



# 2017 Sustainability Report and UN Global Compact Communication on Progress



# Overview of Key Figures for the Continental Corporation

€ million	2017	2016	Δ in %
Sales	44,009.5	40,549.5	8.5
EBITDA	6,678.9	6,057.4	10.3
in % of sales	15.2	14.9	
EBIT	4,561.5	4,095.8	11.4
in % of sales	10.4	10.1	
Net income attributable to the shareholders of the parent	2,984.6	2,802.5	6.5
Earnings per share in €	14.92	14.01	6.5
Adjusted sales <sup>1</sup>	43,401.3	40,545.2	7.0
Adjusted operating result (adjusted EBIT) <sup>2</sup>	4,746.9	4,309.8	10.1
in % of adjusted sales	10.9	10.6	
Free cash flow	1,752.8	1,771.3	-1.0
Net indebtedness	2,047.6	2,797.8	-26.8
Gearing ratio in %	12.6	19.0	
Equity	16,290.3	14,734.8	10.6
Equity ratio in %	43.5	40.7	
Number of employees (as at December 31) <sup>3</sup>	235,473	220,137	7.0
Dividend per share in €	4.50	4.25	5.9
Share price at year-end <sup>4</sup> in €	225.05	183.70	22.5
Share price at year high <sup>4</sup> in €	228.85	220.10	
Share price at year low <sup>4</sup> in €	180.70	158.20	

<sup>1</sup> Before changes in the scope of consolidation.

<sup>2</sup> Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

<sup>3</sup> Excluding trainees.

<sup>4</sup> Price quotations of the Continental share in the XETRA system of Deutsche Börse AG.

# Contents

<b>Introduction .....</b>	<b>4</b>
---------------------------	----------

<b>Report Profile .....</b>	<b>5</b>
-----------------------------	----------

<b>Corporate Profile .....</b>	<b>6</b>
--------------------------------	----------

Structure of the Corporation .....	6
Mission Statement and Corporate Values .....	7
Memberships .....	7

<b>Corporate Guidance .....</b>	<b>9</b>
---------------------------------	----------

Management Approach .....	9
Strategy and Management .....	10
Sustainability Program .....	11
Stakeholder Dialog .....	13
Corporate Governance .....	15
Compliance .....	16

<b>Economy .....</b>	<b>18</b>
----------------------	-----------

Management Approach .....	18
Added Value .....	19
Risk Management .....	19
Supplier Management .....	20
Employee Pension Scheme .....	21

<b>Environment .....</b>	<b>23</b>
--------------------------	-----------

Environmental Policy and Management Approach .....	23
Energy .....	23
Emissions .....	24
Water .....	25
Wastewater and Waste .....	25
Biodiversity .....	25

<b>Products .....</b>	<b>26</b>
-----------------------	-----------

Management Approach .....	26
Materials and Recycling .....	26
Environmentally Friendly Products .....	27
Customer Health and Safety .....	27

**Employees ..... 28**

    Corporate Policy and Management Approach ..... 28

    Workforce ..... 29

    Remuneration and Company Benefits ..... 29

    Job Training and Continuing Education ..... 30

    Diversity and Equal Opportunities ..... 31

    Occupational Safety and Health Management ..... 32

**Society ..... 34**

    Worldwide Commitment ..... 34

**GRI Content Index and Communication on Progress to the UN Global Compact ..... 35**

**Publication Details ..... 41**

# Introduction

Dear Readers,

Our BASICS are the foundation of Continental's success. These are our corporate guidelines. They describe our vision, our mission and our values. We align our corporate activities around them. They cover how we work with one another and with all our stakeholders. Our BASICS emphasize our social responsibility, how we handle resources carefully, and a culture of working with and for one another. They are our compass in this time of digital transformation that is changing our working world so profoundly.

One of our four corporate values is Freedom To Act. As stated in the BASICS: "We respect the freedom of future generations and live up to our responsibility. With our products and services, we help expand – and do not restrict – their opportunities for development."

We have created clear corporate goals for this purpose, including the provision of sustainable personal mobility. This should contribute to cleaner air and zero accidents in road traffic, and should be affordable for all. Effective innovations that millions of mobility users worldwide can afford – this is how we will ensure our future viability as a company.

Effective and affordable technologies are also important in terms of climate change mitigation. Currently, however, economic risks are growing considerably. Factors impacting free trade are one of these risks. Unequal tariffs, for instance, affect free trade in automobiles between the U.S.A. and Europe. Removing these entirely or equalizing them at the lowest possible level is the best solution. Artificially

inflated prices for goods reduce their use, production, and thereby the national income. We have been learning from science and practical experience for 200 years that tariffs and trade barriers endanger well-being and jobs.

In the coming years, we anticipate that industries and markets will undergo fundamental change. Electrification, automation and digitalization are important aspects, in cars themselves, and far beyond this as well. Mobility, and the way in which it is supplied, is becoming safer, more efficient and more intelligent – and more sustainable.

We have only one planet and innovation is the key to living on it and protecting it at the same time. Experts expect raw materials consumption in 2050 to be double what it is in 2015. Using limited resources in the most efficient way possible is therefore a major concern. It is important to find solutions that separate economic growth from the consumption of raw materials. This can only happen with the help of close worldwide collaboration.

We are all responsible for our environment. After all, the decisions we make today will determine how we and our children live in the future.

Continental expressly recognizes the 10 principles of the United Nations Global Compact for Human and Employee Rights, Environmental Protection and Anti-Corruption Measures. This sustainability report, therefore, also describes our progress in the 2017 fiscal year.

# Report Profile

For the seventh year, this report provides an overview of the key figures, goals, strategies and activities of Continental Aktiengesellschaft in the area of sustainability. The report is issued annually. The GRI (Global Reporting Initiative) standards were applied in conformance with the "Core" option in the 2017 fiscal year, which corresponds to the 2017 calendar year.

This sustainability report is aimed at investors, analysts, customers, employees, suppliers, politicians and public authorities, as well as all other stakeholders that have relations with the company and would like to know about the values and principles that define our actions. It also serves as a progress report to the United Nations Global Compact.

Continental performed a detailed materiality analysis in 2015 to determine and prioritize the report's content. Information about economic circumstances, as well as facts and figures about the environment and staff subject areas in this report, is based primarily on information from the 2017 Annual Report.

In addition to the parent company, the consolidated financial statements include 527 (PY: 510) domestic and foreign companies that Continental Aktiengesellschaft incorporates according to the regulations of IFRS 10 or that are classified as joint arrangements or associated companies. Of these, 412 (PY: 396) are fully consolidated and 115 (PY: 114) are accounted for using the equity method.

The number of consolidated companies has increased by a total of 17 since the previous year. 12 companies were formed, 16 were acquired, and one previously unconsolidated unit was consolidated for the first time. Two structured entities were also fully consolidated according to IFRS 10. Four companies were liquidated, one was deconsolidated, and one was sold. In addition, the number of companies consolidated was reduced by eight as a result of mergers.

The framework for recording key figures on the workforce encompasses around 223,500 employees worldwide (PY: 212,000), which equates to a coverage of 95%. The supplier portfolio saw normal fluctuation, but this did not result in any significant revisions to reporting limits or content. If necessary, reformulations deviating from previous reports are included as footnotes.

The recording methods and data quality for selected information were reviewed by an independent auditor. These are marked accordingly in the GRI Content Index.

This sustainability report was approved by Dr. Ariane Reinhart, Member of the Executive Board (Human Relations, Director of Labor Relations, Sustainability) and Chair of the Sustainability Board. The editorial deadline was in June 2018. The report is available in English and German.

# Corporate Profile

## Structure of the Corporation

The Hanover-based company is made up of the Automotive Group and the Rubber Group. These are divided into a total of five divisions and 29 business units depending on the product or product group, or region.

The Automotive Group is made up of three divisions: Chassis & Safety, Powertrain and Interior. They generate around 60% of consolidated sales. The Rubber Group, which includes the Tires and ContiTech divisions, pools business activities based on rubber and plastic. These two divisions generate around 40% of consolidated sales.

Our team comprises some 235,000 employees worldwide. The effective and efficient cooperation of divisions, business units and central functions is governed by our "Balance of Cooperation." It defines the framework of our activities across organizational, hierarchical and geographic boundaries and promotes our corporate culture on the basis of our corporate values: Trust, For One Another, Freedom To Act and Passion To Win.

Continental develops pioneering technologies and services for sustainable and connected mobility of people and their goods. These include safe, efficient, intelligent, and affordable solutions for vehicles, machines, traffic and transportation.

The product portfolio includes safety technologies and products to support vehicle dynamics, efficient system solutions for the powertrain, information, communication, and networking solutions and tires for passenger cars and commercial vehicles, smart components and systems made of rubber, metal, and woven materials for different industries, and more. We are expanding our portfolio with software-based and mobility services that complement existing products and benefit our customers.

Below are the important brands:

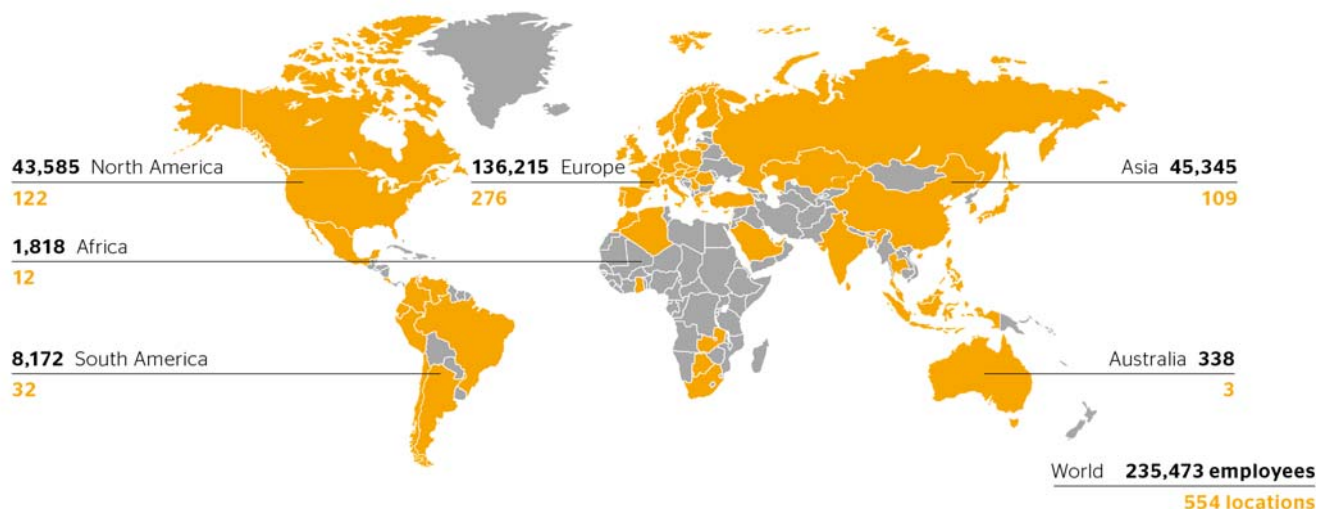
- > Technical products: Continental, ContiTech, Schwingmetall, Benecke-Kaliko, Phoenix
- > Automotive: Continental, ATE, VDO
- > Tires: Continental, General Tire, Semperit, Barum, Gislaved, Mabor, Viking, Matador, Euzkadi

Continental operates at 554 locations in 61 countries and markets. Here, the postal addresses of companies under our control are defined as locations.

- > Europe: Belgium, Denmark, Germany, Finland, France, Greece, Ireland, Israel, Italy, Kazakhstan, Liechtenstein, Lithuania, Luxembourg, The Netherlands, Norway, Austria, Poland, Portugal, Romania, Russia, Sweden, Switzerland, Serbia, Slovakia, Slovenia, Spain, the Czech Republic, Turkey, Hungary, the United Kingdom
- > America: Argentina, Brazil, Chile, Costa Rica, Columbia, Ecuador, Peru, Venezuela, Canada, Mexico, U.S.A.
- > Africa: Algeria, Ghana, Botswana, Morocco, the Republic of South Africa, Zambia
- > Asia: China, India, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, the United Arab Emirates, Saudi Arabia
- > Australia

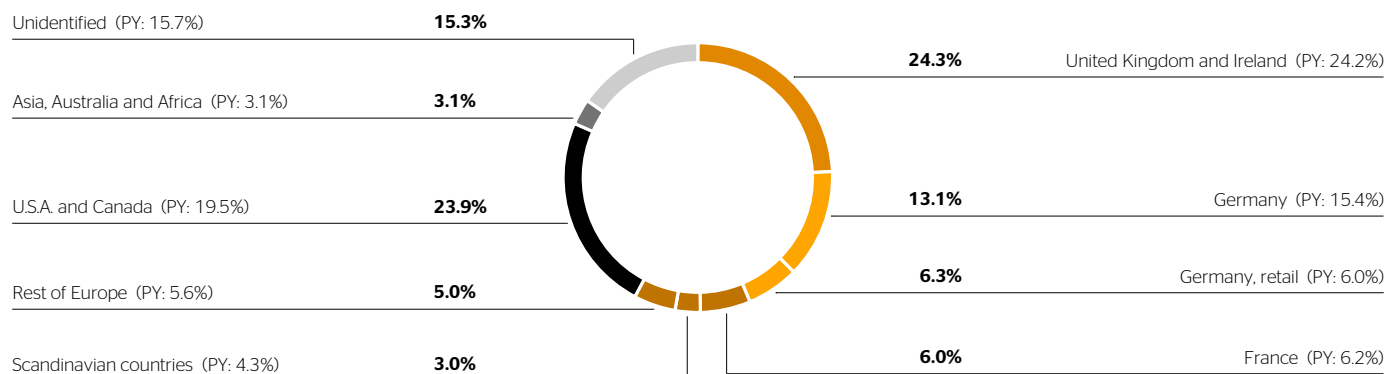
Continental is a stock corporation under German law. As at December 31, 2017, 46% of shares were owned by the IHO Group, Herzogenaurach (Germany) and 54% were in free float. Continental AG is listed on the German stock index (DAX).

## 554 locations in 61 countries





## Geographic distribution of free float in 2017



### Mission Statement and Corporate Values

Our corporate culture is based on our four values: Trust, Passion To Win, Freedom To Act and For One Another. These values help guide us in the way we interact with customers and business partners, work with one another, and resolve conflicts of interest.

- › Trust: We earn the trust we give. Trust is the basis for everything we do and the prerequisite for our success. We justify the trust that has been placed in us.
- › Passion To Win: We have the passion to win. Competition is our world, top performance is our goal. We want to create value continuously. For this, we give our best.
- › Freedom To Act: Freedom enables us to grow in responsibility. We motivate people to self-organize their work and take responsibility for the results.
- › For One Another: We attain top value with our team spirit as one. We combine our forces and put aside individual interests.

In this way, we achieve the greatest possible success for Continental

The most important documents at corporation level are:

- › Code of Conduct: The "Continental Code of Conduct" is available in 17 languages. It is part of each contract of employment. Management-level employees must complete an electronic learning program (eLearning) on the Code of Conduct and the topic of compliance during their first six months of employment at Continental.
- › Corporate Guidelines: Since 1989, our BASICS have been conveying the corporation's vision, values and self-image.

