustainable Engagement index was 80% (PY: 82% including Vitesco Technologies) and therefore fell short of the previous year.

The sickness rate was up compared with the previous year at 3.7% (PY: 3.5% including Vitesco Technologies). For the unforced fluctuation rate, we recorded an increase to 7.0% (PY: 4.6% including Vitesco Technologies), which applies to all regions to varying degrees.

Information about personnel expenses in fiscal 2021 (i.e. wages and salaries, social security contributions and pension and post-employment benefit costs) can be found in Note 10 of the notes to the consolidated statement of income on page 150 of this annual report. Employee benefits such as pensions, post-employment benefits and long-term bonus payments are broken down in Note 30 of the notes to the consolidated statement of financial position on page 173.

Good working conditions performance indicators	**2021**	2020
OUR BASICS Live Sustainable Engagement index in %[1, 2]	80	82
Sickness rate in %[3, 4]	3.7	3.5
Unforced fluctuation rate in %[4, 5]	7.0	4.6

1 Definition: employee agreement on topics relating to sustainable engagement in the employee survey OUR BASICS Live.
2 This is based on the responses of 47,472 participants (PY: 4,918 participants) as a representative random sample of Continental's group sectors and countries. The participation rate was 75% (PY: 68%).
3 Definition: sickness-related absence relative to contractual work time.
4 Excluding leasing personnel (i.e. permanent staff only).
5 Definition: voluntary departure of employees from the company relative to the average number of employees.

Personnel Expenses

Source: 2021 Annual Report > Consolidated Financial Statements > Notes to the Consolidated Financial Statements > Notes to the Consolidated Statement of Income > 8. Personnel Expenses (p. 150)

The following total personnel expenses are included in function costs in the income statement:

€ millions	2021	2020
Wages and salaries	7,547.3	8,033.4
Social security contributions	1,474.8	1,411.1
Pension and post-employment benefit costs	414.7	362.9
Personnel expenses[1]	**9,436.8**	**9,807.4**

1 Personnel expenses from continuing and discontinued operations in the reporting period amounted to €10,884.4 million (PY: 11,768.7 million).

Compared to the 2020 reporting year, personnel expenses decreased by €370.6 million to €9,436.8 million (PY: €9,807.4 million). The average number of employees in 2021 was 193,451 (PY: 195,941). As at the end of the year, there were 190,875 (PY: 195,896) employees in the Continental Group. The year-on-year decrease in personnel expenses resulted in particular from lower provisions for restructuring measures. Social security contributions of the main German companies of the Continental Group (employer contributions) amounted to €262.1 million in the reporting year (PY: €317.8 million).

Employee Benefits

Source: 2021 Annual Report > Consolidated Financial Statements > Notes to the Consolidated Financial Statements > Notes to the Consolidated Statement of Financial Position > 30. Employee Benefits (starting p. 173)

The following table outlines the employee benefits:

	December 31, 2021		December 31, 2020	
€ millions	**Short-term**	**Long-term**	Short-term	Long-term
Pension provisions (unfunded obligations and net liabilities from obligations and related funds)	–	4,286.8	–	5,528.8
Provisions for other post-employment benefits	–	168.7	–	205.7
Provisions for similar obligations	1.4	49.1	4.3	59.1
Other employee benefits	–	225.3	–	303.8
Liabilities for workers' compensation	29.4	13.1	34.7	12.5
Liabilities for payroll and personnel-related costs	808.4	–	756.3	–
Termination benefits	71.6	–	60.1	–
Liabilities for social security	164.3	–	182.6	–
Liabilities for vacation	168.4	–	198.5	–
Employee benefits	**1,243.5**	**4,743.0**	**1,236.5**	**6,109.9**
Defined benefit assets (difference between pension obligations and related funds)		**101.6**		**82.7**

Long-term employee benefits

Pension plans

In addition to statutory pension insurance, the majority of employees are also entitled to defined benefit or defined contribution plans after the end of their employment.

Our pension strategy is focusing on switching from defined benefit to defined contribution plans in order to offer both employees and the company a sustainable and readily understandable pension system.

Many defined benefit plans have been closed for new employees or future service and replaced by defined contribution plans.

In countries in which defined contribution plans are not possible for legal or economic reasons, defined benefit plans have been optimized or changed to minimize the associated risks of longevity, inflation and salary increases.

Following the spin-off of Vitesco Technologies, the pension plans for the affected employees of the former Powertrain segment were separated and will be continued independently by Vitesco Technologies in the future.

Defined benefit plans

Defined benefit plans include pension plans, termination indemnities regardless of the reason for the end of employment and other post-employment benefits. As a result of the significant increase in the number of employees in recent years and the high level of acquisition activity, pension obligations essentially relate to active employees. The defined benefit pension plans cover 139,411 beneficiaries, including 90,874 active employees, 23,475 former employees with vested benefits, and 25,062 retirees and surviving dependents. The pension obligations are concentrated in four countries: Germany, the USA, the United Kingdom and Canada, which account for more than 90% of total pension obligations.

The weighted average term of the defined benefit pension obligations is around 19 years. This term is based on the present value of the obligations.

Germany

In Germany, Continental provides pension benefits through the cash balance plan, prior commitments and deferred compensation.

The retirement plan regulation applicable to active members is based primarily on the cash balance plan and thus on benefit modules. When the insured event occurs, the retirement plan assets are paid out as a lump-sum benefit, in installments or as a pension, depending on the amount of the retirement plan assets. There are no material minimum guarantees in relation to a particular amount of retirement benefits.

Pension plans transferred to or assumed by Continental in the context of acquisitions (Siemens VDO, Temic, Teves, Phoenix) were included in the cash balance plans. For the main German companies, the cash balance plan is partly covered by funds in contractual trust arrangements (CTAs). In Germany, there are no legal or regulatory minimum funding requirements.

The separation of the pension plans for employees of the former Powertrain segment also resulted in a separation of the associated CTAs.

The CTAs are legally independent from the company and manage the plan assets as trustees in accordance with the respective CTAs.

Some prior commitments were granted through two legally independent pension contribution funds. Pensionskasse für Angestellte der Continental Aktiengesellschaft VVaG and Pensionskasse von 1925 der Phoenix AG VVaG have been closed since March 1, 1984, and July 1, 1983, respectively. The pension contribution funds are smaller associations within the meaning of Section 53 of the German Insurance Supervision Act *(Versicherungsaufsichtsgesetz – VAG)* and are subject to the supervision of the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht). The investment regulations are in accordance with the legal requirements and risk structure of the obligations. The pension contribution funds have tariffs with an interest rate of 2.6%. Under the German Company Pensions Law *(Betriebsrentengesetz – BetrAVG)*, Continental is ultimately liable for the implementation path of the pension contribution fund. In accordance with IAS 19, *Employee Benefits*, the pension obligations covered by the pension contribution fund are therefore defined benefit pension plans. The pension contribution funds met their minimum net funding requirement as at December 31, 2021. However, given that only the plan members are entitled to the assets and amounts generated, the benefit obligations are recognized in the same amount as the existing assets at fair value.

Continental also supports private contribution through deferred compensation schemes.

Deferred compensation is essentially offered through a fully funded multi-employer plan (Höchster Pensionskasse VVaG) for contributions up to 4% of the assessment ceiling in social security. The pension contribution fund ensures guaranteed minimum interest for which Continental is ultimately liable under the German Company Pensions Law. The company is not liable for guarantees to employees of other companies. As Höchster Pensionskasse VVaG is a combined defined benefit plan for several companies and Continental has no right to the information required for accounting for this defined benefit plan, this plan is recognized as a defined contribution plan.

Entitled employees can use the cash balance plan for deferred compensation contributions above the 4% assessment ceiling. This share is funded by insurance annuity contracts.

USA

Owing to its acquisition history, Continental has various defined benefit plans in the USA, which were closed to new entrants and frozen to accretion of further benefits in a period from April 1, 2005, to December 31, 2011. In 2017, acquisitions also included an open defined benefit plan for unionized employees.

The closed defined benefit plans are commitments on the basis of the average final salary and cash balance commitments. The defined benefit plans for unionized and non-unionized employees are based on a pension multiplier per year of service.

Closed defined benefit plans were replaced by defined contribution plans. Defined contribution plans apply to the majority of active employees in the USA.

The plan assets of the defined benefit plans are managed in a master trust. Investment supervision was delegated to the Pension Committee, a body appointed within the Continental Group. The legal and regulatory framework for the plans is based on the US Employee Retirement Income Security Act (ERISA).

The valuation of the financing level is required on the basis of this law. The interest rate used for this calculation is the average rate over a period of 25 years and therefore currently higher than the interest rate used to discount obligations under IAS 19. The statutory valuation therefore gives rise to a lower obligation than that in line with IAS 19. There is a regulatory requirement to ensure minimum funding of 80% in the defined benefit plans to prevent benefit curtailments.

United Kingdom

Continental maintains four defined benefit plans as a result of its history of acquisitions in the United Kingdom. All plans are commitments on the basis of the average or final salary. The four plans were closed to new employees in the period between April 1, 2002, and November 30, 2004. Continental offers defined contribution plans for all employees who have joined the company since that time.

As at April 5, 2016, the Continental Group Pension and Life Assurance Scheme was frozen to accretion of further benefits. It was replaced by a defined contribution plan as at April 6, 2016.

As at July 31, 2017, the Mannesmann UK Pension Scheme was frozen to accretion of further benefits. It was replaced by a defined contribution plan as at August 1, 2017.

Our pension strategy in the UK focuses on reducing risks and includes the option of partially or completely funding by purchasing annuities.

The funding conditions are defined by the UK Pensions Regulator and the corresponding laws and regulations. The defined benefit plans are managed by trust companies. The boards of trustees of these companies have an obligation solely to the good of the beneficiaries on the basis of the trust agreement and the law.

The necessary funding is determined every three years through technical valuations in line with local provisions. The obligations are measured using a discount rate based on government bonds and other conservatively selected actuarial assumptions. Compared to IAS 19, which derives the discount rate from senior corporate bonds, this usually results in a higher obligation. Three of the four defined benefit plans had a funding deficit on the basis of the most recent technical valuation. The trustees and the company have agreed on a recovery plan that provides for additional temporary annual payments. The valuation process must be completed within 15 months of the valuation date.

The most recent technical valuations of the four defined benefit pension plans took place with their valuation dates between December 2017 and March 2019 and led to the following result:

- Continental Teves UK Employee Benefit Scheme (assessment as at December 31, 2017): As part of the assessment, an agreement on a minimum annual endowment of GBP 1.4 million over a period of five years was resolved. This amount is payable until the next review is performed in the technical assessment.

  In 2021, another extraordinary allocation was made to the Continental Teves UK Employee Benefit Scheme of GBP 10 million.

- Continental Group Pension and Life Assurance Scheme (assessment as at April 5, 2018): An agreement was concluded with an insurer in 2019 for a complete buy-out through the acquisition of annuities. The necessary data clarifications and preparatory work progressed in 2021 but have not yet been finalized. Finalization is expected in 2022.

- Mannesmann UK Pension Scheme (assessment as at March 31, 2019): As part of the assessment, an agreement was resolved on a minimum annual endowment of GBP 75,000 for the period from April 1, 2019, to September 30, 2019; a minimum monthly endowment of GBP 100,000 for the period from October 1, 2019, to March 31, 2020; a minimum monthly endowment of GBP 150,000 for the period from April 1, 2020, to March 31, 2021; a minimum monthly endowment of GBP 175,000 for the period from April 1, 2021, to March 31, 2023; and a minimum monthly endowment of GBP 200,000 for the period from April 1, 2023, to August 31, 2026.

- Phoenix Dunlop Oil & Marine Pension Scheme (assessment as at December 31, 2018): As part of the assessment, an agreement was resolved on a minimum annual endowment of GBP 2.2 million and an annual adjustment of 3.5% over a period of four years. Thereafter, there will be an annual payment of GBP 1.4 million and an annual adjustment of 3.5% over a period of another three years.

Canada

Continental maintains various defined benefit plans as a result of its history of acquisitions. The pension plans are based mainly on a pension multiplier per year of service.

Fluctuations in the amount of the pension obligation resulting from exchange-rate effects are subject to the same risks as overall business development. These fluctuations relate mainly to the currencies of the USA, Canada and the UK and have no material impact on Continental. For information on the effects of interest-rate risks and longevity risk on the pension obligations, please refer to the sensitivities described later on in this section.

The pension obligations for Germany, the USA, Canada, the UK and other countries, as well as the amounts for Continental as a whole, are shown in the following tables.

The reconciliation of the changes in the defined benefit obligations from the beginning to the end of the year is as follows:

	2021						2020					
€ millions	**Germany**	**USA**	**Canada**	**UK**	**Other**	**Total**	Germany	USA	Canada	UK	Other	Total
Defined benefit obligations as at January 1	**6,570.2**	**1,139.0**	**125.6**	**426.1**	**386.9**	**8,647.8**	**5,781.7**	**1,151.6**	**124.8**	**415.3**	**401.7**	**7,875.1**
Exchange-rate differences	–	89.1	7.7	29.1	5.3	**131.2**	–	-106.4	-8.5	-21.8	-12.6	-149.3
Current service cost	287.3	5.0	1.9	2.2	25.2	**321.6**	276.2	3.9	1.7	2.2	28.1	312.1
Service cost from plan amendments	–	–	–	–	30.1	**30.1**	–	–	–	0.7	1.2	1.9
Curtailments/settlements	–	–	–	–	-2.4	**-2.4**	–	–	–	–	-0.4	-0.4
Interest on defined benefit obligations	51.3	27.3	2.6	6.1	8.8	**96.1**	69.0	36.3	3.5	7.7	9.1	125.6
Actuarial gains/losses from changes in demographic assumptions	–	3.5	–	-1.9	0.2	**1.8**	–	-8.1	–	6.0	-6.1	-8.2
Actuarial gains/losses from changes in financial assumptions	-591.9	-51.4	-8.5	-16.2	-18.3	**-686.3**	543.3	119.3	9.1	43.0	-10.5	704.2
Actuarial gains/losses from experience adjustments	-1.5	0.6	-1.3	-5.0	-3.8	**-11.0**	5.9	5.8	-0.2	-2.4	-0.6	8.5
Net changes in the scope of consolidation	-837.5	-80.0	-80.1	–	-61.8	**-1,059.4**	–	–	–	–	0.0	0.0
Employee contributions	–	–	0.3	0.1	-0.6	**-0.2**	–	–	0.3	0.1	-0.6	-0.2
Other changes	0.7	–	–	–	-0.3	**0.4**	–	–	-0.1	–	-0.4	-0.5
Benefit payments	-109.8	-61.5	-5.0	-16.8	-28.0	**-221.1**	-105.9	-63.4	-5.0	-24.7	-22.0	-221.0
Defined benefit obligations as at December 31	**5,368.8**	**1,071.6**	**43.2**	**423.7**	**341.3**	**7,248.6**	**6,570.2**	**1,139.0**	**125.6**	**426.1**	**386.9**	**8,647.8**

The reconciliation of the changes in the fund assets from the beginning to the end of the year is as follows:

	2021						2020					
€ millions	**Germany**	**USA**	**Canada**	**UK**	**Other**	**Total**	Germany	USA	Canada	UK	Other	Total
Fair value of fund assets as at January 1	**1,368.2**	**1,157.5**	**105.9**	**408.8**	**162.8**	**3,203.2**	**1,288.5**	**1,077.5**	**104.7**	**398.5**	**163.7**	**3,032.9**
Exchange-rate differences	—	91.5	6.6	28.9	0.8	**127.8**	—	-106.4	-7.1	-21.0	-6.7	-141.2
Interest income from pension funds	13.6	27.8	2.2	5.9	4.0	**53.5**	29.7	34.3	3.0	7.5	4.2	78.7
Actuarial gains/losses from fund assets	33.1	-35.4	4.3	-5.0	1.5	**-1.5**	21.6	118.8	7.7	40.4	3.0	191.5
Employer contributions	50.0	4.0	2.7	19.3	13.3	**89.3**	50.7	98.3	2.7	8.0	11.0	170.7
Employee contributions	—	—	0.3	0.1	0.9	**1.3**	—	—	0.3	0.1	0.2	0.6
Net changes in the scope of consolidation	-109.6	-70.2	-77.5	—	-24.1	**-281.4**	—	—	—	—	—	—
Other changes	—	-1.7	-0.4	—	-0.1	**-2.2**	—	-1.6	-0.4	—	-0.2	-2.2
Benefit payments	-24.3	-61.5	-5.0	-16.8	-18.1	**-125.7**	-22.3	-63.4	-5.0	-24.7	-12.4	-127.8
Fair value of fund assets as at December 31	**1,331.0**	**1,112.0**	**39.1**	**441.2**	**141.0**	**3,064.3**	**1,368.2**	**1,157.5**	**105.9**	**408.8**	**162.8**	**3,203.2**

The carrying amount consisting of the defined benefit assets and the pension provisions decreased by €1,260.9 million compared with the previous year. This was primarily due to the spin-off of Vitesco Technologies.

The defined benefit assets increased by €18.9 million year-on-year. This was due chiefly to an additional allocation to the pension plans in the United Kingdom.

€7,135.8 million (PY: €8,498.3 million) of the defined benefit obligations as at December 31, 2021, related to plans that are fully or partially funded, and €112.8 million (PY: €149.5 million) related to plans that are unfunded.

The €1,399.2 million decrease in the defined benefit obligations as compared to December 31, 2020, resulted in particular from the spin-off of Vitesco Technologies.

The fund assets in Germany include the CTA assets amounting to €996.6 million (PY: €1,016.4 million), pension contribution fund assets of €211.8 million (PY: €223.9 million), insurance annuity contracts amounting to €122.3 million (PY: €127.6 million) and further plan assets of €0.3 million (PY: €0.3 million).

In the year under review, fund assets decreased by €138.9 million to €3,064.3 million. This was primarily due to the spin-off of Vitesco Technologies.

Actuarial gains and losses on fund assets in Germany resulted from actuarial gains of €33.1 million (PY: €21.0 million) from the CTAs.

In the Continental Group, there are pension contribution funds for previously defined contributions in Germany that have been closed to new entrants since July 1, 1983, and March 1, 1984, respectively. As at December 31, 2021, the minimum net funding requirement was exceeded; Continental AG has no requirement to make additional contributions. The pension fund assets had a fair value of €211.8 million as at December 31, 2021 (PY: €223.9 million). The pension contribution funds have tariffs with an interest rate of 2.6%. Under the German Company Pensions Law, Continental AG is ultimately liable for the implementation path of the pension contribution fund. It therefore constitutes a defined benefit pension plan that must be reported in line with the development of pension provisions. However, given that only the plan members are entitled to the assets and income generated, the benefit obligations are recognized in the same amount as the existing assets at fair value.

The following table shows the reconciliation of the funded status to the amounts contained in the statement of financial position:

	December 31, 2021						December 31, 2020					
€ millions	**Germany**	**USA**	**Canada**	**UK**	**Other**	**Total**	Germany	USA	Canada	UK	Other	Total
Funded status[1]	**-4,037.8**	**40.4**	**-4.1**	**17.5**	**-200.3**	**-4,184.3**	**-5,202.0**	**18.5**	**-19.7**	**-17.3**	**-224.1**	**-5,444.6**
Asset ceiling	–	–	–	–	-0.9	**-0.9**	–	–	-1.4	–	-0.1	-1.5
Carrying amount	**-4,037.8**	**40.4**	**-4.1**	**17.5**	**-201.2**	**-4,185.2**	**-5,202.0**	**18.5**	**-21.1**	**-17.3**	**-224.2**	**-5,446.1**

1 Difference between fund assets and defined benefit obligations.

The carrying amount comprises the following items of the statement of financial position:

	December 31, 2021						December 31, 2020					
€ millions	**Germany**	**USA**	**Canada**	**UK**	**Other**	**Total**	Germany	USA	Canada	UK	Other	Total
Defined benefit assets	–	69.6	–	22.9	9.1	**101.6**	–	74.8	1.5	–	6.4	82.7
Pension provisions	-4,037.8	-29.2	-4.1	-5.4	-210.3	**-4,286.8**	-5,202.0	-56.3	-22.6	-17.3	-230.6	-5,528.8
Carrying amount	**-4,037.8**	**40.4**	**-4.1**	**17.5**	**-201.2**	**-4,185.2**	**-5,202.0**	**18.5**	**-21.1**	**-17.3**	**-224.2**	**-5,446.1**

The assumptions used to measure the pension obligations – in particular, the discount factors for determining the interest on expected pension obligations and the expected return on fund assets, as well as the long-term salary growth rates and the long-term pension trend – are specified for each country.

In the principal pension plans, the following weighted-average valuation factors as at December 31 of the year have been used:

	2021					2020				
%	**Germany**[1]	**USA**	**Canada**	**UK**	**Other**	Germany[1]	USA	Canada	UK	Other
Discount rate	1.25	2.80	3.20	1.90	3.40	0.81	2.40	2.47	1.40	2.43
Long-term salary growth rate	3.00	0.00	3.00	1.36	3.18	3.00	0.00	1.06	1.32	2.36

1 Not including the pension contribution funds.

Another parameter for measuring the pension obligation is the long-term pension trend. The following weighted average long-term pension trend was used as at December 31, 2021, for the key countries: Germany 1.75% (PY: 1.75%), Canada 0.0% (PY: 1.6%) and the United Kingdom 3.5% (PY: 3.12%). For the USA, the long-term pension trend does not constitute a significant measurement parameter.

Net pension cost can be summarized as follows:

	2021							2020						
€ millions	**Germany**	**USA**	**Canada**	**UK**	**Other**	**Continuing operations**	**Continuing and discontinued operations**	Germany	USA	Canada	UK	Other	Continuing operations	Continuing and discontinued operations
Current service cost	247.1	5.0	1.9	2.2	21.9	278.1	321.6	224.9	3.9	1.7	2.2	22.2	254.9	312.1
Service cost from plan amendments	–	–	–	–	30.1	30.1	30.1	–	–	–	0.7	1.2	1.9	1.9
Curtailments/settlements	–	–	–	–	-1.8	-1.8	-2.4	–	–	–	–	-0.2	-0.2	-0.4
Interest on defined benefit obligations	46.2	26.7	1.2	6.1	7.5	87.7	96.1	60.4	35.2	1.2	7.7	7.5	112.0	125.6
Expected return on the pension funds	-12.8	-27.2	-0.9	-5.9	-3.3	-50.1	-53.5	-29.7	-33.2	-0.9	-7.4	-3.2	-74.4	-78.6
Effect of change of asset ceiling	–	–	–	–	0.0	0.0	0.0	–	–	–	–	0.0	0.0	0.0
Other pension income and expenses	–	1.5	0.2	–	-0.2	1.5	2.0	–	1.3	0.2	–	-1.3	0.2	0.7
Net pension cost	**280.5**	**6.0**	**2.4**	**2.4**	**54.2**	**345.5**	**393.9**	**255.6**	**7.2**	**2.2**	**3.2**	**26.2**	**294.4**	**361.3**

A change of plan was introduced in Mexico in the reporting year for consideration of previous years of service. This led to a service cost from plan amendments of €29.7 million in other countries.

The table below shows the changes in actuarial gains and losses that are reported directly in equity:

	2021							2020						
€ millions	**Germany**	**USA**	**Canada**	**UK**	**Other**	**Continuing operations**	**Continuing and discontinued operations**	Germany	USA	Canada	UK	Other	Continuing operations	Continuing and discontinued operations
Actuarial gains/losses from defined benefit obligations	527.2	46.4	–5.8	23.1	–21.5	569.4	640.9	–468.2	–114.9	–2.8	–46.6	14.3	–618.2	–704.5
Actuarial gains/losses from fund assets	29.9	–36.9	–1.5	–5.0	–0.8	–14.3	–6.1	21.6	115.7	2.5	40.4	1.4	181.6	191.5
Actuarial gains/losses from asset ceiling	–	–	–	–	0.7	0.7	–0.2	–	–	–	–	0.5	0.5	0.1
Actuarial gains/losses	**557.1**	**9.5**	**–7.3**	**18.1**	**–21.6**	**555.8**	**634.6**	**–446.6**	**0.8**	**–0.3**	**–6.2**	**16.2**	**–436.1**	**–512.9**

Actuarial gains and losses arise from increases or decreases in the present value of the defined benefit obligation due to changes in the actuarial assumptions made. The decrease in the discount factor in all countries in the 2021 reporting period as compared to 2020 resulted in actuarial losses in all countries. The actuarial losses in the previous fiscal year likewise resulted from a decrease in interest rates compared to the prior year.

If the other assumptions remained constant, the changes in individual key actuarial assumptions that could reasonably have been possible at the reporting date would have impacted the defined benefit obligation by the following amounts. Although the analysis does not take account of the complete allocation of the cash flows expected under the plan, it provides an approximation of the sensitivity of the assumptions shown.

If the other assumptions are maintained, a 0.5-percentage-point increase or decrease in the discount rate used to discount pension obligations would have had the following impact on the pension obligations as at the end of the reporting period:

	December 31, 2021					December 31, 2020				
€ millions	**Germany[1]**	**USA**	**Canada**	**UK**	**Other**	Germany[1]	USA	Canada	UK	Other
0.5% increase										
Effects on service and interest cost	–11.6	–2.4	–0.3	1.1	–0.1	–20.4	–2.4	0.0	0.6	–0.1
Effects on benefit obligations	–501.8	–57.1	–3.6	–35.5	–16.8	–668.5	–64.7	–8.7	–36.8	–19.8
0.5% decrease										
Effects on service and interest cost	13.2	2.0	0.3	–1.2	0.1	23.6	2.0	0.1	–1.7	0.1
Effects on benefit obligations	587.4	62.9	4.0	39.8	18.4	789.0	71.5	9.8	41.3	21.8

1 Not including the pension contribution funds.

A 0.5-percentage-point increase or decrease in the long-term salary growth rate would have had the following impact on the pension obligations as at the end of the reporting period:

	December 31, 2021				December 31, 2020			
€ millions	**Germany**	**USA[1]**	**Canada**	**UK**	Germany	USA[1]	Canada	UK
0.5% increase								
Effects on benefit obligations	3.7	–	0.7	2.5	5.9	–	0.9	2.4
0.5% decrease								
Effects on benefit obligations	-3.9	–	-0.6	-2.5	-8.7	–	-0.8	-2.3

1 Any change in the long-term salary growth rate would have no effect on the value of the benefit obligations.

A 0.5-percentage-point increase or decrease in the long-term pension trend would have had the following impact on the pension obligations as at the end of the reporting period:

	December 31, 2021				December 31, 2020			
€ millions	**Germany**	**USA[1]**	**Canada**	**UK**	Germany	USA[1]	Canada	UK
0.5% increase								
Effects on benefit obligations	176.0	–	–	25.1	221.6	–	4.2	24.6
0.5% decrease								
Effects on benefit obligations	-159.5	–	–	-24.9	-200.1	–	-3.8	-23.8

1 Any change in the long-term pension trend would have no effect on the value of the benefit obligations.

Changes in the discount rate and the salary and pension trends do not have a linear effect on the defined benefit obligations (DBO) owing to the financial models used (particularly due to the compounding of interest rates). For this reason, the net periodic pension cost derived from the pension obligations does not change by the same amount as a result of an increase or decrease in the actuarial assumptions.

In addition to the aforementioned sensitivities, the impact of a one-year-longer life expectancy on the value of benefit obligations was computed for the key countries. A one-year increase in life expectancy would lead to a €270.6 million (PY: €335.9 million) increase in the value of the benefit obligations, and that figure would be broken down as follows: Germany €216.4 million (PY: €278.2 million), USA €35.1 million (PY: €37.3 million), United Kingdom €18.3 million (PY: €16.9 million) and Canada €0.8 million (PY: €3.5 million).

In Germany, increased payments in the form of pensions rather than capital were assumed in the actuarial valuation, which has the effect of increasing the benefit obligations. For the calculation of pension obligations for domestic plans, life expectancy is based on the 2018 G mortality tables by Prof. Klaus Heubeck. For foreign pension plans, comparable criteria are used for the respective country.

Plan assets

The structure of the Continental Group's plan assets is reviewed by the investment committees on an ongoing basis taking into account the forecast pension obligations. In doing so, the investment committees regularly review the investment decisions taken, the underlying expected returns of the individual asset classes reflecting empirical values and the selection of the external fund managers

The portfolio structures of the pension funds at the measurement date for the fiscal years 2021 and 2020 are as follows:

%	2021					2020				
Asset class	**Germany[1]**	**USA**	**Canada**	**UK**	**Other**	Germany[1]	USA	Canada	UK	Other
Equity instruments	6	3	59	14	14	6	6	49	10	12
Debt securities	51	94	40	31	68	54	92	38	32	74
Real estate	12	–	–	1	2	12	–	–	1	1
Absolute return[2]	18	–	–	6	–	17	–	–	10	–
Cash, cash equivalents and other	13	3	1	10	16	11	2	13	5	13
Annuities[3]	–	–	–	38	–	–	–	–	42	–
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

1 The portfolio structure of the fund assets in Germany excludes the pension contribution funds whose assets are invested mainly in fixed-income securities and shares.
2 This refers to investment products that aim to achieve a positive return regardless of market fluctuations.
3 Annuities are insurance contracts that guarantee pension payments.

The following table shows the cash contributions made by the company to the pension funds for 2021 and 2020 as well as the expected contributions for 2022 for continuing operations:

€ millions	2022 (expected)	**2021**	2020
Germany	41.4	50.0	50.7
USA	5.2	4.0	97.9
Canada	1.7	2.3	1.9
UK	6.0	19.3	8.0
Other	6.1	13.1	10.1
Total[1]	**60.4**	**88.7**	**168.6**

1 Contributions made by continuing and discontinued operations in the reporting period totaled €89.3 million (PY: €170.7 million).

The following overview contains the pension benefit payments made in the reporting year and the previous year, as well as the undiscounted, expected pension benefit payments for the next 10 years:

€ millions	Germany	USA	Canada	UK	Other	**Total[1]**
Benefits paid						
2020	104.5	61.2	1.2	24.7	18.9	**210.5**
2021	108.0	60.2	2.4	16.8	24.2	**211.6**
Benefit payments as expected						
2022	143.3	63.5	1.5	11.6	19.7	**239.6**
2023	130.0	63.6	2.3	12.4	18.4	**226.7**
2024	139.8	63.8	2.0	12.8	21.9	**240.3**
2025	145.1	63.9	2.4	13.6	25.4	**250.4**
2026	153.5	63.7	2.2	14.8	27.1	**261.3**
Total of years 2027 to 2031	842.4	309.7	13.9	86.2	159.2	**1,411.4**

1 Benefits paid by continuing and discontinued operations in the reporting period totaled €222.1 million (PY: €221.0 million).

The pension payments from 2020 onward relate to lump-sum amounts in connection with fixed service cost benefit plans, as well as annual pension benefits. Furthermore, the earliest eligible date for retirement has been assumed when determining future pension payments. The actual retirement date could occur later. Therefore, the actual payments in future years for present plan members could be lower than the amounts assumed.

For the current and four preceding reporting periods, the amounts of the defined benefit obligations, fund assets, funded status, as well as the remeasurement of plan liabilities and plan assets are as follows:

€ millions	2021	2020	2019	2018	2017
Defined benefit obligations	7,248.6	8,647.8	7,875.1	6,595.3	6,379.7
Fund assets	3,064.3	3,203.2	3,032.7	2,728.5	2,549.1
Funded status	-4,184.3	-5,444.6	-4,843.9	-3,866.8	-3,830.6
Remeasurement of plan liabilities	695.5	704.5	997.0	-2.4	-39.1
Remeasurement of plan assets	-1.5	191.5	209.0	-104.5	77.2

Other post-employment benefits

Certain subsidiaries – primarily in the USA and Canada – grant eligible employees healthcare and life insurance on retirement if they have fulfilled certain conditions relating to age and years of service. The amount and entitlement can be altered. Certain retirement benefits, in particular for pensions and healthcare costs, are provided in the USA for hourly paid workers at unionized tire plants under the terms of collective pay agreements. No separate fund assets have been set up for these obligations.

The weighted average term of the defined benefit pension obligation is around 12 years. This term is based on the present value of the obligation.

The reconciliation of the changes in the defined benefit obligations and the financing status from the beginning to the end of the year is as follows:

€ millions	2021	2020
Defined benefit obligations as at January 1	**205.7**	**215.9**
Exchange-rate differences	12.8	-18.5
Current service cost	1.2	1.3
Curtailments/settlements	0.0	-1.9
Interest on healthcare and life insurance benefit obligations	4.9	6.6
Actuarial gains/losses from changes in demographic assumptions	-1.3	-0.6
Actuarial gains/losses from changes in financial assumptions	-8.0	18.4
Actuarial gains/losses from experience adjustments	-3.1	-1.7
Changes in the scope of consolidation	-30.7	–
Benefit payments	-12.8	-13.8
Defined benefit obligations/net amount recognized as at December 31	**168.7**	**205.7**

The assumptions used for the discount rate and cost increases to calculate the healthcare and life insurance benefits vary according to conditions in the USA and Canada. The following weighted average valuation factors as at December 31 of the year have been used:

%	2021	2020
Discount rate	2.92	2.48
Rate of increase in healthcare and life insurance benefits in the following year	0.48	0.82
Long-term rate of increase in healthcare and life insurance benefits	0.36	0.68

The net cost of healthcare and life insurance benefit obligations can be broken down as follows:

€ millions	2021		2020	
	Continuing operations	**Continuing and discontinued operations**	Continuing operations	Continuing and discontinued operations
Current service cost	1.1	1.2	1.1	1.3
Service cost from plan amendments	–	–	-1.8	-1.8
Curtailments/settlements	0.0	0.0	-0.1	-0.1
Interest on healthcare and life insurance benefit obligations	4.4	4.9	5.6	6.6
Net cost	**5.5**	**6.1**	**4.8**	**6.0**

If the other assumptions remained constant, the changes in individual key actuarial assumptions that could reasonably have been possible at the reporting date would have impacted the defined benefit obligation by the following amounts. Although the analysis does not take account of the complete allocation of the cash flows expected under the plan, it provides an approximation of the sensitivity of the assumptions shown.

The following table shows the effects of a 0.5% increase or decrease in the cost trend for healthcare and life insurance obligations:

€ millions	2021	2020
0.5% increase		
Effects on service and interest cost	0.0	0.1
Effects on benefit obligations	1.0	2.1
0.5% decrease		
Effects on service and interest cost	0.0	-1.0
Effects on benefit obligations	-0.9	-1.9

A 0.5-percentage-point increase or decrease in the discount rate specified above for calculating the net cost of healthcare and life insurance benefit obligations would have had the following effect on net cost:

€ millions	2021	2020
0.5% increase		
Effects on service and interest cost	0.4	0.6
Effects on benefit obligations	-8.2	-10.8
0.5% decrease		
Effects on service and interest cost	-0.4	-0.5
Effects on benefit obligations	9.1	12.1

The following table shows the payments made for other post-employment benefits in the reporting year and the previous year, as well as the undiscounted, expected benefit payments for the next 10 years:

€ millions	
Benefits paid[1]	
2020	12.7
2021	11.9
Benefit payments as expected	
2022	13.3
2023	13.3
2024	13.4
2025	13.4
2026	13.3
Total of years 2027 to 2031	47.3

1 Benefits paid by continuing and discontinued operations in the reporting period totaled €12.8 million (PY: €13.8 million).