› Principles of our Corporate Social Responsibility: These provide an overview of our CSR principles.

› Corporate Governance Principles: Based on the applicable legal provisions, the German Corporate Governance Code and the Corporate Guidelines, these principles provide a detailed description of the corporation's managerial and supervisory tasks and processes.

All documents are available on the Internet.

### Memberships

This section lists the majority of the Continental Corporation's memberships. Due to the scope of this document, memberships of the individual subsidiaries and locations (for example, memberships in German chambers of industry and commerce or employers' associations) have not been included.

- › Association Connecting Electronics Industries (IPC), Cyber-Sicherheitsrat Deutschland e. V. [German Association for Cyber-Security]
- › California Air Resources Board
- › Deutsche Gesellschaft für Personalführung (DGFP) [German Association for Personnel Management]
- › Deutsche Gesellschaft für Qualität [German Association for Quality]
- › Deutsche Kautschuk-Gesellschaft (DKG) [German Rubber Society]
- › Deutsche Vereinigung für Internationales Steuerrecht [German Association for International Tax Law]

- › Deutsches Rechnungslegungs Standards Committee (DRSC) e. V. [German Invoicing Standards Committee]
  - › Deutscher Verkehrssicherheitsrat (DVR) [German Road Safety Council]
  - › Deutsches Institut für Kautschuktechnologie (DIK) [German Institute of Rubber Technology]
  - › European Tyre & Rubber Manufacturers' Association (ETRMA)
  - › European Green Vehicle Initiative Association
  - › Forschungsvereinigung Automobiltechnik (FAT) [Research Association of Automotive Technology]
  - › National Platform for E-mobility
  - › Organisation Werbungtreibende im Markenverband (OWM) [German Advertisers' Association]
  - › Stifterverband für die Deutsche Wissenschaft [Donors' Association for German Science]
  - › Verband der Automobilindustrie (VDA) [German Association of the Automotive Industry]
  - › Verband für Sicherheit, Gesundheit und Umweltschutz bei der Arbeit (VDSI) [German Association for Safety, Health and Environmental Protection at Work]
  - › Verein Deutscher Ingenieure (VDI) [Association of German Engineers]
  - › Verein zur Förderung des Betrieblichen Brandschutzes Niedersachsen (vfb) [German Association to Promote Operational Fire Protection in Lower Saxony]
  - › Wirtschaftsverband der deutschen Kautschukindustrie (wdk) [Trade Association of the German Rubber Industry]
  - › Zentrale zur Bekämpfung unlauteren Wettbewerbs [German Center for Combating Unfair Competition]
- In addition, the Continental Corporation is committed to and has signed the following initiatives and declarations of commitment:
- › "Sustainable Natural Rubber Initiative" project (SNRI, since 2016)
  - › Women's Empowerment Principles (since 2015)
  - › econsense - Forum Nachhaltige Entwicklung der Deutschen Wirtschaft e. V. [Sustainable Development Forum for the German Economy] (since 2015)
  - › The United Nations Global Compact (since 2012)
  - › The Luxembourg Declaration on Workplace Health Promotion in the European Union (since 2010)
  - › "Charta der Vielfalt" (German Diversity Charter) (since 2008)
  - › The European Road Safety Charter (since 2007)
  - › CDP (since 2009)
  - › World Business Council for Sustainable Development (WBCSD, since 2005)
- In addition, companies of the corporation have signed further (country-) specific codes or declarations of commitment. For example, Continental Reifen Deutschland GmbH has signed the "Gemeinsame Erklärung Erfolgsfaktor Familie" [Joint Declaration on the Family as a Success Factor].

# Corporate Governance

## Management Approach

Continental uses the Corporate Governance Principles, the Corporate Guidelines (BASICS), our Corporate Social Responsibility Principles and the Code of Conduct as a basis for its continuous fight against corruption and bribery. Together, they form the basis of responsible corporate management and control founded on the achievement of a long-term increase in value. The Continental Executive Board is firmly committed to these principles and that of "zero tolerance," particularly with regard to corruption and antitrust violations.

Illegal, unethical and irresponsible actions damage the company and its stakeholders. Our anti-corruption guidelines and related electronic training sessions (eLearning) increase awareness of compliance with the relevant regulations at all levels and serve as guidance in dealing with the issue of gifts and benefits.

Our compliance and anti-corruption hotline is designed to help track down any improper behavior more effectively. In this way, any Continental stakeholder who becomes aware of illegal or dubious activities – such as violations of our basic values or criminal activities – can report such activities effectively and anonymously to the hotline (e.g. in the case of suspected fraud, money laundering or conflicts of interest). Tips received by the compliance and anti-corruption hotline are passed on to Corporate Auditing and the Compliance department for investigation.

In order to operate successfully as a company in a complex business sector 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. The risk management system in turn also includes the early risk identification system. The Executive Board is responsible for the governance system, which includes all subsidiaries. The Supervisory Board and its Audit Committee monitor the effectiveness of the system.

Continental has established a compliance management system (CMS) based on a comprehensive analysis of potential compliance risks that can arise from structures and processes, from a specific market situation, or in specific regions. The effectiveness of our compliance management system was reviewed and confirmed in 2016 by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft in accordance with Audit Standard PS 980 of the Institut der Wirtschaftsprüfer e.V.

Continental respects the "Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy" of the International Labour Organization (ILO). The principles laid down in this declaration are considered guidelines for multi-national enterprises, governments, and employers' and workers' organizations. The fundamental objective of the guidelines is to improve the working and living conditions of people worldwide.

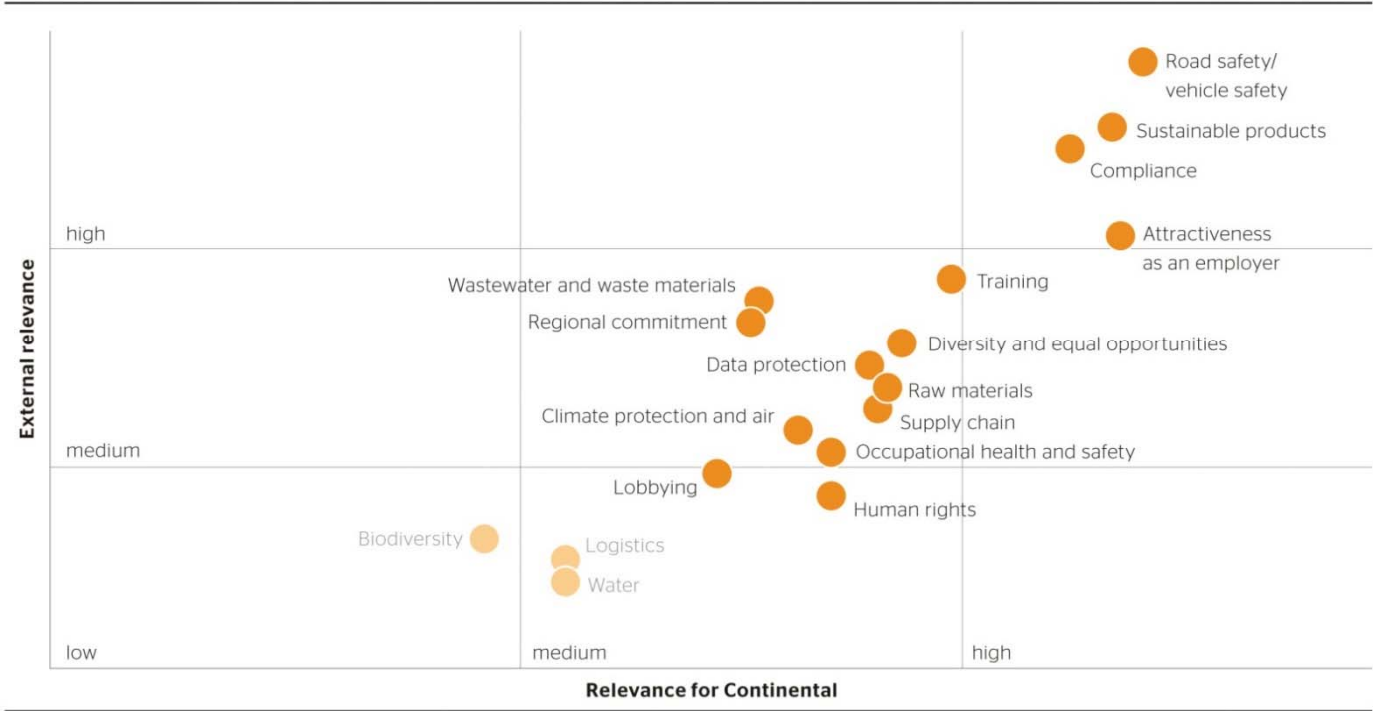
In principle, Continental does not grant any financial support in the form of donations to political parties, political organizations or politicians. The option our employees in the U.S.A. have of personally making political donations through a "political action committee" does not contradict this policy.

Strategy and Management

In 2015, Continental worked out the issues that are important for the corporation both for the present and the future in the scope of a multistage analysis. For this purpose, 18 sustainability issues from

our four key fields of action were evaluated with respect to their contribution to long-term business success and sustainable development from both an external and an internal perspective.

Materiality matrix



Furthermore, in 2017 Continental also evaluated significant aspects in terms of their effects on the environment, employees, and society, as well as their relevance to the company's business and published these in a non-financial report. The content and the creation process were reviewed by the Continental AG Supervisory Board and the KPMG AG auditing company.

Our corporate guidelines, Code of Conduct, CSR Principles and Corporate Governance Principles are the foundation of our sustainability management. These are implemented in our fields of action through the management systems of the individual corporate areas, for example OHSAS 18001 in the HR area or ISO 14001 in environmental management.

Our environmental strategy acts as a substantial booster for our business activities. For example, negative environmental impacts, such as climate change and shortage of raw materials, turn into opportunities for our company and the resulting product innovations give us a competitive edge. Examples include our complete range of products for reducing CO<sub>2</sub> emissions as well as the development initiatives for systematic lightweight design and use of recycled

materials. In the reporting period, Continental generated around 40% of its consolidated sales with highly energy-efficient products or with products that help reduce pollutants or CO<sub>2</sub> emissions. This is testament to the fact that the clearly defined objectives of our environmental strategy pay off, not only ecologically but economically, too. Conservation of raw materials and process optimizations reduce costs and strengthen our competitiveness, as product innovations focused on protecting the environment and conserving resources satisfy the ever-more demanding requirements of our customers to an ever greater degree.

A Corporate Sustainability Council was established to manage sustainability and corporate responsibility. It comprises two members of the Executive Board and representatives from the areas of environment, human relations, legal and compliance, corporate safety and health, investor relations, corporate auditing, corporate accounting, and corporate communications. The council is chaired by the Executive Board member for Human Relations. The Sustainability Board meets four times a year and for relevant occasions. The Environment department is under the direct control of the chairman of the Executive Board.

Material issues	Associated GRI aspects	Inside	Outside
Road and vehicle safety	Customer health and safety		X
Sustainable products	Products and services	X	X
	Energy; emissions	X	X
	Labeling products and services		X
Compliance	Compliance (ecological, socio-economic, product responsibility)	X	X
	Anti-corruption	X	X
	Anti-competitive behavior		X
	Complaint procedure for ecological aspects, working practices and violations of human rights		X
Attractiveness as an employer	Employment	X	X
	Market presence		X
	Labor/management relations	X	X
	Job training and continuing education	X	
Wastewater and waste	Effluents and waste	X	
Regional commitment	Indirect economic services		X
Diversity and equal opportunities	Diversity and equal opportunities	X	
	Equal salaries for men and women	X	
	Market presence	X	
Data protection	Customer privacy		X
Raw materials	Materials	X	
Supply chain	Procurement practices; supplier environmental assessment; human rights assessment and supplier social assessment		X
	Rights of indigenous peoples		X
Climate protection/air	Products and services	X	X
	Energy; emissions	X	X
Occupational health and safety	Occupational safety and health protection	X	
Human rights	Human rights assessment; non-discrimination; freedom of association and collective bargaining; child labor; forced or compulsory labor; security practices		X
Lobbying	Policy		X
Water	Water	X	
Biodiversity	Biodiversity		X

Questions of sustainability are also the subject of reports from the Executive Board to the Supervisory Board concerning ongoing business development. The Audit Committee of the Supervisory Board is closely involved in compliance and risk management.

The Executive Board initiated a project in the year under review to anchor sustainability even more firmly in the organization in the future and optimize existing processes. Concrete recommendations and measures were defined in 2017 with the participation of all relevant specialist departments and management personnel. These will be implemented on a step-by-step basis in 2018. They include, for instance, a new organizational structure in the sustainability area and a new strategy for social commitment.

### Sustainability Program

We base our performance on both financial and non-financial indicators and criteria. It is crucial that sustainability objectives and measures create value. This is the only way to ensure their acceptance within the company and their credibility outside the company.

In 2015, we developed a consolidated sustainability program and set ourselves goals for 2020 in order to achieve measurable improvement in our four fields of action. Some of these extend until 2025. These goals form our Roadmap 2020. We will report regularly and provide a position statement on how we are attempting to achieve these goals, which projects and measures have already been implemented, and what progress has been achieved.

Field of activity	Goal	Achieved 2017	Deadline
<b>Corporate governance and corporate culture</b>			
Compliance and supply chain	Proof of acknowledgment of the Code of Conduct has been provided by 100% of suppliers	Implementation of a standard process (certification Code of Conduct and due diligence) Revision of the Supplier Code of Conduct as the Business Partner Code of Conduct, adoption and implementation.	2020
Compliance and supply chain	Regular implementation of eLearning programs	Roll-out of a refresher training course in antitrust law; of 57,244 invited existing employees, roughly 97% have completed the refresher course. Ongoing online training sessions for new hires: Of 22,035 invited new employees, 96% have completed eLearning programs in antitrust law and corruption prevention.	Continuous
Compliance and supply chain	Regular implementation of classroom training	Risk-based in-person training schedule: gen. compliance, anti-trust law, corruption prevention; 6,586 participants took part in 257 in-person training sessions worldwide.	Continuous
Lobbying	Transparent communication with political positions	Participation by the CEO in the steering committee for the "Learning systems" platform from the Federal Ministry for Education and Research.	Continuous
Lobbying	Active participation in sustainability-related standard setting and standardization procedures	City sponsorship for Hanover and Regensburg as part of the VDA air pollution control project. (Reduction in emission levels).	Continuous
<b>Employees and society</b>			2020
Diversity and equal opportunities	Increase the share of female management personnel worldwide (senior executives/executives) to at least 16%	13.4 % (Executives: 14.1%, Senior Executives: 7.5%).	2020
Diversity and equal opportunities	50% of jobs in Germany will be non-age-dependent by 2020	Age stability rate of production positions in Germany increased to 52.4% (2016: 45.6%).	2020
Diversity and equal opportunities	Global documentation and improvement of the ergonomic quality of 80% of jobs in production	64% (2016: 50%) of production employees covered.	2025
Diversity and equal opportunities	Uniform minimum standards for flexible work models worldwide	In 18 countries, our employees can now configure their ways of working more individually.	2020
Occupational safety and health	Absence rate continuously under 3.5%	Absence rate 3.2%.	2020
Occupational safety and health	Reduction of accident rate to 2.5 (= number of occupational accidents per million contract work hours)	Accident rate 3.2 incl. new locations through acquisition (2016: 2.9). Goal achievement measures initiated, including safety programs for machine repairs, additional safety and health audits.	2020
Attractiveness as an employer	Reduction of worldwide fluctuation to 5%	Fluctuation rate 5.7%.	2020
Attractiveness as an employer	Further development of our corporate culture. 70% agreement to the statement in our cultural survey: In my opinion, Continental allows me to balance my work and private life	71% agreement.	Continuous
Job training and continuing education	All employees have had an individual employee development meeting with their manager	Roughly 80,000 employees (= 95.7%) of the employees in the new system have had such a meeting.	Continuous
<b>Environment</b>			
Climate protection/air	Reduction of the specific energy consumption by 20% (basis: 2013)	15.5% reduction.	2020
Climate protection/air	Reduction of the specific CO <sub>2</sub> emissions by 20% (basis: 2013)	15.7% reduction.	2020
Climate protection/air	Gradual acquisition of Scope 3 emissions	Target achieved, recording completed.	2020
Climate protection/air	Coverage of 5% of total energy consumption via renewable energy	Program to achieve goals initiated.	2025
Climate protection/air	Reduction of absolute solvent emissions by 20% by 2025 (basis: 2013)	Initiation of programs to reduce solvent emissions.	2025
Waste	Increase the waste recycling rate to 95% (basis: 2013)	Increase to 81%.	2020
Waste	Reduction of specific waste production by 20% (basis: 2013)	3.6% reduction.	2020
Water	Reduction of specific water consumption by 20% (basis: 2013)	18.7% reduction.	2020
Water	Creation of an atlas of water risk regions for Continental	Target achieved, atlas of water risk regions created.	2020
Water	Acquisition of water consumption by use (production-specific/sanitary)	Target achieved, water data recording integrated into reporting.	2020

### Products

Road and vehicle safety	Contribution to the EU target: Reducing the number of fatalities from accidents by 50% from 2010 to 2020 NCAP = New Car Assessment Program	NCAP "Stop the Crash" campaign completed in additional countries (China, Thailand). Expansion of Euro NCAP (ENCAP) to cover additional accident scenarios.	2020
Road and vehicle safety	Provision of system functions for future EU NHTSA legislation and NCAP	All new E-NCAP requirements in the area of advanced driver assistance systems reflected on the Chassis & Safety Roadmap through relevant products and system functions. Active involvement in designing the new ENCAP testing scenarios and pedestrian dummies. Collaboration in a worldwide standard for a vehicle dummy (GVT = Global Vehicle Target).	2020
Road and vehicle safety	Increase in vehicle safety through advanced driver assistance systems	Various active safety systems were included in the current draft of the European "General Safety Regulation." This means that in the EU, emergency braking and lane departure warnings will likely be a binding requirement for new vehicle models after 2022, and for new vehicles after 2024.	2020
Raw materials	Develop sustainable materials: serial use of natural rubber made from dandelions (Taraxagum) >= 2021	Beginning of construction for the "Taraxagum Lab Anklam" in December 2017. Technical status conforms to plans.	
Sustainable products	LCAs (life cycle assessments) are available for all defined core product segments	Needs were reviewed. Available LCAs for the core product segments are still current. No further LCAs required at present.	2020
Sustainable products	Share of raw material requirements in tire production covered by recycled materials: 10%	Percentage of recycled materials of raw materials used in tire production 3%, development of technologies necessary to achieve 10% going according to plan.	2025
Sustainable products	Contribution to the EU target: 20% reduction in CO <sub>2</sub> emissions compared to 1990	In 2017, approximately 4 million metric tons of CO <sub>2</sub> were saved using Continental components (turbochargers, transmission control units, power electronics, etc.).	2020
Sustainable products	Provision of technologies for reaching the target of 85 g CO <sub>2</sub> /km with gasoline vehicles (mild hybrid, "Best Car" as reference vehicle)	Development of a gasoline particle filter with target start of production in 2021.	2020
Sustainable products	Contribution to the improvement of air quality through the prevention of particles and nitrogen oxides in gasoline and diesel vehicles	Prototype "Super Clean Electrified Diesel" vehicle (incl. highly efficient SCR system, 48V electrification and back-end connectivity for vehicle strategy optimization): Lowering of CO <sub>2</sub> by up to 15% and NO <sub>x</sub> to CF <0.3 in comparison to a typical market reference vehicle.  Comparison of real driving emissions in NO <sub>x</sub> /km (RDE) to the test cycle WLTP, i.e. a CF <30% is more than 70% below the current NO <sub>x</sub> limit in the WLTP.	2020

### Stakeholder Dialog

In the scope of our business activities, we have many points of contact with a very wide variety of stakeholders over the entire value chain. Our stakeholders primarily include our customers, suppliers and partners, our shareholders, society, and our employees. With all stakeholders, we enter into a dialogue marked by fairness and honesty. In order to better understand and meet the requirements of

our stakeholders for sustainable corporate governance, we carried out a detailed materiality analysis in 2015. The key concerns of our stakeholders are generally related to sustainable products and especially our contribution to road and vehicle safety. Likewise, our stakeholders have high expectations with respect to legally compliant business practices. See also the materiality analysis on page 11.

Continental maintains systematic and ongoing dialog with existing and potential equity and bond investors, analysts and other capital market participants. Furthermore, the Supervisory Board also accepted a suggestion from the German Corporate Governance Code to enter into a direct dialog with investors on topics specific to the Supervisory Board. The Chair of the Supervisory Board held such a dialog for the first time in 2017 during a teleconference with investors. The Executive Board and Supervisory Board answer questions from shareholders at the Annual Shareholders' Meeting.

Stakeholder	Format
Customers	Reputation survey, open days, trade fairs
Suppliers	Workshops, open days
Stockholders and shareholders	Annual Shareholders' Meeting, annual financial press conference, roadshows, trade fairs
Employees	Employee surveys, webcasts, pulse checks, town hall meetings, work meetings, mentoring programs, breakfast meetings, open days, meetings of top executives, senior executive conferences
Society	Student surveys, mobility studies, open days, trade fairs
Customers	Reputation survey, open days, trade fairs

Our employees are a key stakeholder group for us. We hold discussions with them regularly, for example through our worldwide surveys. These give our employees the chance to tell us about how satisfied they are in general, the quality of management in the company and their attitude toward Continental. Participation is voluntary and anonymous. In previous years, we invited all employees around the world to take part every two to three years. Since 2017, it has been carried out annually with a representative sample of the workforce. This enables us to identify and implement potential improvements more quickly.

In the reporting year, we asked around a quarter of employees to provide their opinion on 50 questions. 74% of these employees took part in the survey. The results included the following: Employee loyalty to the company is very positive. 84% of respondents are proud to work at Continental; 86% support our corporate values: Trust, For One Another, Freedom To Act and Passion To Win. At the same time, 63% stated that these values are practiced on an everyday basis – a decline of six percentage points compared to the 2015 survey. However, it should be noted that in our survey a neutral answer is classified as a negative opinion. Leadership was evaluated positively. 84% of the employees surveyed agreed that their superiors treated them with respect. Two-thirds of the respondents feel encouraged to give their best and to question traditional working methods.

To facilitate dialogue between the Executive Board and employees, we use worldwide video conferences (three to four times a year), the corporation's internal social network, letters from the Executive Board on the occasion of recent events, the quarterly comments on key financial figures and town hall meetings at our locations.

Co-determination in the workplace is also one element of employee involvement that has a long history at Continental. While employee co-determination is governed by law in Germany, it is guided by local circumstances in other countries. Continental's European locations appoint employee representatives to the European Works Council (EWC), which has existed since 1992 and convenes annually to share experiences with the Executive Board member for Human Relations and the employer representatives for each respective country.

The Executive Board reports to the Supervisory Board on matters regarding (upcoming) operational changes in the corporation, informing the employee representatives at the same time. Continental ensures that employees are informed about major operational changes early on. At the locations and in the business units of Continental AG, employee representatives are elected on the basis of the respective legislation. These representatives likewise inform Continental at an early stage. If changes are implemented within Europe that affect more than one country, the information and consultation procedure is also carried out with the European Works Council early on. We comply with all legal regulations relating to notice periods as well as those governed separately by collective bargaining agreements.

In order to respond optimally as an employer to the needs of future generations of employees, Continental regularly conducts surveys of university graduates. While annual surveys have typically been completed in Germany since 2004, they are completed at irregular intervals in countries like Romania and China.

Furthermore, a reputation analysis was carried out in Singapore in the year under review. For this purpose, young talents, bloggers and journalists were surveyed about the topics of management and leadership, vision and strategy, products and processes, competitiveness, work environment, sustainability, digitalization, and technology.

Furthermore, Continental maintains an active, open exchange with associations, labor unions and policymakers. We contribute to relevant political issues as well as regulatory and legal processes via our liaison offices in Berlin, Brussels, Beijing and Washington.

In November 2016, chairman of the Executive Board, Dr. Elmar Degenhart, was appointed co-chair of the Energy, Climate and Resource Efficiency Task Force within the scope of the B20 process (Business 20, B20). Its work focused on formulating concrete recommended measures on behalf of politicians that will help meet the targets of the agreement reached at the 2015 United Nations Climate Change Conference (COP 21) in Paris efficiently and effectively. The spotlight was on the automotive industry, in particular, and its contribution through climate-friendly products and the accelerated expansion of digitalization, as well as the associated efficient driving style of vehicles. The recommendations were submitted to the German Chancellor on May 3, 2017, in preparation for the G-20 summit on July 7 and 8, 2017, in Hamburg.



## Corporate Governance

In line with the law and the Articles of Incorporation, the Executive Board, the Supervisory Board and the Annual Shareholders' Meeting are the corporate bodies of Continental AG. As a German stock corporation, the company has a dual management system characterized by a strict personnel division between the Executive Board (management) and the Supervisory Board (control).

The Executive Board has sole responsibility for managing the company, free from instructions from third parties, in accordance with the German Stock Corporation Act, the company's Articles of Incorporation and its by-laws, while taking into account the resolutions of the Annual 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 member is individually responsible for the areas entrusted to him or her. The chairman 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 had eight members (seven men, one woman) as at December 31, 2017.

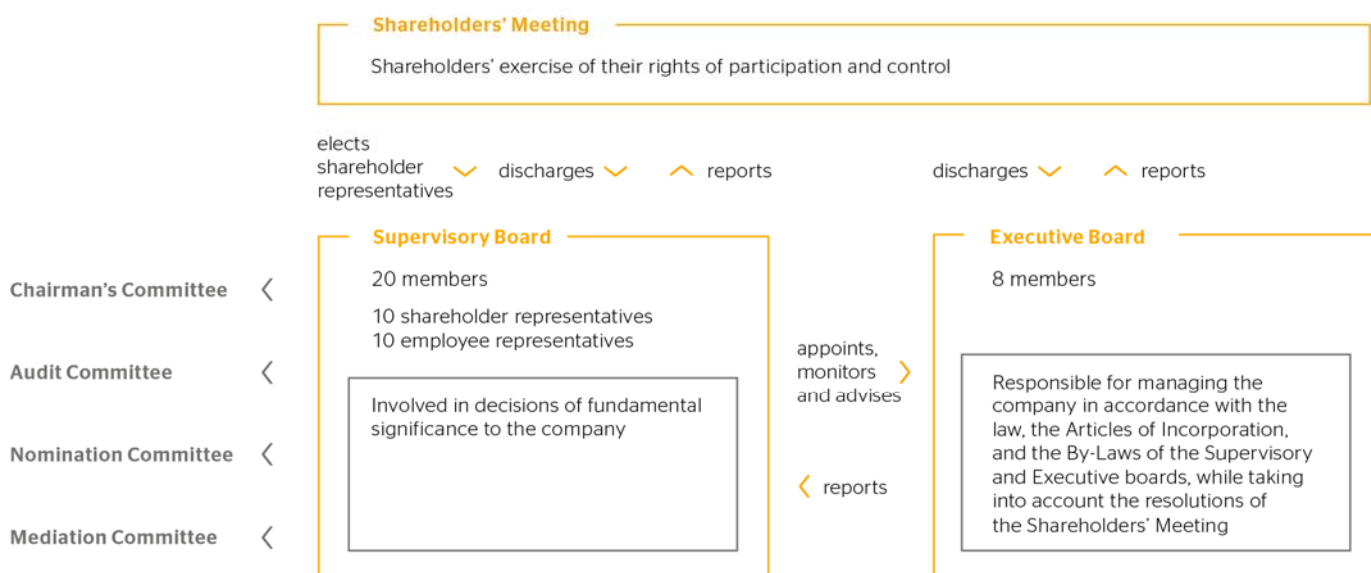
The five divisions are represented by one member each on the Executive Board. The central units are represented by the chief executive officer, the chief financial officer and the chief human relations officer. They assume the cross-divisional functions necessary for corporate management, including, in particular, Human Relations, Finance and Controlling, Law and Compliance, Sustainability, Environment, and Quality Management.

Continental AG's Supervisory Board has 20 members. In accordance with the German Co-determination Act (*Mitbestimmungsgesetz - MitbestG*) and the company's Articles of Incorporation, it maintains equal representation of shareholders and employees. The Supervisory Board appoints the Executive Board and supervises and advises it in the management of the company. As specified by applicable law, certain corporate management matters require its approval. It is directly involved in decisions of material importance to the company. The chairman of the Supervisory Board coordinates its work and represents its interests vis-à-vis third parties. He is in regular contact with the Executive Board, and in particular with its chairman, to discuss the company's strategy, development and risk management. The Supervisory Board currently has four committees: the Chairman's Committee, the Audit Committee, the Nomination Committee and the Mediation Committee (the committee formed in accordance with Section 27 (3) of the *MitbestG*).

Please refer to the "Corporate Governance" chapter starting on page 18 of the 2017 Annual Report for additional information.

The Supervisory Board is responsible for defining the remuneration of the Executive Board. The remuneration system for the members of the Executive Board is regularly put to a vote at the Annual Shareholders' Meeting. The Annual Shareholders' Meeting on April 28, 2017, last approved the Executive Board remuneration system. The Supervisory Board tasked an independent compensation consultant with reviewing the Executive Board remuneration and its structure. After performing its own detailed review and discussions, the Supervisory Board resolved to make adjustments to variable compensation elements as at January 1, 2017, in order to increase direct compensation for the Members of the Executive Board to the middle of the compensation range for comparable companies.

## Corporate bodies of the company



Remuneration for Executive Board members consists of fixed remuneration, variable remuneration elements, additional benefits, and retirement benefits.

Each Executive Board member receives fixed annual remuneration paid in twelve monthly installments. The Executive Board members also receive variable remuneration in the form of a performance bonus and a share-based long-term incentive (LTI). The performance bonus is based on a target bonus that the Supervisory Board determines for each Executive Board member for 100% target achievement, and is then calculated in line with the attainment of certain targets relating to the year-on-year change in the Continental Value Contribution (CVC) and the return on capital employed (ROCE). In addition to these goals, the Supervisory Board can resolve an additional strategic goal.