The amounts for the defined benefit obligations, funded status, and remeasurement of plan liabilities for the current and four preceding reporting periods are as follows:

€ millions	**2021**	2020	2019	2018	2017
Defined benefit obligations	169.5	205.7	215.9	194.9	209.3
Funded status	–169.5	–205.7	–215.9	–194.9	–209.3
Remeasurement of plan liabilities	12.4	16.1	13.2	–15.6	6.3

Obligations similar to pensions

Some companies of the Continental Group have made commitments to employees for a fixed percentage of the employees' compensation. These entitlements are paid out when the employment relationship is terminated. In the year under review, expenses from these obligations amounted to €8.0 million (PY: €1.7 million).

Defined contribution pension plans

The Continental Group offers its employees pension plans in the form of defined contribution plans, particularly in the USA, the UK, Japan and China. Not including social security contributions, expenses from defined contribution pension plans amounted to €76.4 million (PY: €84.6 million) in the fiscal year.

Other employee benefits

Other employee benefits include provisions for partial early retirement programs and anniversary and other long-service benefits. The provisions for partial early retirement are calculated using a discount rate of 0.0% (PY: 0.0%). Provisions for anniversary and other long-service benefits were calculated using a discount rate of 0.95% (PY: 0.45%). In accordance with the option under IAS 19, *Employee Benefits*, the interest component is reported in the financial result.

Variable remuneration elements

Liabilities for payroll and personnel-related costs also include variable components based on performance. The variable components that are based on performance comprise a short-term remuneration component (performance bonus without equity deferral) as well as long-term remuneration components (long-term incentive and equity deferral of the performance bonus). Liabilities for payroll and personnel-related costs also include the amounts of variable remuneration converted into virtual shares of Continental AG for members of the Executive Board (performance bonus, deferral) in accordance with the remuneration system valid until 2019 (hereinafter "2019 remuneration system").

The LTI plans for the years starting from 2014 and the deferral of the performance bonus from the 2019 remuneration system are classified as cash-settled share-based payments; hence they are recognized at fair value in accordance with IFRS 2, *Share-based Payment*. The equity deferral of the performance bonus of the remuneration system applicable from 2020 is classified as an equity-settled share-based payment; hence it is recognized at fair value in accordance with IFRS 2, *Share-based Payment*.

Long-term incentive plans (LTI plans)

Expenses of €6.4 million (PY: €33.5 million) from the addition of provisions for the TIP bonus, the 2020 LTI plan and the 2021 LTI plan were recognized in the respective function costs.

- **2014 to 2019 LTI plan:** From 2014 to 2019, senior executives of the Continental Group and members of the Executive Board were granted an LTI bonus. This bonus was intended to allow for participation in the long-term, sustainable increase in the Continental Group's value and profitability. The LTI bonus depended on job grade and degree of target achievement and was issued in annual tranches.

- The term of the 2016/19 tranche, which was resolved on March 18, 2016, by the Supervisory Board for the members of the Executive Board and on April 21, 2016, by the Executive Board for senior executives, begins retroactively as at January 1, 2016, and is four years. After the expiry of the 2016/19 LTI tranche in December 2019, the bonus was not paid out in 2020, as the fair value of the tranche as at the payment date was €0.0 million.

- The term of the 2017/20 tranche, which was resolved on January 27, 2017, by the Supervisory Board for the members of the Executive Board and on June 2, 2017, by the Executive Board for senior executives, begins retroactively as at January 1, 2017, and is four years. After the expiry of the 2017/20 LTI tranche in December 2020, the bonus was not paid out in 2021, as the fair value of the tranche as at the payment date was €0.0 million.

- The term of the 2018/21 tranche, which was resolved on March 13, 2018, by the Supervisory Board for the members of the Executive Board and on May 28, 2018, by the Executive Board for senior executives, begins retroactively as at January 1, 2018, and is four years.

- The term of the 2019/22 tranche, which was resolved on March 14, 2019, by the Supervisory Board for the members of the Executive Board and on May 24, 2019, by the Executive Board for senior executives, begins retroactively as at January 1, 2019, and is four years.

For each beneficiary of an LTI tranche, the Supervisory Board (for the members of the Executive Board) or the Executive Board (for senior executives) of Continental AG specified the amount of a target bonus in euros to be paid out upon 100% target achievement. The actual LTI bonus paid out on expiry of the LTI tranche depends on the degree of target achievement. The LTI bonus can range between 0% (no payment) and 200% (maximum payment).

The degree of achievement of two target criteria is decisive for the payment and amount of the LTI bonus. The first target criterion is the equally weighted average of the Continental Value Contribution (CVC) of the Continental Group over a period of four fiscal years, starting from the fiscal year in which the LTI tranche is issued. The equally weighted average is calculated by adding together 25% of the CVC of the four fiscal years of the term of the LTI tranche. The second target criterion is the total shareholder return (TSR) on Continental shares as at the end of the term in relation to the beginning of the LTI tranche. The share price used in calculating the TSR is the arithmetic mean of closing prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) on the trading days in the three months from October to December before the issue and expiry of the LTI tranche. In addition, all dividends paid during the term of the LTI tranche are taken into account for the TSR.

The scale for determining the degree of target achievement is defined by the Supervisory Board or the Executive Board when the respective LTI tranche is issued. These key data are identical for the members of the Executive Board and senior executives. The degree of target achievement for the first target criterion can lie between 0% and 200%. Target achievement is calculated on a straight-line basis between 0% and the maximum amount. There is no cap for the second target criterion. The ultimate degree of target achievement used to calculate the LTI bonus to be paid out is determined by multiplying the two target criteria. The LTI bonus to be paid out is determined by multiplying the degree of target achievement by the target bonus. The total maximum achievable LTI bonus is 200% of the target bonus.

A Monte Carlo simulation is used in the measurement of the TSR target criterion. This means that log-normal distributed processes are simulated for the price of Continental shares. The Monte Carlo simulation takes into account the average value accumulation of share prices in the respective reference period, the TSR dividends and the restriction for the payment amount.

- **2019 Transformation Incentive Plan (TIP):** In 2019, the Continental Group offered its senior executives the possibility of participating in the long-term, sustainable increase in the Continental Group's value by paying a TIP bonus in addition to the fixed salary and the annual variable remuneration. The term of the TIP, which the Executive Board adopted for senior executives on September 2, 2019, extends from October 1, 2019, to December 31, 2021.

  The Executive Board of Continental AG specifies the amount of the target bonus (TIP bonus) in euros for each beneficiary of a TIP bonus (senior executives). The TIP bonus is calculated based on a certain number of virtual shares of Continental AG (basic holding), which can increase through two bonus packages, multiplied by the payment share price. The payment share price is the arithmetic mean of Continental AG's closing share prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) on the trading days in the last month prior to the Annual Shareholders' Meeting that follows the end of the term. The TIP bonus, which can total at most 200% of the initial share price, is paid to the respective beneficiary as a gross lump sum at the end of the second complete calendar month following the Annual Shareholders' Meeting that follows the end of the term. Since the basic holding can be increased through two bonus packages, the degree of achievement of two target criteria is decisive for the amount of the TIP bonus. The target criterion of the first bonus package is the results of the OUR BASICS Live corporate survey in 2021. If at least 70% (equally weighted average) of all participants respond positively to the Sustainable Engagement Index, the beneficiary receives additional virtual shares equivalent to 50% of the basic holding.

The target criterion of the second bonus package is met if, at the end of the term, the total shareholder return (TSR) on Continental shares equals or exceeds the performance of the STOXX Europe 600 Automobiles & Parts Index. In this case, the beneficiary receives additional virtual shares equivalent to 50% of the basic holding. The TSR on Continental shares corresponds to the sum of the share price performance as at the end of the term and all dividends distributed during the term relative to the share price at the beginning of the term. The share price used in calculating the TSR is the arithmetic mean of the closing prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) on the trading days (i) in the first month of the term ("initial share price") and (ii) in the last month of the term ("final share price").

A Monte Carlo simulation is used in the measurement of stock options. This means that log-normal distributed processes are simulated for the price of Continental shares and the price of the STOXX Europe 600 Automobiles & Parts Gross Return Index. The Monte Carlo simulation takes into account the average value accumulation of the Continental share prices for the final share price and the payment share price, the TSR dividends, the performance compared with the benchmark index and the restriction for the payment amount.

- **2020 and 2021 LTI plan:** From 2020, a new LTI plan was granted to the Executive Board, senior executives and executives that aims to promote long-term commitment to the company and its sustainable growth. Therefore, the long-term TSR of Continental shares, compared with an index consisting of European companies that are active in the automotive and tire industry and comparable with Continental AG (STOXX Europe 600 Automobiles & Parts (SXAGR); hereinafter "benchmark index"), is a key performance criterion for the LTI. The second performance criterion is a sustainability score that is multiplied by the degree of target achievement in order to calculate the LTI to be paid. The amount of the LTI to be paid is based on the performance of the Continental share price over the term of the LTI.

- The term of the 2020 LTI plan, which was resolved on March 17, 2020, by the Supervisory Board for the members of the Executive Board, and on March 2, 2020, by the Executive Board for senior executives and executives, begins retroactively as at January 1, 2020, and is four years for the Executive Board and three years for senior executives and executives.

- The term of the 2021 LTI plan, which was resolved on December 15, 2020, by the Supervisory Board for the members of the Executive Board, and on March 22, 2021, by the Executive Board for senior executives and executives, begins retroactively as at January 1, 2021, and is four years for the Executive Board and three years for senior executives and executives.

- For each beneficiary of the 2020 and 2021 LTI plan, the Supervisory Board (for the members of the Executive Board) or the Executive Board (for senior executives and executives) agrees an allotment value in euros for the LTI. At the start of the first fiscal year of the term of the LTI plan, this allotment value is converted into a basic holding of virtual shares. The allotment value is divided by the arithmetic mean of Continental AG's closing share prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) in the last two months prior to the start of the term of the respective LTI plan (issue price). The basic holding is multiplied by a performance index (PI) in order to determine the final holding of virtual shares. The performance index corresponds to the product from the relative total shareholder return (TSR) on Continental shares and a sustainability score. The relative TSR is calculated from the relative performance of the Continental TSR in comparison with the TSR on the STOXX Europe 600 Automobiles & Parts (SXAGR). The Continental TSR corresponds to the sum of the average Continental share price in the last month of the term (final share price) and all dividends distributed during the term relative to the average share price in the first month of the term (initial share price). The SXAGR TSR is determined using the same method.

- The Executive Board of Continental AG has resolved to adjust the share-based remuneration elements of senior executives and executives to compensate for the effects of the spin-off of Vitesco Technologies on the share price of Continental AG. The virtual shares of Continental AG granted as part of the LTI have been adjusted by a factor of 1.12. The same applies to the total shareholder return (TSR) of Continental AG applied in the LTI. The adjustment factor has been applied to the final share price and to the dividends paid after the spin-off.

Performance criteria and goals of the sustainability score are targets for CO_2 emissions, recycling quotas and the review of good working conditions for employees in the Continental Group (e.g. based on sick leave, accident rates and employee satisfaction).

The payment amount of the 2020 and 2021 LTI plan can total at most 200% of the defined initial share price (executives and senior executives) or issue price (Executive Board). The issue price is the average price of the two months before the start of the term.

The final holding of virtual shares is multiplied by the payout ratio in order to determine the gross amount of the LTI to be paid out in euros (hereinafter "payout amount"). The payout ratio is the sum of the arithmetic mean of Continental AG's closing share prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) on the trading days in the last two months prior to the next ordinary Annual Shareholders' Meeting that follows the end of the term of the LTI plan and the dividends paid out per share during the term of the LTI plan.

A Monte Carlo simulation is used in the measurement of stock options. This means that log-normal distributed processes are simulated for the price of Continental shares and the price of the STOXX Europe 600 Automobiles & Parts (benchmark index). The Monte Carlo simulation takes into account the average value accumulation of the Continental share prices and the benchmark index for the final share price and the payment share price, the TSR dividends, the performance compared with the benchmark index and the restriction for the payment amount.

The following TSR parameters were used as at the measurement date of December 31, 2021:

- Constant zero rates as at the measurement date of December 31, 2021:
  2018 LTI plan: -0.77% as at the expected payment date;
  2019 LTI plan: -0.76% as at the due date and -0.72% as at the expected payment date;
  2019 TIP bonus: -0.76% as at the end of payment share price period and -0.77% as at the payment date;
  2020 LTI plan (senior executives and executives): -0.74% as at the due date and -0.73% as at the end of the payment share price period;
  2020 LTI plan (Executive Board): -0.68% as at the due date and -0.67% as at the end of the payment share price period;
  2021 LTI plan (senior executives and executives): -0.68% as at the due date and -0.67% as at the end of the payment share price period;
  2021 LTI plan (Executive Board): -0.61% as at the due date and -0.59% as at the end of the payment share price period.

- Continental share price at year end of €93.11.

- Interest rate based on the yield curve for government bonds.

- Dividend payments as the arithmetic mean based on publicly available estimates for 2022 until 2024; the dividend of Continental AG amounted to €0.00 per share in 2021, and Continental AG distributed a dividend of €3.00 per share in 2020.

- Historical volatilities on the basis of daily Xetra closing rates for Continental shares and the benchmark index based on the respective remaining term for LTI tranches, the 2019 TIP bonus and the 2020 and 2021 LTI plan. The volatility for the 2019 LTI plan is 30.35% and for the 2019 TIP bonus 32.94% as at the payment date. For the 2020 LTI plan it is 32.11% for senior executives and executives and 41.56% for the Executive Board. The historical benchmark index volatilities for the 2020 LTI plan are 23.72% for senior executives and executives and 33.74% for the Executive Board. The volatility for the 2021 LTI plan is 41.56% for senior executives and executives and 38.79% for the Executive Board. The historical benchmark index volatilities for the 2020 LTI plan are 33.74% for senior executives and executives and 30.92% for the Executive Board.

- Historical correlations on the basis of daily Xetra closing rates for the benchmark index based on the respective remaining term of the components of the 2019 TIP bonus and the 2020 and 2021 LTI plan. The volatility for the 2020 LTI plan is 0.7761 for senior executives and executives and 0.8524 for the Executive Board. For the 2021 LTI plan it is 0.8524 for senior executives and executives and 0.8515 for the Executive Board.

- The fair values of the tranches developed as follows: The amount of the provision as at the measurement date of December 31, 2021, results from the respective vesting level:
  2018 LTI plan: €0.0 million (PY: €0.0 million), the vesting level is 100%;
  2019 LTI plan: €0.0 million (PY: €0.0 million), the vesting level is 75%;
  2019 TIP bonus: €14.2 million (PY: €24.2 million), the vesting level is 100%;
  2020 LTI plan (senior executives and executives): €26.9 million (PY: €62.8 million), the vesting level is 67%;
  2020 LTI plan (Executive Board): €1.0 million (PY: €5.7 million), the vesting level is 50%;
  2021 LTI plan (senior executives and executives): €27.9 million, the vesting level is 33%;
  2021 LTI plan (Executive Board): €1.3 million, the vesting level is 25%.

In total, no expenses or income for the 2017 to 2019 LTI plans were recorded in the reporting year. Expenses of €0.8 million (PY: €11.1 million) were incurred for the 2019 TIP bonus in 2021. For the 2020 LTI plan, reduced liabilities for payroll and personnel-related costs resulted in income of €3.0 million for senior executives and executives (PY: expenses of €20.9 million), and €1.0 million for the Executive Board (PY: expenses of €1.4 million). Expenses of €9.3 million were incurred for the 2021 LTI plan for senior executives and executives, and €0.3 million for the 2021 LTI plan for the Executive Board.

Performance bonus (deferral) under the 2019 remuneration system

The performance bonus was based on a target amount that the Supervisory Board determined for each Executive Board member for 100% target achievement. Target criteria were the year-on-year change in the CVC and the return on capital employed (ROCE). For Executive Board members with responsibility for a particular business area, these criteria related to the relevant business area; for other Executive Board members, they related to the Continental Group. The CVC target was 100% achieved if the CVC was unchanged compared to the previous year. If the CVC fell or rose by a defined percentage, this element was reduced to zero or reached a maximum of 150%. In the case of negative CVC in the previous year, target achievement was based on the degree of improvement. The criteria for the ROCE target were guided by planning targets. This component could also be omitted if a certain minimum value was not achieved.

The CVC target was weighted at 60% and the ROCE target at 40% in the calculation of the performance bonus. In any event, the performance bonus was capped at 150% of the target bonus.

The performance bonus achieved in a fiscal year was divided into a lump sum, which was paid out as an annual bonus (immediate payment), and a deferred payment (deferral). The immediate payment amounted to 60% and the deferral 40%. The deferral was converted into virtual shares of Continental AG. Following a holding period of three years after the end of the fiscal year for which the respective performance bonus was determined, the value of these virtual shares was paid out together with the value of the dividends that were distributed for the fiscal years of the holding period. The conversion of the deferral into virtual shares and payment of their value after the holding period were based on the average share price for the three-month period immediately preceding the Annual Shareholders' Meeting in the year of conversion or payment. The possible increase in the value of the deferral was capped at 250% of the initial value. Future payments of the value of deferrals will still be made under the 2019 remuneration system, provided the three-year holding period for the virtual shares has expired.

A Monte Carlo simulation is used in the measurement of stock options. This means that log-normal distributed processes are simulated for the price of Continental shares. The measurement model also takes into account the average value accumulation of share prices in the respective reference period and the floor and cap for the payment amount.

Income of €1.0 million (PY: €0.1 million) from the reversal of provisions from virtual shares was recognized in the respective function costs.

The following parameters were used as at the measurement date of December 31, 2021:

- Constant zero rates as at the measurement date of December 31, 2021:
  2018 tranche: -0.76% as at the due date and as at the expected payment date;
  2019 tranche: -0.74% as at the due date and as at the expected payment date.

- Interest rate based on the yield curve for government bonds.

- Dividend payments as the arithmetic mean based on publicly available estimates for 2022; the dividend of Continental AG amounted to €0.00 per share in 2021, and Continental AG distributed a dividend of €3.00 per share in 2020.

- Historical volatilities on the basis of daily Xetra closing rates for Continental shares based on the respective remaining term for virtual shares. The volatility for the 2018 tranche is 32.94% and for the 2019 tranche 32.11%.

As at December 31, 2021, commitments with a fair value of €0.9 million are attributable to Executive Board members active at the end of the reporting period; this is equivalent to 9,393 virtual shares (PY: €4.9 million; 37,882 virtual shares).

Performance bonus (deferral) under the remuneration system from 2020

In the employment contract, the Supervisory Board agrees to a target amount for the performance bonus (hereinafter "STI target amount") that is granted to each member of the Executive Board in the event of 100% target achievement. The maximum amount of the performance bonus is limited to 200% of the STI target amount.

The amount of the STI to be paid out depends on the extent to which a member of the Executive Board achieves the targets set by the Supervisory Board for this Executive Board member for the following three key financial indicators as performance criteria within the meaning of Section 87a (1) Sentence 2 No. 4 *AktG*:

- Earnings before interest and tax (hereinafter "EBIT"), adjusted for goodwill impairment as well as gains and/or losses from the disposal of parts of the company.

- Return on capital employed (hereinafter "ROCE") as the ratio of EBIT (adjusted, as mentioned above) to average operating assets for the fiscal year.

- Cash flow before financing activities (hereinafter "free cash flow"), adjusted for cash inflows and outflows from the disposal or acquisition of companies and business operations.

The degree to which the EBIT target is achieved is weighted at 40%, the ROCE target at 30% and the free cash flow target at 30% in the calculation of the STI.

For each financial performance criterion, the target value for 100% target achievement corresponds to the value that the Supervisory Board agreed in each case for this financial performance criterion in the planning for the respective fiscal year.

For each financial performance criterion, the Supervisory Board determines the values for target achievement of 0% and 200% on an annual basis. The degree to which the target is achieved is calculated on a straight-line basis between 0% and 200% by comparing this with the respective actual value for the fiscal year.

In addition, prior to the start of each fiscal year, the Supervisory Board can determine personal, non-financial performance criteria to be included in target achievement in the form of a personal contribution factor (hereinafter "PCF") with a value between 0.8 and 1.2 for individual or all members of the Executive Board.

After the end of the fiscal year, the target achievement for each financial performance criterion is calculated on the basis of the audited consolidated financial statements of Continental AG, and the sum total of these financial performance criteria is multiplied by the STI target amount in accordance with the weighting described above. By multiplying this result by the PCF, the gross value of the STI amount to be paid (hereinafter "gross payout amount") is determined.

Each member of the Executive Board is obligated to invest 20% of the gross payout amount (generally corresponding to around 40% of the net payment amount) in shares of Continental AG. The remainder is paid out as short-term variable remuneration.

Each member of the Executive Board is obligated to hold the shares legally and economically for a period of at least three years from the day of acquisition.

Expenses of €14.1 million (PY: €1.3 million) were incurred for the 2021 STI in 2021.

The number of shares converted by the Executive Board from the deferral of the 2020 STI came to 2,126 in 2021.

Short-term employee benefits

Liabilities for payroll and personnel-related costs

The Continental value sharing bonus is a program that allows Continental employees to share in net income.

The amount of profits shared is calculated on the basis of key internal figures. As in the previous year, no provision was recognized for the reporting period.

Labor Relations

In keeping with our corporate value of "For One Another", it is of great importance to Continental to maintain an open and constructive dialog between management and employees. The forms of direct and indirect employee co-determination vary from country to country, and from location to location. In our Code of Conduct, which we updated at the start of 2019, we grant our employees fundamental rights of co-determination. Co-determination in the workplace is governed by law in Germany and Europe. In Germany, the workforce is represented at Group level by the Group Works Council. At the European level, employee co-determination is upheld by a transnational body of employee representatives called the EuroForum. As provided for in the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG), employees also account for half the members of the Supervisory Board of Continental AG. Collective bargaining agreements are an essential component of the collaboration between social partners. These agreements range from location-specific agreements on specific workplace design and flexibility right through to company-level association agreements on collective pay and industry-level pay-scale agreements for the whole of Germany, for example. Collective bargaining agreements of various types and scopes based on country-specific legal requirements are a reflection of the tangible employee co-determination that exists in the vast majority of countries.

Equal Pay

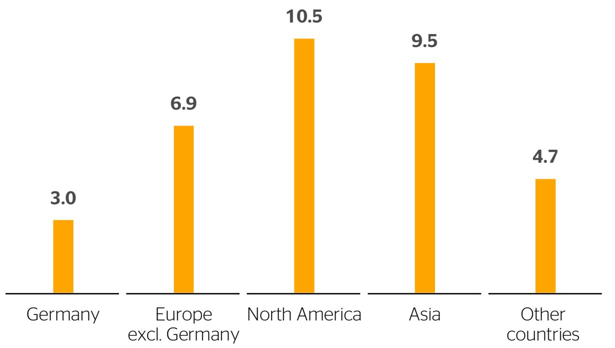
Each position at Continental is objectively evaluated according to criteria such as tasks, management responsibility and responsibility for sales and earnings. Staff employed on the basis of a collective bargaining agreement are remunerated according to their position evaluations. Non-tariff employees are remunerated according to their position evaluations as well as their individual experience and performance. For exempt non-tariff employees, therefore, a distinction is made between a basic salary and performance-related remuneration components.

Fluctuation

The rate of unforced fluctuation increased to 7.0% in fiscal 2021 (PY: 4.6% including Vitesco Technologies). The rate of unforced fluctuation is defined as the voluntary departure of employees from the company in relation to the average number of employees.

In Germany, the rate of unforced fluctuation was at 3.0 (PY: 2.1% including Vitesco Technologies); in Europe excluding Germany this figure was at 6.9% (PY: 4.6% including Vitesco Technologies), in North America at 10.5% (PY: 6.8% including Vitesco Technologies), in Asia at 9.5% (PY: 5.5% including Vitesco Technologies), and in all other countries at 4.7% (PY: 4.5% including Vitesco Technologies). The increase therefore affects all regions. These fluctuation rates should be interpreted based on factors specific to each country.

Unforced fluctuation rate by regions 2021 in %[1,2]

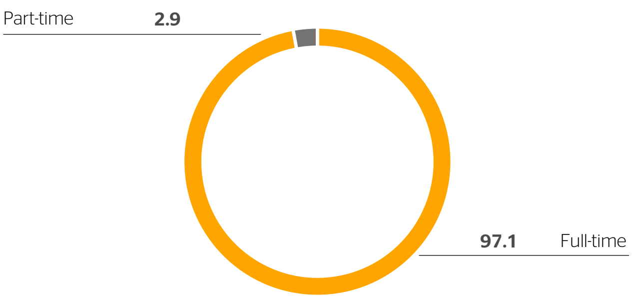


1 Definition: voluntary departure of employees from the company relative to the average number of employees.
2 Excluding leasing personnel (i.e. permanent staff only).

Level of Employment

In 2021, a total of 2.9% of employees worked part-time (PY: 3.1% including Vitesco Technologies). Part-time is defined as < 90% of full-time working hours.

Employees by level of employment as at 31.12.2021 in %[1,2]



1 Part-time is defined as < 90% of full-time working hours.
2 Based on the employees recorded in the HR data system (approx. 98%).

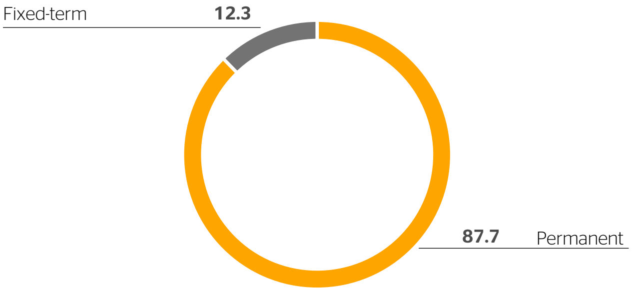
Overall, 7.0% (PY: 6.5% including Vitesco Technologies) of women and 1.7% (PY: 1.8% including Vitesco Technologies) of men worked part-time.

We are continually increasing our efforts to make working hours more flexible, including in the production environment. Employees can organize their working hours more flexibly, for example by working part-time or flex time, or by taking advantage of remote working or sabbaticals. The range of opportunities is determined by the specific operational possibilities of the respective workplace.

Type of employment contracts

Fixed-term contracts had a share of 12.3% in fiscal 2021 (PY: 14.0% including Vitesco Technologies). The fixed-term contracts include the contracts of leasing personnel. We employed a total of 8,565 leasing personnel as at December 31, 2021 (PY: 13,352). This is 35.9% less than in the previous year.

Employees by contract types as at 31.12.2021 in %[1]



1 Based on the employees recorded in the HR data system (approx. 98%).

In Germany, fixed-term contracts accounted for a share of 7.1% of all contracts of employment (PY: 6.5% including Vitesco Technologies); in Europe excluding Germany this was 10.1% (PY: 12.8% including Vitesco Technologies), in North America 3.3% (PY: 5.7% including Vitesco Technologies), in Asia 31.4% (PY: 35.0% including Vitesco Technologies), and in other countries 8.5% (PY: 4.4% including Vitesco Technologies). Overall, 12.4% (PY: 13.5%) of women and 10.0% (PY: 10.4%) of men were on a fixed-term contract.

The change in the shares of fixed-term contracts is in line with the change in the country-specific numbers of leasing personnel.

Fixed-term contracts including leasing personnel are important tools for Continental to be able to react flexibly and quickly to the requirements of the ever more rapidly changing markets. The use of leasing employment plays a key role in improving competitiveness and thus contributes to safeguarding jobs at our locations. We view leasing employment as an option for increasing flexibility, to cover peaks in demand for example. It thus enables us to adapt to large-scale fluctuations in order volumes on a case-by-case basis.

Strategic Workforce Planning

At Continental, strategic workforce planning (SWP) is used to compare the long-term development of the current workforce with future personnel requirements to identify quantitative and qualitative gaps as well as overlaps in requirements, and to enable appropriate HR measures to be taken on this basis. How does SWP actually work? First, an analysis of the current workforce is carried out as part of SWP. A forecast of the workforce over the next few years is then drawn up on the basis of fluctuation and employees entering retirement. The next step is to calculate future personnel requirements. This is done on the basis of so-called drivers, such as predicted developments in sales and/or production volume. SWP is used to align the company's HR measures more closely with actual business requirements. When doing this, it is important to bring together the various parties involved in the business and the corresponding group functions, including HR functions, and to discuss the effects on future business development together. This gives HR staff a better understanding of the strategic alignment of the business units while allowing them to contribute their own knowledge, for example regarding the availability of talent in the business strategy development process. In this respect, the HR staff also act as a sparring partner for business strategy development.

Benchmark in Quality

Management Approach

Source: 2021 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Non-Financial Statement starting p. 36)

Note: This section relates to continuing and discontinued operations, with the exception of performance indicators for the financial year 2021.

Our ambition

As set out in our sustainability ambition, we are recognized by our customers and society as being a benchmark in quality by ensuring safe and sustainable products.

Concept

The decisive factor in becoming a benchmark in quality is a quality-oriented company culture. Our quality policy sets out guidelines for product and process quality at Continental. Product recalls, product liability claims and proceedings as a result of quality defects represent a business risk that we want to avoid due to the resulting losses of sales, costs, and loss of customer and market acceptance. The report on risks and opportunities containing more information about this can be found starting on page 85 of this annual report.

Local management systems drive forward the implementation of these guidelines. The concrete organizational and technical requirements can be found in the relevant quality management manuals for the group sectors. Many locations have additionally undergone external certification audits. The extent of these certifications is assessed on an annual basis as to how many employees they cover with respect to quality management systems. The number of new field quality events is used as an effectiveness indicator for our quality management. A field quality event is a risk-minimizing measure for a product manufactured and/or sold by Continental on the basis of a safety-related defect and/or non-compliance with regulations that was initiated by Continental, a customer and/or an authority.

The Group Quality group function as well as the quality functions at various levels in the Continental Group, which work together in a global network, are responsible for the strategic, corporate-wide quality management process.

Results of the concept

As at December 31, 2021, the majority of our employees throughout the Continental Group, namely 84%, were covered by certified quality management systems (PY: 91% including Vitesco Technologies). The year-on-year decline in the quota is attributable in particular to the spin-off of Vitesco Technologies.

Thirty-six new field quality events were identified (PY: 18 including Vitesco Technologies). The rise in events is attributable to increased regulatory requirements.

Information about the scope of warranty and product liability claims in fiscal 2021 can be found in Note 38 of the other disclosures in the notes to the consolidated financial statements, on pages 204 and 205.

Benchmark in quality performance indicators	**2021**	2020
Quality management system certification (ISO 9001 or similar)[1] Employee coverage (as at December 31) in %	84	91
New field quality events (as at December 31)[2]	36	18

1 Valid certification and concluded recertification processes were counted, as well as ongoing recertification processes, if the achievement of recertification was considered highly probable.
2 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.

In the Spotlight

“Living Ownership”: Everyone is Responsible for Quality

Every day, millions of people around the world put their trust in the quality of Continental’s products. The “Living Ownership” initiative is intended to raise awareness of this fact. It creates an environment in which employees can take on responsibility. Through exemplary behavior and a willingness to take on responsibility, every employee proactively shapes the future of the company. In day-to-day work, this means openly addressing areas that can be improved, sharing their experience, and learning from others.

The group functions Group Quality and Group Human Relations jointly launched the “Living Ownership” initiative in 2018. Workshops and events are being held under the slogan “Everyone is responsible for quality!” to increase awareness and understanding of this common objective. Dialog formats that promote open communication are taught. They are delivered by the “Ownership Champions” – trained employees who act as multipliers of the topic within the company. By the end of 2021, there were already more than 900 “Ownership Champions” active at Continental (PY: 700). All told, they have already trained more than 24,000 employees worldwide (PY: 12,000).

Quality Strategy

"Quality First" has been an integral part of Continental's corporate strategy since 2010. Building on this, a separate, dedicated quality strategy was adopted in 2017. Our aspiration is to be perceived by our customers as a benchmark for quality. Robust products, software and services form the basis for this. Our quality strategy aims to build up a quality-oriented corporate culture and enable continuous improvement. Feedback from our customers is the yardstick for measuring the success of this strategy.

The quality strategy is divided into five strategic topics. Continental is pursuing its establishment within a clearly-defined chain of effects.

1. Ownership
Taking ownership by each individual employee is the starting point for a quality-oriented corporate culture in which continuous improvement is practiced.

2. Transparency
Complete, accurate data that is available to every employee forms the basis for continuous improvement and progress measurement. This enables smart decisions and intelligent risk management.

3. Execution discipline
An internal set of rules, known as the House of Rules, describes the guidelines, processes and standards along the entire value chain, thereby creating a basis for action for every employee and, as a result, the consistent and disciplined implementation of quality.

4. Yokoten
Every employee is required to share experience and knowledge and apply best practice. In doing so, Continental is consistently following the Japanese philosophy of "Yokoten" – of learning and sharing knowledge, and shared continuous improvement in the organization.

5. Robustness
With all of this, Continental ensures the robustness of products, software and services for its customers. This will help to ensure that the company is perceived by its customers to be a benchmark for quality.

Safe Mobility

Management Approach

Vehicle safety is an important aspect of developing new mobility solutions. This is because the risk of accidents increases the higher the traffic volumes around the world grow, and this figure continues to rise. Continental's Automotive group sector develops solutions for active and passive vehicle safety that contribute to a enhancing safety in mobility, and can thereby prevent road casualties and material damage.

While active systems warn drivers of hazards in road traffic and intervene, passive systems offer optimum protection in the event of an accident. For example, electronic advanced driver assistance and brake systems have a preventive effect and, in an emergency, play a supporting role in steering as well as brake and vehicle dynamics so that – in vehicle with modern tires – potential accident risks are minimized. Together with airbags, seatbelts (restraint systems), and pedestrian protections, these systems increase safety throughout the vehicle.

Advanced driver assistance systems in today's vehicles form the basis for future automated driving functions. For example, today's lane departure warning system with intelligent interconnectivity to other vehicle systems will become a partially automated freeway assistant that also maintains desired vehicle speeds. Advanced driver assistance systems safeguard all higher-level vehicle functions, and will thereby ensure safe driving in the highly and fully automated driving functions of the future, too.

In the Spotlight

ProViu®360 advanced driver assistance system

Unfortunately, human error while driving cannot always be ruled out. Many road accidents are caused by drivers not having a clear view of their surroundings.

The modern ProViu®360 advanced driver assistance system was developed with this fact in mind. Using tried-and-tested technologies, multiple images – usually four – are combined to form an overall image. This gives the driver a 360° view of the vehicle's surroundings.

ProViu®360 is even able to use other views to display objects that are outside the field of vision and not immediately apparent in a vehicle's rear-view mirrors. The system thus simplifies maneuvering in traffic while reducing the risk of accidents. Ultimately, ProViu®360 even increases vehicle operating efficiency, since the system reduces loading and unloading times as well as idling and downtimes.

In addition, vehicle operation is greatly simplified in critical situations. The content on the screen can be configured individually and without delay using touch gestures, and offers various display options for a 3D model of the vehicle. ProViu®360 can therefore be used for commercial or industrial purposes as well as in recreational vehicles and special vehicles.

Sustainable Management Practice

Management Approach

Source: 2021 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Non-Financial Statement (starting p. 36)

Note: This section relates to continuing and discontinued operations, with the exception of performance indicators for the financial year 2021.

Our ambition

As set out in our sustainability ambition, we implement effective management processes, fair business practices and responsible corporate governance with a balanced view of different perspectives.

Concept

To prevent corruption and antitrust violations in particular, the Executive Board has established the global compliance organization together with the Compliance group function and regional subfunctions. This structure is supplemented by compliance coordinators in the countries and at the locations. The fundamental principles of compliance management are set out in the corporate-wide compliance handbook. Continental has a compliance management system, which is based on a comprehensive analysis of potential compliance risks, in particular for the core areas of antitrust law and corruption prevention. We set up a new ombudsman's office in fiscal 2021.

As a further cornerstone for sustainable management practice, we are committed to promoting employee diversity, which we understand as internationality, a balanced gender ratio, and a range of experiences and age categories. We have set ourselves the corporate-wide target of increasing the share of female executives and senior executives to 25% by 2025. We intend to achieve this in particular by promoting cultural change in the organization through the expansion of women's networks and the holding of diversity workshops and specific events.

Gender diversity – the share of female executives and senior executives – has also been part of the LTI plans for the members of the Executive Board and global managers since fiscal 2020. For more information, see the remuneration report on our website under Company/Executive Board.

For more information on sustainable management practice and our diversity concept, see the Corporate Governance section starting on page 15 of this annual report. For more information on compliance, see the Compliance section on page 22 of this annual report, as well as the report on risks and opportunities starting on page 85.

Results of the concept

In 2016, the design, implementation and effectiveness of Continental's compliance management system for the areas of anti-corruption, competition/antitrust law, fraud and other property offenses were audited in accordance with Audit Standard 980 of the Institut der Wirtschaftsprüfer e.V. (IDW) and were issued an unqualified review opinion.

As at December 31, 2021, Continental had increased its share of female executives and senior executives to 17.8% (PY: 16.1% including Vitesco Technologies). A significant share of this was attributable to the spin-off of Vitesco Technologies. Our initiatives and measures to promote gender diversity are also proving effective.

Sustainable management practice performance indicator	**2021**	2020
Gender diversity – share of female executives and senior executives (as at December 31) in %	17.8	16.1

In the Spotlight

Remuneration

With the global introduction of the new remuneration system in fiscal 2020, remuneration for the Executive Board and management personnel was increasingly geared towards long-term and sustainable development of the company in order to ensure the long-term viability of the company.

This move also serves to comply with the German Corporate Governance Code (DCGK) and the Law on the Implementation of the 2nd EU Shareholder Rights Directive (ARUG II), according to which the remuneration structure is to be geared toward sustainable and long-term development. For example, sustainability indicators that support Continental's sustainability strategy were included in the Long-Term Incentive Plan (LTI). With a focus on the key strategic topics, the Supervisory Board or the Executive Board defines medium- to long-term performance criteria and targets for a sustainability factor for the respective long-term plan. The plan launched in fiscal 2021 included targets for CO2 emissions, the waste recycling rate, sustainable engagement, gender diversity, and accident rate.

Further information on this can be found in the Remuneration Report which can be found starting page 95 in this integrated sustainability report.

Corporate Governance Statement Pursuant to Section 289f of the German Commercial Code *(HGB)*

Source: 2021 Annual Report > To our Shareholders > Corporate Governance > Corporate Governance Statement Pursuant to Section 289f of the German Commercial Code (HGB) (starting p. 15)

Good, responsible corporate governance geared toward sustainable, long-term value creation and in the interests of all stakeholder groups is what governs the actions of the Executive Board and Supervisory Board of Continental AG. The following corporate governance statement pursuant to Section 289f of the German Commercial Code *(Handelsgesetzbuch – HGB)* is representative of corporate governance at Continental and is a part of the management report. The remuneration report for fiscal 2021 on the remuneration of the Executive Board and the Supervisory Board together with the auditor's report and the valid remuneration system for the remuneration of the Executive Board are available on Continental's website under Company/Executive Board. The valid remuneration system for remuneration of the Supervisory Board is available together with the latest remuneration resolution by the Annual Shareholders' Meeting on Continental's website under Company/Supervisory Board.

Declaration pursuant to Section 161 of the German Stock Corporation Act *(Aktiengesetz – AktG)* and deviations from the German Corporate Governance Code
In October 2021, the Executive Board and the Supervisory Board issued the following annual declaration pursuant to Section 161 *AktG*:

"The Executive Board and the Supervisory Board of Continental AG declare in accordance with Section 161 German Stock Corporations Act (*AktG*) that the recommendations of the 'Government Commission on the German Corporate Governance Code' in the version dated December 16, 2019 (published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette *(Bundesanzeiger)* on March 20, 2020; hereinafter "Code"), are being complied with, with the exceptions set out below.

Reference is made to the declaration of the Executive Board and the Supervisory Board of December 2020 as well as to previous declarations in accordance with Section 161 *AktG* and the deviations from the recommendations of the German Corporate Governance Code explained therein.

- According to recommendation C.2 of the Code, the Supervisory Board shall set an age limit for members of the Supervisory Board. The Supervisory Board does not set an age limit because it does not consider such a general criterion to be appropriate for evaluating the qualifications of a Supervisory Board member.

- According to recommendation C.4 of the Code, a Supervisory Board member who is not a member of any management board of a listed company shall not accept more than five Supervisory Board directorships at non-group listed companies or comparable functions, with an appointment as Chair of the Supervisory Board being counted twice. In connection with the spin-off of Vitesco Technologies Group Aktiengesellschaft on September 15, 2021, among others, Prof. KR Siegfried Wolf, member of the Supervisory Board of Continental AG, has been elected to the Supervisory Board of Vitesco Technologies Group Aktiengesellschaft, which has been listed on the stock exchange on September 16, 2021. Prof. Wolf was elected chairman of the Supervisory Board of Vitesco Technologies Group Aktiengesellschaft on October 4, 2021. As a result, Prof. Wolf exceeds the maximum number of supervisory board directorships recommended by recommendation C.4 of the Code.

- According to recommendation C.5 of the Code, members of any management board of a listed company shall not be on more than two supervisory boards in non-group listed companies or comparable functions, and shall not accept the chairmanship of a Supervisory Board in a non-group listed company. In connection with the spin-off of Vitesco Technologies Group Aktiengesellschaft on September 15, 2021, among others, Mr. Klaus Rosenfeld, member of the Supervisory Board of Continental AG and chief executive officer of Schaeffler AG, has also been elected to the Supervisory Board of Vitesco Technologies Group Aktiengesellschaft. As Mr. Rosenfeld is also on the supervisory board of another listed company, he exceeds the number of supervisory board directorships recommended in recommendation C.5 of the Code.

- Mr. Rosenfeld has already announced that he will step down from the supervisory of this other company. It is expected to take effect at the end of February 2022. Prof. Wolf has announced that he will resign from one of his Supervisory Board directorships in 2022. Due to the only temporary exceeding of the recommended maximum number of directorships, the Supervisory Board does not consider its appropriate composition affected.

Hanover, October 2021

Prof. Dr. Wolfgang Reitzle
Chairman of the Supervisory Board

Nikolai Setzer
Chairman of the Executive Board"

The declaration of compliance is published in the Company/Corporate Governance section of Continental's website. Earlier declarations pursuant to Section 161 *AktG* can also be found there. Out-of-date corporate governance statements can also be found there for a period of at least five years from the date they were issued.

As at the date of this corporate governance statement, the indicated deviations from recommendations C.4 and C.5 of the German Corporate Governance Code no longer exist. As outlined in the report of the Supervisory Board under "Personnel changes in the Supervisory Board and Executive Board" (pages 13 and 14), Prof. KR Ing. Siegfried Wolf stepped down from the Supervisory Board of Continental AG with effect from December 31, 2021. With effect from January 1, 2022, the Hanover Local Court appointed Mr. Stefan E. Buchner as a member of the company's Supervisory Board at the request of the Executive Board of Continental AG. Mr. Klaus Rosenfeld's resignation, which was commented on in the declaration of compliance of October 2021, has also taken effect in the meantime. Continental AG thus now fulfills recommendations C.4

and C.5. The Executive Board and the Supervisory Board will issue and publish an updated declaration of compliance in due course.

Key corporate governance practices
The following documents are key foundations of our sustainable and responsible corporate governance:

- OUR BASICS – Continental AG's corporate guidelines. The vision, mission and values, desired behavior and self-image of the Continental Group; available on Continental's website under Company/Sustainability.
- Sustainability ambition; available on Continental's website under Company/Sustainability.
- Compliance with the binding Code of Conduct for all Continental employees. For more information, see the Compliance section on page 22 and Continental's website under Sustainability.

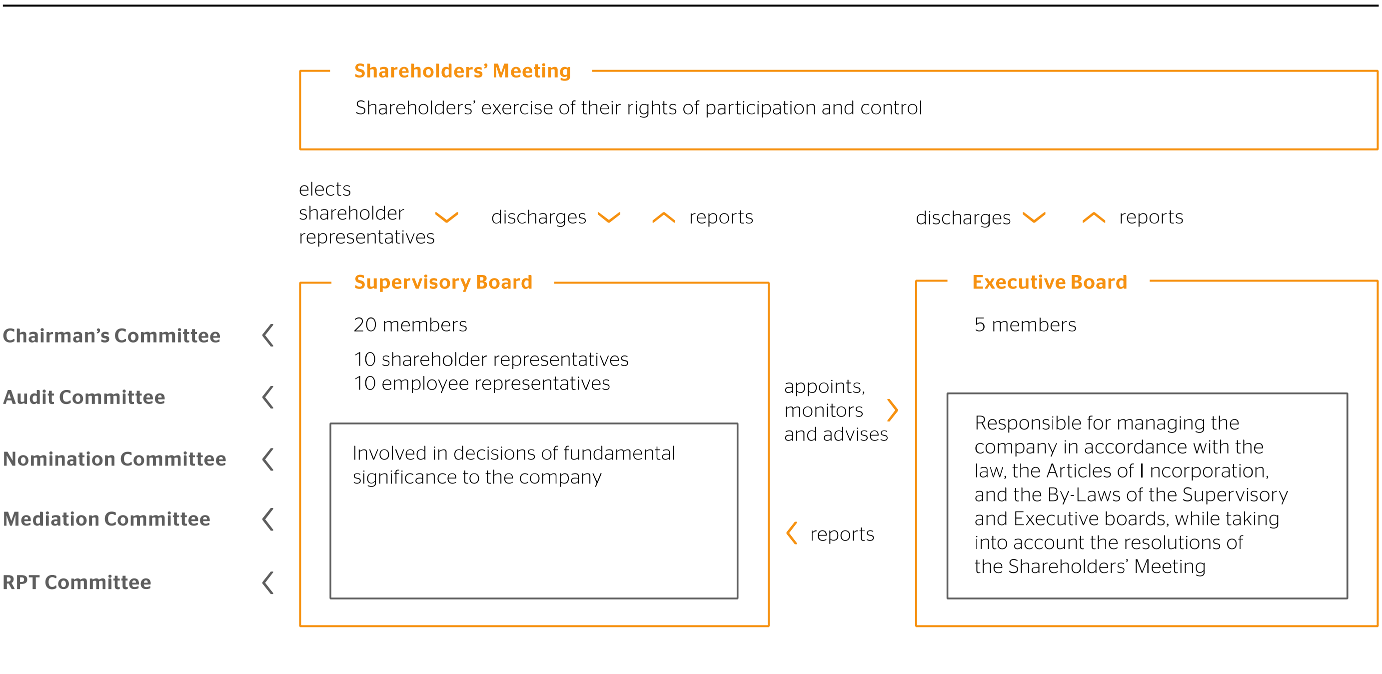
Corporate bodies
In line with the law and the Articles of Incorporation, the company's corporate bodies are the Executive Board, the Supervisory Board and the Shareholders' Meeting. As a German stock corporation, Continental AG has a dual management system characterized by a strict personnel division between the Executive Board as the management body and the Supervisory Board as the monitoring body. The cooperation between the Executive Board, Supervisory Board and Shareholders' Meeting is depicted on the next page.

The Executive Board and its practices
The Executive Board has sole responsibility for managing the company in the interests of the company, free from instructions from third parties in accordance with the law, the Articles of Incorporation and the Executive Board's By-Laws, while taking into account the resolutions of the Shareholders' Meeting. All members of the Executive Board share responsibility for the management of the company jointly. Regardless of this principle of joint responsibility, each Executive Board member is individually responsible for the areas entrusted to them. The chairman of the Executive Board is responsible for the company's overall management and business policy. He ensures management coordination and uniformity on the Executive Board and represents the company to the public. The Executive Board jointly develops the company's strategy, agrees it with the Supervisory Board and ensures its implementation.

The Executive Board had seven members as at December 31, 2021, and five members as at the date of this declaration (for details, see the report of the Supervisory Board under "Personnel changes in the Supervisory Board and Executive Board" (pages 13 and 14). The first time a person is appointed to the Executive Board, his or her term as a rule is three years only. As a rule, a member of the Executive Board is not appointed beyond the statutory retirement age.

Only under exceptional circumstances will a member of the Executive Board be reappointed earlier than one year prior to the end of their term of appointment with simultaneous annulment of their current appointment. More information on the members of the Executive Board can be found on pages 215 and 216 and on Continental's website under Company/Corporate Governance.

Corporate bodies of the company



The Executive Board has By-Laws that regulate in particular the allocation of duties among the Executive Board members, key matters pertaining to the company and its subsidiaries that require a decision to be made by the Executive Board, the duties of the Executive Board chairman, and the process in which the Executive Board passes resolutions. The Executive Board By-Laws are available on Continental's website under Company/Corporate Governance. The Supervisory Board By-Laws on the basis of the Articles of Incorporation require the consent of the Supervisory Board for significant actions taken by management.

The Executive Board has established a separate board for the Automotive group sector and has resolved to set up separate boards for the Tires and ContiTech group sectors in the near future. This measure supports the decentralization of responsibility that the global reorganization of the company seeks to achieve, and relieves the burden on the Continental Group Executive Board. In addition to establishing these boards, the Executive Board has delegated or will delegate to them decision-making powers for certain matters – particularly those relating to operational decisions – that affect only the relevant group sectors.

The boards for the three group sectors each comprise the Executive Board member responsible for the group sector in question as their chairman, the heads of the relevant business areas within the group sector, as well as further members from among the central functions of the relevant group sectors.

In preparation for the spin-off of Vitesco Technologies that was carried out on September 15, 2021, with subsequent listing on September 16, 2021, Vitesco Technologies was granted greater organizational independence as of January 1, 2021, with the aim of promoting its flexibility and agility. As part of this move, the Executive Board transferred decision-making authorities, effective January 1, 2021, to the Management Board of Vitesco Technologies GmbH for certain matters relating exclusively to the business of Vitesco Technologies.

The Supervisory Board and its practices

The Supervisory Board appoints the members of the Executive Board and collaborates with the Executive Board to develop a long-term succession plan. The Supervisory Board discusses this at least once a year without the Executive Board. In order to become acquainted with potential successors, the Supervisory Board, in consultation with the Executive Board, offers them the opportunity to deliver presentations to the Supervisory Board.

The Supervisory Board supervises and advises the Executive Board in managing the company. The Supervisory Board is directly involved in decisions of material importance to the company. As specified by law, the Articles of Incorporation or the Supervisory Board By-Laws, certain corporate management matters require the approval of the Supervisory Board. The chairman of the Supervisory Board coordinates its work and represents it vis-à-vis third parties. Within reasonable limits, he is prepared to talk to investors about issues specific to the Supervisory Board. He maintains regular contact between meetings with the Executive Board, and in particular with its chairman, to discuss issues relating in particular to the company's strategy, business development, risk management and compliance.

Composition of the Supervisory Board

The Supervisory Board comprises 20 members in accordance with the German Co-determination Act *(Mitbestimmungsgesetz – MitbestG)* and the company's Articles of Incorporation. Half the members of the Supervisory Board are elected individually by the shareholders in the Shareholders' Meeting (shareholder representatives), while the other half are elected by the employees of Continental AG and its German subsidiaries (employee representatives). Both the shareholder representatives and the employee representatives have an equal duty to act in the interests of the company. The Super-visory Board's chairman must be a shareholder representative. He has the casting vote in the event of a tie.

The current Supervisory Board was constituted on April 26, 2019. The term of office of the Supervisory Board members lasts until the end of the 2024 Annual Shareholders' Meeting. The chairman of the Supervisory Board is Prof. Dr.-Ing. Wolfgang Reitzle who, in accordance with the German Corporate Governance Code, is independent of the company and its Executive Board. The Supervisory Board does not include any members who previously belonged to the Executive Board of Continental AG, who exercise an executive function or advisory role at a major competitor of Continental, or who have a personal relationship with such a competitor.

The company has set up an informational program that provides newly elected members of the Supervisory Board with a thorough overview of the company's products and technologies as well as finances, controlling and corporate governance at Continental.

The Supervisory Board has drawn up its own By-Laws that supplement the law and the Articles of Incorporation with more detailed provisions, including provisions on Supervisory Board meetings, the duty of confidentiality, the handling of conflicts of interest and the Executive Board's reporting obligations, and a list of transactions and measures that require the approval of the Supervisory Board. The Supervisory Board By-Laws are available on Continental's website under Company/Corporate Governance. The Supervisory Board also consults on a regular basis in the absence of the Executive Board. Before each regular meeting of the Supervisory Board, the representatives of the shareholders and of the employees each meet separately with members of the Executive Board to discuss the upcoming meeting.

The Supervisory Board regularly reviews how effectively it and its committees have fulfilled their responsibilities. It carried out such a review in 2021 with the help of an external consultant. This confirmed the Supervisory Board's efficient and professional approach to its work in the past years. The Supervisory Board has adopted the recommendations that resulted from the 2021 self-assessment.

Profile of skills and expertise for the Supervisory Board
In accordance with recommendation C.1 of the German Corporate Governance Code, the Supervisory Board has prepared a profile of skills and expertise and specified targets for its composition.

The Supervisory Board as a whole should possess the skills and expertise described in more detail below. It is not expected that all Supervisory Board members possess all skills and expertise. Instead, each area of expertise must be covered by at least one Supervisory Board member. The Supervisory Board assumes that all Supervisory Board members possess the knowledge and skills required for the proper performance of their duties and the characteristics necessary for successful Supervisory Board work. In particular, these include integrity, commitment, capacity for discussion and teamwork, sufficient availability and discretion.

- **Internationality:** Due to Continental AG's global activities, its Supervisory Board requires international professional or business experience. This means professional training or work abroad or with a strong connection to foreign markets. International professional and business experience with regard to Asian markets is also desirable.

- **Industry experience:** The Supervisory Board should have professional experience in the automotive industry or other industries in which the company operates. In particular, the Supervisory Board wants to increase its expertise in the new business areas that are important parts of the company's strategy. Therefore, professional knowledge or experience of digitalization, information technology, telecommunications, mobility services, electric mobility, or related areas should be available.

- **Management experience:** The Supervisory Board should include members with management experience. In particular, this includes experience in corporate management or as a senior manager of a business, or experience in a managerial role at other large organizations or associations.

- **Financial experience:** The Supervisory Board should possess financial knowledge and experience, namely in the areas of accounting, control and risk management systems, and the audit of financial statements. The chairman of the Audit Committee must have in-depth knowledge in these areas.

- **Corporate governance and board experience:** Members of the Supervisory Board should have experience as a member of the supervisory board or executive board of a German listed company or as a member of such a body of a foreign listed company.

The Supervisory Board has specified the following targets for its composition:

- The number of members of the Supervisory Board who have the required international experience should at a minimum remain constant. At least seven members currently have international skills and experience.

- An appropriate number of members with industry experience should be maintained. Far more than half of the Supervisory Board members cover this area of expertise.

- The Supervisory Board should have an appropriate number of members on the shareholder side whom it deems to be independent in accordance with the German Corporate Governance Code. Taking into account the ownership structure, a Supervisory Board member is therefore considered independent if they are independent of the company and its Executive Board, and also independent of a controlling shareholder.

- The independence of shareholder representatives was assessed in accordance with the German Corporate Governance Code by shareholder representatives on the Supervisory Board. As part of the assessment of independence from the Executive Board and the company, it was taken into account that five shareholder representatives will have been members of the Supervisory Board for more than 12 years in 2022. It was also taken into consideration in the assessment of independence from any controlling shareholder that three Supervisory Board members are linked to the controlling shareholder, the IHO Group, Herzogenaurach, Germany. As determined in the assessment by the shareholder representatives on the Supervisory Board, the Supervisory Board still has an appropriate number of members on the shareholder side who are independent in accordance with the German Corporate Governance Code. This assessment is based on the following considerations:

  - More than one half of the shareholder representatives should be independent of Continental AG and its Executive Board. In the assessment of the independence of the five shareholder representatives that have been on the Supervisory Board for more than 12 years, given the former and ongoing administration of the members in question, the shareholder representatives overall see no grounds to accept changing the existing assessment of independence. The shareholder representatives currently on the Supervisory Board are therefore all, without exception, independent of Continental AG and its Executive Board.

  - At least five shareholder representatives should be independent of the controlling shareholder, the IHO Group, headquartered in Herzogenaurach, Germany. The shareholder representatives independent of the controlling shareholder are:

    - Prof. Dr.-Ing. Wolfgang Reitzle
    - Stefan E. Buchner (as of January 1, 2022)
    - Dr. Gunter Dunkel
    - Satish Khatu
    - Isabel Corinna Knauf
    - Sabine Neuß
    - Prof. Dr. Rolf Nonnenmacher
    - Prof. KR Ing. Siegfried Wolf (until December 31, 2021)

- In its nominations for election to the Supervisory Board, the Supervisory Board as a rule does not nominate candidates who have already held this position for three full terms of office at the time of the election.

- The Supervisory Board has not stipulated an age limit as recommended in recommendation C.2 of the German Corporate Governance Code. It does not consider such a general criterion to be suitable for evaluating the qualifications of a candidate's nomination to the Supervisory Board.

According to Section 96 (2) *AktG*, the Supervisory Board of Continental AG is also subject to the requirement that at least 30% of its members be women and at least 30% be men. The company reports on this on page 21, in accordance with Section 289f (2) No. 4 to 6 *HGB*.

In its nominations of candidates for election to the Supervisory Board, the Supervisory Board takes into account the requirements of the profile of skills and expertise for the board as a whole as well as the aforementioned targets.

The corporate governance statement will continue to provide regular updates on the status of the implementation of the targets.

Committees of the Supervisory Board

The Supervisory Board currently has five committees with decision-making powers: the Chairman's Committee, the Audit Committee, the Nomination Committee, the committee formed in accordance with Section 27 (3) of the German Co-determination Act *(MitbestG)* (the Mediation Committee) and the committee for the approval of company transactions with related persons (Committee for Related Party Transactions) (Section 107 (3) Sentence 4; Section 111b (1) *AktG*).

The members of the **Mediation Committee** also form the Chairman's Committee, which comprises the chairman of the Supervisory Board, Prof. Dr.-Ing. Wolfgang Reitzle (chairman); his vice chairperson, Christiane Benner; Georg F. W. Schaeffler; and Jörg Schönfelder. Key responsibilities of the **Chairman's Committee** are preparing the appointment of Executive Board members and concluding, terminating and amending their employment contracts and other agreements with them. However, the plenum of the Supervisory Board alone is responsible for establishing the total remuneration of the Executive Board members. Another key responsibility of the Chairman's Committee is deciding on the approval of certain transactions and measures by the company as specified in the Supervisory Board By-Laws. The Supervisory Board has conferred some of these participation rights on the Chairman's Committee, each member of which may however, in individual cases, demand that a matter again be submitted to the plenary session for decision.

The **Audit Committee's** tasks relate primarily to the overseeing of the company's accounting, the audit of the financial statements, risk management, and compliance. In particular, the committee deals with the audit of the accounts, monitors the accounting process and the effectiveness of the internal control system, the risk management system, the internal audit system and compliance; and performs a preliminary examination of Continental AG's annual financial statements and the consolidated financial statements. The committee makes its recommendation to the plenary session of the Supervisory Board, which then passes resolutions pursuant to Section 171 *AktG*. Furthermore, the committee discusses the company's draft interim financial reports. It is also responsible for ensuring the necessary independence of auditors and deals with additional services performed by the auditors. The committee engages the auditors, determines the focus of the report as necessary, negotiates the fee and regularly reviews the quality of the audit. It also gives its recommendation for the Supervisory Board's proposal to the Annual Shareholders' Meeting for the election of the auditor. The Audit Committee is also responsible for the preliminary audit of non-financial reporting and for the engagement of an auditor for its review, if any. The chairman of the Audit Committee is Prof. Dr. Rolf Nonnenmacher. He is independent in all respects as defined in the German Corporate Governance Code. As an auditor, he has special knowledge and experience in the application of accounting principles and internal control procedures, and is entrusted with performing a financial statement audit. Another committee member, Klaus Rosenfeld, is also a financial expert, and likewise has in-depth knowledge in the area of accounting. The other members are Francesco Grioli, Dirk Nordmann, Georg F. W. Schaeffler and Michael Iglhaut. Neither a former Executive Board member nor the chairman of the Supervisory Board may act as chairman of the Audit Committee.

The **Nomination Committee** is responsible for nominating suitable candidates for the Supervisory Board to propose to the Annual Shareholders' Meeting for election. In addition, the committee must propose targets for the Supervisory Board's composition and profile of skills and expertise and review both regularly. The Nomination Committee consists entirely of shareholder representatives, specifically the two members of the Chairman's Committee, Prof. Dr.-Ing. Wolfgang Reitzle (chairman) and Georg F. W. Schaeffler; the chairman of the Audit Committee, Prof. Dr. Rolf Nonnenmacher; and Maria-Elisabeth Schaeffler-Thumann as an additional member.

In accordance with Section 31 (3) Sentence 1 *MitbestG*, the **Mediation Committee** becomes active only if the first round of voting on a proposal to appoint a member of the Executive Board or to remove a member by consent does not achieve the legally required two-thirds majority. This committee must then attempt mediation before a new vote is taken.

The **Committee for Related Party Transactions (RPT Committee)** deals with transactions between Continental AG and a related person, where these transactions require the prior consent of Continental AG's Supervisory Board in accordance with Sections 111a and 111b *AktG*. Transactions in this case require the prior consent of the Supervisory Board. In addition to the chairman of the Supervisory Board, Prof. Dr.-Ing. Wolfgang Reitzle, and the chairman of the Audit Committee, Prof. Dr. Rolf Nonnenmacher, the Committee for Related Party Transactions includes two further members elected by the Supervisory Board from among the employee representatives.

More information on the members of the Supervisory Board and its committees can be found on pages 217 and 218. Current resumes, which are updated annually, are available on Continental's website under Company/Corporate Governance. They also contain information on how long each member has held their position on the Supervisory Board.

Shareholders and the Shareholders' Meeting
The company's shareholders exercise their rights of participation and control in the Annual Shareholders' Meeting. The Annual Shareholders' Meeting, which must be held in the first eight months of every fiscal year, decides on all issues assigned to it by law, such as the appropriation of profits, the election of shareholder representatives to the Supervisory Board, the discharging of Supervisory Board and Executive Board members, the appointment of auditors and the approval of the remuneration report. Each Continental AG share entitles the holder to one vote. There are no shares conferring multiple or preferential voting rights and no limitations on voting rights.

All shareholders who register in a timely manner and prove their entitlement to participate in the Shareholders' Meeting and to exercise their voting rights are entitled to participate in the Shareholders' Meeting. To facilitate the exercise of their rights and to prepare them for the Shareholders' Meeting, the shareholders are fully informed about the past fiscal year and the points on the upcoming agenda before the Shareholders' Meeting by means of the annual report and the invitation to the meeting. All documents and information on the Annual Shareholders' Meeting, including the annual report, are published on the company's website in German and English. Moreover, the Annual Shareholders' Meeting can also be watched in full in an audio-visual stream on the company's website. When holding the Annual Shareholders' Meeting, the chairperson presiding over the meeting is guided by the fact that an ordinary annual shareholders' meeting should be concluded after four to six hours. To make it easier for shareholders to exercise their rights, the company offers all shareholders who cannot or do not want to exercise their voting rights during the Annual Shareholders' Meeting themselves the opportunity to vote at the Annual Shareholders' Meeting via a proxy who is bound by instructions or through absentee voting. The required voting instructions can also be issued to the proxy via an internet service (InvestorPortal) before the end of the general debate on the day of the Shareholders' Meeting. In addition, the service provider that assists the company with conducting the Shareholders' Meeting is instructed not to forward the individual voting instructions to Continental until the day before the Shareholders' Meeting.

Accounting and auditing of financial statements
The Continental Group's accounting is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The annual financial statements of Continental AG are prepared in accordance with the accounting regulations of the German Commercial Code *(HGB)*. The Annual Shareholders' Meeting on April 29, 2021, elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hanover (PwC) to audit the consolidated financial statements for fiscal 2021 as well as the interim financial reports of the company for the first time. Sven Rosorius is the responsible auditor at PwC.

Internal control system and risk management
Diligent corporate management and good corporate governance also require that the company deal with risks responsibly. Continental has a corporate-wide internal control and risk management system, especially in terms of the accounting process, that helps analyze and manage the company's risk situation. The risk management system serves to identify and evaluate developments that could result in significant disadvantages and to avoid risks that would jeopardize the continued existence of the company. We report on this in detail in the report on risks and opportunities, which forms part of the management report for the consolidated financial statements.

Transparent and prompt reporting
As part of our investor relations and corporate communications, we regularly report to shareholders, analysts, shareholders' associations, the media and interested members of the public in equal measure on significant developments in the company and its situation. All shareholders have instant access to all the information that is also available to financial analysts and similar parties. The website of Continental AG provides the latest information, including the company's financial reports, presentations held at analyst and investor conferences, press releases and ad-hoc disclosures. The dates of key periodic publications (annual report, quarterly statements and half-year report) and events as well as of the Annual Shareholders' Meeting and the annual financial press conference are announced well in advance in a financial calendar on the website of Continental AG. For the scheduled dates for 2022, see the Investors/Events and Presentations section.

Reporting pursuant to Section 289f (2) No. 4 to 6 *HGB*
Pursuant to Section 96 (2) *AktG*, the Supervisory Board of Continental AG as a listed stock corporation subject to the German Co-determination Act consists of at least 30% women and at least 30% men. This minimum quota must always be fulfilled by the Supervisory Board as a whole. Due to an objection by the employee representatives against the overall fulfillment in accordance with Section 96 (2) Sentence 3 *AktG* before the election of the Supervisory Board in spring 2019, the minimum quota for the Supervisory Board of Continental AG must be fulfilled separately by the shareholder representatives and the employee representatives. Women made up 30% of both the shareholder and employee representatives on the Supervisory Board of Continental AG as at December 31, 2021.

In accordance with Section 111 (5) *AktG*, the Supervisory Board must set a target quota of women on the Executive Board and a deadline for achieving this target. If the ratio of women is less than 30% at the time this is set, the target must not subsequently fall below the ratio achieved. In December 2016, the Supervisory Board set a target quota for women on the Executive Board of Continental AG of at least 11% for the period up until December 31, 2021.

With women making up 28.6% of the Executive Board of Continental AG as at December 31, 2021, and 40% at the time this report was prepared, this target ratio was fulfilled. With the previous time period for attaining the target of December 31, 2021, having already ended, in December 2021 the Supervisory Board set a new target quota for women on the Executive Board of Continental AG of at least 28.6% by July 31, 2022. Beyond this point in time, the ratio requirement as set out in Section 76 (3a) *AktG* applies for the ratios of new Executive Board members.

In accordance with Section 76 (4) *AktG*, the Executive Board of Continental AG is required to set targets for the ratio of women in the first two management levels below the Executive Board and a deadline for achieving these targets. In November 2016, the Executive Board set the following target quotas for women in the first two management levels below the Executive Board at Continental AG for the period up until December 31, 2021: 26% for the first management level and 33% for the second management level. Due to reorganizations that have taken place in the corporate functions since the end of 2016, the total number of managers at the first and second management levels has changed. As a result, the target quota for the first management level was significantly exceeded at 37% as at December 31, 2021, while the equivalent target quota for the second management level was missed at 29%.

Given that the time period for attaining the previous target quotas came to an end on December 31, 2021, the Executive Board set new target quotas for women in the first two management levels below the Executive Board at Continental AG for the period up until December 31, 2026: 37% for the first management level and 33% for the second management level.

As a global company, Continental continues to attach high priority to the goal of steadily increasing the proportion of women in management positions throughout the Continental Group, above and beyond the legal requirements in Germany.

Diversity concept
Continental counts on the diversity of its employees. The current focus of its commitment to promote diversity is on internationality and a balanced gender ratio.

The Supervisory Board also pays attention to the diversity of the composition of the Executive Board. The Executive Board does the same when appointing people to management positions. As a basic principle, the Executive Board aims to achieve a balanced ratio of domestic to international managers everywhere. The proportion of local and international managers varies according to region. In 2021, a total of about 48% of the Continental Group's managers came from countries other than Germany. Continental is also working on increasing the proportion of women in management positions. In 2021, we were able to increase this number to around 18% across the Continental Group (PY: 16%). The proportion is to be increased to 25% by 2025.

In drawing up the Executive Board's succession plan, the Supervisory Board together with the Executive Board makes use of the measures and programs to promote internationality and women in management positions, thus making it possible to identify and develop potential international candidates and female managers for positions on the Executive Board. The aim in the medium term is to use these measures to increase the diversity of the Executive Board even further.

The Supervisory Board also pays attention to the diversity of its own composition. For the Supervisory Board, diversity refers to age, gender, background and professional experience, among other things. The Supervisory Board is convinced that it will achieve diversity in its composition in particular by fulfilling the profile of skills and expertise and meeting the targets for its composition.

Workforce Diversity Concept

We firmly believe that workforce diversity enhances our agility and innovative capacity as a company because different perspectives give rise to new ideas. Particularly in these times of digital transformation, workforce diversity is instrumental in driving the future success of the company. In 2008, Continental signed the German Diversity Charter, and in doing so pledged to promote workforce diversity. When we updated our Code of Conduct at the start of 2019, we strengthened our commitment to this pledge internally.