In addition to the performance bonus, a special bonus can be agreed upon for special projects in individual cases or a recognition bonus can be granted. However, a recognition or special bonus of this kind together with the performance bonus must not exceed 150% of the target bonus, and it is included in the division into immediate payment and deferral.

The variable remuneration is supplemented by granting an LTI that increases the share of long-term components of variable remuneration on the basis of the target values, and thus further strengthens its focus on the sustainable development of the company.

Further information on Executive Board compensation is available in the "Compensation Report" chapter of the 2017 Annual Report starting on page 24.

In 2017, the average personnel expenses per employee amounted to €46,000 (PY: €45,000). The fixed salary of the chairman of the Executive Board was approximately 32 times (PY: roughly 30 times) the arithmetic average of the personnel expenses. For energy and environmental managers and operations managers, part of the variable remuneration is based on the extent to which the company's environmental targets have been attained. For the majority of human relations managers, part of the variable remuneration is calculated on the basis of diversity objectives or the sickness absence rate.

The rules of procedure for the Supervisory Board and the Executive Board include regulations for avoiding conflicts of interest and handling such conflicts. In addition, the Corporate Governance Principles of Continental AG also address this issue for the Supervisory Board and Executive Board. In its report to the General Meeting, the Supervisory Board will report on any conflicts of interest that have occurred and the actions taken with respect thereto. In the year under review, two members of the Supervisory Board withdrew from an informational presentation held by the Executive Board during a meeting in order to avoid any potential conflict of interest. There were no other conflicts of interest from members of the Supervisory Board. In the opinion of the Supervisory Board, it always had a sufficient number of independent members during the reporting period. Furthermore, our Code of Conduct – which also addresses the issue of conflicts of interest – is binding for all employees, including the Executive Board.

The Annual Report and the financial reporting system in general report in detail about existing controlling shareholders and relations to associated companies and persons.

### Compliance

Compliance management at Continental encompasses measures for complying with legal and official regulations as well as internal directives and codes that we regard as mandatory.

Continental observes the Human Relations policy of the "Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy" of the International Labour Organization (ILO). Among other things, this includes the employees' right to freedom of association. At Continental, about 70% of employees work in countries that are members of the Organisation for Economic Co-operation and Development (OECD) and are expected to comply with the aforementioned principle. In Germany, collective bargaining agreements have been reached for almost 94% of the core workforce.

In addition, we are a participant of the UN Global Compact, whose principles include the protection of the freedom of association, among other things. Moreover, our Code of Conduct points out that Continental adheres to existing laws and requirements. This also includes ensuring freedom of association and assembly. Our Law and Compliance departments pursue any reports of potential violations.

Our compliance management system (CMS) is based on a comprehensive analysis of potential compliance risks that can arise from structures and processes, from a specific market situation, or in specific regions. In this regard, the results of the regular corporation-wide risk inventory are used, as well as recognized external sources (e.g. Transparency International's Corruption Perception Index). We see significant corruption risks in the following areas: facilitation payments; advisors/business intermediaries and slush funds; gratuities in business transactions that do not comply with internal requirements, especially with high value hospitality; and kickback scenarios in purchasing and sales.

The standardized corporation-wide risk management system regulates the recording, assessment, documentation and reporting of risks and is integrated into the company's strategy, planning and budgeting processes. A review of the risk situation is completed four times per year during meetings of the Governance, Risk & Compliance Committee, as well as four times per year during Executive Board meetings and four times per year during meetings of the Audit Committee of the Supervisory Board.

The Supervisory Board and its Audit Committee are closely involved in compliance and risk management. The Executive Board regularly reports to the Supervisory Board on the work of the Compliance department and the Corporate Audit department, and on significant events.

The highest management and control bodies of the organization are continuously informed about anti-corruption measures and procedures. The head of the Corporate Compliance department reports regularly about this to the Executive Board, as well as every

quarter to the Audit Committee of the Supervisory Board and annually to the entire Supervisory Board. The top control body, the Supervisory Board, consists exclusively of non-executive members. For this reason, they are not separately trained by the company in anti-corruption issues.

Please refer to the "Employees" chapter on page 30 for more information about anti-corruption training.

The Executive Board is fully committed to a zero tolerance policy with regard to corruption and antitrust. Corruption-related issues are also reviewed in each general audit. For this reason we do not conduct an additional audit on this topic. In the year under review, the audit universe of Continental AG encompassed 578 audit objects and locations. We completed 56 principle reviews at our locations in relation to upholding human rights in the scope of our audit program.

Compliance-relevant incidents can be reported both internally and externally by means of the Compliance and Anti-Corruption Hotline. Reporting is possible 24 hours a day both by telephone and by e-mail, as well as anonymously and in the respective national language. The employees are informed about the function and purpose of the hotline in the scope of the onboarding process and via the intranet. The Compliance department works together with Corporate Audit to analyze new cases and make decisions about required measures. Moreover, employees can also turn to their superiors, directly to the Compliance department or to local compliance coordinators.

Corporate Audit and the Compliance department follow up on every report. In the year under review, there was a total of 461 such reports, 145 of which were related to the issue of discrimination and harassment or the issue of work practices. A total of 60 complaints were submitted under the heading of anti-corruption/bribery. Of these cases, five have been confirmed so far, which were punished in the form of disciplinary measures.

No violations of environmental regulations resulting in significant fines occurred in 2017.

We recorded 33 customer complaints (PY: 37) related, among other issues, to incorrect marketing measures – including, for example, the accidental dispatch of advertising materials to customers of our trading companies. In the year under review, no complaints were submitted by regulatory agencies, nor were there any known incidents related to data leaks, data theft or data loss.

No violations were reported that resulted in significant monetary fines due to non-compliance with laws and regulations related to the provision and use of products and services or in relation to product stewardship, information about or knowledge of products. There were also no reported violations of regulations and voluntary conduct rules.

# Economy

## Management Approach

Continental is represented at 554 locations in 61 countries and markets. Our business model is characterized by a high degree of localization. A large number of product applications are developed and produced locally. Our development and production teams worldwide enable us to offer solutions and products for high-quality cars and affordable vehicles, as well as customized industrial applications. Our goal is for at least eight out of 10 applications to be achieved locally, and for the share of local production to be just as high.

Responsible business practices also include handling risks to the company carefully. To ensure that we do so, Continental has a corporation-wide internal control and risk management system that is used to analyze and manage the risks to the company. We use it to identify and evaluate developments that could give rise to significant disadvantages for Continental and to avoid risks that would endanger the continued existence of the company.

We are guided by the United Nations "Universal Declaration of Human Rights" in our business activities and our actions. It requires each individual, every organ of society and, by extension, economic agents and businesses, to contribute toward the observation of these rights. This is a primary concern at Continental as well. We are convinced that a commitment to observing human rights and the strengthening of political freedoms encourages a society's economic development, particularly by improving investment opportunities, freedom of movement and educational prospects.

As an international company, we at Continental are committed to actively promoting the observance of human rights where we can. Continental and all of our subsidiaries, including minority shareholdings under the management control of a Continental company are obligated to uphold honesty and integrity in every respect with regard to their corporate actions toward employees, customers, suppliers, competitors and other stakeholders. This is firmly embedded in our Corporate Social Responsibility Principles and our Code

of Conduct for employees as well as our Business Partner Code of Conduct and is reinforced by our participation in the United Nations Global Compact.

Continental is aware that legal and cultural requirements can vary in a global market. We expect all of our suppliers to be guided by fairness, honesty and responsibility in all aspects of their business. Our Code of Conduct for Business Partners establishes important standards that match the Continental corporate values. Every supplier must comply strictly with these standards. We use them to define requirements for good working conditions, then check compliance with these requirements through our on-site audits.

Our established practice is to not knowingly buy raw materials that contain so-called conflict minerals. Wherever we or our customers have reporting requirements, i.e. in the U.S.A., we declare to the U.S. government that our products do not contain "conflict minerals" and that they meet the requirements of the Dodd Frank Act.

In the scope of our 2020 environmental strategy, the supply chain has the same importance as environmental projects for reducing environmental impacts through our own action.

In the supplier area, Continental has set the goal that 100% of strategic suppliers will meet the requirements of ISO 14001 (environmental management) by 2020. In cooperation with the Purchasing and Supplier Development departments, assessments have also been developed, firstly to determine the status of the supplier. As a second step, measures will be initiated to achieve our goals in supplier development as necessary. About 85% of our suppliers in the Automotive Group were certified according to ISO 14001 in 2017.

As part of our Corporate Social Responsibility policy, Continental has a series of voluntary initiatives. These include public-private partnerships, with which we take on responsibility for ensuring that human rights are put into practice. We are of the firm opinion that a company and its regional branches can only contribute toward compliance with human rights as a complement to politics, not as a replacement for it.

### Structure of the corporation

Continental Corporation				
Sales: €44.0 billion; Employees: 235,473				
Automotive Group			Rubber Group	
Sales: €26.6 billion; Employees: 134,286			Sales: €17.5 billion; Employees: 100,749	
<b>Chassis &amp; Safety</b>	<b>Powertrain</b>	<b>Interior</b>	<b>Tires</b>	<b>ContiTech</b>
Sales: €9.8 billion Employees: 47,788	Sales: €7.7 billion Employees: 40,492	Sales: €9.3 billion Employees: 46,006	Sales: €11.3 billion Employees: 53,811	Sales: €6.2 billion Employees: 46,938

In addition, Continental participates in the Sustainable Natural Rubber Initiative (SNR-i). This establishes standards and best practices to make the entire value chain for natural rubber more sustainable. In this regard, upholding human rights and promoting humane working conditions constitute one of the six key fields of action.

### Added Value

Develop locally, purchase locally (where possible and logical from a global sourcing perspective), manufacture and market locally – this is our approach to business. Quality, material and costs are our key purchase criteria. We use local suppliers if they satisfy these three requirements.

In the 2017 fiscal year, around 235,000 employees generated sales of €44 billion. This is equivalent to an 8.5% increase in sales compared to 2016. Earnings before interest and taxes (EBIT) increased by 11.5% to €4.6 billion (PY: €4.1 billion). Costs for research and development rose by 10.4% to €3.1 billion (PY: €2.8 billion). 72% of our sales in 2017 were attributable to business with automotive manufacturers and 28% to business with customers from other branches of industry and with end users. Continental uses a wide range of raw materials and semi-finished products. The purchasing volume came to roughly €29.6 billion in 2017.

Sales by region in %	2016	2017
Germany	21	20
Europe excluding Germany	29	29
North America	26	25
Asia	21	22
Other regions	3	4

Government grants amounting to €12.9 million (PY: €13.7 million) that were not intended for investments in non-current assets were received and recognized in profit or loss. Government investment grants of €37.5 million (PY: €6.6 million) were deducted directly from costs for additions to non-current assets, primarily for the plant in Clinton, Mississippi, U.S.A.

In the Automotive Group, 62% of all suppliers had production located near a Continental production site. It is supplied directly by approximately 2,800 suppliers, which are distributed as follows regionally (share of purchasing volume):

- › Europe 42%
- › Asia 43%
- › North/Central America 14%
- › Other 1%

Most raw materials suppliers for the Rubber Group are global companies due to the unique nature of the business. Local sourcing is therefore not always appropriate for various reasons. We are working to further supplement information on our suppliers' production locations. We are already able to assign the majority of our raw materials to their production location, so that this can serve as a basis for the following data. Based on the production locations of raw materials, this results in a share of approximately 72% of deliveries within the same region (America, Europe, Asia, other). The share of local deliveries (within the same country) was approximately 25% in the year under review.

Key raw materials for the Rubber Group include synthetic rubber (24%), chemicals (28%), reinforcing materials (25%), natural rubber (15%) and other goods.

The Rubber Group is supplied directly by approximately 1,800 suppliers. Their production facilities are distributed as follows (share of purchasing volume):

- › Europe 41%
- › Asia 39%
- › North/Central America 16%
- › Other 4%

### Risk Management

The standardized corporation-wide Governance, Risk & Compliance (GRC) system regulates the identification, assessment, documentation and reporting of risks and is integrated into the company's strategy, planning and budgeting processes. A review of the risk situation is completed four times per year during meetings of the GRC Committee, as well as four times per year during Executive Board meetings and four times per year during meetings of the Audit Committee of the Supervisory Board.

The management of the Continental Corporation is geared toward creating added value and ensuring a well-balanced financing structure. This means sustainably increasing the value of each business unit and the corporation as a whole. We evaluate the risks and opportunities that arise responsibly and on an ongoing basis in order to achieve this.

The Supervisory Board and its Audit Committee are closely involved in compliance and risk management. In particular, the work of the Compliance department and the Corporate Audit department, as well as reporting on significant events, are regular topics at each Audit Committee meeting. The head of the Compliance department and the head of Corporate Audit were also available to provide information directly to the Audit Committee and its chairman in coordination with the Executive Board, both in and outside of the meetings of the Audit Committee. The head of the Compliance department reports to the plenary session of the Supervisory Board once a year about the work of the Compliance department and significant compliance cases.

The essential risks covered by the Governance, Risk & Compliance System and the corresponding measures resolved by the Executive Board are presented to the Audit Committee. The Audit Committee has satisfied itself of the effectiveness of the internal control system, the risk management system and the internal audit system. Further information is available in the 2017 Annual Report starting on page 99.

The risk management system complies fully with the Corporate Governance Principles of the Continental Corporation and with statutory regulations, and is part and parcel of the annual financial statements audit. In terms of the system for early risk detection, which is part of the risk management system, the auditor of our 2017 consolidated financial statements found that the Executive Board had taken the necessary measures under Section 91 (2) of the German Stock Corporation Act (*Aktiengesetz – AktG*) and that the company's system for early risk detection is suitable for identifying developments that pose a risk to the continued existence of the company at an early stage.

Continuous market monitoring allows us to analyze and assess possible product risks early on and escalate them according to the corporate guidelines for product integrity.

The potential environmental risks include:

- › Additional regulations that restrict or limit car traffic as measures aimed at combating global warming. This could lead to a significant decrease in car sales – and consequently adversely affect demand for Continental's products and services.
- › Production cutbacks at locations due to changing (regional) climatic conditions.
- › Extreme fluctuations in temperature and natural disasters could result in production downtimes or interruptions in the supply chain.

The potential opportunities include:

- › Shortage of natural resources. Continental relies increasingly on the use of recycling material.
- › New legal regulations to reduce CO<sub>2</sub> emissions. We are already generating roughly 40% of our sales with products that are energy-efficient or lead to a demonstrable reduction in CO<sub>2</sub>.
- › New legal regulations to reduce air pollution. For example, the Powertrain division develops and produces efficient injection systems and coolant pumps that reduce fuel consumption (and therefore emissions).

› Rising energy taxes are increasing the demand for fuel-efficient products. Our Powertrain, Tire and ContiTech divisions orient their research and development activities toward this trend.

› Introduction of eco-labels for products. With these labels, Continental could advertise its ecologically beneficial products more effectively, thereby setting itself apart from competitors.

› Hybrid vehicle technology. If this technology gains ground on the market, the demand for the relevant components will rise – Continental is already well-positioned in this future market.

Further information on key risks and opportunities is available in the 2017 Annual Report starting on page 99.

### Supplier Management

Continental commissions around 4,600 suppliers for production materials (2,800 in the Automotive Group and 1,800 in the Rubber Group). In 2017, we procured 64% of all production materials from companies headquartered in states belonging to the Organisation for Economic Co-operation and Development (OECD), where problems with respect to human rights and work practices are not expected to occur.

Since 2011, we have required all of our suppliers and service providers to uphold our Supplier Code of Conduct or the Business Partner Code of Conduct updated in 2017. The latter Code of Conduct comprises seven points, including compliance with human rights and environmental protection. Our suppliers promise to observe these principles

In addition to the commitment of suppliers to comply with the Code of Conduct, production materials suppliers are subject to review prior to initiating a supply relationship. The goal is to review the suppliers on the basis of different criteria with respect to their sustainable "delivery capability." Apart from technological and financial criteria, the suppliers are also evaluated with respect to general corporate issues. For suppliers of non-production materials, a due diligence review is completed in advance using certain criteria from a risk analysis.

The plant visits completed during the review (2017: Automotive Group 72, Rubber Group 73) also help to create an impression of the prevailing working conditions. This is integrated into the review if recognizable deficits are ascertained. A supply relationship can be suspended in extreme cases if defined countermeasures do not yield the desired success.

In the reviews we carried out, we did not determine any suspected cases of child labor, forced labor, the violation of indigenous peoples' rights or threats to the right to free assembly and tariff negotiations.

For the Rubber Group, 45 audits were completed in 2017 at our suppliers' new production sites. No violations were found. The audits are carried out by experienced and qualified employees and generally last two days. Apart from the satisfaction of quality requirements, the reviews also verify whether the manufacturer meets the requirements of the Business Partner Code of Conduct with respect to occupational safety, environmental protection and social responsibility. Apparent violations result in the definition of mandatory corrective actions that are subsequently tracked and documented by the auditor.

In the area of environment, we evaluate new suppliers prior to the placement of an order by means of a questionnaire, including questions on energy consumption, packaging, workplace hygiene, safety data sheets, environmental certification and contingency management in the plant. We also encourage our suppliers to obtain similar data from their (upstream) suppliers.

We monitor the environmentally friendly production of our suppliers worldwide as part of internal supplier audits. Relevant issues in the scope of these audits include compliance, organization and the provision of resources.

Continental has tasked external service providers to complete sustainability assessments of suppliers since mid-2017. In the year under review, 640 suppliers were assessed. Supplier sustainability assessments are based on international CSR standards such as the Global Reporting Initiative, the UN-Global Compact and ISO 26000. Our suppliers' services include roughly 150 purchasing categories and over 100 countries. The core of our CSR analysis system are criteria from the areas of environment, social issues, ethics, and sustainable sourcing. The results are used to improve supplier performance. They are also used to prioritize supplier audits. If a supplier with poor results is identified, we first complete a root cause analysis and agree upon improvement actions. If these are not implemented, Continental reserves the right to end the business relationship.

Continental is part of the WBCSD (World Business Council for Sustainable Development), a global working group of the eleven largest tire manufacturers (Tire Industry Project, TIP), which strives to create a uniform process for working with natural rubber suppliers. Continental will develop sustainability guidelines specifically for natural rubber as part of this work. Furthermore, we collaborated on a joint project in 2017 initiated in January 2018 with the GIZ (Gesellschaft für internationale Zusammenarbeit – Society for International Cooperation) of the Federal Ministry of Economic Collaboration as a three-year pilot project in Indonesia. 400 farmers will be trained to cultivate high-quality rubber in compliance with clearly defined sustainability criteria during the project. An electronic system is being developed to ensure full traceability of the raw material. The income of the natural rubber farmers will increase thanks to a better quality of rubber, higher yields and optimization of the supply chain.

With a pilot project for "Sustainability in the Mexican Supplier Chain" sponsored by DEG/KfW, we started a cooperation network with local Mexican suppliers in 2015. The goal is to improve the environmental performance of our suppliers by means of the transfer of best practices, individual consulting and training. Moreover, an important project approach is to provide preparation and support for the certification of an environmental management system according to ISO 14001. In 2016, we carried out a total of six on-site training sessions involving our suppliers' employees and environmental experts. Areas of focus for the workshops and advice sessions included reduction of CO<sub>2</sub> emissions, water management, waste prevention and training on the adoption of environmental management systems in accordance with ISO 14001. We officially ended the funding project with the DEG/KfW in 2017. The suppliers that received training as part of the project have achieved excellent success together with the Continental locations in Mexico and made a positive contribution to environmental protection. In total, during the two-year project:

› 775 metric tons CO<sub>2</sub> emissions

› 923 MWh energy

› 210 metric tons of waste

› 4,600 m<sup>3</sup> water

were saved. Due to the successful implementation of the measures and the good networking between the suppliers, we have decided to continue with this project and open it up to more suppliers.

### **Employee Pension Scheme**

In addition to the statutory pension scheme, the Continental Corporation offers the majority of its employees' pension plans in the form of either general or individual benefit- and contribution-oriented plans. The provisions cover the obligations from defined benefit plans, in particular in Germany, the U.S.A., Canada and the U.K., as well as Austria, France, Mexico, Italy and Ireland.

Separate pension funds exist to fully or partially finance the company's pension obligations in conjunction with many of the plans. These pension fund assets can only be used to settle pension obligations. The principal funds are in the U.S.A., the U.K., Canada and Germany in the form of contractual trust arrangements (CTAs). As at December 31, 2017, the defined benefit obligations of all Continental Corporation defined benefit plans amounted to €6,379.7 million. This was offset by separated pension fund assets amounting to €2,549.1 million.

The focus on defined contribution plans lies at the heart of the international pension strategy of Continental, insofar as this is possible under the respective country-specific laws. This is an essential precondition for offering both employees and the company a sustainable and transparent pension system. With company subsidies for employee contributions, we promote the personal contribution of our employees. We also encourage our employees to pay into a deferred compensation scheme, whereby employees relinquish part of their earned income. Continental then invests this in the company pension scheme.

In addition, Continental offers a long-term account model to management personnel in all affiliated German companies, as well as to all employees who are covered by the collective agreement of the chemical industry in Germany. This model offers both the option of a flexible transition to a retirement pension and the possibility of leave for qualification measures, parental leave and care periods.



# Environment

## Environmental Policy and Management Approach

Our activities are geared toward continually optimizing the use of resources in relation to business volume. We manufacture products that make an active contribution toward protecting the environment and conserving resources throughout their entire duration of use as well as when they are recycled in a final step. The environmental management system incorporates all levels of the value chain and the complete life cycles of Continental products. As a result, our environmental responsibilities extend from research and development, the purchasing of raw materials and components, logistics and production, to the use and recycling of our products.

The "Corporate Quality and Environment" department, which reports directly to the Chairman of the Executive Board, bears overall responsibility for environmental management. The department develops strategic specifications for environmental protection for the entire corporation. These are broken down to the division level, and the resulting strategic requirements, goals, and programs are then implemented on the location level by ESH managers (Environment, Safety, Health – ESH).

The environmental strategy for 2020 makes up the framework of our environmental management policy and outlines a number of clear objectives, indicators and measures. The environmental strategy will be continued through 2030. We align ourselves with the United Nations' sustainable development goals (SDGs).

By 2020, we want to reduce our CO<sub>2</sub> emissions, energy and water consumption, and waste generation by 20% – in relation to adjusted sales, using 2013 as a basis. We also intend to improve our waste recycling and reuse rate by two percentage points a year. With regards to the locations with which we started the strategy in 2013, we are on target to achieve our goals. With regard to energy consumption, CO<sub>2</sub> emissions and water consumption, we have already achieved a reduction of roughly 15% to 18%.

However, the number of environmentally-relevant locations has increased from 191 to 245 through acquisitions over the past several years. Since the environmental performance of the overall corporation has not yet improved as planned, new locations are implementing new measures beyond the programs already initiated.

### Energy

The total energy requirements in the year under review rose by 3.1% to 34 million GJ (PY: 33 million GJ).

We used 4,338 GJ of self-generated renewable energy and 453,413 GJ of purchased renewable energy. Details can be found in the table below.

No energy was sold to third parties during the period under review.

By 2020, we want to reduce specific energy consumption relative to adjusted sales to 669 GJ per € million. A strategic environmental objective of the corporation is to reduce energy consumption by 20% between 2013 and 2020. While absolute consumption has increased due to increased production and acquisitions, specific energy use in the reporting year dropped by roughly 4.2% to 784 GJ per million € of adjusted sales (PY: 819 GJ).

The introduction of energy management systems and campaigns to save energy helps us take advantage of potential savings. In 2017, these savings were primarily in the areas of infrastructure and production. At the same time, purchase criteria for energy efficiency were defined for machine procurement and for new building construction and equipment.

Requirements for monitoring energy data were developed as part of the "Energy management transparency" project. In the future, comprehensive measured data recording and evaluation will allow energy efficiency projects to be implemented in a more targeted fashion.

In the year under review, 567 projects were implemented. Investments in energy efficiency increased to €47.3 million. A total of 70,099 metric tons of CO<sub>2</sub> were saved.

Energy consumption in 10,000 GJ	2015	2016	2017	Goal 2020
Scope 1 non-renewable fossil energy	1,150	1,314	1,369	
Scope 1 self-generated electricity from fossil fuels	38.3	45.7	47.5	
Scope 2 purchased steam	269.4	340.3	368.2	
Scope 2 district heating	6.86	7.98	8.39	
Scope 2 purchased electricity	1,490	1,634	1,703	
<b>Total energy consumption</b>	<b>2,935</b>	<b>3,299</b>	<b>3,498</b>	
Specific energy consumption (GJ/million € adjusted sales)	777	819	784	669

*The energy intensity quotient used at Continental is the sales adjusted by changes in the scope of consolidation (2017 €43.4 billion). All Scope 1 and 2 energies are included in the calculation of energy intensity. The total energy includes the following types: fossil fuels, purchased electricity, self-generated electricity, purchased steam and district heat.*

CO <sub>2</sub> emissions	2015	2016	2017	Goal 2020
Scope 1: direct CO <sub>2</sub> emissions (1,000 metric tons)	715	794	820	
Scope 2: indirect CO <sub>2</sub> emissions (1,000 metric tons)	2,073	2,252	2,347	
Specific CO <sub>2</sub> emissions (100 kg/€ millions of adjusted sales)	738	754	730	613

### Emissions

As a standard for calculating emissions, we base our calculations on the GHG Protocol (Greenhouse Gas Protocol). Wherever there are gaps in the GHG Protocol, we use the DEFRA emission factors. We use a software solution from a CDP partner company to ensure that the factors are updated regularly (CDP, previously Carbon Disclosure Project).

The total Scope 1 CO<sub>2</sub> emissions of the included locations amounted to 820,685 metric tons in 2017 (PY: 793,895 metric tons). This corresponds to an absolute increase of 3.37%, partly due to the increase in production volume, the corresponding start-up effects of producing new products and virtual increases caused by the adaptation of local/regional emission coefficients.

The emissions contained in Scope 2 are caused by the consumed electricity, consumed purchased district heat and purchased steam. These indirect CO<sub>2</sub> emissions in 2017 amounted to 2,347 million metric tons (PY: 2,252 million metric tons). This represents an increase of 4.22%. The specific CO<sub>2</sub> emissions in relation to adjusted sales were 730 (100 kg/€ million in adjusted sales). This corresponds to 3.2% reduction. Overall in 2017, the company invested in CO<sub>2</sub> reduction projects within the scope of its environmental strategy in the amount of around €47 million (PY: €18 million).

For 2017, Scope 3 emissions were calculated for different categories. The following table provides an overview of figures also reported to the CDP:

Scope 3 emissions in metric tons of CO <sub>2</sub>	2016	2017
Self-commissioned incoming logistics	1,152,124	1,289,587
Self-commissioned outgoing logistics	539,058	603,375
Purchased goods and services	8,721,849	9,098,874
Waste produced through operational processes	20,660	13,672
Business travel		146,874
Fuels and energy-related activities not included in Scope 1 and 2	449,081	689,187
<b>Total</b>	<b>10,882,772</b>	<b>11,841,569</b>

For the selected indirect CO<sub>2</sub> emissions (Scope 3), we follow international standards such as the Corporate Value Chain Accounting and Reporting Protocol of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

Monitoring of the use of refrigerants is carried out at the different locations using a local refrigerant register. Within the scope of our environmental strategy, we are developing a substitution plan to reduce and to avoid the use of climate-damaging refrigerants. The planned substitution goes beyond the legal requirements of many countries and clarifies the global responsibility of our company with respect to climate protection. Continental does not produce any climate-harming substances in the sense of GRI key figures.

Locations with on-site boiler houses emit certain levels of nitrogen oxide, dust, and sulfur dioxide. These levels are within the legal limits and are regularly monitored. In various manufacturing processes, we use highly volatile organic solvents that can result in VOC emissions.

For 2017, all solvent consumption was recorded globally to develop reduction plans. These are integrated in the local environmental programs of the different locations. 5,600 metric tons of VOC emissions were produced by purchased solvents in 2017. In the Tires division, which uses the highest volume of solvents based on its production activities, this figure was lowered by a quarter through targeted measures in past years. While 0.64 kg/metric tons product was consumed in 2013, this figure was just 0.48 kg/metric tons in 2017.

Water consumption	2015	2016	2017	Goal 2020
Surface water (10,000 m <sup>3</sup> )	278	269	293	
Groundwater(10,000 m <sup>3</sup> )	713	730	743	
Potable water from public water supplies (10,000 m <sup>3</sup> )	652	905	917	
Industrial water from public water supplies (10,000 m <sup>3</sup> )	23.2	23.5	24.1	
<b>Total water consumption</b>	<b>1,671</b>	<b>1,932</b>	<b>1,978</b>	
Specific water consumption (m <sup>3</sup> /million € adjusted sales)	442	480	456	394

### Water

Overall, water requirements rose slightly in 2017 to 19.7 million m<sup>3</sup> (PY: 19.3 million m<sup>3</sup>). The specific requirements increased compared with 2016 from 480 to 456 m<sup>3</sup> per € million of adjusted sales.

Water is processed and reused at various locations. The types of water re-use range from watering green spaces to use as gray water in sanitary facilities. In the year under review, 358,584 m<sup>3</sup> of water was reused.

Continental is removing large quantities of groundwater at various locations as part of renovation work. All removals are officially coordinated and approved. Some of the sources are at the edges of groundwater protection zones. No negative influences on biodiversity or on local communities have been found either internally or externally by agencies during this regular inspection.

We have developed a concept for water risk areas in order to achieve a more targeted response to water risks. All production sites and the largest raw material suppliers were assessed using the "WRI Aqueduct Tool" assessment systems (risk of water availability) and "WWF Water Risk Filter" (water quality risks). Risk-based programs have now been developed based on this data. The goal is to initiate custom environmental programs and be able to better react to regional conditions such as water shortages and water quality.

### Wastewater and Waste

The principles of the five-step waste hierarchy are regulated in a binding manner for all locations (prevention, reuse, recycling, material/energetic recovery and disposal) in our environmental management system. The disposal procedures are selected according to these principles. Only approved disposal companies that strictly comply with all legal requirements are employed.