Facilitating and shaping workforce diversity is an integral part of the corporate function Group Talent Management and Organizational Development, which is responsible for designing a higher-level strategic framework for the development and promotion of diversity and supporting the business units in implementing their own objectives. Diversity management is firmly anchored in the global HR strategy. "Enable Transformation" is one component of the strategic HR alignment that deals with digital transformation. This includes a concept to harness the opportunities offered by digitalization to the greatest extent possible at Continental. In this context, our company's strategy to promote workforce diversity helps identify the potential of digitalization and promote new ways of thinking across business areas.

Three key corporate-wide levers have been identified to promote workforce diversity:

- Driving wide-scale cultural change
- Implementing specific objectives to increase diversity
- Empowering managers to actively support workforce diversity

The "Global Diversity Network" serves as a platform for cultural development. There are currently a total of 38 workforce diversity networks within this umbrella organization, which provides a forum for members from around the world to share their thoughts and experiences in this area on a regular basis.

The important events aimed at supporting a more inclusive corporate culture include the following:

- "Transformation Summit": This event focuses specifically on the challenges of transformative and organizational change and aims to empower employees to deal with such changes. Here, participants work in various teams to develop solutions to specific problems at Continental.

- “Women (Senior) Executive Networks Event”: In 2021, we brought together women with business responsibility from the different business areas and regions in six different networks with sponsors to provide a platform for networking and sharing thoughts and ideas on various topics. With the aim of further expanding these networks, they will be meeting together.

- “LGBTQ+ Awareness Workshop”: For the first time, a workshop was held in 2021 for all employees and management personnel with a focus on providing information and enabling self-reflection on the topic of LGBTQ+ in the workplace. This event not only addresses people’s own unconscious prejudices, but also demonstrates ways that contribute to an appreciative working environment.

Efforts to strengthen diversity are further supported through the introduction of a global key performance indicator. To promote the position of women in our company, we have set ourselves the target of increasing the proportion of female employees at the executive and senior executive levels to 25% by 2025. In 2021, this figure was already at 17.8% (PY: 16.1%) for women in the first two management levels. In 2016, we rolled out the Women@Work program around the world to nurture women in the early stages of their careers and to network them with female employees at the executive and senior executive levels. To date, more than 650 women in North America and Europe have participated in this program. Many of them are still in regular contact with one another today.

In addition to supporting their career development, improving the balance of work and family life is another important tool for promoting the position of women in our company. In particular, we are continually increasing our efforts to make work more flexible. Initiatives in this area include the introduction of flexible work models such as part-time and flex time, as well as remote working and sabbaticals.

Our success in increasing workforce diversity in the company depends to a great extent on the attitudes of management personnel. To ensure a variety of viewpoints and perspectives are incorporated into our corporate culture, “cross moves”, i.e. a move to a different business area, business unit or role, as well as international experience, are now essential criteria for promoting our employees to executive and senior executive levels.

Diagnostic procedures also help to ensure that staffing decisions are made as objectively as possible. Diversity is also a core element of many continuing education and training courses. The “Differences Add Value” training course supports managers, among others, to deepen their understanding of diversity by sharing and discussing practical experiences and business situations relating to diversity at Continental. The “Train the Trainer” principle lays the foundation for this training course to reach as many Continental employees around the world as possible, giving them a greater understanding of the added value generated when people with different perspectives work together.

Compliance

Source: 2021 Annual Report > To our Shareholders > Corporate Governance > Compliance starting p. 22)

One of our four values is trust. Trust requires integrity, honesty and incorruptibility. Compliance by management and employees with all the legal requirements that apply to Continental AG and its subsidiaries and its internal regulations has therefore long been a goal of the company and an integral part of its corporate culture. In addition to our corporate guidelines, OUR BASICS, this aim is reflected in particular in our sustainability ambition and the Code of Conduct that is binding for all employees. The Executive Board is firmly committed to these principles and that of “zero tolerance,” particularly with regard to corruption and antitrust violations.

The basis of our compliance management system (CMS) is a comprehensive analysis of the compliance risks to which the company is exposed. The company and its business activities are examined in terms of potential compliance risks that can arise, for instance, from its structures and processes, a specific market situation or even operations in certain geographic regions. This takes into account, for example, the results of regular corporate-wide reporting on compliance risks in the governance, risk and compliance (GRC) system, the findings of investigations by the Group Audit department, and external sources such as Transparency International’s Corruption Perception Index. This analysis is substantiated and expanded primarily by a series of discussions with management and employees at all levels and at our training events. The risk analysis is not a one-off procedure, but is constantly reviewed and updated.

The chief compliance officer heads the Compliance department and reports directly to the chairman of the Executive Board. The focal area of the work of the Compliance department is preventing violations of antitrust and competition law, corruption, fraud and other property offenses, and infringements of regulations for the prevention of money laundering. For other areas in which there is a risk of compliance violations, responsibility for compliance management lies with the respective functions that have performed these duties competently for a long time and are supported in these tasks by the Compliance department.

The CMS consists of the three pillars of prevention, detection and response:

- The first pillar of CMS – **prevention** – serves to maintain and further develop a general culture of compliance. This begins with setting an appropriate “tone from the top” by the Executive Board and management and, in addition to risk analysis, includes in particular employee training. Here, we attach great importance to in-person events at which we can address employees personally and directly and discuss their questions. Due to the restrictions caused by the COVID-19 pandemic, we are currently conducting most of this training in the form of webinars. We use e-learning programs as well. Prevention is also fostered by consultation on specific matters with the Compliance department and by the internal publication of guidelines on topics such as antitrust law and contact with competitors, giving and receiving gifts, and sponsoring. Continental introduced the Business Partner Code of

Conduct to prevent compliance violations by suppliers, service providers or similar third parties that could have negative repercussions for Continental, or that could be attributed to the company under laws such as the UK Bribery Act. This must be recognized as a basic requirement for doing business with Continental. If necessary, third-party due diligence can be performed with regard to compliance issues. Another key element of preventive compliance is communication measures, which are carried out on a regular basis. These include video tutorials on compliance, as well as Compliance Days and Compliance Games that are organized by the individual locations with the support of the compliance organization. They, too, have been converted to a digital format.

- The second pillar of CMS – **detection** – comprises regular and ad hoc audits. In addition, compliance-related matters are always the subject of audits carried out by the Group Audit department. Continental has set up the Compliance & Anti-Corruption Hotline to give employees and third parties outside the Continental Group the opportunity to report violations of legal regulations, its fundamental values and ethical standards. Information on any kind of potential violations, such as bribery or antitrust behavior, but also other offenses or accounting manipulation, can be reported anonymously via the hotline where permissible by law. The Group Audit and Compliance departments investigate and systematically pursue all substantiated tips received by this hotline. The hotline is available worldwide in many different languages. The number of tips received by the hotline has risen steadily over the past few years. We see this as a sign of increased awareness of compliance topics and as a success in our compliance work. Since the start of the COVID-19 pandemic and the associated restrictions, we have recorded a decline in the number of tips received.

- The third pillar of CMS – **response** – deals with the consequences of compliance violations that have been identified. The Compliance department is involved in decisions on measures that may be required, including any individual sanctions. Furthermore, the Compliance department conducts a thorough analysis of such events to ensure that isolated incidents are not symptoms of failings in the system, and to close any gaps in prevention and continuously further develop the compliance management system.

In 2016, the design, implementation and effectiveness of Continental AG's CMS for the areas of anti-corruption, competition/antitrust law, fraud and other property offenses were audited in accordance with Audit Standard 980 of the Institut der Wirtschaftsprüfer in Deutschland e. V. (IDW) and were issued an unqualified review opinion.

Material compliance-related matters and risks are described in more detail in the report on risks and opportunities starting on page 92, and in the notes to the consolidated financial statements (Note 38).

Code of Conduct and Training

The Continental Code of Conduct describes the framework of Continental's alliance for creating top value from values based on our shared vision and mission and our four corporate values: Trust, Passion To Win, Freedom To Act, and For One Another, as well as the sustainability of our actions. The Code of Conduct addresses the following topics:

- Compliance with laws, regulations, and internal rules, standards, and instructions
- Respect for human rights and fair working conditions
- Health, safety, the environment, and product integrity
- Honest business practices
- Compliance with antitrust laws
- Anti-corruption
- Prevention of money laundering
- Conflicts of interest
- Use of Continental's corporate property
- Data protection and cybersecurity
- Confidential information and intellectual property
- Import and export regulations
- Tax compliance.

In fiscal 2021, 6,378 employees completed e-learning training on the Code of Conduct (PY: n. a.). In addition, some 117,000 participants were recorded taking other compliance e-learning courses on anti-corruption, antitrust law, and the Vitesco spin-off (PY: 14,400 including Vitesco Technologies), while around 13,000 participants (incl. Vitesco Technologies) attended in-person training courses on anti-corruption and antitrust law (PY: 10,504 incl. Vitesco Technologies), most of which were conducted virtually as webinars. Participants in in-person training events are selected on a risk-based and target group-oriented basis.

Compliance training sessions	2021 continuing operations	2020 continuing and discontinued operations
Employees who have completed e-learning on the Code of Conduct	6,378	n. a.
Participants in e-learning courses on anti-corruption, antitrust law, or the Vitesco spin-off	~ 117,000	~ 14,400
Participants in in-person training courses on anti-corruption and antitrust law	~ 13,000[1]	10,504

1 Number includes both continuing and discontinued operations.

Tax Compliance

We are aware of our social responsibility in terms of meeting our tax obligations. In our Code of Conduct, we expressly pledge to comply with all national and international tax regulations.

The Continental Group tax policy sets out a framework for organizing the management of corporate-wide tax risks to enable monitoring of tax compliance. In this context, a tool-based tax risk management system is currently being implemented throughout the Continental Group. This system identifies and assesses tax risks and stipulates appropriate risk-mitigating measures. In this way, we take steps to ensure, for example, that there are no illegal tax reductions or infringements of our obligations to cooperate with the tax authorities. Furthermore, the Group tax policy stipulates that Continental shall not pursue any aggressive tax planning activities and will pay taxes in the areas where our business operations create value. Our corporate-level tax departments maintain a professional relationship with the tax authorities.

Within the framework of its statutory obligations, Continental AG discloses relevant tax information for all Continental Group entities on an annual basis, such as tax payments on income and profits, to Germany's Federal Central Tax Office (in what is termed country-by-country reporting). This tax information is based on consolidated financial statements audited and attested to by an independent auditor.

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In the Spotlight

Litigation and Compensation Claims

Source: 2021 Annual Report > Consolidated Financial Statements > Notes to the Consolidated Financial Statements > Other Disclosures (starting p. 204)

Continental AG and its subsidiaries are involved in lawsuits, regulatory investigations and proceedings worldwide. Such lawsuits, investigations and proceedings could also be initiated or claims asserted in other ways in the future.

Product liability
In particular, Continental is constantly subject to product liability and other claims in which the company is accused of the alleged infringement of its duty of care, violations against warranty obligations or defects of material or workmanship. Claims from alleged breaches of contract resulting from product recalls or government proceedings are also asserted. Among other cases, claimants in the USA file lawsuits for property damage, personal injury and death caused by alleged defects in our products. Claims for material and non-material damages, and in some cases punitive damages, are asserted. The outcome of individual proceedings, which are generally decided by a jury in a court of first instance, cannot be predicted with certainty. No assurance can be given that Continental will not incur substantial expenses as a result of the final judgments or settlements in some of these cases, or that these amounts will not exceed any provisions set up for these claims. Some subsidiaries in the USA are exposed to relatively limited claims for damages from purported health injuries allegedly caused by products containing asbestos. The total costs for dealing with all such claims and proceedings have amounted to less than €50 million per year since 2006.

Disputes over industrial property rights
Continental could be liable to pay compensation for infringements or could be forced to purchase licenses to continue using technology from third parties. Continental, for example, supplies telecommunication modules that transmit vehicle data, enable voice and internet functionality, and are compatible with cellular communication standards. In this respect, there is a risk that Continental or its suppliers may be denied their own direct license to use patents relating to these standards (standard essential patents), especially in the field of telecommunications standards such as 3G, 4G or 5G, and that Continental may become dependent on licenses and the conditions under which they are granted to customers.

Regulatory proceedings
In May 2005, the Brazilian competition authorities opened investigations against Continental's Brazilian subsidiary Continental Brasil Industria Automotiva Ltda., Guarulhos, Brazil (CBIA), following a complaint of anticompetitive behavior in the area of commercialization of tachographs. On August 18, 2010, the Brazilian antitrust authorities determined an "invitation to cartel" and imposed a fine of BRL 12 million (around €1.9 million) on CBIA, which was then reduced to BRL 10.8 million (around €1.7 million). CBIA denies the accusation that it has infringed Brazilian antitrust law. Although the court of first instance appealed to by CBIA upheld the decision, on CBIA's further appeal the next higher court annulled this decision and remanded the matter. In case an infringement of Brazilian antitrust law is found, third parties may, in addition, claim damages from CBIA.

On October 2, 2006, South African antitrust authorities received a complaint from a third party accusing several South African tire manufacturers of alleged antitrust behavior, including Continental Tyre South Africa (Pty.) Ltd., Port Elizabeth, South Africa (CTSA), a subsidiary of Continental. On August 31, 2010, the South African antitrust authorities came to the conclusion that CTSA had violated South African antitrust law and referred the matter to the responsible antitrust court for a decision. CTSA denies the allegation of infringements of South African antitrust law. However, the tribunal could impose a fine of up to 10% of CTSA's sales. In addition, third parties may also claim damages from CTSA in case of an infringement of South African competition law.

As a result of investigations by the US Department of Justice (DOJ) and the Korea Fair Trade Commission (KFTC) in connection with the suspected involvement in violations of US and South Korean antitrust law in the instrument cluster business, which came to light in 2012, the KFTC imposed a fine on Continental Automotive Electronics LLC, Bugang-myeon, South Korea (CAE), at the end of 2013, the final amount of which was set in 2018 at KRW 32,101 million (around €23.8 million). In the USA, CAE and Continental Automotive Korea Ltd., Seongnam-si, South Korea, agreed to pay a fine of US $4.0 million (approximately €3.5 million) in 2015. In the proceedings relating to class action lawsuits filed in the USA and Canada for alleged damages resulting from the antitrust violations, settlements totaling US $5.0 million (around €4.4 million) were concluded in the USA in 2018 and settlements totaling CAN $0.6 million (around €0.4 million) concluded in Canada in 2020.

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The risk of investigations into this matter by other antitrust authorities and claims for damages by further alleged victims remains unaffected by the fines imposed.

As a result of investigations that came to light in 2014, the European Commission imposed a fine of €44.0 million on Continental AG; Continental Teves AG & Co. oHG, Frankfurt am Main, Germany; and Continental Automotive GmbH, Hanover, Germany; on February 21, 2018, for the unlawful exchange of information. This involved specific brake components. Continental has set aside provisions that cover this fine. Customers have since approached Continental to claim for damages, in some cases for specific amounts. In addition, two class action lawsuits have been filed in Canada against Continental AG and several of its subsidiaries. Continental has rejected these claims as being without merit. Nevertheless, it cannot be ruled out that the resulting expenses will exceed the provisions that have been set aside for this purpose. In accordance with IAS 37.92 and GAS 20.154, no further disclosures will be made with regard to the proceedings and the related measures so as not to adversely affect the company's interests.

On March 3, 2021, the Brazilian antitrust authorities (Conselho Administrativo de Defesa Econômica, CADE), acting on the basis of the issues addressed by the European Commission and described above, formally initiated proceedings against Continental Teves AG & Co. oHG, Frankfurt am Main, Germany, and certain former employees for alleged unlawful exchange of competition-sensitive information concerning hydraulic brake systems. The proceedings against Continental are still at an early stage. Continental is therefore unable to reliably predict in any way what the outcome of these proceedings will be. If Continental is found responsible for any violation, CADE could impose a fine on the company of 0.1% to 20% of its revenue or that of the Continental Group in Brazil in the year prior to when the administrative proceedings were launched (2020). Non-pecuniary penalties may also be possible. Furthermore, customers allegedly affected by the alleged exchange of information could claim for damages if indeed a violation of Brazilian antitrust law is established.

The public prosecutor's office in Hanover is conducting investigative proceedings against current and former employees as well as former board members of Continental AG suspected of committing criminal acts in connection with the development and use of illegal defeat devices in VW diesel engines as well as in connection with the subsequent investigation of these actions, and as part of these proceedings has conducted multiple searches at locations of Continental AG and individual companies of the Continental Group.

Continental AG and individual companies of the Continental Group are ancillary parties to these proceedings. The investigations concern activities of the former Powertrain segment that were transferred within the scope of the spin-off to Vitesco Technologies Group AG, Regensburg, Germany, and its subsidiaries.

In addition, the public prosecutor's office in Frankfurt am Main, in connection with conducting administrative offense proceedings concerning illegal defeat devices in diesel engines of an international automotive manufacturer – proceedings which have meanwhile been legally concluded against this automotive manufacturer with payment of a fine – is conducting separate administrative offense proceedings against Continental AG on suspicion of breach of supervisory duties. The public prosecutor's office in Frankfurt am Main is also conducting separate investigative proceedings against two former employees of Continental AG for suspected criminal acts carried out in connection with this matter.

Both the investigations by the public prosecutor's office and the company's internal investigation into the matters covered by these proceedings, which involve considerable costs and effort, are ongoing. Continental AG and the companies of the Continental Group are cooperating unreservedly with the public prosecutor's offices in Hanover and Frankfurt am Main. There is a risk that fines will be imposed as a result of the allegations. The amount of such fines, which could comprise a levy and a penalty component, is currently unknown but collectively could be significant. Furthermore, the risk of damage to the company's reputation cannot be ruled out.

To cover risks and costs arising from the proceedings conducted by the public prosecutor's offices in Hanover and Frankfurt am Main, a provision amounting to a high eight-figure sum has been set aside.

In the event that fines or other measures are imposed on Continental AG and/or individual companies of the Continental Group that concern the transferred business, Vitesco Technologies Group AG is obligated on the basis of and in accordance with contractual provisions arising in particular from the corporate separation agreement concluded in the context of the spin-off to indemnify Continental AG and any individual companies of the Continental Group against the ensuing costs and liabilities. This is consistent with the agreement between the parties that all opportunities as well as all risks arising from the transferred business shall pass to Vitesco Technologies Group AG and the companies of Vitesco Technologies.

These regulations have not been taken into account in the formation of the provision described above. In accordance with IAS 37.92 and GAS 20.154, no further disclosures will be made with regard to the proceedings and the related measures and any potential claims against Vitesco Technologies Group AG so as not to adversely affect the company's interests.

In view of the scope of these national and international investigations against automotive manufacturers and suppliers, further proceedings by public authorities, civil legal proceedings, and claims by third parties along with the related financial risks cannot be ruled out.

Remuneration Report Pursuant to Section 162 of the German Stock Corporation Act (Aktiengesetz – AktG)

Source: Corporate Website > Company/Executive Board > 2021 Remuneration Report

This remuneration report describes the amount and structure of the remuneration of the members of the Executive Board and Supervisory Board of Continental AG in fiscal 2021 (reporting year). It also outlines the principles of the remuneration system for the members of the Executive Board and the Supervisory Board.

Earnings position in fiscal 2021

Consolidated sales increased by €1,900.8 million or 6.0% year-on-year to €33,765.2 million in 2021 (PY: €31,864.4 million). Before changes in the scope of consolidation and exchange-rate effects, sales rose by 7.4%. The Rubber Technologies group sector reported a sales increase, in part because of the negative effects of the COVID-19 pandemic in the previous year and the resulting low basis for comparison. In the Automotive Technologies group sector, supply problems in the semiconductor industry negatively impacted sales growth, particularly in the second half of the year. Overall, Automotive Technologies generated unchanged year-on-year sales in 2021; they were slightly higher before changes in the scope of consolidation and exchange-rate effects. The Contract Manufacturing group sector, which comprises contract manufacturing for Vitesco Technologies, reduced its sales in the fiscal year as planned. Exchange-rate effects had a negative impact on the Continental Group's sales trend, while changes in the scope of consolidation had little effect. Sales from discontinued operations amounted to €4,432.7 million (PY: €5,857.9 million), resulting in total sales of €38,197.9 million (PY: €37,722.3 million) for continuing and discontinued operations.

Adjusted EBIT for the Continental Group increased by €558.0 million or 41.6% year-on-year to €1,900.4 million (PY: €1,342.4 million) in 2021, corresponding to 5.6% (PY: 4.2%) of adjusted sales.

Overview of the Remuneration System as of January 1, 2020

The Supervisory Board reviews the Executive Board's remuneration regularly. Most recently in 2019, it once again commissioned an independent consultant to review the remuneration of the Executive Board and the remuneration system, in order to take into account changes in the general conditions as a result of the German Act for the Implementation of the 2nd EU Shareholder Rights Directive (ARUG II) – which took effect on January 1, 2020 – and the new version of the German Corporate Governance Code of December 16, 2019 (published by the German Federal Ministry of Justice in the official section of the electronic Federal Gazette *(Bundesanzeiger)* on March 20, 2020). On the basis of reviews by the independent consultant, the Supervisory Board discussed a new remuneration system for the Executive Board in detail and finalized this at its meeting on March 17, 2020. This remuneration system was then approved by the Annual Shareholders' Meeting of Continental AG on July 14, 2020, with an approval rate of 97.41% (hereinafter "remuneration system").

The remuneration system has applied to the remuneration of members of the Executive Board of Continental AG since January 1, 2020. It is available online at www.continental.com under Company/Executive Board. This remuneration report describes the key elements of the remuneration system as well as the structure and amount of the remuneration for individual members of the Executive Board and Supervisory Board in the reporting year in accordance with Section 162 *AktG*.

The remuneration system for members of the Executive Board comprises a fixed component that is unrelated to performance as well as a variable component that is based on performance.

1. Fixed remuneration component

The fixed component that is unrelated to performance comprises the fixed annual salary, additional benefits and future benefit rights.

Additional benefits include (i) provision of a company car, which can also be for personal use, (ii) reimbursement of travel expenses, as well as relocation costs and expenses for running a second household, where this is required for work reasons, (iii) a regular health check, (iv) directors' and officers' (D&O) liability insurance with deductible in accordance with Section 93 (2) Sentence 3 *AktG*, (v) accident insurance, (vi) the employers' liability insurance association contribution including, where necessary, income tax incurred as a result, as well as (vii) health insurance and long-term care insurance contributions based on Section 257 of Book V of the German Social Code *(SGB V)* and Section 61 of Book XI of the German Social Code *(SGB XI)*.

In accordance with their future benefit rights, each member of the Executive Board is granted post-employment benefits that are paid starting at the age of 63, but not before they leave the service of Continental AG (hereinafter "insured event"). From January 1, 2014, the company pension for the members of the Executive Board was changed to a defined contribution commitment. A capital component is credited to the Executive Board member's pension account each year. To determine this, a fixed contribution, agreed by the Supervisory Board in the Executive Board member's service agreement, is multiplied by an age factor that represents an appropriate return. When the insured event occurs, the benefits are paid out as a lump sum, in installments or – as is normally the case due to the expected amount of the benefits – as a pension. Post-employment benefits must be adjusted after commencement of such benefit payments by 1% p.a. in accordance with Section 16 (3) No. 1 of the German Company Pensions Law *(Betriebsrentengesetz – BetrAVG)*.

For Nikolai Setzer, Helmut Matschi and Wolfgang Schäfer, the future benefit rights accrued until December 31, 2013, were converted at that time into a starting component in the capital account. In these cases, the post-employment benefits must be adjusted after commencement of such benefit payments by 1.75% p.a. to take account of the obligation stipulated in Section 16 (1) *BetrAVG*.

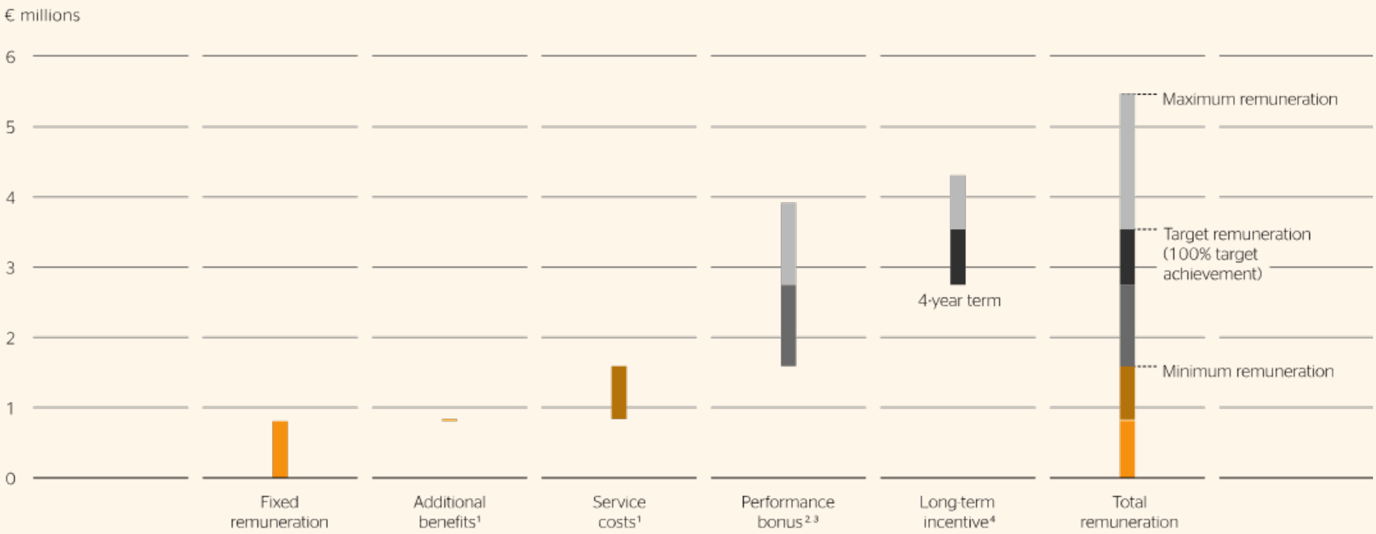
2. Variable remuneration component

The variable component that is based on performance comprises a short-term remuneration component (performance bonus without equity deferral) as well as long-term remuneration components (long-term incentive and equity deferral of the performance bonus). For the variable remuneration components, before the start of each fiscal year, target criteria are determined by the Supervisory Board with a view to its strategic goals, the provisions of Sections 87 and 87a *AktG* and the German Corporate Governance Code in its respective valid version, whereby the degree to which these criteria are met will determine the actual amount paid out.

The Supervisory Board may take the function and area of responsibility of the individual members of the Executive Board into account accordingly when determining the amount of the total target-based remuneration. As part of this, shares of the individual remuneration component for the total target-based remuneration are indicated below in percentage ranges. The precise proportions therefore vary depending on the functional differentiation as well as a possible change within the framework of the yearly remuneration review.

The fixed annual salary comprises 22% to 28% of the target remuneration, the performance bonus (excluding equity deferral) between 17% and 22%, and the equity deferral and long-term incentive between 33% and 38%. Future benefit rights make up between 17% and 23% of the target remuneration, and additional benefits make up approximately 1%.

Remuneration of an Executive Board Member responsible for a business area (example)



1 Average figure for 2021.
2 Based on a target amount (here €1.167 million) for 100% achievement of defined EBIT, ROCE and FCF targets as well as a personal contribution factor (PCF) of 1.0. A maximum of 200% of the target amount can be achieved.
3 From the net inflow of the performance bonus, shares of Continental AG with a value of 20% of the total gross amount of the performance bonus must be purchased and held for a period of three years.
4 Based on the allotment value, which is converted into virtual shares of Continental AG. The payment amount depends on the relative total shareholder return, the sustainability criteria achieved and the share price before the payment. A maximum of 200% of the allotment value can be achieved.

a) Performance bonus (short-term incentive, STI)

In the service agreement, the Supervisory Board agrees to a target amount for the performance bonus (hereinafter “STI target amount”) that is granted to each member of the Executive Board in the event of 100% target achievement. The maximum amount of the performance bonus is limited to 200% of the STI target amount.

The amount of the STI to be paid out depends on the extent to which a member of the Executive Board achieves the targets set by the Supervisory Board for this Executive Board member for the following three key financial indicators as performance criteria within the meaning of Section 87a (1) Sentence 2 No. 4 *AktG*:

- Earnings before interest and tax (hereinafter “EBIT”), adjusted for goodwill impairment as well as gains and/or losses from the disposal of parts of the company.
- Return on capital employed (hereinafter “ROCE”) as the ratio of EBIT (adjusted, as mentioned above) to average operating assets for the fiscal year.
- Cash flow before financing activities (hereinafter “free cash flow”), adjusted for cash inflows and outflows from the disposal or acquisition of companies and business operations.

The degree to which the EBIT target is achieved is weighted at 40%, the ROCE target at 30% and the free cash flow target at 30% in the calculation of the STI.

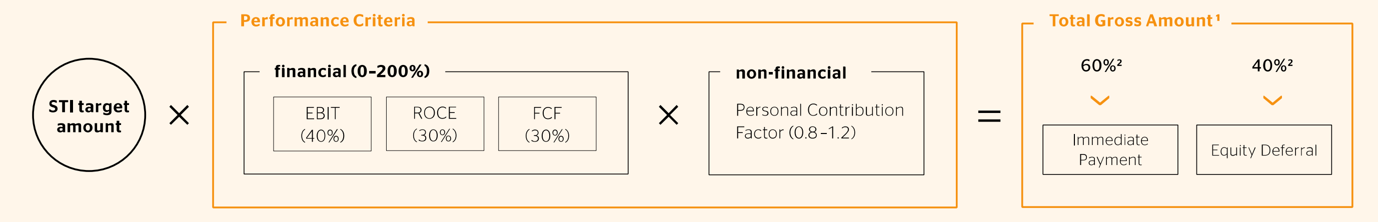
For each financial performance criterion, the target value for 100% target achievement corresponds to the value that the Supervisory Board agreed in each case for this financial performance criterion in the planning for the respective fiscal year.

For each financial performance criterion, the Supervisory Board determines the values for target achievement of 0% and 200% on an annual basis. The degree to which the target is achieved is calculated on a straight-line basis between 0% and 200% by comparing this with the respective actual value for the fiscal year.

In addition, prior to the start of each fiscal year, the Supervisory Board can determine personal, non-financial performance criteria to be included in target achievement in the form of a personal contribution factor (hereinafter "PCF") with a value between 0.8 and 1.2 for individual or all members of the Executive Board. In the event that the Supervisory Board does not determine a PCF for a member of the Executive Board, the PCF value is 1.0.

After the end of the fiscal year, the target achievement for each financial performance criterion is calculated on the basis of the audited consolidated financial statements of Continental AG, and the sum total of these financial performance criteria is multiplied by the STI target amount in accordance with the weighting described above. By multiplying this result by the PCF, the gross value of the STI amount to be paid (hereinafter "total gross amount") is determined.

Structure of the performance bonus (STI)



1 A maximum of 200% of the target amount can be achieved.
2 Net amount: from the net inflow of the performance bonus, shares of Continental AG with a value of 20% of the total gross amount of the performance bonus must be purchased and held for a period of three years; the corresponding gross amount was calculated assuming a tax and contribution ratio of 50% flat.

The financial and non-financial performance criteria for the performance bonus are intended to incentivize the members of the Executive Board to create value and to achieve or even exceed the short-term economic goals as well as motivate them to attain operational excellence. The PCF also allows the Supervisory Board to take into account the individual or collective achievements of the Executive Board members, based on non-financial performance criteria and goals, that are decisive for the operational implementation of the corporate strategy.

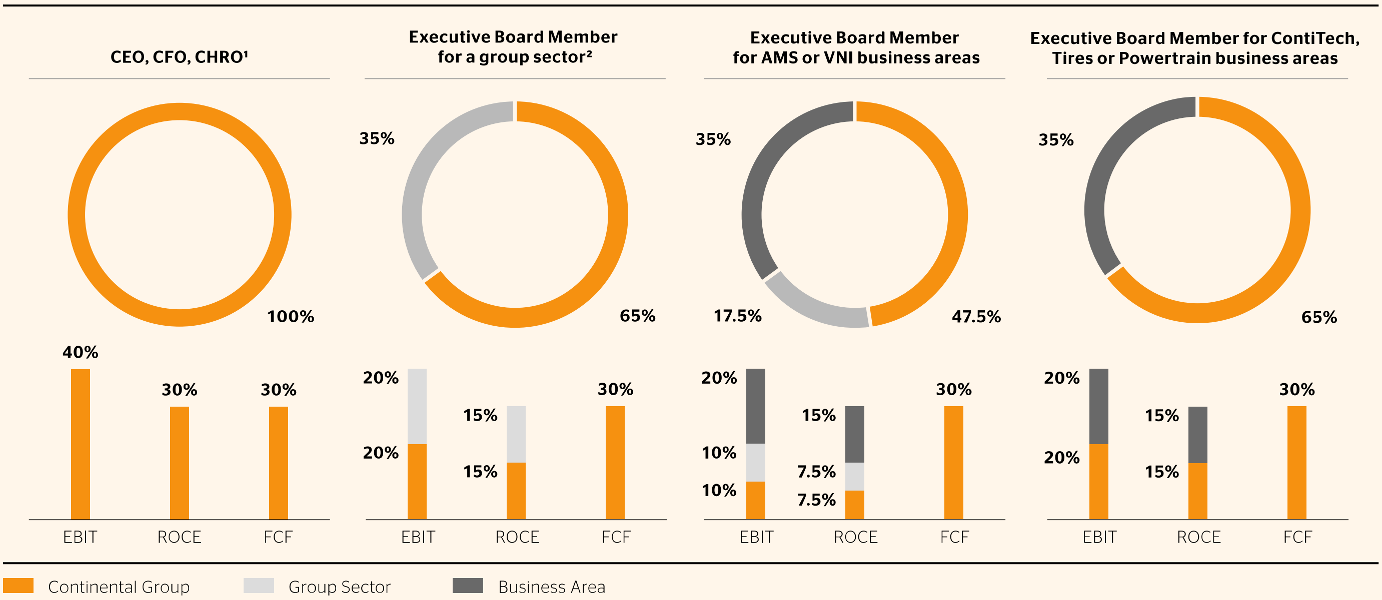
The performance bonus is intended firstly to reflect the overall responsibility for the company of the members of the Executive Board and promote collaboration among the group sectors, and secondly to provide independent leadership for the respective areas. When determining the targets and calculating the STI for each member of the Executive Board, the respective business responsibility is therefore taken into account as follows:

- For an Executive Board member whose area of responsibility covers the Continental Group as a whole – e.g. chief executive officer (CEO), chief financial officer (CFO), chief human relations officer (CHRO) – achievement of the EBIT and ROCE targets is measured based on the key figures determined for the Continental Group. For fiscal 2021, the performance bonus for the Executive Board member whose area of responsibility covered the Powertrain business area was also measured based on the key figures of the Continental Group due to the spin-off of this business area.
- For an Executive Board member whose area of responsibility covers a group sector, achievement of the EBIT and ROCE targets is measured based on the key figures determined for the Continental Group and for the group sector (50% each).
- For an Executive Board member whose area of responsibility covers the Autonomous Mobility and Safety (AMS) or Vehicle Networking and Information (VNI) business area, achievement of the EBIT and ROCE targets is measured based on the key figures determined for the Continental Group (25%), for the Automotive Technologies group sector (25%) and for the respective business area (50%).
- For an Executive Board member whose area of responsibility covers the ContiTech or Tires business area, achievement of the EBIT and ROCE targets is measured based on the key figures determined for the Continental Group (50%) and for the respective business area (50%).