In 2017, the corporation produced 379,992 metric tons of waste in total (PY: 353,000 metric tons). This figure includes 71,730 metric tons of waste for disposal and 297,966 metric tons of waste for recycling. The recycling quota is 81%. The percentage of hazardous waste of this total was 9.46%. Continental does not export any waste. We only use certified and approved waste disposal companies that collect our waste and correctly recycle or dispose of it.

All wastewater is discharged into the public sewerage system either directly or with pre-treatment. In this regard, we meet all legal requirements for wastewater quality. At a small number of locations, we discharge rainwater directly into water bodies via storm sewers. Here, too, regular inspections are carried out to ensure compliance with the legal requirements. The total amount of wastewater for 2017 was 11,515,455 m<sup>3</sup> (2016: 6,750,179 m<sup>3</sup>).

In case of an accidental release of materials or a violation of limit values, we promptly take all measures necessary as part of emergency management, working actively alongside officials. No significant spills of hazardous materials were reported for 2017.

### Biodiversity

Some of our locations are directly adjacent to protected areas, and are partially maintained and serviced in coordination with natural conservation agencies. Measures completed serve to improve biodiversity.

In cooperation with officials, we work to ensure that the conservation areas are cared for and their condition improved. One example of this is our Babenhausen location in Germany. A FFH conservation area (according to the Fauna and Flora Habitat guidelines) is maintained and secured here in close collaboration with the conservation authorities. The area is known as a "calcareous grassland," which was placed under protection under the EU project "Natura 2000." Another example is the reforestation of a conservation area in Guadalajara, Mexico, which has been ongoing for many years. We are participating in an environmental protection initiative here in the Bosque de la Primavera protected zone.

Waste generation and recycling	2015	2016	2017	Goal 2020
Waste generation (1,000 metric tons)	310	353	379	
Specific waste generation (100 kg/million € adjusted sales)	82	88	88	68
Waste recycling rate (%)	83	79	81	90

# Products

## Management Approach

Safe mobility and clean air are two central focal areas where we make a contribution with our products. According to the World Health Organization, around 1.3 million people still die each year in traffic accidents around the world, and millions are injured. The main cause of these deaths and injuries is human error. Studies prove that more than 90% of car accidents are due at least in part to the fault of the driver. In over 70% of cases, the sole cause is human error. In order to reduce the number of accidents further, we are developing advanced driver assistance systems, mobility services and technologies for automated and autonomous driving. We consider the creation of products, technologies and services that significantly improve road safety to be a major and sustainable benefit of our work to society.

Our responsibility extends over the entire life cycle of our products – from the raw materials used, product development, and production, to their use and subsequent recycling. Continental conducts development and production to the highest standards in order to minimize the impact on health and the environment, while our customers are responsible for ensuring that products are used for their designated purpose.

All locations with activities that impact the environment have quality management systems certified in accordance with ISO 9001 and ISO TS 16949. These standards include comprehensive specifications for product safety and quality. If complaints or concerns related to products manufactured or distributed by Continental arise, the appropriate processes are established according, for instance, to the company directive on product integrity. Continuous market monitoring of our products allows us to analyze and assess possible risks early on and escalate them according to the corporate guidelines for product integrity.

Our group data privacy guidelines regulate the processing of all personal data by customers, suppliers, other business partners and potential or current employees and other affected parties, and set uniform standards for the protection and security of such data. The regulations of this policy are recognized as “binding corporate rules” in accordance with the process based on Art. 26 para. 2 of the European Union Data Protection Directive (95/46/EC).

### Materials and Recycling

In the fields of development and production, we work to the highest standards in order to minimize the negative impact of our production activities and products on health and the environment as far as possible. When consuming raw materials, we ensure that natural resources are used carefully. Our 14 product life cycle assessments (11 in the Rubber Group, three in the Automotive Group) provide important information here.

Material use in metric tons	2016	2017
Ferrous metals/steel	360,000	375,000
Non-ferrous metals	105,000	109,570
Rare earth	108	130
Auxiliary/precious metals	27	28
Plastic	96,106	92,590
Rubber	1,023,918	1,063,400
Chemicals	1,091,108	1,140,807
Textile/steel cord	367,080	380,953

In the Rubber Group, the use of recycled materials is assuming an increasingly important role. Production waste generated in physical and/or chemical processes is used as reclaim and adhesive mixtures as recycled products. In the year under review, the percentage of recycled products of the total raw materials used in tire production was 3%. Our goal is to increase this share to 10% by 2025.

Furthermore, we take over responsibility by developing products that consume fewer natural resources. Particular importance is attached, for example, to the research project RUBIN, which produces natural rubber from Russian dandelions. In cooperation with the Fraunhofer Institute and the University of Münster, we have developed a procedure in which rubber (called taraxagum) generated from dandelions is expected to replace natural rubber from rubber trees in the future. This shortens transportation paths and protects the rain forest. At the end of 2017, ground was broken to construct the Taraxagum lab at the edge of Anklam. This research and experiment station will begin operations in the fall of 2018.

In the Automotive Group, steel and aluminum alloy materials contain a volume of recycled material of at least 70%. We also process recycled plastics. The percentage of recycled materials is currently approximately 3% of the rubber mass. In the scope of the “Design for Environment” development initiative, we are working with our partners to successively increase the reclaimed share of recycled plastic. Recycled products are now also used for safety components as part of the EU “Zero Win” research project.

Continental has no legal extended producer responsibility for components it supplies to OEMs. This is the responsibility of the vehicle manufacturers, i.e. under the EU End of Life Vehicles Directive. In many European countries, we reclaim old tires in accordance with national laws. However, we are not able to specify quantities due to differing legal regulations. The average recycling rate for old tires (from all manufacturers) in Europe is currently approximately 96%. Continental was involved in achieving this notable success as a member company of the European Tyre & Rubber Manufacturers’ Association (ETRMA). In the Automotive Group, products and packaging are also taken back in a few areas of the aftermarket business via the dealer networks.

We provide our customers with all of the relevant information to make it easier for them to recycle our products. In the Automotive Group, this is achieved by means of a "recycling passport" that includes component drawings and material data and explains dismantling steps.

### **Environmentally Friendly Products**

In light of increasingly scarce resources, we believe that it is our duty to develop sustainable solutions for our products in order to reduce the demand for natural resources and therefore also lower the energy requirement of products. Products that are energy efficient or certifiably contribute to reducing pollutants or carbon dioxide emissions made up roughly 40% (2016: about 33%) of corporate sales in the reporting year.

In the past few years, for example, we have managed to substantially reduce the weight of our brake components, while at the same time enhancing brake performance. In addition, we are continuously lowering the average rolling resistance of our tires - without compromising on safety. Our piezo injection valves for conventional gasoline and diesel engines reduce CO<sub>2</sub> emissions by up to 20%. What is more, our telematics systems are reducing climate-relevant emissions. Our products for the automotive industry shall continue to help reduce CO<sub>2</sub> emissions from cars and trucks. Hybrid drives for cars can lower CO<sub>2</sub> emissions by 10% to 25%, depending on the hybrid type and application conditions.

Our products also contribute to climate protection in non-automotive applications. For example, our conveyor belts with optimized rolling resistance (energy-optimized conveyor belts) significantly reduce the energy required. In addition, the new Conti Thermo-Protect insulation protects industrial plants from thermal loss even in inaccessible places, thereby reducing the amount of raw fossil materials required to produce heat energy.

### **Customer Health and Safety**

High and reliable quality in product development serves as the foundation for safe products. We ensure product safety along the entire life cycle of our products. Compliance with increasing requirements for the safety of our products and with legal regulations

are ensured, from the process whereby we generate ideas for new products and services to when orders are granted, development, production, and use, as well as disposal.

In addition, we are working continuously on new systems to improve vehicle safety in all vehicle classes. Our advanced driver assistance systems keep the vehicle in its lane, monitor the blind spot and brake autonomously or call for help when necessary. Our tires offer excellent braking properties with optimized rolling resistance that contribute to better safety and lower emissions in street traffic.

An important factor for ensuring product health and safety for our customers is compliance with all requirements as per the product identification and information obligations. The EU tire label uses three criteria to indicate a tire's environmental and safety-relevant characteristics. Continental provides the relevant information, which can also be accessed online by our customers.

The EU's REACH directive (Registration, Evaluation and Authorization of Chemicals) is relevant for Continental. This directive stipulates detailed obligations to provide the European Chemicals Agency (ECHA) with information relating to specific substances (Substances of Very High Concern, SVHC).

Automotive industry customers connected to the International Material Data System (IMDS) only give us approval for products as a supplier if they are informed about their composition in the form of a suitable IMDS dataset.

During the reporting year, no violations were recorded in conjunction with effects on health and safety that resulted in significant monetary fines due to non-compliance with laws in relation to product stewardship, information about products and product identification. Also, no violations of voluntary codes of conduct or of advertising regulations were reported. As a member of the German Advertisers' Association (OWM), we adhere to the OWM's Code of Conduct. This contains recommendations regarding conduct during collaboration between brand companies and the advertising industry.

# Employees

## Corporate Policy and Management Approach

Personnel work is an important part of our company's value creation and plays a key and innovative role in our growth strategy. Our employees and the way they work together in our organization is what guarantees our future success. They drive our technological progress and growth and lay the foundations today for the success of our company tomorrow.

In view of future growth and increasingly short innovation cycles, we need to act now to identify and secure our future personnel requirements. This is why the global Human Relations teams are involved in the product development process at an early stage and work in close collaboration with the business units. Continental uses a uniform and reliable basis for strategic and cross-division workforce planning for this purpose: We simulate firstly the expected development of our current workforce based on factors such as retirements, staff turnover, etc., and secondly the increasing personnel requirements that we will have in order to successfully achieve our business goals. An early comparison allows us to identify both quantitative and qualitative fields of action for the future so that we can build up the required competence in good time. Expertise management helps, for example, to identify how the challenges of digital transformation will affect the requirements for individual employees so that corresponding training measures can be initiated on a preparatory basis in the next step.

Our HR policy is holistic and based on working with and for one another. In our collaboration, we attach great importance to relationships with one another and to ensuring that the shared corporate values – Trust, Passion To Win, Freedom To Act, and For One Another – are put into practice. These values form the basis of our corporate culture and shape the way in which we interact with each other and with our customers and partners.

We are convinced that values create corporate value. Continuous development of our corporate culture is therefore a vital part of ensuring our future viability and creating value.

In our everyday business, we ensure that human rights and appropriate working conditions are upheld and base our work on internationally recognized standards from the United Nations, the UN International Labour Organization (ILO) and the OECD Guidelines for Multinational Enterprises.

Healthy and safe work is as integral to our occupational health management as maintaining a good work-life balance and physical and mental fitness. For this purpose, we rely on a management system that meets the OHSAS 18001 for Occupational Health and Safety Management. Our Occupational Safety & Health is based on the corporation's Environmental Safety and Health Policy. The ESH management handbook and its standards and minimum requirements are also based on this policy, and must be implemented and complied with at all locations. The manager of Corporate Safety & Health reports directly to the member of the Executive Board responsible for Human Relations, who also bears overall responsibility for the topic.

Diversity and equal opportunity are vital to our business and our success. We need the creative ideas of our diverse employees, with their different viewpoints, experiences and cultural experiences. We are currently focused on ensuring gender equality and international representation in our management team. Our goal is to continue increasing the percentage of female management personnel and to create a balanced relationship between domestic and international management personnel in our markets. By signing the "Equal Opportunities Charter" in 2016, Continental once again publicly declared its commitment to diversity, fairness and respect when working with employees.

Employees by contract type and employment relationship	2016			2017		
	Permanent	Temporary	Total	Permanent	Temporary	Total
Total number of employees	182,069	38,068	220,137	195,356	40,117	235,473
Employees with variable compensation	95,929	27,320	123,249	103,425	29,035	132,460
Permanent staff	95,929	15,734	111,663	103,425	15,649	119,074
Leased employees		11,586	11,586		13,386	13,386
Employees with fixed compensation	86,140	10,748	96,888	91,931	11,082	103,013
Permanent staff	86,140	8,359	94,499	91,931	8,682	100,613
Leased employees		2,389	2,389		2,400	2,400

Fluctuation by age and gender in %	2016			2017		
	Male	Female	Total	Male	Female	Total
Under 20 years	10.2	11.7	10.7	21.1	25.2	22.3
20–29 years	7.3	7.2	7.3	10.2	11.3	10.5
30–39 years	3.7	4.4	3.9	5.0	6.7	5.5
40–49 years	1.9	2.4	2.0	2.9	4.3	3.3
50–59 years	1.2	1.5	1.3	2.0	3.0	2.2
Over 60 years	1.7	3.1	2.0	3.8	5.3	4.1

Fluctuation by region in %	2016	2017
Asia	5.6	6.4
Germany	1.2	1.5
Europe excluding Germany	5.1	6.1
North America	8.8	11.1
South America	3.0	2.4
Other	1.5	2.3
<b>Total</b>	<b>4.7</b>	<b>5.7</b>

### Workforce

At the end of 2017, Continental employed 235,473 women and men worldwide at over 550 locations in 61 countries, 15,786 of whom were leased employees. The number of permanent employees increased by 7% over the previous year, and the number of leased employees increased by 13%.

Around 136,000 employees work in our locations in Europe, around 61,000 of these in Germany alone. Women make up 27.2% (PY: 27.0%) of our worldwide permanent workforce and 13.4% (PY: 12.2% of our management personnel.

At the end of 2017, 2,155 young people were in apprenticeships in Germany (PY: 2,067). The percentage of trainees in Germany, therefore, was 3.53% (PY: 3.72%). In 2016 and 2017, 97.47% of trainees completed their training. Since 2012, our young employees who completed their training have received permanent contracts of employment.

Employees by region in %	2016	2017
Germany	26	26
Europe excluding Germany	32	32
Asia	19	19
North America	19	19
Other	4	4

Demographic trends in the Western industrial nations over the next few years will represent a major challenge for Continental too. The number of older employees will increase, especially in our factories. Our "Demography Program," launched in 2005, is a comprehensive concept aimed at dealing with this issue.

Age structure of the workforce in %	2016	2017
Under 20 years	2	1
20–29 years	16	24
30–39 years	24	32
40–49 years	32	24
50–59 years	24	16
Over 60 years	1	3

As of December 31, 2017, corporate-wide fluctuation was 5.7% (PY: 4.7%). This reflects the trend of moving from an employer market to an employee market, and the fact that the younger generation generally changes jobs more frequently. The average job tenure worldwide was 9.1 years (Germany: 14.3 years). Around 93% of employees form the core workforce.

### Remuneration and Company Benefits

No gender characteristics are considered in the assessment of job activities in accordance with collective agreements in force at Continental. Instead, criteria such as knowledge and capability, responsibility associated with the position, difficulty of the particular job, and managerial responsibility are important for the assessment. In addition, only the particular position is fully assessed, not the person occupying it. This assessment logic also continues beyond the collective agreements. The remunerations paid here are oriented toward the usual market compensation for a comparable position/function in the relevant market. This ensures that employees receive payment that is appropriate for the market.

Variable compensation components that are based on individual objectives agreed with certain employees are paid on the basis of the objectives achieved.