› The same applied in fiscal 2020 for the Executive Board member whose area of responsibility covered the Powertrain business area.

› Achievement of the free cash flow target is measured for all Executive Board members based on free cash flow (FCF) for the Continental Group as a whole.

Short-term incentive (STI)
Consideration of business responsibility for financial performance criteria



1 For the 2021 STI ("granted" in 2022), the measurement of target achievement for the Executive Board member responsible for Powertrain was also based solely on the Continental Group's key figures due to the spin-off.
2 For the 2021 STI ("granted" in 2022), this weighting was not applied because an Executive Board member with sole responsibility for one group sector was not appointed.

Each member of the Executive Board is obligated to invest 20% of the total gross amount (generally corresponding to around 40% of the net payout amount) in shares of Continental AG. The remainder is paid out as short-term variable remuneration.

Each member of the Executive Board is obligated to hold the shares legally and economically for a period of at least three years from the day of acquisition. The shares acquired as deferral can be counted toward the obligation of the Executive Board member to acquire shares of Continental AG in accordance with the share ownership guideline presented in Section 3.

b) Long-term incentive (LTI)

The long-term incentive (hereinafter "LTI") is intended to promote the long-term commitment of the Executive Board to the company and its sustainable growth. Therefore, the long-term total shareholder return (hereinafter "TSR") of Continental shares, compared with an index consisting of European companies that are active in the automotive and tire industry and comparable with Continental AG (STOXX Europe 600 Automobiles & Parts (SXAGR); hereinafter "benchmark index"), is a key performance criterion for the LTI.

The second performance criterion is a sustainability score that is multiplied by the degree of target achievement in order to calculate the LTI to be paid. The amount of the LTI to be paid is based on the performance of the Continental share price over the term of the LTI.

Each LTI has a term of four fiscal years. In the service agreement, the Supervisory Board agrees to an allotment value in euros for the LTI with each member of the Executive Board. At the start of the first fiscal year of the term of the LTI plan, this allotment value is converted into a basic holding of virtual shares. The allotment value is divided by the arithmetic mean of Continental AG's closing share prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) in the last two months prior to the start of the term of the respective LTI plan (issue price).

The maximum amount of the LTI to be paid is limited to 200% of the allotment value, which is set out in the service agreement for the respective member of the Executive Board.

For the calculation of the relative TSR, after the four-year term of the LTI plan, the TSR on Continental shares (hereinafter "Continental TSR") is compared with the performance of the benchmark index over this time period.

If the Continental TSR corresponds to the benchmark TSR, the TSR target is 100% achieved. If the Continental TSR falls short of the benchmark TSR by 25 percentage points or more, the target achievement is 0%. If the Continental TSR exceeds the benchmark TSR by 25 percentage points or more, the target achievement is 150%. If the Continental TSR falls short of, or exceeds, the benchmark TSR by fewer than 25 percentage points, the degree to which the targets are achieved is calculated on a straight-line basis between 50% and 150%. A target achievement of more than 150% in the Continental TSR performance criterion is excluded.

The Supervisory Board sets out appropriate provisions in the event of changes to Continental's share capital, the listing of the Continental share or the benchmark index that have a substantial impact on the Continental TSR or the benchmark TSR.

The Executive Board of Continental AG adopted a sustainability strategy in fiscal 2019, which the Supervisory Board also integrated into the remuneration system. This sustainability strategy defined 12 material topics: climate protection, clean mobility, circular economy, sustainable supply chains, green and safe factories, good working conditions, product quality, corporate governance, innovation & digitalization, safe mobility, long-term profitability, and corporate citizenship. From these, the Executive Board identified the following strategic focus areas:

- Climate protection
- Clean mobility
- Circular economy
- Sustainable supply chains

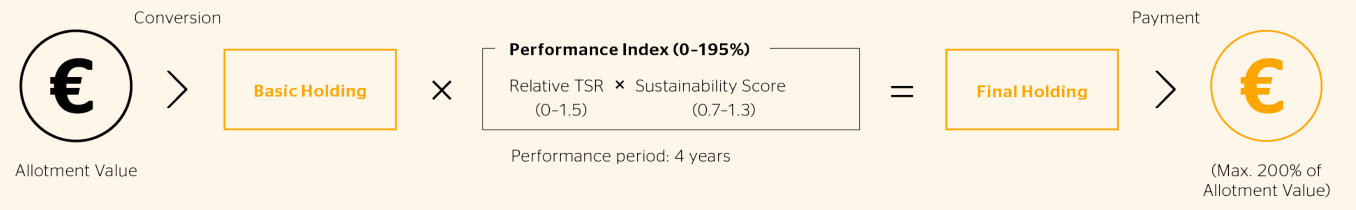
On this basis, the Supervisory Board set out up to six performance criteria and targets for the sustainability score of the respective LTI plan. These can be targets for CO_2 emissions and recycling quotas or the review of good working conditions for employees in the Continental Group (e.g. based on sick leave or accident rates).

The Supervisory Board determines the extent of the target achievement based on the audited consolidated financial statements and the non-financial statement of the Continental Group for the fourth fiscal year of the term of the LTI plan. For the calculation of the sustainability score, to the value of 0.7 for each target that has been achieved, a value is added that is determined by dividing 0.6 by the number of determined performance criteria. The sustainability score can be no higher than 1.3.

For the calculation of the LTI to be paid out, the relative TSR and the sustainability score for the performance index are first multiplied together. By multiplying the basic holding of virtual shares with the performance index, this results in the final holding of virtual shares.

The final holding of virtual shares is multiplied by the payout ratio in order to determine the gross amount of the LTI to be paid out in euros (hereinafter "payout amount"). The payout ratio is the sum of the arithmetic mean of Continental AG's closing share prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) on the trading days in the last two months prior to the next ordinary Annual Shareholders' Meeting that follows the end of the term of the LTI plan and the dividends paid out per share during the term of the LTI plan.

Structure of the 2021 long-term incentive (2021-2024 LTI)



3. Share ownership guideline

In addition to the remuneration components already mentioned, each member of the Executive Board is required to invest a minimum amount in Continental AG shares and to hold these shares during their term of office plus an additional two years after the end of their appointment and the end of their service agreement. The minimum amount to be invested by each member of the Executive Board is based on their agreed gross fixed annual salary. It amounts to 200% of the fixed annual salary of the chief executive officer and 100% of the fixed annual salary of all other members of the Executive Board. Executive Board members have four years to accumulate their shares.

For the duration of the mandatory holding period, a member of the Executive Board may neither pledge Continental shares acquired in accordance with the share ownership guideline nor otherwise hold them.

Remuneration System Prior to December 31, 2019

The remuneration system in place until December 31, 2019, (hereinafter “2019 remuneration system”) continued to have an impact in the reporting year on the remuneration of both active and former members of the Executive Board, in particular in relation to the long-term incentive (hereinafter “LTI”) and the virtual equity deferral granted until the end of 2019. In addition, the remuneration of Dr. Elmar Degenhart was based on the 2019 remuneration system until he left the Executive Board of Continental AG on November 30, 2020. The presentation of the 2019 remuneration system is therefore limited to the relevant remuneration components.

Variable remuneration elements

The Executive Board members also received variable remuneration in the form of a performance bonus and a share-based LTI. A key criterion for measuring variable remuneration was the Continental Value Contribution (hereinafter “CVC”). The CVC represents the absolute amount of additional value created. The delta CVC represents the change in absolute value creation compared to the prior year. The CVC is measured by subtracting the weighted average cost of capital (hereinafter “WACC”) from the return on capital employed (hereinafter “ROCE”) and multiplying this by the average operating assets for the fiscal year. The WACC calculated corresponds to the required minimum return. The cost of capital is calculated as the weighted average ratio of the cost of equity and borrowing costs. The return on capital employed (ROCE) is defined as the ratio of EBIT to average operating assets for the fiscal year. The ROCE corresponds to the rate of return on the capital employed and is used to assess profitability and efficiency.

a) Performance bonus

The performance bonus was based on a target amount that the Supervisory Board determined for each Executive Board member for 100% target achievement. Target criteria were the year-on-year change in the CVC and the return on capital employed (ROCE). For Executive Board members with responsibility for a particular business area, these criteria related to the relevant business area; for other Executive Board members, they related to the Continental Group. The CVC target was 100% achieved if the CVC was unchanged compared to the previous year. If the CVC fell or rose by a defined percentage, this element was reduced to zero or reached a maximum of 150%. In the case of a negative CVC in the previous year, target achievement was based on the degree of improvement. The criteria for the ROCE target were guided by planning targets. This component could also be omitted if a certain minimum value was not achieved.

The CVC target was weighted at 60% and the ROCE target at 40% in the calculation of the performance bonus. In any event, the performance bonus was capped at 150% of the target bonus.

The performance bonus achieved in a fiscal year was divided into a lump sum, which was paid out as an annual bonus (immediate payment), and a deferred payment (hereinafter “deferral”). The immediate payment amounted to 60% and the deferral 40% of the total gross amount. The deferral was converted into virtual shares of Continental AG. Following a holding period of three years after the end of the fiscal year for which the respective performance bonus was determined, the value of these virtual shares was paid out together with the value of the dividends that were distributed for the fiscal years of the holding period. The conversion of the deferral into virtual shares and payment of their value after the holding period were based on the average share price for the three-month period immediately preceding the Annual Shareholders’ Meeting in the year of conversion or payment. The possible increase in the value of the deferral was capped at 250% of the initial value. Future payments of the value of deferrals will still be made under the 2019 remuneration system, provided the three-year holding period for the virtual shares has expired.

b) Long-term incentive (LTI)

The LTI plan was resolved by the Supervisory Board on an annual basis with a term of four years in each case. It determined the target bonus to be paid for 100% target achievement for each Executive Board member, taking into account the Continental Group’s earnings and the member’s individual performance.

The first criterion for target achievement was the average CVC that the Continental Group actually generated in the four fiscal years during the term, starting with the fiscal year in which the tranche was issued. This value was compared to the average CVC, which was set in the strategic plan for the respective period. The degree to which this target was achieved could vary between 0% and a maximum of 200%. The other target criterion was the total shareholder return (hereinafter “TSR”) on Continental shares during the term of the tranche. To determine the TSR, the average price of the Continental share in the months from October to December was set prior to the beginning and at the end of the respective LTI tranche. In addition, all dividends paid during the term of the LTI tranche were taken into account for the TSR. The degree to which the TSR was achieved was multiplied by the degree to which the CVC target was achieved to determine the degree of target achievement on which the LTI that would actually be paid after the end of the term was based. The maximum payout amount was capped at 200% of the target bonus.

Future payments of the LTI tranches issued may still be made under the 2019 remuneration system.

Individual Remuneration of the Members of the Executive Board in Fiscal 2021

The tables below show the remuneration granted and owed to the individual members of the Executive Board based on the new requirements for the disclosure of fixed and variable remuneration components in accordance with Section 162 (1) Sentence 2 No. 1 *AktG*. Accordingly, remuneration is deemed to have been granted if it was actually paid to the Executive Board member in the past fiscal year, regardless of whether individual remuneration components relate to the past fiscal year. Remuneration owed refers to remuneration that is due in a fiscal year but has not yet been paid.

This means for this remuneration report that the performance bonus (short-term incentive, STI) for fiscal 2021 as well as the 2018–2021 LTI, both of which will be paid out in fiscal 2022, are to be classified as remuneration granted for fiscal 2022 and will therefore be the subject of the remuneration report for the coming reporting year. In addition, the remuneration components earned in the past fiscal year are presented individually as a voluntary disclosure. Remuneration components are deemed to have been earned for the purposes of this presentation if they – similarly to the performance bonus for fiscal 2021 and the 2018–2021 LTI – relate to the past fiscal year but were not yet paid to the Executive Board member in the past fiscal year:

Presentation of the fixed and variable remuneration components of individual active members of the Executive Board in fiscal 2021 (Section 162 (1) Sentence 2 No. 1 *AktG*)

	Service agreement commitments/ target amounts					Granted and owed[2] as defined in Section 162 (1) Sentence 1 AktG			Earned[3]		
In € thousands	**2021[1]**	Relative share in %	2021 (min.)	2021 (max.)	2020[1]	**2021**	Relative share in %	2020	**2021**	Relative share in %	2020
Nikolai Setzer Chairman of the Executive Board since December 1, 2020 Member of the Executive Board since August 12, 2009											
Fixed remuneration	1,450	26.3	1,450	1,450	828	1,450	78.6	828	1,450	25.7	828
Additional benefits	20	0.3	20	20	15	20	1.1	15	20	0.3	15
Short-term variable remuneration											
Performance bonus (immediate payment)	1,500	27.2	0	3,000	768	84	4.6	209	2,363	41.9	84
Long-term variable remuneration											
Performance bonus (deferral) [from 2020][4]	1,000	18.1	0	2,000	512	56[5]	3.0	–	1,576[6]	27.9	56[5]
Performance bonus (deferral) [until 2019][7]	–	–	–	–	–	235[8]	12.7	286[9]	235[8]	4.2	286[9]
Long-term incentive	1,550	28.1	0	3,100	847	0	0.0	0	0	0.0	0
Total	**5,520**		**1,470**	**9,570**	**2,970**	**1,845**		**1,338**	**5,644**		**1,269**
Severance payment	–				–	–		–	–		–
Fixed/variable ratio in %	26.6/73.4					79.7/20.3			26.0/74.0		
Total remuneration	**5,520**	**100.0**			**2,970**	**1,845**	**100.0**	**1,338**	**5,644**	**100.0**	**1,269**
Hans-Jürgen Duensing ContiTech Member of the Executive Board from May 1, 2015 to May 31, 2021											
Fixed remuneration	333	28.9	333	333	773	333	37.6	773	333	23.1	773
Additional benefits	12	1.0	12	12	23	12	1.3	23	12	0.8	23
Short-term variable remuneration											
Performance bonus (immediate payment)	290	25.2	0	580	700	140	15.8	126	475	32.9	140
Long-term variable remuneration											
Performance bonus (deferral) [from 2020][4]	193	16.8	0	386	467	93[5]	10.5	–	317[6]	21.9	93[5]
Performance bonus (deferral) [until 2019][7]	–	–	–	–	–	308[8]	34.8	312[9]	308[8]	21.3	312[9]
Long-term incentive	324	28.1	0	652	783	0	0.0	0	0	0.0	0
Total	**1,152**		**345**	**1,963**	**2,746**	**886**		**1,234**	**1,445**		**1,341**
Severance payment	–				–	–		–	–		–
Fixed/variable ratio in %	29.9/70.1					38.9/61.1			23.9/76.1		
Total remuneration	**1,152**	**100.0**			**2,746**	**886**	**100.0**	**1,234**	**1,445**	**100.0**	**1,341**

	Service agreement commitments/ target amounts					Granted and owed[2] as defined in Section 162 (1) Sentence 1 AktG			Earned[3]		
In € thousands	**2021[1]**	Relative share in %	2021 (min.)	2021 (max.)	2020[1]	**2021**	Relative share in %	2020	**2021**	Relative share in %	2020
Katja Dürrfeld Group Finance and Controlling and Group IT Member of the Executive Board since December 14, 2021											
Fixed remuneration	40	29.0	40	40	–	40	97.6	–	40	30.3	–
Additional benefits	1	0.7	1	1	–	1	2.4	–	1	0.8	–
Short-term variable remuneration											
Performance bonus (immediate payment)	35	25.4	0	70	–	–	–	–	55	41.7	–
Long-term variable remuneration											
Performance bonus (deferral) [from 2020][4]	23	16.7	0	46	–	–	–	–	36[6]	27.2	–
Performance bonus (deferral) [until 2019][7]	–	–	–	–	–	–	–	–	–	–	–
Long-term incentive	39	28.2	0	78	–	–	–	–	–	–	–
Total	**138**		**41**	**235**	**–**	**41**		**–**	**132**		**–**
Severance payment	–				–	–		–	–		–
Fixed/variable ratio in %	29.7/70.3					100.0/0.0			31.1/68.9		
Total remuneration	**138**	**100.0**			**–**	**41**	**100.0**	**–**	**132**	**100.0**	**–**
Frank Jourdan Autonomous Mobility and Safety (AMS) Member of the Executive Board from September 25, 2013 to December 31, 2021											
Fixed remuneration	800	13.8	800	800	773	800	18.3	773	800	16.1	733
Additional benefits	34	0.6	34	34	29	34	0.8	29	34	0.7	29
Short-term variable remuneration											
Performance bonus (immediate payment)	700	12.0	0	1,400	700	76	1.7	126	436	8.8	76
Long-term variable remuneration											
Performance bonus (deferral) [from 2020][4]	467	8.0	0	934	467	51[5]	1.2	–	291[6]	5.8	51[5]
Performance bonus (deferral) [until 2019][7]	–	–	–	–	–	390[8]	8.9	98[9]	390[8]	7.8	98[9]
Long-term incentive	783	13.5	0	1,566	783	0	0.0	0	0	0.0	0
Total	**2,784**		**834**	**4,734**	**2,752**	**1,351**		**1,026**	**1,951**		**987**
Severance payment	3,028	52.1			–	3,028	69.1	–	3,028	60.8	–
Fixed/variable ratio in %	66.5/33.5					88.2/11.8			77.6/22.4		
Total remuneration	**5,812**	**100.0**			**2,752**	**4,379**	**100.0**	**1,026**	**4,979**	**100.0**	**987**
Christian Kötz Tires Member of the Executive Board since April 1, 2019											
Fixed remuneration	800	28.9	800	800	773	800	83.8	773	800	29.2	733
Additional benefits	23	0.8	23	23	17	23	2.4	17	23	0.8	17
Short-term variable remuneration											
Performance bonus (immediate payment)	700	25.2	0	1,400	700	79	8.3	348	1,149	42.0	79
Long-term variable remuneration											
Performance bonus (deferral) [from 2020][4]	467	16.8	0	934	467	53[5]	5.5	–	765[6]	28.0	53[5]
Performance bonus (deferral) [until 2019][7]	–	–	–	–	–	–	–	–	–	–	–
Long-term incentive	783	28.3	0	1,566	783	–	–	–	–	–	–
Total	**2,773**		**823**	**4,723**	**2,740**	**955**		**1,138**	**2,737**		**882**
Severance payment	–				–	–		–	–		–
Fixed/variable ratio in %	29.7/70.3					86.2/13.8			30.0/70.0		
Total remuneration	**2,773**	**100.0**			**2,740**	**955**	**100.0**	**1,138**	**2,737**	**100.0**	**882**

In € thousands	Service agreement commitments/ target amounts					Granted and owed[2] as defined in Section 162 (1) Sentence 1 AktG			Earned[3]		
	2021[1]	Relative share in %	2021 (min.)	2021 (max.)	2020[1]	**2021**	Relative share in %	2020	**2021**	Relative share in %	2020
Helmut Matschi Vehicle Networking and Information (VNI) Member of the Executive Board from August 12, 2009 to December 31, 2021											
Fixed remuneration	800	11.6	800	800	773	800	13.6	773	800	13.3	733
Additional benefits	24	0.4	24	24	18	24	0.4	18	24	0.4	18
Short-term variable remuneration											
Performance bonus (immediate payment)	700	10.1	0	1,400	700	76	1.3	126	436	7.2	76
Long-term variable remuneration											
Performance bonus (deferral) [from 2020][4]	467	6.8	0	934	467	515	8.7	–	291[6]	4.8	51[5]
Performance bonus (deferral) [until 2019][7]	–	–	–	–	–	336[8]	5.7	91[9]	336[8]	5.6	91[9]
Long-term incentive	783	11.3	0	1,566	783	0	0.0	0	0	0.0	0
Total	**2,774**		**824**	**4,724**	**2,741**	**1,751**		**1,008**	**1,887**		**969**
Severance payment	4,135	59.8			–	4,135	70.3	–	4,135	68.7	–
Fixed/variable ratio in %	71.8/28.2					84.3/15.7			82.4/17.6		
Total remuneration	**6,909**	**100.0**			**2,741**	**5,886**	**100.0**	**1,008**	**6,022**	**100.0**	**969**
Philip Nelles ContiTech Member of the Executive Board since June 1, 2021											
Fixed remuneration	467	28.8	467	467	–	467	97.9	0	467	29.2	–
Additional benefits	10	0.6	10	10	–	10	2.1	0	10	0.6	–
Short-term variable remuneration											
Performance bonus (immediate payment)	411	25.4	0	822	–	–	–	–	674	42.1	–
Long-term variable remuneration											
Performance bonus (deferral) [from 2020][4]	274	16.9	0	548	–	–	–	–	449[6]	28.1	–
Performance bonus (deferral) [until 2019][7]	–	–	–	–	–	–	–	–	–	–	–
Long-term incentive	459	28.3	0	918	–	–	–	–	–	–	–
Total	**1,621**		**477**	**2,765**	**–**	**477**		**–**	**1,600**		**–**
Severance payment	–				–	–		–	–		–
Fixed/variable ratio in %	29.4/70.6					100.0/0.0			29.8/70.2		
Total remuneration	**1,621**	**100.0**			**–**	**477**	**100.0**	**–**	**1,600**	**100.0**	**–**
Dr. Ariane Reinhart Group Human Relations and Sustainability Member of the Executive Board since October 1, 2014											
Fixed remuneration	1,100	34.7	1,100	1,100	1,063	1,100	68.6	1,063	1,100	33.2	1,063
Additional benefits	13	0.4	13	13	14	13	0.8	14	13	0.4	14
Short-term variable remuneration											
Performance bonus (immediate payment)	700	22.1	0	1,400	700	76	4.7	126	1,103	33.3	76
Long-term variable remuneration											
Performance bonus (deferral) [from 2020][4]	467	14.7	0	934	467	51[5]	3.2	–	735[6]	22.1	51[5]
Performance bonus (deferral) [until 2019][7]	–	–	–	–	–	364[8]	22.7	239[9]	364[8]	11.0	239[9]
Long-term incentive	893	28.1	0	1,786	893	0	0.0	0	0	0.0	0
Total	**3,173**		**1,113**	**5,233**	**3,137**	**1,604**		**1,442**	**3,315**		**1,443**
Severance payment	–				–	–		–	–		–
Fixed/variable ratio in %	35.1/64.9					69.4/30.6			33.6/66.4		
Total remuneration	**3,173**	**100.0**			**3,137**	**1,604**	**100.0**	**1,442**	**3,315**	**100.0**	**1,443**

In € thousands	Service agreement commitments/ target amounts					Granted and owed[2] as defined in Section 162 (1) Sentence 1 AktG			Earned[3]		
	2021[1]	Relative share in %	2021 (min.)	2021 (max.)	2020[1]	**2021**	Relative share in %	2020	**2021**	Relative share in %	2020
Wolfgang Schäfer Group Finance and Controlling and Group IT Member of the Executive Board from January 1, 2010 to November 17, 2021											
Fixed remuneration	969	34.6	969	969	1,063	969	65.5	1,063	969	32.6	1,063
Additional benefits	20	0.7	20	20	17	20	1.4	17	20	0.7	17
Short-term variable remuneration											
Performance bonus (immediate payment)	616	22.0	0	1,232	700	76	5.1	126	970	32.7	76
Long-term variable remuneration											
Performance bonus (deferral) [from 2020][4]	411	14.7	0	822	467	51[5]	3.4	–	647[6]	21.8	51[5]
Performance bonus (deferral) [until 2019][7]	–	–	–	–	–	364[8]	24.6	239[9]	364[8]	12.2	239[9]
Long-term incentive	785	28.0	0	1,570	893	0	0.0	0	0	0.0	0
Total	**2,801**		**989**	**4,613**	**3,140**	**1,480**		**1,445**	**2,970**		**1,446**
Severance payment	–				–	–		–	–		–
Fixed/variable ratio in %	35.3/64.7					66.9/33.1			33.3/66.7		
Total remuneration	**2,801**	**100.0**			**3,140**	**1,480**	**100.0**	**1,445**	**2,970**	**100.0**	**1,446**
Andreas Wolf Powertrain Member of the Executive Board from June 3, 2020 to September 15, 2021											
Fixed remuneration	567	29.0	567	567	448	567	64.5	448	567	30.2	448
Additional benefits	12	0.6	12	12	8	12	1.4	8	12	0.6	8
Short-term variable remuneration											
Performance bonus (immediate payment)	495	25.3	0	990	406	180	20.4	–	780	41.5	180
Long-term variable remuneration											
Performance bonus (deferral) [from 2020][4]	330	16.9	0	660	270	120[5]	13.7	–	520[6]	27.7	120[5]
Performance bonus (deferral) [until 2019][7]	–	–	–	–	–	–	–	–	–	–	–
Long-term incentive	553	28.2	0	1,206	454	–	–	–	–	–	–
Total	**1,957**		**579**	**3,435**	**1,586**	**879**		**456**	**1,879**		**756**
Severance payment	–				–	–		–	–		–
Fixed/variable ratio in %	29.6/70.4					65.9/34.1			30.8/69.2		
Total remuneration	**1,957**	**100.0**			**1,586**	**879**	**100.0**	**456**	**1,879**	**100.0**	**756**

1 The performance bonus (immediate payment) and performance bonus (deferral) [from 2020] as well as the long-term incentive based on 100% target achievement.
2 There are no remuneration elements owed as defined in Section 162 (1) Sentence 1 AktG, i.e. due but not yet paid.
3 Voluntary disclosure – earned in terms of the remuneration to be paid for the respective fiscal year, whereby the variable elements of performance bonus (immediate payment) and (deferral) as well as the LTI are paid out only in fiscal year n+1.
4 From the net inflow of the performance bonus, shares of Continental AG with a value of 20% of the total gross amount must be purchased and held for a period of three years; the corresponding gross amount was calculated assuming a tax and contribution ratio of 50% flat.
5 Equity deferral from the 2020 performance bonus.
6 Equity deferral from the 2021 performance bonus.
7 Based on the 2019 remuneration system; settlement and payment of the virtual shares of the deferral.
8 Equity deferral from the 2017 performance bonus.
9 Equity deferral from the 2016 performance bonus.

Presentation of the granted remuneration of individual former members of the Executive Board in fiscal 2021 (Section 162 (1) and (2) *AktG*)

	Fixed remuneration		Additional benefits		Variable remuneration		Benefit payments		Other benefits[1]		**Total remuneration**
	in € thousands	Relative share in %	in € thousands	Relative share in %	in € thousands	Relative share in %	in € thousands	Relative share in %	in € thousands	Relative share in %	**in € thousands**
Wolfgang Schäfer[2] (until November 17, 2021)	40	100.0	–	–	–	–	–	–	–	–	40
Andreas Wolf (until September 15, 2021)	–	–	–	–	–	–	–	–	–	–	–
Hans-Jürgen Duensing[3] (until May 31, 2021)	133	32.7	6	1.5	–	–	–	–	268	65.8	407
Dr. Elmar Degenhart (until November 30, 2020)	–	–	–	–	780[4]	42.7	–	–	1,047	57.3	1,827
José A. Avila (until September 30, 2018)	–	–	–	–	390[4]	32.7	–	–	803	67.3	1,193
Dr. Ralf Cramer (until August 11, 2017)	–	–	2	1.0	222[4]	105.7	–	–	-14	-6.7	210
Heinz-Gerhard Wente (until April 30, 2015)	–	–	–	–	–	–	408	100.0	–	–	408

1 Other benefits in fiscal 2021 include only the granting of compensation for non-competition.
2 Resignation as at November 17, 2021; end of service agreement as at January 31, 2022.
3 Resignation as at May 31, 2021; end of service agreement as at July 31, 2021.
4 Equity deferral from the 2017 performance bonus.

Target criteria, degree of achievement and target achievement of the performance bonus granted in the past fiscal year for fiscal 2020 in accordance with Section 162 (1) Sentence 2 No. 1 *AktG*

	Degree of achievement			**Target achievement**	
Target criteria 2020	0%	100%	200%	Result 2020	**in %**
EBIT in € thousands					
Continental Group	975	1,393	1,811	-231	0.0
Automotive group sector	397	567	737	-948	0.0
AMS business area	344	491	638	-98	0.0
VNI business area	53	76	99	-849	0.0
Tires business area	1,005	1,435	1,866	1,013	1.9
ContiTech business area	233	336	434	257	23.1
Powertrain business area	-627	-482	-337	-460	115.6
ROCE in %					
Continental Group	2.6	5.6	8.6	-1.0	0.0
Automotive group sector	2.6	5.6	8.6	-10.7	0.0
AMS business area	6.6	9.6	12.6	-2.1	0.0
VNI business area	-1.5	1.5	4.5	-20.2	0.0
Tires business area	15.2	18.2	21.2	14.3	0.0
ContiTech business area	6.9	9.9	12.9	7.8	30.0
Powertrain business area	-16.5	-13.5	-10.5	-14.4	70.0
Free cash flow in € thousands					
Continental Group	559	798	1,038	646	36.3

Individual weighting and target achievement of the 2020 performance bonus of active members of the Executive Board in fiscal 2020

Target achievement 2020 (“granted” in 2021)	Continental Group			Automotive group sector		Business area		PCF	STI target amount	Total target achievement	**Total amount**
Weighting in %	EBIT	ROCE	FCF	EBIT	ROCE	EBIT	ROCE		in € thousands	in %	**in € thousands**
Members of the Executive Board in 2020											
Nikolai Setzer Chairman of the Executive Board (since December 1, 2020)	40.0	30.0	30.0	–	–	–	–	1.0	212	10.9	23
Nikolai Setzer Automotive Board (until November 30, 2020)	20.0	15.0	30.0	20.0	15.0	–	–	1.0	1,068	10.9	116
Hans-Jürgen Duensing ContiTech	20.0	15.0	30.0			20.0	15.0	1.0	1,167	20.0	234
Frank Jourdan AMS	10.0	7.5	30.0	10.0	7.5	20.0	15.0	1.0	1,167	10.9	127
Christian Kötz Tires	20.0	15.0	30.0	–	–	20.0	15.0	1.0	1,167	11.3	132
Helmut Matschi VNI	10.0	7.5	30.0	10.0	7.5	20.0	15.0	1.0	1,167	10.9	127
Dr. Ariane Reinhart Group Human Relations and Sustainability	40.0	30.0	30.0	–	–	–	–	1.0	1,167	10.9	127
Wolfgang Schäfer Group Finance and Controlling and Group IT	40.0	30.0	30.0	–	–	–	–	1.0	1,167	10.9	127
Andreas Wolf Powertrain (since June 3, 2020)	20.0	15.0	30.0	–	–	20.0	15.0	1.0	678	44.5	301

The Supervisory Board did not set any targets for the PCF for any of the Executive Board members for fiscal 2020. As a result, the value of the PCF is 1.0.

As the performance bonus for Dr. Elmar Degenhart was still based on the 2019 remuneration system, the CVC target criterion was used exclusively to measure target achievement (see aforementioned description of the 2019 remuneration system). As the CVC in fiscal 2020 did not improve compared with fiscal 2019, the target achievement was zero and a performance bonus for fiscal 2020 was not paid.

Target criteria, degree of achievement and target achievement of the performance bonus earned in the past fiscal year for fiscal 2021 (voluntary disclosure)

	Degree of achievement			**Target achievement**	
Target criteria 2021	0%	100%	200%	Result 2021	**in %**
EBIT in € thousands					
Continental Group	722	1,031	1,341	1,344	200.0
Automotive group sector	57	82	107	-408	0.0
AMS business area	120	172	223	-128	0.0
VNI business area	-206	-86	34	-280	0.0
Tires business area	847	1,210	1,573	1,701	200.0
ContiTech business area	191	273	355	359	200.0
ROCE in %					
Continental Group	1.6	4.6	7.6	6.3	156.7
Automotive group sector	-2.1	0.9	3.9	-5.0	0.0
AMS business area	0.5	3.5	6.5	-2.8	0.0
VNI business area	-5.2	-2.2	0.8	-7.7	0.0
Tires business area	14.1	17.1	20.1	25.7	200.0
ContiTech business area	5.7	8.7	11.7	11.7	200.0
Free cash flow in € thousands					
Continental Group	1,089	1,555	2,022	1,564	101.8

Individual weighting and target achievement of the 2021 performance bonus of active members of the Executive Board in fiscal 2021

Target achievement 2021 (“earned” in 2021)	Continental Group			Automotive group sector		Business area		PCF	STI target amount	Total target achievement	**Total amount**
Weighting in %	EBIT	ROCE	FCF	EBIT	ROCE	EBIT	ROCE		in € thousands	in %	**in € thousands**
Members of the Executive Board in 2021											
Nikolai Setzer Chairman of the Executive Board	40.0	30.0	30.0	–	–	–	–	1.0	2,500	157.6	3,939
Hans-Jürgen Duensing ContiTech (until May 31, 2021)	20.0	15.0	30.0	–	–	20.0	15.0	1.0	483	164.1	792
Katja Dürrfeld Group Finance and Controlling and Group IT (since December 14, 2021)	40.0	30.0	30.0	–	–	–	–	1.0	58	157.6	91
Frank Jourdan AMS	10.0	7.5	30.0	10.0	7.5	20.0	15.0	1.0	1,167	62.3	727
Christian Kötz Tires	20.0	15.0	30.0	–	–	20.0	15.0	1.0	1,167	164.1	1,914
Helmut Matschi VNI	10.0	7.5	30.0	10.0	7.5	20.0	15.0	1.0	1,167	62.3	727
Philip Nelles ContiTech (since June 1, 2021)	20.0	15.0	30.0	–	–	20.0	15.0	1.0	684	165.0	1,122
Dr. Ariane Reinhart Group Human Relations and Sustainability	40.0	30.0	30.0	–	–	–	–	1.0	1,167	157.6	1,837
Wolfgang Schäfer Group Finance and Controlling and Group IT (until November 17, 2021)	40.0	30.0	30.0	–	–	–	–	1.0	1,026	157.6	1,617
Andreas Wolf[1] Powertrain (until September 15, 2021)	40.0	30.0	30.0	–	–	–	–	1.0	825	157.6	1,300

1 Andreas Wolf will be measured only against the targets of the Continental Group due to the spin-off of Vitesco Technologies in fiscal 2021.

The Supervisory Board did not set any targets for the PCF for any of the Executive Board members for fiscal 2021. As a result, the value of the PCF is 1.0.

2017–2020 long-term incentive

The target value of the CVC for the 2017–2020 LTI tranche (granted in 2021), which was paid out in fiscal 2021, was €2.53 billion based on 100% target achievement. If the actual value of the CVC fell short of the target value for the CVC by 50% or more, the target achievement for the CVC target criterion was 0%. If the actual value of the CVC exceeded the target value for the CVC by 50% or more, the target achievement for the CVC target criterion was 200%. Intermediate values were calculated on a straight-line basis.

The initial share price used to determine the TSR was €174.99, and the final share price was €107.08. In addition, all dividends paid during the term of the LTI tranche were taken into account for the TSR. The dividends amounted to €4.25 in 2017, €4.50 in 2018, €4.75 in 2019 and €3.00 in 2020.

	Allotment value 2017–2020 LTI	Target criterion 1 CVC	Target criterion 2 TSR	Total target achievement	**Total amount**
Members of the Executive Board in 2021	in € thousands	in %	in %	in %	**in € thousands**
Nikolai Setzer	783	0.0	70.6	0.0	0
Hans-Jürgen Duensing (until May 31, 2021)	783	0.0	70.6	0.0	0
Katja Dürrfeld (since December 14, 2021)	–	–	–	–	–
Frank Jourdan	783	0.0	70.6	0.0	0
Christian Kötz	–	–	–	–	–
Helmut Matschi	783	0.0	70.6	0.0	0
Philip Nelles (since June 1, 2021)	–	–	–	–	–
Dr. Ariane Reinhart	783	0.0	70.6	0.0	0
Wolfgang Schäfer (until November 17, 2021)	893	0.0	70.6	0.0	0
Andreas Wolf (until September 15, 2021)	–	–	–	–	–
Former members of the Executive Board					
Dr. Elmar Degenhart (until November 30, 2020)	1,517	0.0	70.6	0.0	0
José A. Avila (until September 30, 2018)	342	0.0	70.6	0.0	0
Dr. Ralf Cramer (until August 11, 2017)	120	0.0	70.6	0.0	0

2018–2021 long-term incentive

The target value of the CVC for the 2018–2021 LTI tranche (earned in 2021), which will be paid out in fiscal 2022, was €2.63 billion based on 100% target achievement. If the actual value of the CVC fell short of the target value for the CVC by 50% or more, the target achievement for the CVC target criterion was 0%. If the actual value of the CVC exceeded the target value for the CVC by 50% or more, the target achievement for the CVC target criterion was 200%. Intermediate values were calculated on a straight-line basis. The initial share price used to determine the TSR was €218.92, and the closing price was €98.32. In addition, all dividends paid during the term of the LTI tranche were taken into account for the TSR. The dividends amounted to €4.50 in 2018, €4.75 in 2019, €3.00 in 2020 and €0.00 in 2021.

Members of the Executive Board in 2021	Allotment value 2018–2021 LTI in € thousands	Target criterion 1 CVC in %	Target criterion 2 TSR in %	Total target achievement in %	**Total amount in € thousands**
Nikolai Setzer	783	0.0	50.5	0.0	0
Hans-Jürgen Duensing (until May 31, 2021)	667	0.0	50.5	0.0	0
Katja Dürrfeld (since December 14, 2021)	–	–	–	–	–
Frank Jourdan	783	0.0	50.5	0.0	0
Christian Kötz	–	–	–	–	–
Helmut Matschi	783	0.0	50.5	0.0	0
Philip Nelles (since June 1, 2021)	–	–	–	–	–
Dr. Ariane Reinhart	783	0.0	50.5	0.0	0
Wolfgang Schäfer (until November 17, 2021)	893	0.0	50.5	0.0	0
Andreas Wolf (until September 15, 2021)	–	–	–	–	–
Former members of the Executive Board					
Dr. Elmar Degenhart (until November 30, 2020)	1,130	0.0	50.5	0.0	0
José A. Avila (until September 30, 2018)	146	0.0	50.5	0.0	0

Benefit payments to former members of the Executive Board
Benefit payments totaling €5.297 million were paid to former Executive Board members who left the company in fiscal 2011 or earlier.

Benefits in the event of regular termination of employment (Section 162 (2) No. 3 *AktG*)
In the event of regular termination of their employment relationship, Executive Board members receive the following benefits:

› Future benefit rights as already described in this remuneration report.

› For each member of the Executive Board, a post-contractual non-compete covenant is agreed for a duration of two years. Over this period of time, appropriate compensation (compensation for non-competition) is granted at an amount of 50% of the most recently contractually agreed benefits each year.

Benefits in the event of premature termination of employment (Section 162 (2) No. 2 *AktG*)
In the event of premature termination of their employment relationship under Section 162 (2) *AktG*, Executive Board members receive the aforementioned benefits in accordance with Section 162 (2) No. 3 *AktG*, and in addition the following benefits:

› In the event of premature termination of Executive Board work without good cause, payments to be agreed where necessary that are made to the member of the Executive Board, including additional benefits, shall not exceed the value of two annual salaries (severance cap) or the value of remuneration for the remaining term of the service agreement of the Executive Board member. For the calculation of the severance cap, the total remuneration for the past fiscal year is taken into account, and if necessary also the expected total remuneration for the current fiscal year.

› Any severance payment is to be credited against the compensation for non-competition.

› If the Executive Board member dies during the term of the service agreement, his/her widow(er) or a registered life partner and any dependent orphans are entitled as joint creditors to the fixed remuneration for the month of death and the following six months, at most until the scheduled end date of the service agreement.

Benefits in the event of termination of employment (pursuant to Section 162 (2) Nos. 2 and 4 *AktG)*
Hans-Jürgen Duensing left the Executive Board prematurely on May 31, 2021. His service agreement ended on July 31, 2021. He received gross fixed remuneration of €133 thousand for the period from June 1, 2021, to July 31, 2021, and additional gross benefits of €6 thousand. In addition, he is entitled for this period to a pro rata share of the STI for fiscal 2021 and the 2021–2025 LTI. During this period, Hans-Jürgen Duensing was continuously available to ensure an orderly handover of his duties to his successor, Philip Nelles. The entitlement to compensation for non-competition starting from August 1, 2021, exceeded the pension entitlements in fiscal 2021. As a result, no benefit payments were made to Hans-Jürgen Duensing.

Wolfgang Schäfer left the Executive Board prematurely on November 17, 2021. His service agreement ended on January 31, 2022 ("termination date"). Wolfgang Schäfer was entitled to fixed remuneration until the termination date. Furthermore, Wolfgang Schäfer is entitled to the performance bonus for fiscal 2021 and on a pro rata basis until the termination date for fiscal 2022, as well as one twelfth of the contractual allotment value of the 2022–2025 LTI. His entitlements from earlier LTI tranches also remain unaffected. To compensate for the contractual claims that no longer arise as a result of the premature termination of the service agreement, a compensation claim was agreed in the gross amount of €6.693 million. Payments to Wolfgang Schäfer in accordance with the aforementioned arrangements and other heretofore unpaid variable remuneration elements depend on certain conditions. If these requirements are met, the company will make the payments at a later date.

Frank Jourdan left the Executive Board prematurely on December 31, 2021; his service agreement was terminated prematurely as of the same date. As compensation for claims from the premature termination of his service agreement, Frank Jourdan received a one-time gross severance payment of €3.028 million.

Helmut Matschi left the Executive Board prematurely on December 31, 2021; his service agreement was terminated prematurely as of the same date. As compensation for claims from the premature termination of his service agreement, Helmut Matschi received a one-time gross severance payment of €4.135 million.

Benefits from third parties to a member of the Executive Board (Section 162 (2) No. 1 *AktG*)

In fiscal 2021, the members of the Executive Board neither received nor were promised payments by a third party with respect to their activities on the Executive Board. The same applies to the benefits or commitments of other Continental Group companies.

Comparative presentation of the annual change in the remuneration of the members of the Executive Board, the company's earnings performance and the average remuneration of employees on a full-time equivalent basis in accordance with Section 162 (1) Sentence 2 No. 2 *AktG*

	Change 2017–2016 in %	Change 2018–2017 in %	Change 2019–2018 in %	Change 2020–2019 in %	**Change 2021–2020 in %**
Remuneration of the Executive Board[1]					
Members of the Executive Board in 2021					
Nikolai Setzer	-5.5	-10.9	-22.9	-39.5	37.8
Hans-Jürgen Duensing (until May 31, 2021)	67.8	-4.9	-19.7	-14.5	-6.5
Katja Dürrfeld (since December 14, 2021)	–	–	–	–	–
Frank Jourdan	-33.3	148.1	-37.7	-50.8	326.8
Christian Kötz	–	–	–	83.8	-16.2
Helmut Matschi	1.9	15.6	-12.7	-63.5	437.9
Philip Nelles (since June 1, 2021)	–	–	–	–	–
Dr. Ariane Reinhart	-15.4	26.8	7.3	-31.5	11.2
Wolfgang Schäfer (until November 17, 2021)	-6.3	1.2	-32.2	-41.6	2.4
Andreas Wolf (until September 15, 2021)	–	–	–	–	93.0
Former members of the Executive Board					
Dr. Elmar Degenhart (until November 30, 2020)	1.2	17.2	-36.8	-48.5	-11.4
José Avila (until September 30, 2018)	9.7	-16.5	-56.4	-11.9	19.8
Ralf Cramer (until August 11, 2017)	2.8	5.0	-48.4	-106.9	-275.0
Heinz-Gerhard Wente (until April 30, 2015)	-26.7	4.4	-69.2	-23.4	
Elke Strathmann (until April 25, 2014)	-43.3	-100.0	–	–	–
Earnings performance					
Continental AG: net income	45.1	-2.4	324.8	-84.5	54.3
Continental Group: adjusted EBIT	10.1	-13.3	-21.5	-58.7	41.6
Average employee remuneration based on full-time equivalent					
Reference group[2]	1.2	4.2	1.7	-2.6	3.0

1 Granted and owed remuneration as defined in Section 162 (1) Sentence 1 AktG.

2 Employees of the German companies of the Continental Group, with the exception of Konrad Hornschuch AG, Hornschuch Stolzenau GmbH, Elektrobit Automotive GmbH, Continental Trebbin GmbH & Co. KG, Continental Advanced Antenna GmbH and kek-Kaschierungen GmbH. These exempt companies are currently not integrated into the corporate-wide accounting systems; they employ less than 10% of all employees of German companies. Full-time employees (within the meaning of the collectively bargained or contractual weekly target working time) who were employed for a total of 360 social security days in fiscal 2021 as at December 31, 2021, excluding interns, trainees and posted workers; gross salary with employer share for social security and non-cash benefits; less severance pay and inventor remuneration.

Presentation of the number of granted or committed virtual shares based on the deferral of the performance bonus under the 2019 remuneration system – 2017 performance bonus (2018–2020 deferral)

	Deferral 2017	Initial share price	Number of virtual shares 2017	Final share price	Dividend for fiscal 2018 €4.75	Dividend for fiscal 2019 €3.00	Dividend for fiscal 2020 €0.00	**Payment deferral in 2021**
Members of the Executive Board in 2021	in € thousands	in €		in €	in € thousands	in € thousands	in € thousands	**in € thousands**
Nikolai Setzer	421	224.98	1,873	117.66	9	6	–	235
Hans-Juergen Duensing (until May 31, 2021)	552	224.98	2,452	117.66	11	7	–	308
Katja Dürrfeld (since December 14, 2021)	–	–	–	–	–	–	–	–
Frank Jourdan	700	224.98	3,112	117.66	15	9	–	390
Christian Kötz	–	–	–	–	–	–	–	–
Helmut Matschi	603	224.98	2,681	117.66	13	8	–	336
Philip Nelles (since June 1, 2021)	–	–	–	–	–	–	–	–
Dr. Ariane Reinhart	653	224.98	2,902	117.66	14	9	–	364
Wolfgang Schäfer (until November 17, 2021)	653	224.98	2,902	117.66	14	9	–	364
Andreas Wolf (until September 15, 2021)	–	–	–	–	–	–	–	–
Former members of the Executive Board								
Dr. Elmar Degenhart (until November 30, 2020)	1,399	224.98	6,218	117.66	29	19	–	780
José A. Avila (until September 30, 2018)	700	224.98	3,112	117.66	15	9	–	390
Dr. Ralf Cramer (until August 11, 2017)	399	224.98	1,773	117.66	8	5	–	222

Equity deferral performance bonus (from 2020) of active members of the Executive Board in fiscal 2021

	Number of shares	Total value of acquired shares[1]	Equity deferral amount[2]	Blocked until
		as at December 31, 2021		
Members of the Executive Board in 2021		in € thousands	in € thousands	
Nikolai Setzer				
Equity deferral performance bonus 2020	225	21		May 31, 2024
Equity deferral performance bonus 2021			1,576	–
Additional SOG holding obligation[3]	–	–		
Total	**225**	**21**		
SOG holding obligation[3]	–			–
Hans-Jürgen Duensing (until May 31, 2021)				
Equity deferral performance bonus 2020	378	35		May 31, 2024
Equity deferral performance bonus 2021			317	–
Additional SOG holding obligation	708	66		
Total	**1,086**	**101**		
SOG holding obligation	1,086			July 31, 2023
Katja Dürrfeld (from December 14, 2021)				
Equity deferral performance bonus 2020	–	–		–
Equity deferral performance bonus 2021			36	–
Additional SOG holding obligation[3]	–	–		
Total	**–**	**–**		
SOG holding obligation[3]	–			–
Frank Jourdan				
Equity deferral performance bonus 2020	206	19		May 31, 2024
Equity deferral performance bonus 2021			291	–
Additional SOG holding obligation	462	43		
Total	**668**	**62**		
SOG holding obligation	668			December 31, 2023
Christian Kötz				
Equity deferral performance bonus 2020	213	20		May 31, 2024
Equity deferral performance bonus 2021			765	–
Additional SOG holding obligation[3]	–	–		
Total	**213**	**20**		
SOG holding obligation[3]	–			–
Helmut Matschi				
Equity deferral performance bonus 2020	206	19		May 31, 2024
Equity deferral performance bonus 2021			291	–
Additional SOG holding obligation	308	29		
Total	**514**	**48**		
SOG holding obligation	514			December 31, 2023

Members of the Executive Board in 2021	Number of shares	Total value of acquired shares[1] as at December 31, 2021 in € thousands	Equity deferral amount[2] in € thousands	Blocked until
Philip Nelles				
Equity deferral performance bonus 2020	–	–	–	–
Equity deferral performance bonus 2021			449	–
Additional SOG holding obligation[3]	–	–		
Total	**–**	**–**		
SOG holding obligation[3]	–			–
Dr. Ariane Reinhart				
Equity deferral performance bonus 2020	206	19		May 31, 2024
Equity deferral performance bonus 2021			735	–
Additional SOG holding obligation[3]	–	–		
Total	**206**	**19**		
SOG holding obligation[3]	–			–
Wolfgang Schäfer (until November 17, 2021)				
Equity deferral performance bonus 2020	206	19		May 31, 2024
Equity deferral performance bonus 2021			647	–
Additional SOG holding obligation[4]	430	40		
Total	**636**	**59**		
SOG holding obligation[4]	636			January 31, 2024
Andreas Wolf (until September 15, 2021)				
Equity deferral performance bonus 2020	486	45		May 31, 2024
Equity deferral performance bonus 2021			520	–
Additional SOG holding obligation	760	71		
Total	**1,246**	**116**		
SOG holding obligation	1,246			September 15, 2023

1 Calculated using the closing price of the Continental share on December 30, 2021, in the Xetra system of Deutsche Börse AG, which stood at €93.11.
2 From the net inflow of the performance bonus, shares of Continental AG with a value of 20% of the "earned" total gross amount must be purchased and held for a period of three years; the corresponding gross amount of the deferral in the table on fixed and variable remuneration components of individual active members of the Executive Board in fiscal 2021 (Section 162 (1) Sentence 2 No. 1 AktG) was determined assuming a tax and contribution ratio of 50% flat.
3 As the accumulation period has not yet been completed, an SOG holding obligation does not yet exist.
4 As at January 31, 2022 (end of the accumulation period).

Malus and clawback provision pursuant to Section 162 (1) Sentence 2 No. 4 *AktG*

The Supervisory Board of Continental AG did not apply the malus and clawback provision in fiscal 2021 because the associated conditions were not met.

Deviation from the remuneration system pursuant to Section 162 (1) Sentence 2 No. 5 *AktG*

The company did not deviate from the remuneration system in fiscal 2021.

Compliance with the maximum remuneration pursuant to Section 162 (1) Sentence 2 No. 7 *AktG*

The maximum remuneration includes the fixed salary, additional benefits, the variable remuneration and the service cost. It totals €11.500 million gross for the chief executive officer, €6.700 million gross for the Executive Board members responsible for Finance and Human Relations, and €6.200 million gross for the other members of the Executive Board. The maximum remuneration will not be exceeded for the past fiscal year. Although it cannot be established definitively until 2025 whether the maximum remuneration has been exceeded because the answer depends on the payout amount of the 2021–2024 LTI tranche, the maximum remuneration for the past fiscal year will not be exceeded even if the maximum amount of the 2021–2024 LTI tranche is assumed to be paid out in 2025.

Pension entitlements pursuant to Section 162 (2) No. 3 *AktG*
The pension entitlements of the individual members of the Executive Board are presented below.

	Defined benefit obligation[1]		Service cost[2]	
In € thousands	**December 31, 2021**	December 31, 2020	**2021**	2020
Members of the Executive Board in 2021				
Nikolai Setzer	9,863	10,129	2,157	999
Hans-Jürgen Duensing (until May 31, 2021)	4,475	4,608	289	691
Katja Dürrfeld (since December 14, 2021)	81	–	25	–
Frank Jourdan	6,563	6,308	724	711
Christian Kötz	2,612	1,899	1,000	936
Helmut Matschi	9,875	9,927	832	805
Philip Nelles (since June 1, 2021)	637	–	588	–
Dr. Ariane Reinhart	7,699	7,431	1,125	920
Wolfgang Schäfer (until November 17, 2021)	14,781	14,618	860	844
Andreas Wolf (until September 15, 2021)	960	446	300	244

1 Provisions for pension entitlements accrued to date in accordance with IFRS.
2 Service cost for the year in accordance with IFRS.

Individual remuneration of the members of the Supervisory Board in fiscal 2021

Under the remuneration system for the Supervisory Board, each member of the Supervisory Board receives an annual fixed remuneration of €180 thousand. For the chairman and vice chairperson of the Supervisory Board, as well as the chairperson and members of a committee, a higher remuneration is paid. This is three times the regular fixed remuneration of a Supervisory Board member for the chairman of the Supervisory Board, 2.5 times as much for the chairman of the Audit Committee, two times as much for the chairperson of another committee, and 1.5 times as much for the vice chairperson of the Supervisory Board and for the members of a committee.

In addition, each Supervisory Board member receives meeting-attendance fees of €1 thousand for each Supervisory Board meeting that the member attends in person. This applies, mutatis mutandis, to personal attendance of committee meetings that do not take place on the same day as a Supervisory Board meeting. The members of the Supervisory Board also have their cash expenses reimbursed, in addition to the value added tax incurred by them for activities relating to Supervisory Board work.

Individual remuneration of the Supervisory Board in fiscal 2021
Presentation of the remuneration granted to individual active and former members of the Supervisory Board in fiscal 2021 in accordance with the requirements of Section 162 (1) Sentence 2 No. 1 *AktG*

	Remuneration components		
	2021		
In € thousands	Fixed[1]	Meeting-attendance fees	**Total**
Prof. Dr.-Ing. Wolfgang Reitzle[2]	540	0	540
Hasan Allak[3]	180	7	187
Christiane Benner[3, 4]	270	7	277
Dr. Gunter Dunkel	180	7	187
Francesco Grioli[3]	270	8	278
Michael Iglhaut[3]	270	23	293
Satish Khatu	180	5	185
Isabel Corinna Knauf	180	7	187
Carmen Löffler (since September 16, 2021)[3]	53	4	57
Sabine Neuß	180	10	190
Prof. Dr. Rolf Nonnenmacher	450	2	452
Dirk Nordmann[3]	270	7	277
Lorenz Pfau[3]	180	2	182
Klaus Rosenfeld	270	6	276
Georg F. W. Schaeffler	270	1	271
Maria-Elisabeth Schaeffler-Thumann	270	0	270
Jörg Schönfelder[3]	270	5	275
Stefan Scholz[3]	180	7	187
Elke Volkmann[3]	180	7	187
Kirsten Vörkel (until September 15, 2021)[3]	127	3	130
Prof. TU Graz e.h. KR Ing. Siegfried Wolf	180	8	188

1 The remuneration of the Supervisory Board comprises only a fixed remuneration.
2 Chairman of the Supervisory Board.
3 In accordance with the guidelines issued by the German Federation of Trade Unions, these employee representatives have declared that their board remuneration is transferred to the Hans Böckler Foundation and in one case to other institutions as well.
4 Vice chairperson of the Supervisory Board.

Comparative presentation of the annual change in the company's earnings performance, the remuneration of the members of the Supervisory Board and the remuneration of employees pursuant to Section 162 (1) Sentence 2 No. 2 *AktG*

Remuneration of the Supervisory Board[1]	Change 2017–2016 in %	Change 2018–2017 in %	Change 2019–2018 in %	Change 2020–2019 in %	**Change 2021–2020 in %**
Members of the Supervisory Board in 2021					
Prof. Dr.-Ing. Wolfgang Reitzle[2]	6.2	1.8	-32.3	34.9	2.7
Hasan Allak	–	–	–	98.9	2.2
Christiane Benner[3]	–	–	-18.6	36.5	3.0
Dr. Gunter Dunkel	5.5	2.1	-31.6	37.3	1.6
Francesco Grioli	–	–	316.7	34.5	3.3
Michael Iglhaut	40.0	1.7	-31.5	32.5	10.6
Satish Khatu	–	–	–	94.6	3.4
Isabel Corinna Knauf	–	–	–	98.9	2.2
Carmen Löffler (since September 16, 2021)	–	–	–	–	–
Sabine Neuß	5.5	1.6	-31.3	29.9	9.2
Prof. Dr. Rolf Nonnenmacher	5.1	1.9	-31.6	33.4	3.0
Dirk Nordmann	5.1	2.4	-32.0	36.0	1.8
Lorenz Pfau	–	–	–	97.8	0.0
Klaus Rosenfeld	5.5	2.8	-32.2	36.0	1.5
Georg F. W. Schaeffler	5.5	2.1	-31.8	30.7	2.7
Maria-Elisabeth Schaeffler-Thumann	5.6	0.5	4.2	-12.6	55.2
Jörg Schönfelder	5.9	0.7	-31.5	36.9	1.5
Stefan Scholz	5.5	2.1	-31.6	35.8	2.7
Elke Volkmann	7.3	2.1	-31.6	35.1	3.3
Kirsten Vörkel (until September 15, 2021)	5.5	2.1	-31.6	36.6	-29.0
Prof. TU Graz e.h. KR Ing. Siegfried Wolf	5.0	3.2	-32.7	31.8	8.0
Former members of the Supervisory Board					
Hans Fischl (until December 31, 2016)	-100.0	–	–	–	–
Prof. Dr.-Ing. Peter Gutzmer (until April 26, 2019)	6.7	1.0	-78.9	-100.0	–
Peter Hausmann (until October 31, 2018)	4.8	-14.0	-100.0	–	–
Prof. Dr. Klaus Mangold (until April 26, 2019)	6.1	2.1	-78.6	-100.0	–
Hartmut Meine (until February 28, 2018)	6.3	-83.6	-100.0	–	–
Gudrun Valten (until April 26, 2019)	–	2.1	-79.1	-100.0	–
Erwin Wörle (until September 23, 2016)	-22.3	2.1	-79.1	-100.0	–
Earnings performance					
Continental AG: net income	45.1	-2.4	324.8	-84.5	54.3
Continental Group: adjusted EBIT	10.1	-13.3	-21.5	-58.7	41.6
Average employee remuneration based on full-time equivalent					
Reference group[4]	1.2	4.2	1.7	-2.6	3.0

1 Granted and owed remuneration as defined in Section 162 (1) Sentence 1 AktG.
2 Chairman of the Supervisory Board.
3 Vice chairperson of the Supervisory Board.
4 Employees of the German companies of the Continental Group, with the exception of Konrad Hornschuch AG, Hornschuch Stolzenau GmbH, Elektrobit Automotive GmbH, Continental Trebbin GmbH & Co. KG, Continental Advanced Antenna GmbH and kek-Kaschierungen GmbH. These exempt companies are currently not integrated into the corporate-wide accounting systems; they employ less than 10% of all employees of German companies. Full-time employees (within the meaning of the collectively bargained or contractual weekly target working time) who were employed for a total of 360 social security days in fiscal 2021 as at December 31, 2021, excluding interns, trainees and posted workers; gross salary with employer share for social security and non-cash benefits; less severance pay and inventor remuneration.

Corporate Citizenship

Management Approach

As an active member of the global community, we demonstrate sustained commitment to social issues in many places around the world. We are primarily involved in the regions and markets in which we are present or that are directly influenced by our business activities. Our commitment focuses as far as possible on local social needs, and aims to make long-lasting, positive changes to the benefit of people's living conditions and the environment.

Community projects, donations and other charitable activities are therefore initiated and managed at a local level at the discretion of the decentral, distributed units. In particular, these include donations, local support for volunteer work (corporate volunteering), as well as partnerships with public and non-profit organizations, schools and universities. The focus is on projects and initiatives in the areas of education, diversity and equal opportunities, as well as with regard to environmental protection and road safety. Wherever possible, we also bring in aspects of our core business in order to make our employees' professional skills even more effective in a social context – such as in the form of mentoring programs.

Our corporate-wide donations directive defines the main content and processes for financial donations and donations in kind. As a general rule, we only make donations to charitable non-profit organizations. We do not make any donations, either directly or indirectly, to political parties, political organizations, or politicians. The option that our employees in the United States have of personally making political donations through a "political action committee" does not contradict this policy.

We also support and promote our employees' volunteer work.

Im Fokus

"Raising Heartbeats Challenge" – Global Fund-Raising Campaign Marking the Company's Anniversary

In 2021, in the week marking the company's 150-year anniversary, Continental launched its "Raising Heartbeats Challenge" – a global fund-raising campaign that company employees and external parties were able to take part in.

The donations were collected through a sports and exercise campaign: Anyone who verifiably pursued physical exercise for a total of 1.5 hours within a period of eight days contributed one "heart" that Continental converted into one euro cash donation. The sporting or exercise activities undertaken were documented by way of an app.

All told, over 190,000 people took part in the campaign, 160,000 of whom fulfilled the requirements for a donation. The donation totaling €160,000 collected in this way was increased by the company's management to a total of €180,000.

Employees were also able to participate in choosing the beneficiary social projects by voting for the "project close to their heart" from a preselection of international and local aid organizations.

The following recipient organizations and projects from six different countries won the most votes, and thus received a donation of €30,000 each:

- UERÊ project (Brazil): The UERÊ project is a privately funded school in the favelas (slums) of Rio de Janeiro that supports children and young people from disadvantaged social backgrounds in particular.
- Instituto de Rehabilitación al Maltrato de Menores "NEEDED" (Mexico): The Institute provides specialized care for abused children to promote their personal development and integration into families and society.
- Miyawaki Forests (India): The Miyawaki method can quickly create forest in degraded areas that have been used for other purposes such as agriculture or construction. The aim is to reduce air and noise pollution, promote biodiversity, and reduce CO_2 emissions.
- Food Bank Yokohama (Japan): This organization collects unused food items and food items marked to be discarded and distributes these to homeless people and social institutions.
- Unity in Africa (UINA) Foundation (South Africa): The UINA Foundation supports disadvantaged schoolchildren in Nelson Mandela Bay. As part of its program, it promotes and finds jobs for qualified engineers who are capable of employment and suitable for work, who have the will and passion to give their workplace added value.
- Code for Romania (Romania): A community of volunteers who develop digital open-source software tools. Their mission is to create innovations using open data, transparency, and civil society technologies.

Risks and Opportunities

Source: 2021 Annual Report > Management Report > Report on Risks and Opportunities starting p. 85)

The overall situation is analyzed and managed corporate-wide using the risk and opportunity management system.

The management of Continental is geared toward permanently increasing the value of each individual business unit. We evaluate risks and opportunities responsibly and on an ongoing basis in order to achieve our goal of adding value.

We define risk as the possibility of internal or external events occurring that can have a negative influence on the attainment of our strategic and operational targets. As a global corporation, Continental is exposed to a number of different risks, in particular due to the transformation in the mobility industry, that could impair business and, in extreme cases, threaten the company's existence. At the same time, this transformation also presents opportunities that we intend to consistently seize, as described in the Strategy of the Continental Group section. We accept manageable risks if the resulting opportunities are expected to result in sustainable growth in value. We consider growth in value in terms of the Continental Value Contribution (CVC) system described in the Corporate Management section.

Risk and Opportunity Management and Internal Control System

In order to operate successfully as a company in a complex business environment and to ensure the effectiveness, efficiency and propriety of accounting and compliance with the relevant legal and sub-legislative regulations, Continental has created a governance system that encompasses all relevant business processes. The governance system comprises the internal control system, the risk management system and the compliance management system, which is described in detail in the Compliance section on page 22. The risk management system in turn also includes the early risk identification system in accordance with Section 91 (2) of the German Stock Corporation Act *(Aktiengesetz – AktG)*.

The Executive Board is responsible for the governance system, which includes all subsidiaries. The Supervisory Board and its Audit Committee monitor its effectiveness.

Pursuant to Sections 289 (4) and 315 (4) of the German Commercial Code *(Handelsgesetzbuch – HGB)*, the main characteristics of the internal control and risk management system with respect to the accounting process must be described. All parts of the risk management system and internal control system that could have a material effect on the annual and consolidated financial statements must be included in the reporting.

Key elements of the corporate-wide control systems are the clear allocation of responsibilities and controls inherent in the system when preparing the financial statements. The two-person rule and separation of functions are fundamental principles of this organization. In addition, Continental's management ensures accounting that complies with the requirements of law via guidelines on the preparation of financial statements and on accounting, access authorizations for IT systems and regulations on the involvement of internal and external specialists.

The effectiveness of the financial reporting internal control system (Financial Reporting ICS) is evaluated in major areas by testing the effectiveness of the reporting units on a quarterly basis. In addition, Group Audit reviews the efficiency and effectiveness of control processes as well as compliance with internal and external requirements. If any weaknesses are identified, the Continental Group's management initiates the necessary measures.

As part of our opportunity management activities, we assess market and economic analyses and changes in legal requirements (e.g. with regard to fuel consumption and emission standards as well as safety regulations). In addition, we deal with the corresponding effects on the automotive sector and other relevant markets, our production factors and the composition and further development of our product portfolio.

Governance, risk and compliance (GRC)
In the GRC policy adopted by the Executive Board, Continental defines the general conditions for integrated GRC as a key element of the risk management system, which regulates the identification, assessment, reporting and documentation of risks. In addition, this also further increases corporate-wide risk awareness and establishes the framework for a uniform risk culture. In the year under review, Continental systematized the calculation of risk-bearing capacity, among other things, in order to meet the extended requirements of the revised auditing standard IDW PS 340 n. F. However, this did not lead to any significant changes in the general flow of established processes.

The GRC system incorporates all components of risk reporting and the examination of the effectiveness of the Financial Reporting ICS. Risks are identified, assessed and reported at the organizational level that is also responsible for managing the identified risks.

Risk reporting

A multi-stage assessment process is used to involve also the higher-level organizational units. The GRC system thus includes all reporting levels, from the company level to the top corporate level.

At the corporate level, the responsibilities of the GRC Committee – chaired by the Executive Board member responsible for Finance, Controlling and IT – include identifying material risks for the Continental Group as well as complying with and implementing the GRC policy. The GRC Committee regularly informs the Executive Board and the Audit Committee of the Supervisory Board of the material risks, any weaknesses in the control system and measures taken. Moreover, the auditor is required to report to the Audit Committee of the Supervisory Board regarding any material weaknesses in the Financial Reporting ICS which they have identified as part of their audit activities.

Risk assessment and reporting

A period under consideration of one year is always applied when evaluating risks and opportunities. Risks and their effects are assessed using an end-to-end gross and net assessment methodology that helps to identify the impact of risk-minimizing measures. Risks are assessed primarily according to quantitative criteria in various categories. If a risk cannot be assessed quantitatively, then it is assessed qualitatively based on the potential negative effects its occurrence would have on achieving corporate goals and based on other qualitative criteria such as the impact on Continental's reputation. Risks and opportunities are not offset.

Material individual risks for the Continental Group are identified from all the reported risks based on the probability of occurrence and the potential amount of damage that would be caused in the period under consideration. Quantified risks are based on EBIT effect and free cash flow effect.

The individual risks that Continental has classified as material and the aggregated risks that have been assigned to risk categories are all described in the report on risks and opportunities, provided the potential negative effect of an individual risk or the sum of risks included in a category exceeds €100 million in the period under consideration or there is a significant negative impact on the corporate goals.

The aggregated risk inventory is compared with the risk-bearing capacity determined under both the liquidation and going-concern approaches, taking into account possible interactions, and is supplemented by a qualitative assessment by the GRC Committee on non-quantifiable risks in order to derive a statement on the potential risk to the Continental Group.

Local management can utilize various instruments for risk assessment, such as predefined risk categories (e.g. exchange-rate risks, product-liability risks, legal risks) and assessment criteria, centrally developed function-specific questionnaires as well as the Financial Reporting ICS's process and control descriptions. The key controls in business processes (purchase to pay, order to cash, asset management, HR, IT authorizations, the financial statement closing process and sustainability reporting) are thus tested with respect to their effectiveness.

All major subsidiaries carry out a semiannual assessment of business-related risks and an annual assessment of compliance risks in the GRC system's IT-aided risk management application. Any quality, legal and compliance cases that have actually occurred are also taken into account when assessing these risks. The quarterly Financial Reporting ICS completes regular GRC reporting.

Furthermore, strategic risks are identified and assessed, for example as part of a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats). Any new material risks arising ad hoc between regular reporting dates have to be reported immediately and considered by the GRC Committee. This also includes risks identified in the audits by corporate functions.

In addition to the risk analyses carried out by the reporting units as part of integrated GRC, audits are also performed by the Group Audit department. Furthermore, the central controlling function analyzes the key figures provided as part of this reporting process at corporate and group-sector level in order to assess the effects of potential risks.

Continental has set up the Compliance & Anti-Corruption Hotline to give employees and third parties outside the Continental Group the opportunity to report violations of legal regulations, its fundamental values and ethical standards. Information on any kind of potential violations, such as bribery or antitrust behavior, but also accounting manipulations, can be reported anonymously, where permissible by law, via this hotline. Tips received by the hotline are examined, pursued and dealt with fully by the Group Audit and Compliance departments, as required, with the assistance of other departments. Continental also offers an ombudsman's office.