The annual profit-sharing bonus distributed worldwide among the company employees has represented a central component of the company benefits since 2011, following an Executive Board resolution. A corresponding corporation-wide works agreement was concluded with the resident works council in Germany. With this agreement, we directly involve our employees in the success of the company by awarding them with a bonus. The amount depends on the absolute value contribution of the Continental Corporation in the respective fiscal year. In the year under review, the total volume of this value-sharing bonus was around €170 million.

The focus on defined contribution plans lies at the heart of the international pension strategy of Continental, insofar as this is possible under the respective country-specific laws. It is an essential precondition for offering both employees and the company a sustainable and transparent pension system. With company subsidies for employee contributions, we promote the personal contribution of our employees. We also encourage them to pay into a deferred compensation scheme, whereby employees relinquish part of their earned income. Continental then invests this in the company pension scheme. In addition, we offer a long-term account model to management personnel in all affiliated German companies, as well as to all employees who are covered by the collective agreement of the chemical industry in Germany. This model offers both the option of a flexible transition to a retirement pension and the possibility of leave for qualification measures, parental leave, and caregiver leave.

### Job Training and Continuing Education

Life-long learning for personal development – especially in the age of digital transformation – is the basis for successful employee and corporate development. We are pursuing the goal of completing regular performance assessments and development plans as part of the talent management process. In addition to personal meetings on site, we complete corporate-wide, uniform IT-supported employee dialogs for this purpose. During these meetings, we identify development opportunities and determine qualification measures.

Continental has a comprehensive range of training programs, including in-person training sessions organized according to a risk-based training plan. They cover general compliance topics, antitrust law and corruption prevention. Of the roughly 235,000 employees worldwide, 42,154 employees at all levels received such training between the beginning of 2011 and the end of 2017. In addition to management personnel from the various business units, the target group includes employees from purchasing, sales and business development in particular. A further pillar of our training program is an electronic learning program on compliance and our Code of Conduct, which is currently available in twelve languages.

Compliance-relevant guidelines and other internal regulations are also covered in our eLearning programs. We began training new employees on antitrust law and corruption prevention through eLearning programs in 2016. We also began rolling out a refresher course on antitrust law worldwide. Of 22,035 new employees invited, 96% took part by the end of 2017; 97% of the 57,244 existing employees who were invited took part.

For our production employees, we offer specific and local training and further education programs worldwide that are designed to not only strengthen their own qualifications and occupational safety, but also product quality. The program is supplemented by a large number of training courses, qualifications, and development programs at our various locations. The focus here is placed on the technical area. We perform regular checks to determine the effectiveness and sustainability of these measures.

In 2017, the total expenditure for external training sessions and seminars was around €75 million. This corresponds to €350 per permanent employee. This does not include internal training sessions, such as IT seminars, project management, and compliance and anti-trust law training courses. The issue of CSR is part of our internal on-boarding program.

In addition to the training program, Continental Idea Management (CIM) places particular importance on the continuing education of our employees. Introduced as early as 1930, Idea Management encourages and calls for the commitment and motivation of our employees and gives them a proactive role in improving their own working environment. Their commitment is rewarded with bonuses and special campaigns. In the year under review, around 450,000 ideas were submitted worldwide by our employees in this way, of which around 380,000 were put into effect. This led to savings of around €152 million for the company.

To further increase the success of Idea Management, we introduced a new and more efficient system in 2016, which was rolled out at our new locations in 2017. Now every employee can submit ideas in 22 languages through a uniform platform.

Contivation is also available – a platform on which Continental employees post, discuss and develop their innovative product ideas. For an idea to be finally ready for production, it needs to be methodically driven forward. That is the task of the innovation managers in the various business units. They accompany the ideas on their path through Contivation. To do this, the innovation managers regularly assess the progress of the ideas, estimate their potential, give advice, and establish connections. Finally, they smooth the way into the line organization. From here, the ideas become development projects and ultimately production-ready products. The opportunity for fast feedback and input across divisions and countries means that many good ideas can quickly become real innovations.



In our management development programs, we take into account the different development levels of individual employees. New employees receive access to our "C.OnBoard" eLearning program, which helps them learn about the corporation in a fun way. New employees with a university degree are then greeted at the "Corporate Entry Conference," where they receive information on strategy, processes and structures at Continental. Our "Corporate Entry Program" also provides them with an opportunity to get to know the company at a national or local level, form networks, and receive additional training on different focal points. We also offer our "Development Center for Orientation" to help employees find their own position.

Years with the company, 2017	Male in %	Average age of all men	Female in %	Average age of all women
<b>Asia</b>				
5 years or less	40.0	29.6	16.3	30.0
5 to 10 years	18.0	35.5	8.0	33.4
10 to 20 years	8.5	40.6	3.9	38.3
more than 20 years	4.2	49.1	1.0	45.8
<b>Germany</b>				
5 years or less	20.4	34.1	6.1	33.2
5 to 10 years	12.2	36.8	3.1	37.5
10 to 20 years	22.5	44.8	5.4	44.8
more than 20 years	23.7	53.1	6.7	52.0
<b>Europe excluding Germany</b>				
5 years or less	31.7	32.2	14.0	34.2
5 to 10 years	14.5	37.0	5.2	39.7
10 to 20 years	17.2	42.2	6.6	44.1
more than 20 years	8.1	51.1	2.7	51.0
<b>North America</b>				
5 years or less	34.3	33.0	20.0	34.1
5 to 10 years	12.4	38.5	6.2	39.9
10 to 20 years	11.5	44.0	5.7	44.5
more than 20 years	7.9	54.2	1.9	55.2
<b>South America</b>				
5 years or less	36.8	31.9	8.4	31.0
5 to 10 years	25.9	35.9	5.1	35.3
10 to 20 years	16.7	40.1	2.2	38.6
more than 20 years	4.2	51.5	0.9	48.9
<b>Other</b>				
5 years or less	24.7	34.9	7.0	32.3
5 to 10 years	22.9	37.7	5.9	36.5
10 to 20 years	14.4	44.5	3.2	44.6
more than 20 years	19.5	52.2	2.4	48.7

New management personnel (team leaders) worldwide complete "Leadership Development Program 1," which supports managers in their new role. The counterpart on the Executive level is called "Leadership Development Program 3." Both programs are mandatory when accepting a new position on the relevant level. In addition, experienced management personnel and experienced executives can reflect on their roles as part of "Leadership Development Program 2 or 4" after several years. Our "International Management Program" and "Corporate Executive Development Program" place additional focus on developing management skills. Both programs prepare our management personnel to handle complex issues and strengthen their management skills. New senior management personnel are offered a customized development program in the form of the "New Senior Executive Workshops" and subsequent "Senior Executive Development Suite."

In general, all management personnel and executives go through a program of 360-degree feedback, called the "BIG SIX Radar, every three years. It demonstrates strengths and the development measures with regard to our desired management skills and corporate values. This analysis, which is based on global standards, helps with individual development planning for each individual supervisor. Colleagues, internal customers and superiors evaluate the executive on the basis of our personnel development success factors, the so-called "BIG SIX": vision, entrepreneurship, execution, drive, learning and interaction. The executive must also carry out a self-evaluation of his or her own personal capabilities.

We complete regular performance assessments and development plans to ensure targeted continued education of our employees. This is controlled by means of the talent management process. In 2017, employee dialogs were held for 95.7% of employees in the system (around 80,000) through a global process and using electronic systems. Approximately 23% of these are female and 77% male. All senior management personnel, management personnel and salaried employees, as well as many non-salaried employees, were included in this number.

### Diversity and Equal Opportunities

Continental is committed to equal opportunities for all employees, regardless of age, gender, nationality, religion, skin color, or sexual orientation. For us, it is the abilities and potential within people themselves that count. This attitude is also reflected in our corporate guidelines and in our signing of the German Diversity Charter.

We have defined clear objectives for all business units when it comes to promoting women in our company, which are reviewed on the executive level on a quarterly basis. The goal is to increase the proportion of women at the upper and middle management tiers. To make progress on this front, diagnostic procedures have been introduced to eliminate any biases toward women when making recruitment decisions. With these measures, we were able to increase the percentage of women on the management level from 12.2% in 2016 to 13.4% in 2017. Our goal is to achieve a percentage of 16% women by 2020.

Employees by age and sex in %, 2017	Male	Female
Under 20 years	75.9	24.1
20-29 years	72.2	27.8
30-39 years	72.7	27.3
40-49 years	71.4	28.6
50-59 years	74.9	25.1
Over 60 years	78.7	21.3

Continental AG has also been subject to the German law for the equal participation of women and men in managerial positions in the private and public sectors since May 1, 2015. According to this law, the Supervisory Board of Continental AG must consist of at least 30% women and at least 30% men. The obligation must be observed when appointing replacements to the Board. In 2017, four women were on the 20-strong Supervisory Board of Continental AG (two shareholder representatives and two employee representatives).

Composition of the Supervisory Board by age, 2017	
Under 30 years	0
30-49 years	1
50-59 years	10
Over 60 years	9

In accordance with the German Joint Stock Corporation Act (*Aktengesetz*), 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 2017, one woman was on the Executive Board (responsible for the area of HR and also director of labor relations). For further information, please refer to the Declaration Pursuant to Sec. 289f of the German Commercial Code (*Handelsgesetzbuch - HGB*) on page 22 of the 2017 Annual Report.

The Global Diversity Network, an umbrella organization for the different women's networks at our company, was developed to support women's career development. It supports networking across international borders. In addition, it establishes a program to boost the effectiveness and careers of young women. The program was first completed as a pilot project in October 2016 for the America region and involved 70 women. Roughly 75 women in Europe took part in the program in 2017, 110 in Korea and 100 in India.

In order to improve the work/life balance, there are globally applicable regulations for flexible working conditions – across all hierarchical levels and organizational areas. These include flexible work models such as part-time and flextime as well as mobile work offers and sabbaticals. Country-specific solutions for the 21 countries involved were adapted to regional requirements and legal conditions. In 18 countries, our employees can now configure their ways of working more individually, and we are on the homestretch in three

more countries. In identifying individual solutions for a personal work-life balance, operational requirements are taken into account and particular attention is paid to local labor law.

We understand diversity as describing the international make-up of our workforce as well. Around 74% of our employees work at locations outside Germany, and 42% are based outside Europe. The highly international nature of the corporation is also reflected in the many nationalities (roughly 60 different nationalities) of the employees working at the different locations. We principally aim to achieve a balanced ratio of local and international managers at all locations. This is in line with the market requirements and also the current global understanding. The proportion of local and international managers varies according to region. In 2017, the proportion of international management personnel at the corporation was approximately 45%.

### Occupational Safety and Health Management

The overriding objective of occupational safety and health management at Continental is the prevention of accidents and work-place-related illness ("We go for zero incidents"). To achieve this, we rely on an ESH management system that meets the international standard for occupational safety management OHSAS 18001, according to which 39 locations worldwide are certified.

The safety and health performance of the locations was reviewed using an internal corporate audit system.

In addition, company agreements on occupational health and safety have been concluded at the company and/or location level in Germany. Moreover, occupational health and safety committees are in place at all locations in Germany in accordance with the German Occupational Safety Act. They are occupied by works council members, employer representatives, company doctors, occupational health and safety experts, and safety representatives. All legal structures for occupational safety are also complied with internationally. Technical responsibility for matters related to the occupational health and safety of our employees is assumed at the corporate level by the Safety and Health (SH) department, which reports directly to the Executive Board member for Human Relations.

An essential indicator for the success of our occupational health and safety program, which focuses on prevention, is the trend of absence and accidents. With respect to the number of industrial accidents per million working hours, the past few years have indicated a positive development from 4.6 in 2010 to 3.2 in 2017. The number of hours lost per million working hours decreased from 729 to 548 hours during the same period.

Unfortunately, three accidents occurred in 2017, in which one Continental employee and two employees of partner companies suffered fatal injuries. The accidents occurred in India, China, and South Africa. Continental took all necessary steps to investigate the accidents thoroughly and informed all locations of their causes. Measures were developed in interdisciplinary and international teams and communicated within the corporation to prevent similar types of accidents in the future.

Our focus in industrial safety is currently on improving machine safety and our safety culture as well as ergonomics. This is primarily important for jobs involving heavy physical loads and work on equipment that has caused accidents at Continental or in the industry. With our ergonomics program, currently being rolled out internationally, we ensure that we can continue employing older employees in production and that we do not physically overload younger employees. These measures are having positive effects and are internationally recognized. The corporate-wide ergonomics program has already won several awards: As part of the "Healthy jobs for every age" campaign, we received the European Agency for Safety and Health at Work's (EU-OSHA) Best Practice Award in 2017.

Absences have remained constant in comparison to the previous year. Paid and unpaid absences as a percentage of contractual working hours are 3.2%. Data listed in the table shows absences for temporary and permanent employees as of 2015.

<b>Accident statistics and time lost</b>	2015	2016	<b>2017</b>
<b>Absences due to illness<sup>1</sup></b>	3.1 <sup>2</sup>	3.2 <sup>2</sup>	3.2
<b>Accident rate<sup>3</sup></b>			
Europe and Middle East	4.3	4.3	4.8
North America	1.7	1.8	1.6
Latin America	3.3	3.4	3.4
Asia/Pacific	1.2	0.9	1.0
Worldwide	3.1	2.9	3.2
<b>Time lost<sup>4</sup></b>			
Europe and Middle East	633	697	750
North America	427	665	345
Latin America	735	422	971
Asia/Pacific	169	149	174
Worldwide	498	554	548

*1 Absences due to sickness: Paid and unpaid absences as a percentage of contractual working hours.*

*2 The figures for 2015 and 2016 were adjusted based on new calculation bases.*

*3 Accident rate: Number of industrial accidents resulting in the loss of one or more working-day equivalents per one million hours worked.*

*4 Time lost: Number of hours lost due to accidents per million hours worked.*

# Society

## Management Approach

Operating globally also entails taking on social responsibility on a global level. By being committed to social responsibility, we are making a positive contribution to society while also creating value for our company.

One of our basic values is Trust. Trust assumes integrity, honesty, and incorruptibility. Management and employee compliance with all the legal requirements that apply to Continental and its subsidiaries, as well as with internal regulations, therefore provides our standard for our business activities and shapes our corporate culture.

In addition to our corporate guidelines, the BASICS and the Corporate Governance Principles, this is also reflected in our Corporate Social Responsibility Principles and Code of Conduct. In accordance with the respective legal regulations of each country, all employees must agree to the Code of Conduct.

Continental embraces its social responsibilities and respects the laws and cultures of each country. Through profitability, we lay the foundations for safeguarding jobs in many regions of the world. In addition, we also want to create value for those who live and work near our locations as well.

The focus of our social commitment is in the areas of social welfare and road safety, education and science, and sports. We take on social responsibility mostly on a decentralized basis.

During the reporting year, we worked on a project to streamline and systematize existing approaches related to corporate engagement. These include the implementation of a new strategy for our commitment to society which will be rolled out successively.

## Worldwide Commitment

Charitable projects, activities and donations are often initiated and organized by dedicated employees and supported by the company. In certain emergency situations, Continental provides central support with national projects and challenges, or offers assistance in dealing with international humanitarian emergencies. In doing so, the corporation as a whole fulfills its social responsibility. Continental also makes a positive contribution to society through its business operations at the international locations. The following are some activities completed in the reporting year.