Risk management and monitoring

The responsible management initiates suitable countermeasures that are also documented in the GRC system for each risk identified and assessed as material. The GRC Committee monitors and consolidates the identified risks and suitable countermeasures at the corporate level. It regularly reports to the Executive Board and recommends further measures if needed. The Executive Board discusses and resolves the measures, and reports to the Supervisory Board's Audit Committee. The responsible bodies continually monitor the development of all identified risks and the progress of actions initiated. Group Audit regularly audits the risk management process, thereby continually monitoring its effectiveness and further development.

Material Risks

The order of the risk categories and individual risks presented within the four risk groups reflects the current assessment of the relative risk exposure for Continental and thus provides an indication of the current significance of these risks. If no quantitative information on the amount of damage is provided, the assessment is carried out on the basis of qualitative criteria. Unless the emphasis is placed on a specific group sector, the risks apply to all group sectors.

Financial Risks

Continental is exposed to risks in connection with its financing agreements and the syndicated loan.

Continental is subject to risks in connection with its financing agreements. Risks arise from the bonds that Continental AG and Conti-Gummi-Finance B.V., Maastricht, Netherlands, have issued as part of the Debt Issuance Programme (DIP). These financing agreements contain covenants that could limit Continental's capacity to take action as well as change-of-control provisions.

In order to finance its current business activities as well as its investments and payment obligations, Continental concluded a syndicated loan agreement in December 2019, recently updated in November 2021, from which risks may arise. Under the terms of the syndicated loan agreement, the lenders have the right to demand repayment of the loan in the event of a change of control at Continental AG.

The requirements for and consequences of a change in control in accordance with the terms of the bonds or the syndicated loan agreement are described in detail in the Additional Disclosures and Notes Pursuant to Section 289a and Section 315a *HGB* section on pages 82 and 83. The loans and bonds cited here could also immediately become due and payable if other financing agreements of more than €75.0 million are not repaid on time or are prematurely called for repayment.

The committed volume of the syndicated loan consists of a revolving tranche of €4.0 billion (due in December 2026). This had not been utilized as at the end of fiscal 2021.

Continental is exposed to risks associated with changes in currency exchange rates and hedging.
Continental operates worldwide and is therefore exposed to financial risks that arise from changes in exchange rates. This could result in losses if assets denominated in currencies with a falling exchange rate lose value and/or liabilities denominated in currencies with a rising exchange rate appreciate. In addition, fluctuations in exchange rates could intensify or reduce fluctuations in the prices of raw materials in euros, as Continental sources a considerable portion of its raw materials in foreign currency. As a result of these factors, fluctuations in exchange rates can influence Continental's earnings situation.

External and internal transactions involving the delivery of products and services to third parties and companies of the Continental Group can result in cash inflows and outflows that are denominated in currencies other than the functional currency of the respective subsidiary of the Continental Group (transaction risk). To the extent that cash outflows of the respective subsidiary of the Continental Group in any one foreign currency are not offset by cash flows resulting from operational business in the same currency, the remaining net exchange-rate risk is hedged against on a case-by-case basis using the appropriate derivative instruments, particularly currency forwards, currency swaps and currency options with a term of up to 12 months.

Moreover, Continental is exposed to exchange-rate risks arising from external and internal loan agreements that result in cash inflows and outflows denominated in currencies other than the functional currency of the respective subsidiary of the Continental Group. These exchange-rate risks are in general hedged against by using appropriate derivative instruments, particularly currency forwards, currency swaps and cross-currency interest-rate swaps. Any hedging transactions executed in the form of derivative instruments can result in losses. In addition, a number of Continental's consolidated companies report their results in currencies other than the euro, which requires Continental to convert the relevant items into euros when preparing Continental's consolidated financial statements (translation risk). Translation risks are generally not hedged.

In order to quantify the possible effects of transaction-related exchange-rate risks from financial instruments on the earnings position of the Continental Group, transaction currencies with a significant exchange-rate risk within the next 12 months are identified based on current net exposure. If the exchange rates of these currencies all develop disadvantageously for Continental at the same time, then the hypothetical negative effect on the Continental Group's earnings position, calculated based on a 10% change in the current closing rate, would amount to between €400 million and €500 million.

Continental is exposed to default risks in connection with cash and cash equivalents, derivative instruments and interest-bearing investments.
In order to minimize the default risk for cash and cash equivalents, derivative instruments and interest-bearing investments, Continental generally uses banks that it has classified as core banks on the basis of defined criteria. As a general rule, these banks should have at least one investment-grade credit rating from one of the global rating agencies. The default risk can therefore be considered very low. The creditworthiness of the core banks – and of other banks with which investments are made, loans are granted or derivative instruments are traded in derogation from the core bank principle for operational or regulatory reasons – is continuously monitored. Not only the credit ratings but also in particular the premiums for insuring against credit default risks (credit default swaps, CDSs) are monitored, provided this information is available. In addition, Continental sets investment limits for each bank and trading limits for derivative instruments. The amount of these limits is based on the creditworthiness of the respective bank. Compliance with these limits is continuously monitored. Within the internally defined risk groups, the cash and cash equivalents, interest-bearing investments and positive (net) fair values of derivative instruments held at banks assigned to a higher risk group range from €200 million to €300 million.

Risks Related to the Markets in Which Continental Operates

Continental could be exposed to material risks in connection with a global financial and economic crisis.
With a 61% share of consolidated sales, the automotive industry – with the exception of the replacement business – is Continental's most important customer group. The remainder of its sales are generated from the replacement or industrial markets, mainly in the replacement markets for passenger-car and truck tires, and to a lesser extent in the non-automotive end markets of the other group sectors.

In the year under review, global automotive markets recovered more slowly than expected, with ongoing high volatility and uncertainty resulting in particular from problems within supply chains. Should a long-term revival take longer than anticipated or be dampened by a general economic downturn, it would likely further adversely affect Continental's sales and earnings.

In the year under review, Continental's five largest OEM customers (Daimler, Ford, Renault-Nissan-Mitsubishi, Stellantis and VW) generated approximately 33% of sales. If one or more of Continental's OEM customers is lost or terminates a supply contract prematurely, the original investments made by Continental to provide such products or outstanding claims against such customers could be wholly or partially lost.

Moreover, Continental generated 49% of its 2021 total sales in Europe and 17% in Germany alone. By comparison, 25% of Continental's total sales in 2021 were generated in North America, 22% in Asia-Pacific, and 4% in other countries. Therefore, in the event of an economic downturn in Europe, particularly in Germany, for example, Continental's business and earnings situation could be affected more extensively than that of its competitors. Furthermore, the automotive and tire markets in Europe and North America are largely saturated. To minimize this dependence, Continental is striving to improve the regional sales balance, particularly by generating more sales in emerging markets and especially in Asia.

Based on a scenario analysis that assumes stagnation with regard to the global production of passenger cars and light commercial vehicles in 2022, and taking into account measures required as a result, we anticipate a decline of around 2 percentage points in the adjusted EBIT margin.

Continental could be severely affected by the consequences of the COVID-19 pandemic over a longer period.
Due to the ongoing COVID-19 pandemic and the associated measures to tackle this worldwide, as well as the significant restrictions on production both at the Continental Group and at its customers and suppliers, there is a risk of significant and long-term negative effects on sales and procurement markets. This would have a considerable negative impact on the availability of raw materials and components as well as Continental's sales volumes both in the OEM business and in the industrial and replacement business. The duration of the general economic downturn as well as its effects on global supply chains and Continental's various business units will largely depend on the success of containment measures as well as the effectiveness of corresponding relief packages and fiscal stimulus measures. While Continental has introduced measures aimed, for example, at improving its cost structure and ensuring supply chains, there is generally a risk of considerable and long-term negative effects on Continental's earnings, financial and net assets position.

Continental operates in a cyclical industry.
With a 61% share of consolidated sales, the automotive industry – with the exception of the replacement business – is Continental's most important customer group. Global production of vehicles and, as a result, sales to OEMs are subjected to major fluctuations in some cases. They depend, among other things, on general economic conditions, disposable income and household consumer spending and preferences, which can be affected by a number of factors, including fuel costs as well as the availability and cost of consumer financing. As the volume of automotive production fluctuates, the demand for Continental's products also fluctuates, as OEMs generally do not commit to purchasing minimum quantities from their suppliers or to fixed prices. It is difficult to predict future developments in the markets Continental serves, which also makes it harder to estimate the requirements for production capacity. As Continental's business is characterized by high fixed costs, it is thus exposed to the risk that fixed costs are not fully covered in the event of falling demand and the resulting underutilization of its facilities (particularly in Automotive). Conversely, should the markets in which Continental operates once again grow faster than anticipated, there could be insufficient capacity to meet customer demand. To reduce the impact of the potential risk resulting from this dependence on the automotive industry, Continental is strengthening its replacement business and industrial business, including by means of acquisitions.

Continental is exposed to fluctuations in the prices of raw materials and electronic components as well as a rise in energy and logistics costs.
For the Automotive group sector, higher prices for raw materials and electronic components in particular can result in cost increases. The Tires and ContiTech group sectors mainly use natural and synthetic rubber as well as oil-based raw materials. The prices for these raw materials and components are exposed to sometimes considerable fluctuations worldwide. At present, Continental does not actively hedge against the risk of rising prices of electronic components or raw materials by using derivative instruments. There may also be a significant rise in energy and logistics costs. If the company is not able to compensate for the increased costs or to pass them on to customers, these price increases could reduce Continental's earnings by €400 million to €500 million.

Continental is exposed to risks associated with additional or higher tariffs.
Due to the trend toward protectionism and the increase in trade conflicts around the world, Continental sees itself at risk from additional or higher tariffs on automobiles and on the products, components and raw materials it supplies or purchases. These tariffs could cause demand for Continental's products to drop and costs to increase, which would have an adverse effect on Continental's business and earnings situation.

Continental is exposed to geopolitical risks.
On March 7, 2022, due to ongoing geopolitical developments, the Executive Board of Continental amended its report on risks and opportunities dated February 22, 2022, as follows: Current geopolitical developments such as the war in Ukraine, the conflict between China and Taiwan, and the recent disputes between China and Lithuania could have an impact on Continental's sales and procurement markets. These include sanctions and other risks in supply chains as well as unforeseeable effects on the global economy. Continental constantly monitors current developments and derives possible scenarios and necessary measures.

Risks Related to Continental's Business Operations

Continental is exposed to risks in connection with its pension commitments.
Continental provides defined benefit pension plans in Germany, the USA, the UK and certain other countries. As at December 31, 2021, the pension obligations amounted to €7,248.6 million. These existing obligations are financed predominantly through externally invested pension plan assets. In 2006, Continental established legally independent trust funds under contractual trust arrangements (CTAs) for the funding of pension obligations of certain subsidiaries in Germany. In 2007, Continental assumed additional CTAs in connection with the acquisition of Siemens VDO. As at December 31, 2021, Continental's net pension obligations (defined benefit obligations less the fair value of plan assets) amounted to €4,184.3 million.

Continental's externally invested plan assets are funded by externally managed funds and insurance companies. While Continental generally prescribes the investment strategies applied by these funds and takes these into account when selecting external fund managers, it does not have any influence over their individual investment decisions. The assets are invested in different asset classes, including equity, fixed-income securities, real estate and other investment vehicles. The values attributable to the externally invested plan assets are subject to fluctuations in the capital markets that are beyond Continental's influence. Unfavorable developments in the capital markets could result in a substantial coverage shortfall for these pension obligations, resulting in a significant increase in Continental's net pension obligations.

Any such increase in Continental's net pension obligations could adversely affect Continental's financial condition due to an increased additional outflow of funds to finance the pension obligations. Also, Continental is exposed to risks associated with longevity and interest-rate changes in connection with its pension commitments, as an interest-rate decrease could have an adverse effect on Continental's liabilities under these pension plans. Furthermore, certain US-based subsidiaries of Continental have entered into obligations to make contributions to healthcare costs of former employees and retirees. Accordingly, Continental is exposed to the potential risk that these costs may increase in the future.

If the discount rates used to calculate net pension obligations were to decrease by 0.5 percentage points at the end of the year, all other things being equal, this would lead to a rise in net pension obligations of anywhere from €700 million to €800 million which could not be reduced by taking measures to minimize risk. However, this would not affect EBIT.

Continental depends on a limited number of key suppliers for certain products.
Continental is subject to the potential risk of unavailability of certain raw materials and production materials. Although Continental's general policy is to source product components from a number of different suppliers, single sourcing cannot always be avoided and, consequently, Continental is dependent on certain suppliers in Tires and ContiTech as well as with respect to certain products manufactured by Automotive. Since Continental's procurement logistics are mostly organized on a just-in-time or just-in-sequence basis, supply delays, cancellations, strikes, insufficient quantities or inadequate quality can lead to interruptions in production and therefore have a negative impact on Continental's business operations in these areas. Continental tries to limit these risks by endeavoring to select suppliers carefully and monitor them regularly. However, if one of Continental's suppliers is unable to meet its delivery obligations for any reason (e.g. insolvency, destruction of production plants as a result of natural disasters, refusal to perform following a change in control, or the far-reaching effects of the COVID-19 pandemic), or if corresponding deliveries are affected by sanctions due to geopolitical disputes, Continental may be unable to source input products from other suppliers on short notice at the required volume. Such developments and events can therefore cause delays in the delivery or completion of Continental products or projects and could result in Continental having to purchase products or services from third parties at higher costs or even to financially support its own suppliers. Furthermore, in many cases OEM customers have approval rights with respect to the suppliers used by Continental, which could make it impossible for Continental to source input products from other suppliers upon short notice if the relevant OEM customer has not already approved other suppliers at an earlier point in time and which could lead to order cancellations. Claims for damages on a considerable scale could also not be ruled out. Furthermore, Continental's reputation among OEM customers could suffer, with the possible consequence that they select a different supplier.

Continental is exposed to warranty and product liability claims.
In its quality strategy, Continental has defined the framework conditions for all quality-related activities and ascribes the highest priority to quality. However, Continental is constantly subject to product liability claims and proceedings alleging violations of due care, violation of warranty obligations or material defects, and claims arising from breaches of contract due to recalls or government proceedings. Any such lawsuits, proceedings and other claims could result in increased costs for Continental. Moreover, defective products could result in loss of sales and loss of customer and market acceptance. Such risks are insured up to levels considered economically reasonable by Continental, but its insurance coverage could prove insufficient in individual cases. Additionally, any defect in one

of Continental's products (in particular tires and other safety-related products) could also have a considerable adverse effect on the company's reputation and market perception. This could in turn have a negative impact on Continental's sales and income. Moreover, vehicle manufacturers are increasingly requiring a contribution from their suppliers for potential product liability, warranty and recall claims. In addition, Continental has long been subject to continuing efforts by its customers to change contract terms and conditions concerning the contribution to warranty and recall cost. Furthermore, Continental manufactures many products pursuant to OEM customer specifications and quality requirements. If the products manufactured and delivered by Continental do not meet the requirements stipulated by its OEM customers at the agreed date of delivery, production of the relevant products is generally discontinued until the cause of the product defect has been identified and remedied. Under certain circumstances, this could lead to losses of sales and earnings. Furthermore, Continental's OEM customers could potentially claim damages, even if the cause of the defect is remedied at a later point in time. Moreover, failure to fulfill quality requirements could have an adverse effect on the market acceptance of Continental's other products and its market reputation in various market segments.

The quantifiable risks from warranty and product liability claims as at December 31, 2021, taking into account provisions, amounted to between €100 million and €200 million.

Continental is subject to the risk of postponed product launches due to delayed research and development projects.
In the Automotive group sector, delays in the development process due to steadily increasing complexity or lack of availability of qualified specialists could result in delayed product launches, which could lead to potential claims from customers. This could relate to specific projects for individual customers as well as general developments affecting multiple customers. To reduce the potential impact, critical projects are continuously and closely monitored and provided with additional resources. Should these measures prove insufficient, the potential claims asserted amount to €100 million to €200 million.

Continental is exposed to information-technology risks.
With regard to its business and production processes, its products and its internal and external communication, Continental is highly dependent on centralized and standardized information-technology systems and networks. These systems and networks as well as the products themselves are potentially exposed to the risk of various forms of cybercrime as well as damage and disruption that can have a wide range of other causes. In hacker attacks, third parties could attempt to gain unauthorized access to confidential information and data that is stored, processed or communicated in the systems and networks. In addition, data, products and systems could be blocked, damaged, controlled or destroyed as a result of becoming infected with viruses or malware.

Although Continental has taken appropriate precautions to manage the risks associated with system and network disruptions and corresponding attacks, a prolonged outage in a computer center or telecommunication network or a comparable incident could result in systems or networks becoming unexpectedly unavailable over an extended period. The measures taken to minimize such risks include technical and organizational precautions such as duplicated data storage and contingency plans, as well as suitable training measures that are continuously expanded, particularly to raise awareness of the growing threat from cybercrime.

Should the precautions taken prove insufficient to adequately protect the systems, networks, products and information, Continental could suffer considerable damage and disadvantages as a result of outages or the knowledge and use of its information by third parties.

Continental is exposed to risks from trade restrictions, sanctions and export controls.
Due to the global alignment of the economic activity of the Continental Group, there are business risks with respect to embargoes, sanctions and export controls. As a global company, Continental also has business relations with customers and partners based in countries that are – or may be in the future – subject to export restrictions, embargoes, economic sanctions or other forms of trade restrictions. In addition to the fundamental influence that such restrictions have on the business activity of the Continental Group, violations of relevant provisions may lead to considerable penalties, administrative sanctions, damage to the company's reputation, as well as claims for damages. Continental may also be forced, through new trade restrictions, to limit or put an end to business activity in certain countries or regions.

Continental could be adversely affected by property loss and business interruption.
Fire, natural hazards, terrorism, power failures or other disturbances at Continental's production facilities or within Continental's supply chain – with customers and with suppliers – can result in severe damage and loss. Such far-reaching negative consequences can also arise from political unrest or instability. The risks arising from business interruption, loss of production, or the financing of facilities are insured up to levels considered economically reasonable by Continental, but its insurance coverage could prove insufficient in individual cases. Furthermore, such events could injure or damage individuals, third-party property or the environment, which could, among other things, lead to considerable financial costs for Continental.

Continental is exposed to risks in connection with its interest in MC Projects B.V.
Continental and Compagnie Financière Michelin SCmA, Granges-Paccot, Switzerland (Michelin), each hold a 50% stake in MC Projects B.V., Maastricht, Netherlands, a company to which Michelin contributed the rights to the Uniroyal brand for Europe as well as for certain countries outside Europe. In turn, MC Projects B.V. licensed to Continental certain rights to use the Uniroyal brand on or in connection with tires in Europe and elsewhere. Under the terms of the agreement concluded in this connection, both the agreement and the Uniroyal license can be terminated if a major competitor in the tire business acquires more than 50% of the voting rights of Continental AG or of its tire business.

Furthermore, in this case Michelin also has the right to acquire a majority in MC Projects B.V. and to have MC Projects B.V. increase its minority stake in the manufacturing company Continental Barum s.r.o., Otrokovice, Czechia – one of Continental's largest tire plants in Europe – to 51%. These events could have an adverse effect on the business and earnings position of Continental's Tires group sector.

Legal and Environmental Risks

Continental could be threatened with fines and claims for damages for alleged or actual unlawful behavior.
In May 2005, the Brazilian competition authorities opened investigations against Continental's Brazilian subsidiary Continental Brasil Industria Automotiva Ltda., Guarulhos, Brazil (CBIA), following a complaint of anticompetitive behavior in the area of commercialization of tachographs. On August 18, 2010, the Brazilian antitrust authorities determined an "invitation to cartel" and imposed a fine of BRL 12 million (around €1.9 million) on CBIA, which was then reduced to BRL 10.8 million (around €1.7 million). CBIA denies the accusation that it has infringed Brazilian antitrust law. Although the court of first instance appealed to by CBIA upheld the decision, on CBIA's further appeal the next higher court annulled this decision and remanded the matter. In case an infringement of Brazilian antitrust law is found, third parties may, in addition, claim damages from CBIA.

On October 2, 2006, South African antitrust authorities received a complaint from a third party accusing several South African tire manufacturers of alleged antitrust behavior, including Continental Tyre South Africa (Pty.) Ltd., Port Elizabeth, South Africa (CTSA), a subsidiary of Continental. On August 31, 2010, the South African antitrust authorities came to the conclusion that CTSA had violated South African antitrust law and referred the matter to the responsible antitrust court for a decision. CTSA denies the allegation of infringements of South African antitrust law. However, the tribunal could impose a fine of up to 10% of CTSA's sales. In addition, third parties may also claim damages from CTSA in case of an infringement of South African competition law.

As a result of investigations by the US Department of Justice (DOJ) and the Korea Fair Trade Commission (KFTC) in connection with the suspected involvement in violations of US and South Korean antitrust law in the instrument cluster business, which came to light in 2012, the KFTC imposed a fine on Continental Automotive Electronics LLC, Bugang-myeon, South Korea (CAE), at the end of 2013, the final amount of which was set in 2018 at KRW 32,101 million (around €24 million). In the USA, CAE and Continental Automotive Korea Ltd., Seongnam-si, South Korea, agreed to pay a fine of US $4.0 million (approximately €3.5 million). In the proceedings relating to class action lawsuits filed in the USA and Canada for alleged damages resulting from the antitrust violations, settlements totaling US $5.0 million (around €4.4 million) were concluded in the USA in 2018 and settlements totaling CAN $0.6 million (around €0.4 million) concluded in Canada in 2020. The risk of investigations by other antitrust authorities into this matter and further claims for damages by further alleged victims remain unaffected by the fines imposed.

As a result of investigations that came to light in 2014, the European Commission imposed a fine of €44.0 million on Continental AG; Continental Teves AG & Co. oHG, Frankfurt am Main, Germany; and Continental Automotive GmbH, Hanover, Germany; on February 21, 2018, for the unlawful exchange of information. This involved specific brake components. Customers have since approached Continental to claim for damages, in one case for a specific amount. Continental has rejected these claims as being without merit. Nevertheless, it cannot be ruled out that the resulting expenses will exceed the provisions that have been set aside for this purpose. In accordance with IAS 37.92 and GAS 20.154, no further disclosures will be made with regard to the proceedings and the related measures so as not to adversely affect the company's interests.

On March 3, 2021, the Brazilian antitrust authorities (Conselho Administrativo de Defesa Econômica, CADE), acting on the basis of the issues addressed by the European Commission and described above, formally initiated proceedings against Continental Teves AG & Co. oHG, Frankfurt am Main, Germany, and certain former employees for alleged unlawful exchange of competition-sensitive information concerning hydraulic brake systems. The proceedings against Continental are still at an early stage. Continental is therefore unable to reliably predict in any way what the outcome of these proceedings will be. If Continental is found responsible for any violation, CADE could impose a fine on the company of 0.1% to 20% of its revenue or that of the Continental Group in Brazil in the year prior to when the administrative proceedings were launched (2020). Non-pecuniary penalties may also be possible. Furthermore, customers allegedly affected by the alleged exchange of information could claim for damages if indeed a violation of Brazilian antitrust law is established.

The public prosecutor's office in Hanover is conducting investigative proceedings against current and former employees as well as former board members of Continental AG suspected of committing criminal acts in connection with the development and supply of illegal defeat devices for VW diesel engines as well as in connection with the company's subsequent investigation of these actions, and as part of these proceedings has conducted multiple searches at locations of Continental AG and individual companies of the Continental Group. Continental AG and individual companies of the Continental Group are ancillary parties to these proceedings. The investigations concern activities of the former Powertrain business area that were transferred within the scope of the spin-off to Vitesco Technologies Group AG, Regensburg, Germany, and its subsidiaries.

In addition, the public prosecutor's office in Frankfurt am Main, in connection with conducting administrative offense proceedings concerning illegal defeat devices in diesel engines of an international automotive manufacturer – proceedings which have meanwhile been legally concluded against this automotive manufacturer with payment of a fine – is conducting separate administrative offense proceedings against Continental AG on suspicion of breach of supervisory duties. The public prosecutor's office in Frankfurt am Main is also conducting separate investigative proceedings against two former employees of Continental AG for suspected criminal acts carried out in connection with this matter.

Both the investigations by the public prosecutor's office and the company's internal investigation into the matters covered by these proceedings, which involve considerable costs and effort, are ongoing. Continental AG and the companies of the Continental Group are cooperating unreservedly with the public prosecutor's offices in Hanover and Frankfurt am Main. There is a risk that fines will be imposed as a result of the allegations. The amount of such fines, which could comprise a levy and a penalty component, is currently unknown but collectively could be significant. Furthermore, the risk of damage to the company's reputation cannot be ruled out.

To cover risks and costs arising from the proceedings conducted by the public prosecutor's offices in Hanover and Frankfurt am Main, a provision amounting to a high eight-figure sum has been set aside.

In the event that fines or other measures are imposed on Continental AG and/or individual companies of the Continental Group that concern the transferred business, Vitesco Technologies Group AG is obligated on the basis of and in accordance with contractual provisions arising in particular from the corporate separation agreement concluded in the context of the spin-off to indemnify Continental AG and any individual companies of the Continental Group against the ensuing costs and liabilities. This is consistent with the agreement between the parties that all opportunities as well as all risks arising from the transferred business shall pass to Vitesco Technologies Group AG and the companies of Vitesco Technologies. These regulations have not been taken into account in the formation of the provision described above. In accordance with IAS 37.92 and GAS 20.154, no further disclosures will be made with regard to the proceedings and the related measures and any potential claims against Vitesco Technologies Group AG so as not to adversely affect the company's interests.

In view of the scope of these national and international investigations against automotive manufacturers and suppliers, further proceedings by public authorities, civil legal proceedings, and claims by third parties along with the related financial risks cannot be ruled out.

There is a risk that Continental could infringe on the industrial property rights of third parties.
There is a risk that Continental could infringe on the industrial property rights of third parties, since its competitors, suppliers and customers also submit a large number of inventions for industrial property protection. It is not always possible to determine with certainty whether there are effective and enforceable third-party industrial property rights to certain processes, methods or applications. Therefore, third parties could assert claims (including illegitimate ones) of alleged infringements of industrial property rights against Continental. As a result, Continental could be required to cease manufacturing, using or marketing the relevant technologies or products in certain countries, or be forced to make changes to manufacturing processes and/or products. In addition, Continental could be liable to pay compensation for infringements or could be forced to purchase licenses to continue using technology from third parties. Continental, for example, supplies telecommunication modules that transmit vehicle data, enable voice and internet functionality, and are compatible with cellular communication standards. In this respect, there is a risk that Continental or its suppliers may be denied their own direct license to use patents relating to these standards (standard essential patents), especially in the field of telecommunications standards such as 3G, 4G or 5G, and that Continental may become dependent on licenses and the conditions under which they are granted to customers. In addition, Continental is subject to efforts by its customers to change contract terms and conditions concerning the participation in disputes regarding alleged infringements of intellectual property rights.

Continental is exposed to risks from legal disputes.
Companies from the Continental Group are involved in a number of legal and arbitration proceedings and could become involved in other such proceedings in the future. These proceedings could involve substantial claims for damages or payments, particularly in the USA. For more information on legal disputes, see Note 38 of the notes to the consolidated financial statements.

Continental could be unsuccessful in adequately protecting its intellectual property and technical expertise.
Continental's products and services are highly dependent upon its technological know-how and the scope and limitations of its proprietary rights therein. Continental has obtained or applied for a large number of patents and other industrial property rights that are of considerable importance to its business. The process of obtaining patent protection can be lengthy and expensive. Furthermore, patents may not be granted on currently pending or future applications or may not be of sufficient scope or strength to provide Continental with meaningful protection or commercial advantage. In addition, although there is a presumption that patents are valid, this does not necessarily mean that the patent concerned is effective or that possible patent claims can be enforced to the degree necessary or desired.

A major part of Continental's know-how and trade secrets is not patented or cannot be protected through industrial property rights. Consequently, there is a risk that certain parts of Continental's know-how and trade secrets could be transferred to collaboration partners, customers and suppliers, including Continental's machinery suppliers or plant vendors. This poses a risk that competitors will copy Continental's know-how without incurring any expenses of their own. Moreover, Continental has concluded a number of license, cross-license, collaboration and development agreements with its customers, competitors and other third parties under which Continental is granted rights to industrial property and/or know-how of such third parties. It is possible that license agreements could be terminated under certain circumstances in the event of the licensing partner's insolvency or bankruptcy and/or in the event of a change of control in either party, leaving Continental with reduced access to intellectual property rights to commercialize its own technologies.

Continental could become subject to additional burdensome environmental or safety regulations, and new regulations could adversely affect demand for the company's products and services.
As a corporation that operates worldwide, Continental must observe a large number of different regulatory systems in numerous countries that change frequently and are continuously evolving and becoming more stringent, particularly with respect to the environment, chemicals and hazardous materials, as well as health regulations. This also applies to air, water and soil pollution regulations and to waste legislation, all of which have recently become more stringent through new laws, particularly in the EU and the USA. Moreover, Continental's sites and operations necessitate various permits and the requirements specified therein must be complied with. In the past, adjusting to new requirements has necessitated investments, and Continental assumes that further investments in this regard will be required in the future.

Material Opportunities

Unless the emphasis is placed on a specific group sector, the opportunities apply to all group sectors.

There are opportunities for Continental if the economy performs better than anticipated.
If the economy in our major sales regions develops better than we have anticipated, we expect that demand for vehicles, replacement tires and industrial products will also develop better than we have anticipated. Due to the increased demand for Continental's products among vehicle manufacturers and industrial clients and in the replacement business that would be expected as a consequence, our sales could rise more significantly than expected and there could be positive effects with regard to fixed cost coverage.

There are opportunities for Continental if the sales markets develop better than anticipated.
If demand for automobiles and replacement tires develops better than we have anticipated, this would have positive effects on Continental's sales and earnings. Particular importance is attached to the European market due to the high share of sales that Continental generates in this region (49%).

There are opportunities for Continental if prices fall on the raw materials markets relevant to us.
Continental's earnings situation is affected to a significant extent by the cost of raw materials, electronic components and energy. For Automotive, this particularly relates to the cost of electronic components as well as metals and plastics. The earnings situation of Tires and ContiTech is significantly impacted by the cost of oil and of natural and synthetic rubber. If prices for natural and synthetic rubber in particular decline, this could have a positive impact on Continental's earnings, provided sales prices for rubber products remain stable.

The trend toward automated and autonomous driving presents Continental with opportunities.
The trend from assisted driving to automated and autonomous driving is set to continue. Several OEMs expect to be able to provide new models with partially automated "Level 3" functions over the next few years. A key requirement for partially automated driving is that vehicles be equipped with sensors. Today, between two and seven sensors for assisted driving are installed per vehicle, depending on the model. Even for partially automated driving, considerably more and also higher-quality radar, camera and LiDAR sensors are required, depending on the scope of the functionality. Since Continental is one of the leading providers of advanced driver assistance systems, the increasing volume of sensors, electronic control units and new software such as the Driving Planner

(see the Research and Development section) could result in considerable sales and earnings opportunities.

Innovations for vehicle interiors present Continental with opportunities.
For optimum interaction between the driver and the vehicle, more and more new products are being used in car manufacturing in the increasingly important area of "user experience." For the user experience of the future, Continental has developed countless innovations such as curved digital 3D displays, ShyTech displays (see the Research and Development section) and the Ac2ated Sound speakerless sound system. With an integrated solution for interior sensor technology, Continental is also increasing the level of comfort and safety within the vehicle. Since intelligent concepts for new experiences for car buyers in the vehicle interior are becoming more and more important, and Continental is one of the leading providers of these, increasing demand among car manufacturers could result in considerable sales and earnings opportunities.

The digitalization of vehicles and the data generated as a result presents Continental with opportunities.
The massive amounts of data generated by driver assistance systems and driver information systems as well as the immediate processing thereof in vehicles require a changeover of the vehicle architecture to the most cutting-edge high-performance computers. This – together with the new software solutions required for this purpose – results in substantial growth potential for Continental with positive effects on its future sales and attainable margins. In addition, the increasing digitalization of our products gives us the opportunity to offer our customers software-based services as well as the product itself, and to open up new markets for mobility services (smart mobility).

The tire business presents Continental with opportunities.
Continental intends to further increase its market share in the growth markets of Asia and North America in particular. In the passenger-car tire segment, the global business with tires for electric mobility and ultra-high performance tires is to be systematically expanded further. The truck and bus tire business is to be further developed in all regions through the Conti360° fleet services. Continental's specialty tire business, which includes not only two-wheel and racing tires but also tires for a variety of industrial applications, is expected to grow further as well. Smart, digital tire solutions and ambitious sustainability goals will also make a significant contribution to market success and differentiation in the future. In the area of service-based digital solutions, the Tires group sector of Continental aims to become the leading supplier worldwide by 2030. If Continental succeeds in increasing its market share in high-growth segments and in digital solutions and services even more than planned, this is likely to have positive effects on its sales and earnings.

Digitalization in the industrial business presents Continental with opportunities.
The growth potential results primarily from the increasing demand for digital and intelligent solutions in the industrial business. To this end, the ContiTech group sector will draw on its long-standing and detailed knowledge of the industry and materials to open up new business opportunities by combining various materials with electronic components and individual services. If these new products become established more quickly than planned, this would create corresponding sales and earnings opportunities for Continental.

There are opportunities for Continental from changes in the legal framework.
Legal regulations with the aim of further improving traffic safety provide an opportunity for a rise in demand for Continental's products. Based on our broad product portfolio for active vehicle safety, we have developed more advanced safety systems over the past years. Further volume growth is expected as a result of more stringent requirements in various regional safety tests, since an increasing number of safety systems have been recognized as having achieved the very highest level of safety. In addition, more and more legal requirements in individual countries are being expanded to include active safety systems.

Statement on Overall Risk and Opportunities Situation

In the opinion of the Executive Board, the overall risk situation of the Continental Group has not changed significantly in the past fiscal year.

How long the COVID-19 pandemic and the consequences thereof will continue to have an effect on the automotive industry and the macroeconomic situation remains to be seen.

However, the analysis for the year under review did not reveal any risks, either at the balance sheet date or at the time the annual financial statements were prepared, that individually or collectively pose a threat to the company or the Continental Group as a going concern. In the opinion of the Executive Board, there are also no discernible risks to the Continental Group as a going concern in the foreseeable future.

Considering the material opportunities, the overall risk assessment for the Continental Group presents a reasonable risk and opportunities situation to which our risk-containment measures and our corporate strategy have been aligned accordingly.

Notes
Information in Accordance with the EU Taxonomy Regulation

Source: 2021 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Non-Financial Statement (starting p. 36)

Note: This section relates to continuing and discontinued operations, with the exception of performance indicators for the financial year 2021.

The EU Taxonomy is a classification system for determining sustainable economic activities in the real economy.

The following disclosures are the mandatory disclosures of the Continental Group in accordance with Art. 8 of EU Taxonomy Regulation 2020/852 in conjunction with Art. 10 (2) of Delegated Regulation 2021/2178 for fiscal 2021.