In September 2017, we supported the disaster relief in Texas, U.S.A., after the historic flooding caused by Hurricane Harvey. The donation, which went to the American Red Cross, consisted of an amount donated directly by Continental and an amount matching donations from employees. In addition to the company's financial assistance, the employees at local sites became actively involved in the relief effort in Houston and other areas of southern Texas.

In October 2017, we supported the disaster relief in the areas of Mexico affected by the earthquake. In addition, we called on our employees in North America to donate money to the earthquake victims and we doubled the donated amount. In order to help the earthquake victims directly, our team in Mexico collected donations of food, household items and other necessities.

Under the umbrella of the "Experiencing Europe" initiative, Continental launched a program especially for young people in 2017. Together with Germany's Federal Employment Agency, we offer job seekers aged 18 to 25 short internships at our locations elsewhere in Europe. The program is open to young adults with no professional experience or qualifications. The project is an initiative throughout all of Germany. The aim is to help young people access the rest of Europe and thus strengthen the spirit of European community. We also see the project as an opportunity to discover potential employees and talented young people.

Under the name "We I.o.v.e. Europe," the first participants started foreign internships at Continental locations in Belgium, France, Hungary, Italy, Portugal, Romania and the United Kingdom. In the meantime, further companies have joined the "Experiencing Europe" initiative to give even more young adults the opportunity to gather professional experience in Europe. A total of 30 participants completed their internships in eleven countries in 2017.

# GRI Content Index and Communication on Progress to the UN Global Compact

Continental AG is reporting its sustainability performance for 2017 in accordance with the international standard of the Global Reporting Initiative (GRI). This report has been prepared in accordance with the 2016 GRI Standards: Core option. The information to be reported was selected based on a materiality analysis completed in 2015. In addition, this document serves as our annual "Communication on Progress" on the status of implementation for the 10 Principles of the UN Global Compact (UNGC).

This sustainability report was submitted to the GRI to complete the GRI materiality disclosure service. The GRI confirmed the correct positioning of "materiality-related disclosures" (102-40 to 102-49).



Materiality  
Disclosures  
Continental AG

Jun 2018  
Service

Disclosures	Page	Omissions	External Assurance	UNGC Principle
GRI 101: Foundation				
GRI 102: General Disclosures 2016				
<b>Organizational Profile</b>				
GRI 102-1: Name of the organization	5			
GRI 102-2: Activities, brands, products, and services	6			
GRI 102-3: Location of headquarters	6			
GRI 102-4: Location of operations	6			
GRI 102-5: Ownership and legal form	6-7			
GRI 102-6: Markets served	6			
GRI 102-7: Scale of the organization	1, 6, 18-19			
GRI 102-8: Information on employees and other workers	28-29			
GRI 102-9: Supply chain	18-19			
GRI 102-10: Significant changes to the organization and its supply chain	5			
GRI 102-11: Precautionary principle or approach	16, 19-20			
GRI 102-12: External initiatives	7-8			
GRI 102-13: Membership of associations	7-8			
<b>Strategy</b>				
GRI 102-14: Statement from senior decision-maker	4			1-10
GRI 102-15: Key impacts, risks and opportunities	11-13, 19-20			
<b>Ethics and Integrity</b>				
GRI 102-16: Values, principles, standards, and norms of behavior	7			10
GRI 102-17: Mechanisms for advice and concerns about ethics		Annual Report (AR) 2017, p. 23		10
<b>Governance</b>				
GRI 102-18: Governance structure	11, 15			
GRI 102-19: Delegating authority	11, 15			
GRI 102-20: Executive-level responsibility for economic, environmental, and social topics	11, 15			
GRI 102-21: Consulting stakeholders on economic, environmental, and social topics	14			
GRI 102-22: Composition of the highest governance body and its committees		AR 2017, p. 18 et seq. 206 et seq.		
GRI 102-23: Chair of the highest governance body		AR 2017, p. 18		
GRI 102-24: Nominating and selecting the highest governance body		AR 2017, p. 18		

GRI 102-25: Conflicts of interest	16	
GRI 102-26: Role of highest governance body in setting purpose, values, and strategy	11	
GRI 102-27: Collective knowledge of highest governance body	11	
GRI 102-28: Evaluating the highest governance body's performance	15	AR 2017, p. 24 et seq.
GRI 102-29: Identifying and managing economic, environmental, and social impacts	19	AR 2017, p. 99 et seq.
GRI 102-30: Effectiveness of risk management processes	19	AR 2017, p. 99 et seq.
GRI 102-31: Review of economic, environmental, and social topics	19-20	
GRI 102-32: Highest governance body's role in sustainability reporting		AR 2017, p. 99 et seq.
GRI 102-33: Communicating critical concerns	16	
GRI 102-34: Nature and total number of critical concerns	16	
GRI 102-35: Remuneration policies	15	
GRI 102-36: Process for determining remuneration	15	
GRI 102-37: Stakeholders' involvement in remuneration	15	
GRI 102-38: Annual total compensation ratio	15	
GRI 102-39: Percentage increase in annual total compensation ratio	15	
<b>Stakeholder Engagement</b>		
GRI 102-40: List of stakeholder groups	5, 14	
GRI 102-41: Collective bargaining agreements	16	
GRI 102-42: Identifying and selecting stakeholders	5, 13-14	
GRI 102-43: Approach to stakeholder engagement	13-14	
GRI 102-44: Key topics and concerns raised	10	
<b>Reporting Practice</b>		
GRI 102-45: Entities included in the consolidated financial statements	5	
GRI 102-46: Defining report content and topic boundaries	5, 10, 13	
GRI 102-47: List of material topics	10-11	
GRI 102-48: Restatements of information	5	
GRI 102-49: Changes in reporting	5	
GRI 102-50: Reporting period	5	
GRI 102-51: Date of most recent report	5	June 2018 (for the year 2017)
GRI 102-52: Reporting cycle	5	
GRI 102-53: Contact point for questions regarding the report	5	
GRI 102-54: Claims of reporting in accordance with the GRI Standards	5, 35	
GRI 102-55: GRI content index	35 et seq.	
GRI 102-56: External assurance		<a href="#">See here</a>
<b>Material Topics</b>		
GRI 201: Economic Performance 2016		
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) – Economic Performance	18	1-6, 10
GRI 201-1: Direct economic value generated and distributed	29	
GRI 201-2: Financial implications and other risks and opportunities due to climate change	19-20	7
GRI 201-3: Defined benefit plan obligations and other retirement plans	21	
GRI 201-4: Financial assistance received from government		AR 2017, p. 151, 158
GRI 202: Market Presence 2016	18, 28	
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) – Market Presence	29	6
GRI 202-1: Ratios of standard entry level wage by gender compared to local minimum wage	32	6
GRI 202-2: Proportion of senior management hired from the local community	32	6

GRI 203: Indirect Economic Performance 2016			
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) – Indirect Economic Performance	33		
GRI 203-1: Infrastructure investments and services supported	33-34		
GRI 203-2: Significant indirect economic impacts	33-34		
GRI 204: Procurement Practices 2016			
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) – Procurement Practices	18		
GRI 204-1: Proportion of spending on local suppliers	19-20		
GRI 205: Anti-Corruption 2016			
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) – Anti-Corruption	9		
GRI 205-1: Operations assessed for risks related to corruption	16		
GRI 205-2: Communication and training about anti-corruption policies and procedures	16, 30		
GRI 205-3: Confirmed incidents of corruption and actions taken	16		
GRI 206: Anti-competitive Behavior 2016			
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) – Anti-competitive Behavior	9		
GRI 206-1: Legal actions for anti-competitive behavior, anti-trust and monopoly practices		AR 2017, p. 196 et seq.	
GRI 301: Materials 2016			
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) – Materials	26		7-9
GRI 301-1: Materials used by weight or volume	26		7-9
GRI 301-2: Recycled input materials used	26		7-9
GRI 301-3: Reclaimed products and their packaging materials	26		7-9
GRI 302: Energy 2016			
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) – Energy	22		7-9
GRI 302-1: Energy consumption within the organization	22	x	7, 8
GRI 302-2: Energy consumption outside of the organization	22		8, 9
GRI 302-3: Energy intensity	22		8
GRI 302-4: Reduction of energy consumption	22		8, 9
GRI 302-5: Reductions in energy requirements of products and services	27		7-9
GRI 303: Water 2016			
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) – Water	22-23		7, 8
GRI 303-1: Water withdrawal by source	24	x	7, 8
GRI 303-2: Water sources significantly affected by withdrawal of water	24		7, 8
GRI 303-3: Water recycled and reused	24		7, 8
GRI 304: Biodiversity 2016			
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) – Biodiversity	22, 25		
GRI 304-1: Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity	25		
GRI 304-2: Significant impacts of activities, products and services on biodiversity	26-27		
GRI 304-3: Habitats protected or restored	26		
GRI 305 Emissions 2016			
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) – Emissions	22-23		7-9
GRI 305-1: Direct (Scope 1) GHG emissions	23	x	7, 8
GRI 305-2: Energy indirect (Scope 2) GHG emissions	23	x	7, 8
GRI 305-3: Other indirect (Scope 3) GHG emissions	23	x	7, 8
GRI 305-4: GHG emissions intensity	23		8
GRI 305-5: Reduction of GHG emissions	23		8, 9
GRI 305-6: Emissions of ozone-depleting substances (ODS)	23		8
GRI 305-7: Nitrogen oxides (NOX), sulfur oxides (SOX) and other significant air emissions	23		8
GRI 306: Effluents and Waste 2016			
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) – Effluents and Waste	22		8

GRI 306-1: Water discharge by quality and destination	23-24		8
GRI 306-2: Waste by type and disposal method	24	x	8
GRI 306-3: Significant spills	24	No significant spills of hazardous materials were reported for the 2017 reporting period.	8
GRI 306-4: Transport of hazardous waste	24		8
GRI 306-5: Water bodies affected by water discharges and/or runoff		Continental is not aware of any water bodies affected by discharges of water and runoff.	8
GRI 307: Environmental Compliance 2016			
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) - Environmental Compliance	9, 16		8
GRI 307-1: Non-compliance with environmental laws and regulations	16	AR 2017, p. 196 et seq.	8
GRI 308: Supplier Environmental Assessment 2016			
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) - Supplier Environmental Assessment	18		7-9
GRI 308-1: New suppliers that were screened using environmental criteria	20	Currently, no information is available on the percentage of screened suppliers.	7-9
GRI 308-2: Negative environmental impacts in the supply chain and actions taken	20-21		7-9
GRI 401: Employment 2016			
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) - Employment	28		1-6
GRI 401-1: New employee hires and employee turnover	28-29	Currently, it is not possible to provide information on new hires by age and gender.	6
GRI 401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees	29		
GRI 401-3: Parental leave		Approximately 6.1% of female employees and 3.9% of male employees in Germany took parental leave in 2017.	
GRI 402: Labor/Management Relations 2016			
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) - Labor/Management Relations	9, 28		3
GRI 402-1: Minimum notice periods regarding operational changes	14		3
GRI 403: Occupational Health and Safety 2016			
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) - Occupational Health and Safety	28		
GRI 403-1: Workers representation in formal joint management-worker health and safety committees	32		
GRI 403-2: Types of injury and rates of injury, occupational diseases, lost days, absenteeism, and the number of work-related fatalities	32	Currently, no information can be provided by gender.	
GRI 403-3: Workers with high incidence or high risk of diseases related to their occupation	32		



GRI 403-4: Health and safety topics covered in formal agreements with trade unions	32	
GRI 404: Training and Education 2016		
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) - Training and Education	28	6
GRI 404-1: Average hours of training per year per employee	30	Currently, no information on the total number of training hours is available. In the years 2013 to 2017 more than 1,060 training courses were held worldwide.
GRI 404-2: Programs for upgrading employee skills and transition assistance programs	30-31	
GRI 404-3: Percentage of employees receiving regular performance and career development reviews	31	6
GRI 405: Diversity and Equal Opportunity 2016		
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) - Diversity and Equal Opportunity	28, 31	6
GRI 405-1: Diversity of governance bodies and employees	31	6
GRI 405-2: Ratio of basic salary and remuneration of women to men	29	6
GRI 406: Non-discrimination 2016		
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) - Non-discrimination	9, 28	6
GRI 406-1: Incidents of discrimination and corrective actions taken	16	6
GRI 407: Freedom of Association and Collective Bargaining 2016		
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) - Freedom of Association and Collective Bargaining	9, 18, 28	3
GRI 407-1: Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	16	3
GRI 408: Child Labor 2016		
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) - Child Labor	18	5
GRI 408-1: Operations and suppliers at significant risk for incidents of child labor	20	5
GRI 409 Forced or Compulsory Labor 2016		
GRI 103-1, 103-2, 103-3, Management Approach - Forced or Compulsory Labor 2016	18	4
GRI 409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labor	20	4
GRI 411: Rights of Indigenous People 2016		
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) - Rights of Indigenous People	9, 18	1, 2
GRI 411-1: Incidents of violations involving rights of indigenous peoples	20	2
GRI 412: Human Rights Assessment 2016		
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) - Human Rights Assessment	18	1, 2
GRI 412-1: Operations that have been subject to human rights reviews or impact assessments	16	2
GRI 412-2: Employee training on human rights policies or procedures	30-31	2
GRI 412-3: Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	20	1, 2
GRI 414: Supplier Social Assessment 2016		
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) - Supplier Social Assessment	20	1, 2
GRI 414-1: New suppliers that were screened using social criteria	20	Currently, no information is available on the percentage of screened suppliers.
GRI 414-2: Negative social impacts in the supply chain and actions taken	20	2
GRI 415: Public Policy 2016		
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) - Public Policy	9	10
GRI 415-1: Political contributions	9	10

GRI 416: Occupational Health and Safety 2016		
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) – Customer Health and Safety	26-27	
GRI 416-1: Assessment of the health and safety impacts of product and service categories	27	
GRI 416-2: Incidents of non-compliance concerning the health and safety impacts of products and services	16, 27	
GRI 417: Marketing and Labeling 2016		
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) – Marketing and Labeling	26	7-8
GRI 417-1: Requirements for product and service information and labeling	27	
GRI 417-2: Incidents of non-compliance concerning product and service information and labeling	27	
GRI 417-3: Incidents of non-compliance concerning marketing communications	27	
GRI 418: Customer Privacy 2016		
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) – Customer Privacy	9	
GRI 418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data	16, 27	
GRI 419: Socioeconomic Compliance 2016		
GRI 103: Management Approach (incl. 103-1, 103-2, 103-3) – Socioeconomic Compliance	9, 16	.
GRI 419-1: Non-compliance with laws and regulations in the social and economic area	16	AR 2017, p. 196 et seq.

# Publication Details

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## **Exclusion of liability**

We have taken great care in collecting and processing the data contained in this report. Nevertheless, the possibility of errors cannot be entirely ruled out. Statements concerning future developments that are contained in this report are based on the information available today and on assumptions drawn from current forecasts. Even if these forecasts have been meticulously made, there is still a wide range of influencing factors that cannot be predicted now and that can lead to deviations. Therefore, any future-based statements in this report are not to be taken as guaranteed.

**Continental Aktiengesellschaft**

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