Specific Information on the Implementation of disclosure requirements in accordance with the EU Taxonomy Regulation
There is general uncertainty on Continental's part with respect to the reporting to be carried out for the first time as per the EU Taxonomy Regulation. This is due on the one hand to the short implementation period, since the specific disclosure requirements and corresponding notes were only resolved or published in the current reporting year or after the reporting year; on the other hand, it is also attributable to the fact that unclear and ambiguous wording continues to be used in the regulations and notes concerning the determination of Taxonomy-eligible economic activities as well as the calculations for key performance indicators for turnover, capital expenditure and operational expenditure.

When it came to preparing the required information, we took into account the information that was available to us up until the statement of the Executive Board on February 22, 2022 (statement of the Executive Board on the preparation, completeness and integrity of the consolidated financial statements and the management report for Continental AG and the Continental Group, and on the other information provided in the annual report). Our assessment with regard to determining the Taxonomy eligibility of economic activities is primarily based on publicly communicated assessments by industry associations in the supplier and automotive industry as well as the answers to frequently asked questions published by the EU Commission. However, these interpretations have only an informative, non-binding nature, and uncertainty over the accounting standards persists.

Taxonomy-eligible economic activities
As part of our sustainability ambition, we strive for carbon neutrality and emission-free mobility and industries by 2050 at the latest (see also the sections on carbon neutrality and on emission-free mobility and industries in this combined non-financial statement) and thus for the expansion of clean and carbon-neutral mobility. With this in mind, we have introduced performance indicators at a corporate level as part of our sustainability scorecard, with the aim of monitoring our progress. From this scorecard, we classify the allocated business with emission-free mobility and industries as the indicator that comprises all economic activities to be disclosed for Continental as Taxonomy-eligible with respect to the environmental target of climate change mitigation in accordance with the EU Taxonomy Regulation. It consists of allocated business with zero-tailpipe-emission vehicles and allocated low-carbon business beyond business with zero-tailpipe-emission vehicles.

All other economic activities of the Continental Group that are not included in the aforementioned economic activities are classified as Taxonomy non-eligible.

The allocated business with zero-tailpipe-emission vehicles therefore falls under category 3.6 ("Manufacture of other low-carbon technologies") of the delegated regulation for climate change mitigation, since it pursues the goal of developing clean or carbon-neutral mobility in accordance with Art. 10 (1) c) in conjunction with Art. 10 (1) i) of the EU Taxonomy Regulation. This expansion will substantially reduce CO_2 emissions from mobility use. The allocated low-carbon business beyond business with zero-tailpipe-emission vehicles primarily comprises the manufacture of products for wind turbines and photovoltaic systems, and therefore falls under category 3.1 ("Manufacture of renewable energy technologies"). To a lesser extent, this business also includes the manufacture of products for wastewater treatment and waste recycling plants as well as for infrastructure in the area of low-carbon water transport, which we likewise classify as category 3.6.

Taxonomy-eligible turnover
In fiscal 2021, turnover associated with the Taxonomy-eligible economic activities of the Continental Group described above amounted to 2.9% (PY: n. a.).

Turnover (in %)	2021	2020
A. Taxonomy-eligible		
Continental Group	2.9	n. a.
B. Taxonomy non-eligible		
Continental Group	97.1	n. a.
Total (A + B)		
Continental Group	100	n. a.

The information on turnover is prepared in accordance with section 1.1.1 of Annex 1 to the delegated regulation on disclosure obligations (2021/2178) and in compliance with IFRS accounting regulations. It relates only to continuing operations for the fiscal year and therefore excludes Vitesco Technologies, which was spun off on September 15, 2021.

Information on the Continental Group's total turnover can be found in the consolidated statement of income under the "Sales" item on page 110 of this annual report.

Taxonomy-eligible capital expenditure and operational expenditure

Capital expenditure associated with the Taxonomy-eligible economic activities of the Continental Group amounted to 3.0% in fiscal 2021 (PY: n. a.).

Capital expenditure (in %)	2021	2020
A. Taxonomy-eligible		
Continental Group	3.0	n. a.
B. Taxonomy non-eligible		
Continental Group	97.0	n. a.
Total (A + B)		
Continental Group	100	n. a.

Operational expenditure associated with the Taxonomy-eligible economic activities of the Continental Group amounted to 2.9% in fiscal 2021 (PY: n. a.).

Operational expenditure (in %)	2021	2020
A. Taxonomy-eligible		
Continental Group	2.9	n. a.
B. Taxonomy non-eligible		
Continental Group	97.1	n. a.
Total (A + B)		
Continental Group	100	n. a.

The figures for Taxonomy-eligible capital expenditure and operational expenditure are allocations based on the proportion of Taxonomy-eligible sales at business area level. For reasons connected to the business model, the equipment, machinery and buildings of the Continental Group are thus used both for Taxonomy-eligible economic activities and for other economic activities. This applies both to capital expenditure and operational expenditure for assets or processes that are associated with Taxonomy-eligible economic activities (category a), their expansion (category b) and the acquisition of products from Taxonomy-aligned economic activities as well as the described individual measures (category c) in accordance with sections 1.1.2.2 and 1.1.3.2 of Annex 1 to the delegated regulation on disclosure obligations (2021/2178). The allocation selected by Continental ensures that double counting of capital expenditure and operational expenditure is avoided. In its interpretation of the required disclosure of Taxonomy-eligible capital expenditure and operational expenditure, Continental reasonably assumed as part of the reporting process that no capital expenditure or operational expenditure as set out in category c) needed to be disclosed for Taxonomy non-eligible economic activities, as no reliable statements on the Taxonomy alignment of our suppliers' production are available and there is no obligation to assess the Taxonomy alignment of our individual measures. Furthermore, owing to the calculation method used, the other direct operational expenditure according to 1.1.3.1 or 1.2.3.3. of Annex 1 to the delegated regulation on disclosure obligations (2021/2178) were not specified further.

The short-term nature of the interpretation regarding capital expenditure and operational expenditure for category c), which, contrary to our original interpretation, is based solely on Taxonomy eligibility, and the associated ambiguity of the interpretation of Taxonomy eligibility arising from the non-binding statement by the EU Commission on frequently asked questions dated February 2, 2022, meant that it was factually impossible to determine this information by the time of the statement of the Executive Board on February 22, 2022. As a result, no further capital expenditure and operational expenditure as set out in category c) were identified.

The information on capital expenditure is prepared in accordance with section 1.1.2 of Annex 1 to the delegated regulation on disclosure obligations (2021/2178) in compliance with IFRS accounting regulations. Information on the Continental Group's total capital expenditure can be found in the notes to the consolidated financial statements in the segment reporting (Note 1) under the "Investments" item starting on page 117 of this annual report. As presented in the notes to the consolidated financial statements, the capital expenditure comprises intangible assets (Note 15, page 154), property, plant and equipment (Note 16, pages 156 and 157), leases (Note 17, page 158) and investment property (Note 18, page 162) However, the figures referenced in the notes to the consolidated financial statements relate to both continuing and discontinued operations.

Operational expenditure is defined in accordance with section 1.1.3 of Annex 1 to the delegated regulation on disclosure obligations (2021/2178) and have been calculated on an imputed basis as described above.

Capital expenditure and operational expenditure relate only to continuing operations for the fiscal year and therefore exclude Vitesco Technologies, which was spun off on September 15, 2021.

Performance Indicator Index

The following table summarizes the key sustainability reporting indicators listed in this integrated sustainability report. A complete overview of all financial indicators has been omitted.

However, the performance indicators for fiscal 2021 relate to continuing operations and therefore exclude Vitesco Technologies, which was spun off on September 15, 2021. The data for fiscal 2019 and 2020 was transferred over from previous reports and was not adjusted and therefore relate to continuing and discontinued operations. Please note the respective footnotes for the performance indicators on the referenced pages.

Sustainability Topic Area/Performance Indicator	2019 continuing and discontinued operations	2020 continuing and discontinued operations	**2021 continuing operations**	Comment (page reference)
Carbon Neutrality				
Total own CO_2 emissions (Scope 1 and 2) in millions of metric tons of CO_2	3.22	0.99	1.05	16-17
Direct CO_2 emissions (Scope 1) in millions of metric tons of CO_2	0.84	0.78	0.82	16-17
Indirect CO_2 emissions (Scope 2) in millions of metric tons of CO_2	2.38	0.21	0.23	16-17
Total indirect CO_2 emissions (Scope 3) along the value chain in millions of metric tons of CO_2	n. a.	n. a.	108.89	18-20
Category 1: indirect CO_2 emissions (Scope 3) – Purchased goods and services	16	14.65	12.90	18-20
Category 2: indirect CO_2 emissions (Scope 3) – Capital goods	n. a.	n. a.	1.23	18-20
Category 3: indirect CO_2 emissions (Scope 3) – Fuel- and energy related activities (not included in Scope 1 and 2)	0.5	0.41	0.61	18-20
Category 4: indirect CO_2 emissions (Scope 3) – Upstream transportation and distribution	0.6	0.70	0.47	18-20
Category 5: indirect CO_2 emissions (Scope 3) – Waste generated in operations	0.02	0.04	0.04	18-20
Category 6: indirect CO_2 emissions (Scope 3) – Business Travel	0.1	0.02	0.02	18-20
Category 7: indirect CO_2 emissions (Scope 3) – Employee commuting	n. a.	n. a.	0.19	18-20
Category 8: indirect CO_2 emissions (Scope 3) – Upstream leased assets	n. a.	n. a.	0.02	18-20
Category 9: indirect CO_2 emissions (Scope 3) – Downstream transportation and distribution	0.6	0.50	0.30	18-20
Category 10: indirect CO_2 emissions (Scope 3) – Processing of sold products	n. a.	1.42	1.42	18-20
Category 11: indirect CO_2 emissions (Scope 3) – Use of sold products	~ 100	86.88	87.95	18-20
Category 12: indirect CO_2 emissions (Scope 3) – End-of-Life treatment of sold products	4	3.42	3.66	18-20
Category 13: indirect CO_2 emissions (Scope 3) – Downstream leased assets	n. a.	n. a.	0.01	18-20
Category 14: indirect CO_2 emissions (Scope 3) – Franchises	n. a.	n. a.	0.01	18-20
Category 15: indirect CO_2 emissions (Scope 3) – Investments	n. a.	n. a.	0.05	18-20
Total carbon footprint (Scope 1, 2 and 3) in millions of metric tons of CO_2	n. a.	n. a.	109.94	20
Total customer and product use-related CO_2 emissions in millions of metric tons of CO_2	n. a.	n. a.	89.75	20
Total gross CO_2-backpack of Continental businesses in millions of metric tons of CO_2	n. a.	n. a.	20.19	20
Total negative CO_2 emissions by carbon removals in millions of metric tons of CO_2	n. a.	n. a.	0.00	20
Total net CO_2-backpack of Continental businesses in millions of metric tons of CO_2	n. a.	n. a.	20.19	20
Emission-free Mobility and Industries				
Allocated business with emission-free mobility and industry in € millions	n. a.	n. a.	991	22
Allocated business with zero-tailpipe-emission vehicles (ZTEV) in € millions	n. a.	826	986	22
Allocated business with low-carbon industries beyond ZTEV business in € millions	n. a.	n. a.	6	22
Circular Economy				
Waste recycling quota in %	80	81	81	24
Responsible Value Chain				
Number of available, valid supplier self-assessment questionnaires (as at Dec. 31)	670	696	631	26
Completion rate for supplier self-assessments in %	57	59	53	26
Innovation and Digitalization				
Research and development expenses (net) in € millions	3,364.2	3,381.80	2,586.8	29
Research and development expenses (net) in € millions in % of sales	7.6	9.0	7.7	29

Sustainability Topic Area/Performance Indicator	2019 continuing and discontinued operations	2020 continuing and discontinued operations	**2021 continuing operations**	Comment (page reference)
Green and Safe Factories				
Umwelt protection management system certifications (ISO 14001) – Employee coverage (as at Dec. 31) in %	82	82	76	33
Energy management system certifications (ISO 50001) – Employee coverage (as at Dec. 31) in %	49	51	40	33
Occupational safety and health management system certifications (ISO 45001 or similar) – Employee coverage (as at Dec. 31) in %	69	69	62	33
Accident rate (number of accidents per million working hours)	3.0	2.9	2.6	33
Total energy consumption in TWh	9.6	8.7	9.0	34-35
Energy consumption – Electricity in %	49.2	48.7	46.5	34-35
Energy consumption – Natural gas in %	36.1	37.0	38.3	34-35
Energy consumption – Steam in %	9.5	9.3	10.2	34-35
Energy consumption – Coal in %	2.0	2.1	2.2	34-35
Energy consumption – Heating oil in %	1.1	0.7	0.8	34-35
Energy consumption – Other energy sources in %	2.1	2.2	2.0	34-35
Total energy consumption – Non-renewable in MWh	9.32	4.48	4.8	34-35
Total energy consumption – Renewable in MWh	0.26	4.25	4.2	34-35
Total energy consumption in in MWh/group sales in € million	215.8	230.6	265.6	34-35
Total water withdrawal in m^3	19.5	17.3	16.7	34-35
Water withdrawal – Drinking water in %	47.7	45.9	47.2	34-35
Water withdrawal – Groundwater in %	31.1	33.3	34.5	34-35
Water withdrawal – Surface water in %	19.6	18.9	16.6	34-35
Water withdrawal – Industrial water in %	1.6	1.9	1.7	34-35
Total water withdrawal in m^3/group sales in € million	439.5	458.5	494.6	34-35
Total waste generation in metric tons	409,280	341,513	405,249	34-35
Waste – Non-hazardous in %	90.3	90.3	91.8	34-35
Waste – Hazardous in %	9.7	9.7	8.2	34-35
Total waste generation in metric tons /group sales in € million	9.2	9.1	12.0	34-35
Good Working Conditions				
Total employees – Headcount	241,458	236,386	190,875	50
Employees – Germany in %	25	25	24	50
Employees – Europe w/o Germany in %	32	33	34	50
Employees – North America in %	19	18	18	50
Employees – Asia in %	20	19	20	50
Employees – Other countries in %	4	5	4	50
OUR BASICS Live Sustainable Engagement index in %	81	82	80	58
Sickness rate in %	3.4	3.5	3.7	58
Unforced fluctuation rate in %	6.0	4.6	7.0	58, 76
Unforced fluctuation rate – Germany in %	2.2	2.1	3.0	76
Unforced fluctuation rate – Europe w/o Germany in %	6.9	4.6	6.9	76
Unforced fluctuation rate – North America in %	9.4	6.8	10.5	76
Unforced fluctuation rate – Asia in %	6.8	5.5	9.5	76
Unforced fluctuation rate – Other countries in %	3.5	4.5	4.7	76
Employees with part-time contracts in %	3.1	3.1	2.9	76-77
Employees with full-time contracts in %	96.9	96.9	97.1	76-77
Employees with part-time contracts – female in %	6.6	6.5	7.0	76-77
Employees with part-time contracts – male in %	1.8	1.8	1.7	76-77
Employees with permanent contracts in %	85.8	86.0	87.7	77
Employees with fixed-term contracts in %	14.2	14.0	12.3	77

Sustainability Topic Area/Performance Indicator	2019 continuing and discontinued operations	2020 continuing and discontinued operations	**2021 continuing operations**	Comment (page reference)
Employees with fixed-term contracts – female in %	13.7	13.5	12.4	77
Employees with fixed-term contracts – male in %	11.4	10.4	10.0	77
Employees with fixed-term contracts – Germany in %	6.8	6.5	7.1	77
Employees with fixed-term contracts – Europe w/o Germany in %	13	12.8	10.1	77
Employees with fixed-term contracts – North America in %	4.6	5.7	3.3	77
Employees with fixed-term contracts – Asia in %	34.5	35.0	31.4	77
Employees with fixed-term contracts – Other countries in %	4.8	4.4	8.5	77
Employees with leasing contract in %	12,638	13,352	8,565	77
Benchmark in Quality				
New Field Quality Events (as at Dec. 31)	n. a.	18	36	78
Quality management system certifications (ISO 9001 or similar) – Employee coverage (as at Dec. 31) in %	86	91	84	78
Sustainable Management Practice				
Gender diversity – Share of female executives and senior executives (as at Dec. 31) in %	15.8	16.1	17.8	81
Employees who completed e-learning on Code of Conduct (number)	~ 90,000	n. a.	6,378	90
Participants in e-learning on anti-corruption, antitrust and Vitesco spin-off (number)	> 90%	~ 14,400	~ 117,000	90
Participants in classroom training on anti-corruption, anti money laundering and antitrust (number)	8,483	10,504	~ 13,000	90
Information in Accordance with the EU Taxonomy Regulation				
Proportion of Taxonomy-eligible turnover in %	n. a.	n. a.	2.9	129–130
Proportion of Taxonomy non-eligible turnover in %	n. a.	n. a.	97.1	129–130
Proportion of Taxonomy-eligible capex in %	n. a.	n. a.	3.0	129–130
Proportion of Taxonomy non-eligible capex in %	n. a.	n. a.	97.0	129–130
Proportion of Taxonomy-eligible opex in %	n. a.	n. a.	2.9	129–130
Proportion of Taxonomy non-eligible opex in %	n. a.	n. a.	97.1	129–130

GRI Index

This report was prepared in accordance with the GRI standards. The consolidated set of GRI Sustainability Reporting Standards 2020 served as the basis. The following index gives the page references for required information and provides information on the completeness of the answer.

Universal disclosure obligations

GRI 102: General Disclosures

Disclosure	Description	Continental comments/ page reference	Completeness (self-assessment)
1. Organizational Profile			
102-1	Name of the organization	8 f.	Fully reported
102-2	Activities, brands, products, and services	8 f.	Fully reported
102-3	Location of headquarters	8 f.	Fully reported
102-4	Location of operations	8 f.	Fully reported
102-5	Ownership and legal form	8 f.	Fully reported
102-6	Markets served	8 f.	Fully reported
102-7	Scale of the organization	8 f.	Fully reported
102-8	Information on employees and other workers	8 f., 50, 76 f.	Fully reported
102-9	Supply chain	8 f.	Fully reported
102-10	Significant changes to the organization and its supply chain	8 f.	Fully reported
102-11	Precautionary principle or approach	14	Fully reported
102-12	External initiatives	143	Fully reported
102-13	Membership of associations	143	Partially reported
2. Strategy			
102-14	Statement from senior decision-maker	5, 14	Fully reported
3. Ethics and Integrity			
102-16	Values, principles, standards, and norms of behavior	81 f.	Fully reported
4. Governance			
102-18	Governance structure	14, 82 f.	Fully reported
5. Stakeholder Engagement			
102-40	List of stakeholder groups	14	Fully reported
102-41	Collective bargaining agreements	76 f.	Partially reported
102-42	Identifying and selecting stakeholders	14 f.	Fully reported
102-43	Approach to stakeholder engagement	14 f.	Fully reported
102-44	Key topics and concerns raised	6, 14	Fully reported
6. Reporting Practice			
102-45	Entities included in the consolidated financial statements	6 f.	Fully reported
102-46	Defining report content and topic boundaries	6 f.	Fully reported
102-47	List of material topics	6 f.	Fully reported
102-48	Restatements of information	6 f.	Fully reported
102-49	Changes in reporting	6 f.	Fully reported
102-50	Reporting period	6 f.	Fully reported
102-51	Date of most recent report	6 f.	Fully reported
102-52	Reporting cycle	6 f.	Fully reported
102-53	Contact point for questions regarding the report	146	Fully reported
102-54	Claims of reporting in accordance with the GRI Standards	6, 134 f.	Fully reported
102-55	GRI content index	134 f.	Fully reported
102-56	External assurance	6 f.	Fully reported

Topic-specific disclosure obligations (by materiality)

GRI 200: Economic

Disclosure	Description	Continental comments/ page reference	Completeness (self-assessment)
201	**Economic Performance**		
103	Management approach	36 f.	Fully reported
201-1	Direct economic value generated and distributed	36 f, 52.	Partially reported
201-2	Financial implications and other risks and opportunities due to climate change	5, 12 f., 14, 16 f., 22f.	Partially reported
201-3	Defined benefit plan obligations and other retirement plans	59 f.	Fully reported
201-4	Financial assistance received from government	57	Fully reported
202	**Market Presence**		
103	Management approach	8	Partially reported
202-1	Ratios of standard entry level wage by gender compared to local minimum wage not reported	n. a.	Not reported
202-2	Proportion of senior management hired from the local community	n. a.	Not reported
203	**Indirect Economic Performance**		
103	Management approach	117	Partially reported
203-1	Infrastructure investments and services supported	117	Partially reported
203-2	Significant indirect economic impacts	n. a.	Not reported
205	**Anti-Corruption**		
103	Management approach	81 f., 89 f.	Fully reported
205-1	Operations assessed for risks related to corruption	89 f.	Partially reported
205-2	Communication and training about anti-corruption policies and procedures	89 f.	Fully reported
205-3	Confirmed incidents of corruption and actions taken	89 f.	Not reported
206	**Anti-competitive Behavior**		
103	Management approach	81 f.	Fully reported
206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices	92 f.	Fully reported
207	**Tax**		
103	Management approach	50, 91	Fully reported
207-1	Approach to tax	50, 91	Fully reported
207-2	Tax governance, control, and risk management	50, 91	Partially reported
207-3	Stakeholder engagement and management of concerns related to tax	14, 50, 91	Not reported
207-4	Country-by-country reporting	91	Partially reported

GRI 300: Environment

Disclosure	Description	Continental comments/ page reference	Completeness (self-assessment)
301	**Materials**		
103	Management approach	24	Fully reported
301-1	Materials used by weight or volume	10	Partially reported
301-2	Recycled input materials used	24 f.	Not reported
301-3	Reclaimed products and their packaging materials	24 f.	Not reported
302	**Energy**		
103	Management approach	34 f.	Fully reported
302-1	Energy consumption within the organization	34 f.	Fully reported
302-2	Energy consumption outside of the organization	n. a.	Not reported
302-3	Energy intensity	34 f.	Fully reported
302-4	Reduction of energy consumption	34 f.	Partially reported
302-5	Reductions in energy requirements of products and services	16 f., 22 f.	Partially reported
303	**Water**		
103	Management approach	34 f.	Fully reported
303-1	Water withdrawal by source	34 f.	Fully reported
303-2	Water sources significantly affected by withdrawal of water	34 f.	Fully reported
303-3	Water recycled and reused	34 f.	Not reported
305	**Emissions**		
103	Management approach	16 f., 22 f., 34 f.	Fully reported
305-1	Direct (Scope 1) GHG emissions	16 f.	Fully reported
305-2	Indirect (Scope 2) GHG emissions	16 f.	Fully reported
305-3	Other indirect (Scope 3) GHG emissions	18 f.	Partially reported
305-4	GHG emissions intensity		Not reported
305-5	Reduction of GHG emissions	16 f., 22 f., 34 f.	Partially reported
305-6	Emissions of ozone-depleting substances (ODS)	n. a.	Not reported
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX) and other significant air emissions	n. a.	Not reported
306	**Effluents and Waste**		
103	Management approach	24, 34 f.	Fully reported
306-1	Water discharge by quality and destination	n. a.	Not reported
306-2	Waste by type and disposal method	34 f.	Partially reported
306-3	Significant spills	n. a.	Not reported
306-4	Transport of hazardous waste	n. a.	Not reported
306-5	Water bodies affected by water discharges and/or runoff	n. a.	Not reported
307	**Environmental Compliance**		
103	Management approach	34 f., 89 f.	Fully reported
307-1	Non-compliance with environmental laws and regulations	92 f.	Fully reported
308	**Supplier Environmental Assessment**		
103	Management approach	26	Partially reported
308-1	New suppliers that were screened using environmental criteria	26	Partially reported
308-2	Negative environmental impacts in the supply chain and actions taken	26	Partially reported

GRI 400: Social

Disclosure	Description	Continental comments/ page reference	Completeness (self-assessment)
401	**Employment**		
103	Management approach	58	Fully reported
401-1	New employee hires and employee turnover	58, 76 f.	Partially reported
401-2	Benefits provided to full-time employees that are not provided to temporary or parttime employees	58, 59 f.	Partially reported
401-3	Parental leave	n. a.	Not reported
402	**Labor/Management Relations**		
103	Management approach	76	Partially reported
402-1	Minimum notice periods regarding operational changes	76	Not reported
403	**Occupational Health and Safety**		
103	Management approach	33 f., 58	Fully reported
403-1	Workers representation in formal joint management-worker health and safety committees	76	Not reported
403-2	Types of injury and rates of injury, occupational diseases, lost days, absenteeism, and the number of work-related fatalities	33, 58	Partially reported
403-3	Workers with high incidence or high risk of diseases related to their occupation	n. a.	Not reported
403-4	Health and safety topics covered in formal agreements with trade unions	76	Fully reported
404	**Training and Education**		
103	Management approach	58	Fully reported
404-1	Average hours of training per year per employee	58	Not reported
404-2	Programs for upgrading employee skills and transition assistance programs	58	Partially reported
404-3	Percentage of employees receiving regular performance and career development reviews	58	Not reported
405	**Diversity and Equal Opportunity**		
103	Management approach	58, 81, 88 f.	Fully reported
405-1	Diversity of governance bodies and employees	82 f., 88 f.	Partially reported
405-2	Ratio of basic salary and remuneration of women to men	76	Not reported
406	**Non-discrimination**		
103	Management approach	26 f., 58, 88 f.	Partially reported
406-1	Incidents of discrimination and corrective actions taken	26 f., 58, 88 f.	Not reported
407	**Freedom of Association and Collective Bargaining**		
103	Management approach	26 f., 57, 59, 76	Partially reported
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	26 f.	Partially reported
408	**Child Labor**		
103	Management approach	26 f., 57, 59	Partially reported
408-1	Operations and suppliers at significant risk for incidents of child labor	26 f.	Partially reported
409	**Forced or Compulsory Labor**		
103	Management approach	26 f., 57, 59	Partially reported
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	26 f.	Partially reported
412	**Human Rights Assessment**		
103	Management approach	26 f.	Fully reported
412-1	Operations that have been subject to human rights reviews or impact assessments	26 f., 33	Partially reported

Disclosure	Description	Continental comments/ page reference	Completeness (self-assessment)
412-2	Employee training on human rights policies or procedures	26 f., 89 f.	Partially reported
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	n. a.	Not reported
414	**Supplier Social Assessment**		
103	Management approach	26. f.	Fully reported
414-1	New suppliers that were screened using social criteria	26. f.	Partially reported
414-2	Negative social impacts in the supply chain and actions taken	26. f.	Partially reported
415	**Public Policy**		
103	Management approach	117	Partially reported
415-1	Political contributions	117	Fully reported
416	**Customer Health and Safety**		
103	Management approach	78 f.	Partially reported
416-1	Assessment of the health and safety impacts of product and service categories	78 f.	Partially reported
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	92 f.	Fully reported
418	**Customer Privacy**		
103	Management approach	31	Partially reported
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	n. a.	Not reported
419	**Socioeconomic Compliance**		
103	Management approach	26 f.	Partially reported
419-1	Non-compliance with laws and regulations in the social and economic area	92 f.	Fully reported

UN Global Compact Index

The following index serves as the 2021 Communication on Progress of Continental Group in relation to the implementation of the principles of the UN Global Compact and, in this regard, presents the sustainability activities described in the context of the principles of the UN Global Compact.

Topic area	Principle	Page reference
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights.	16-20, 22-23, 24-25, 26-28, 33-35, 58, 76
	2. Make sure that they are not complicit in human rights abuses.	16-20, 22-23, 24-25, 26-28, 33-35, 58, 77
Labor	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	26-28, 58, 76
	4. The elimination of all forms of forced and compulsory labor.	26-28, 58, 77
	5. The effective abolition of child labor.	26-28, 58, 78
	6. The elimination of discrimination in respect of employment and occupation.	26-28, 58, 79
Environment	7. Businesses should support a precautionary approach to environmental challenges.	16-20, 22-23, 24-25, 26-28, 33-35
	8. Undertake initiatives to promote greater environmental responsibility.	16-20, 22-23, 24-25, 26-28, 33-36
	9. Encourage the development and diffusion of environmentally friendly technologies.	16-20, 22-23, 24-25, 26-28, 33-37
Anti-Corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	26-28, 89-90

SDG Index

The following index shows the Continental Group's sustainability activities described in the context of the UN Sustainable DevelopmentGoals (SDGs).

SDG	Page Reference	SDG	Page Reference
1 NO POVERTY	117	10 REDUCED INEQUALITIES	58, 88-89
2 ZERO HUNGER	117	11 SUSTAINABLE CITIES AND COMMUNITIES	16-20, 22-23, 24-25, 29-32, 36-57, 80, 117
3 GOOD HEALTH AND WELL-BEING	27-28, 33-35, 76-77	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	16-20, 22-23, 24-25, 29-32, 33-35, 36-57, 80, 117
4 QUALITY EDUCATION	59-76, 89, 117	13 CLIMATE ACTION	16-20, 22-23, 33-35
5 GENDER EQUALITY	81, 88-89	14 LIFE BELOW WATER	33-35
6 CLEAN WATER AND SANITATION	33-35	15 LIFE ON LAND	16-20, 22-23, 24-25, 29-32, 33-35, 36-57, 80, 117
7 AFFORDABLE AND CLEAN ENERGY	16-20, 22-23, 33-35	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	26-28, 89-90, 117
8 DECENT WORK AND ECONOMIC GROWTH	36-56, 58	17 PARTNERSHIPS FOR THE GOALS	14, 26, 28, 143
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	16-20, 22-23, 24-25, 29-32, 36-57, 80, 117		

TCFD Index

The following index shows the Continental Group's sustainability activities described in the context of the disclosure recommendations for climate reporting by the Task Force on Climate-Related Financial Disclosures (TCFD).

Disclosure	Page reference
Governance: Disclose the organization's governance around climate related risks and opportunities.	
a) Describe the board's oversight of climate-related risks and opportunities. b) Describe management's role in assessing and managing climate-related risks and opportunities.	5, 13, 14, 81, 95 f.
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and longterm. b) Describe the impact of climaterelated risks and opportunities on the organization's businesses, strategy, and financial planning. c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	5, 13, 14, 16-21, 22-23
Risk Management: Disclose how the organization identifies, assesses, and manages climate-related risks.	
a) Describe the organization's processes for identifying and assessing climate-related risks. b) Describe the organization's processes for managing climate-related risks. c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	5, 13, 14, 16-21, 22-23, 118-128
Metrics and Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	
a) Disclose the metrics used by the organization to assess climaterelated risks and opportunities in line with its strategy and risk management process. b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	16-21, 22-23

SASB Index

The following index shows the Continental Group's sustainability activities described in the context of the industry-specific reporting standards of the Sustainability Accounting Standards Board (SASB) for automotive suppliers (Automotive Parts).

Diclosure	Description	Page reference
Energy Management		
TR-AP-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	16-20, 33-35
Waste Management		
TR-AP-150a.1	(1) Total amount of waste from manufacturing, (2) percentage hazardous, (3) percentage recycled	24, 33-35
Product Safety		
TR-AP-250a.1	Number of recalls issued, total units recalled	78
Design for Fuel Efficiency		
TR-AP-410a.1	Revenue from products designed to increase fuel efficiency and/or reduce emissions	22-23
Materials Sourcing		
TR-AP-440a.1	Description of the management of risks associated with the use of critical materials	25, 27-28, 34-35
Materials Efficiency		
TR-AP-440b.1	Percentage of products sold that are recyclable	25
TR-AP-440b.2	Percentage of input materials from recycled or remanufactured content	25
Competitive Behaviour		
TR-AP-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	92-94
Activity Metrics		
TR-AP-000.A	Number of parts produced	n. a.
TR-AP-000.B	Weight of parts produced	n. a.
TR-AP-000.C	Area of manufacturing plants	8

Key Memberships

	Organisation	Joined
wbcsd	World Business Council for Sustainable Development (WBCSD)	2005
charta der vielfalt UNTERZEICHNET	Diversity Charter	2008
LUXEMBURGER DEKLARATION ZUR BETRIEBLICHEN GESUNDHEITSFÖRDERUNG	Luxembourg Declaration on Workplace Health Promotion in the European Union	2010
UN Global Compact	United Nations Global Compact	2012
In support of WOMEN'S EMPOWERMENT PRINCIPLES Established by UN Women and the UN Global Compact Office	Women's Empowerment Principles	2015
econsense	econsense – Sustainable Development Forum for the German Economy	2015
GPSNR Global Platform for Sustainable Natural Rubber	Global Platform for Sustainable Natural Rubber	2018
RE100 CLIMATE GROUP CDP	RE100	2020
WE SUPPORT CEO WATER MANDATE	CEO Water Mandate	2020
Unterstützer der Allianz für Entwicklung und Klima	Alliance for Development and Climate	2021
RBA	Responsible Business Alliance	2022

Ratings and Rankings

Continental features in various sustainability indices:

Index	Description
ECPI Sense in sustainability	Continental is listed in various ECPI sustainability indices.
	Continental is represented in the FTSE4Good Index series.
DAX® 50 ESG	Continental is listed in the DAX 50 ESG.

Continental also performed as follows in the rankings indicated below:

Index	Year	Description
Corporate ESG Performance Prime RATED BY ISS ESG	February 2022	Prime (C+)
MSCI [1]	February 2022	BBB
SUSTAINALYTICS a Morningstar company	December 2021	13.2 (low risk) Auto Components: Rank 10/210 Auto Parts: Rank 6/181
CDP DISCLOSURE INSIGHT ACTION	December 2021	Climate: Score B Water: Score B Supply chain: Score A Supplier engagement leader board
ecovadis	December 2021	Score: 73/100 98th percentile

1 Disclaimer MSCI: The use by Continental of any MSCI ESG Research LLC data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, or promotion of Continental by MSCI or any of its affiliates. MSCI services and data are the property or MSCI or its information providers. MSCI and MSCI ESG Research names and logos are trademarks or service marks of MSCI or its affiliates.

Independent Auditor's Reports

The following table shows the audit opinions of the independent auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hanover (PwC) for the audited contents of this report.

Name of auditor's report	Date of the auditor's report[2]	Available in the internet at
Report on the Audit of the Consolidated Financial Statements and the Consolidated Management Report	March 2, 2022/limited to the amendments stated in the "Note on Supplementary Audit" section: March 15, 2022	
Auditor's Report on the Remuneration Report	March 17, 2022	www.continental-sustainability.com/downloads.
Independent Practitioner's Report on a Limited Assurance Engagement on selected Sustainability Information in the Integrated Sustainability Report of Continental AG	April 12, 2022	

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Continental
The Future in Motion

[Translator's notes are in square brackets]

General Engagement Terms
for
Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [*Translators Note: The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party

b) examination of tax assessments in relation to the taxes referred to in (a)

c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)

e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax**;**

b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;

c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and

d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.