# Turn Change Into Opportunity – Embrace Sustainability

## Integrated Sustainability Report 2022

**Continental AG**

Continental develops pioneering technologies and services for sustainable and connected mobility of people and their goods. Founded in 1871, the technology company offers safe, efficient, intelligent and affordable solutions for vehicles, machines, traffic and transportation. In 2022, Continental generated sales of €39.4 billion and currently employs around 200,000 people in 57 countries and markets.

www.continental.com

# Development of Strategic Performance Indicators

| Group Sustainability Scorecard | **2022** | 2021 |
|---|---|---|
| **Carbon neutrality[1, 2]** | | |
| Direct $CO_2$ emissions (Scope 1) in millions of metric tons of $CO_2$ | 0.76 | 0.82 |
| Indirect $CO_2$ emissions (Scope 2) in millions of metric tons of $CO_2$[3] | 0.23 | 0.23 |
| Total own $CO_2$ emissions (Scopes 1 and 2) in millions of metric tons of $CO_2$ | 0.99 | 1.05 |
| Use of negative $CO_2$ emissions ($CO_2$ removal) in millions of metric tons of $CO_2$[4] | 0.03 | n. a. |
| **Emission-free mobility and industries** | | |
| Allocated zero-tailpipe-emission vehicles business in millions of euros[5, 6] | 1,657 | 986 |
| Allocated low-carbon business beyond zero-tailpipe-emission vehicles business in millions of euros[7] | 1,148 | 6 |
| Allocated business with emission-free mobility and industry und Industrie in millions of euros | 2,805 | 991 |
| **Circular economy** | | |
| Waste for recovery quota in %[2, 8] | 85 | 81 |
| **Responsible value chain** | | |
| Number of available, valid supplier self-assessment questionnaires (as at Dec. 31)[9] | 1,009 | 631 |
| **Good working conditions** | | |
| OUR BASICS Live Sustainable Engagement index in %[10, 11] | 80 | 80 |
| Sickness rate in %[12, 13] | 3.7 | 3.7 |
| Unforced fluctuation rate in %[13, 14] | 7.8 | 7.0 |
| **Green and safe factories** | | |
| Environmental management system certifications (ISO 14001) Employee coverage (as at Dec. 31) in %[15] | 76 | 76 |
| Energy management system certifications (ISO 50001) Employee coverage (as at Dec. 31) in %[15] | 40 | 40 |
| Occupational safety and health management system certifications (ISO 45001 or similar) Employee coverage (as at Dec. 31) in %[15] | 62 | 62 |
| Accident rate (number of accidents per million working hours)[13, 16] | 2.5 | 2.6 |
| **Benchmark in quality** | | |
| Quality management system certifications (ISO 9001 or similar) Employee coverage (as at Dec. 31) in %[15] | 83 | 84 |
| New field quality events (as at Dec. 31)[17] | 30 | 36 |
| **Sustainable management practice** | | |
| Gender diversity – share of female executives and senior executives (as at Dec. 31) in % | 19.1 | 17.8 |
| of which share of female executives and senior executives excluding the USA (as at Dec 31) in % | 18.8 | n. a |
| **Innovation and digitalization** | | |
| Research and development expenses (net) in millions of euros | 2,871.4 | 2,586.8 |
| in % of sales | 7.3 | 7.7 |

*1 Definitions in accordance with the GHG Protocol. Scope 1 includes emissions from the burning of fossil fuels as part of Continental's own processes, and Scope 2 includes emissions from purchased electricity, steam and heat. $CO_2$ emission factors correspond to $CO_2$ equivalents ($CO_2e$).*
*2 Contains a small amount of imputed data for parts of the Continental Group that did not report data directly.*
*3 Calculated using the market-based calculation method of the GHG Protocol. Where contract-specific emission factors were not available, the standard emission factors from Defra (September 2021) were used.*
*4 Generated through voluntary carbon credits. These are obtained solely from reforestation and afforestation projects and are reserved exclusively for Continental in the Gold Standard, VCS, American Carbon Registry and Climate Action Reserve registries.*
*5 Definition: allocated business with zero-tailpipe-emission vehicles comprises all business with products for vehicles transporting goods and people that count as Taxonomy-eligible low-carbon technologies for transport under the delegated regulation (2021/2800) for climate change mitigation and adaptation of the Taxonomy Regulation (2020/852).*
*6 The business can be allocated via the vehicle manufacturer, the vehicle platform or the product specification, for example. The data includes both pure business and attributable business, such as in the case of combined vehicle platforms. For the Tires, ContiTech and Contract Manufacturing group sectors, the sales reported at the end of the year were included. For Contract Manufacturing, this was based on an estimation by the customer Vitesco Technologies. In the case of the Automotive group sector, a calculation was carried out for passenger cars and light commercial vehicles using internal, vehicle-specific planning data for sales and external data for production quantities, and for medium and heavy commercial vehicles this was based on the relevant customer portfolio.*
*7 Definition: allocated low-carbon business beyond business with zero-tailpipe-emission vehicles measures business that enables our customers to significantly contribute to climate change mitigation and is considered Taxonomy-eligible under the delegated regulation (2021/2800) for climate change mitigation and adaptation of the Taxonomy Regulation (2020/852), excluding low-carbon technologies for transport and the replacement business with highly efficient tires with low rolling resistance (label classes A and B) for the existing fleet of vehicles already on the market, which is included for the first time for 2022.*
*8 Definition: proportion of waste that has been sent for material recycling, thermal recovery or any other form of recycling or reuse.*
*9 Based on the self-assessment questionnaires via the sustainability platforms EcoVadis and NQC completed by suppliers selected for this process.*
*10 Definition: employee agreement on topics relating to sustainable engagement in the employee survey OUR BASICS Live.*
*11 This is based on the responses of 46,199 participants (PY: 47,472 participants) as a representative random sample of Continental's group sectors and countries. The participation rate was 75% (PY: 75%).*
*12 Definition: sickness-related absence relative to contractual worktime.*
*13 Excluding leasing personnel (i.e. permanent staff only).*
*14 Definition: voluntary departure of employees from the company relative to the average number of employees.*
*15 Valid certifications and concluded recertification processes were counted, as well as ongoing recertification processes, if the achievement of recertification was considered highly probable.*
*16 Definition: number of accidents during working hours per million paid working hours. Counted from more than one lost day, i.e. with at least one lost day beyond the day of the accident.*
*17 Definition: a field quality event is a risk-minimizing measure for a product manufactured and/or sold by Continental based on a safety-related defect and/or non-compliance with regulations that was initiated by Continental, a customer and/or an authority.*

# Content

# Letter from the Executive Board

*Dear Readers,*

Transformation provides opportunities! And this also applies to the ongoing "green" transformation of the automotive industry as well as our entire economic system. Sustainability is the key driver of innovation at Continental. We have already integrated polymers from recycled PET bottles into our tire production and will continue to increasingly integrate recycled materials into our products in the future as well. We offer products and surfaces made from biobased materials and are additionally developing concepts for the remanufacturing of electronic components. Our great strength is in the industrialization of innovations.

Over the past year, we have once again proven our resilience: while faced with the ongoing pandemic, the transformation of our industry, supply shortages, soaring costs for raw materials, energy and logistics, as well as the additional geopolitical challenges. Despite all these adversities, we have not lost sight of our goals. At Continental, we believe that sustainability is not a choice, but a necessity. We are committed to minimizing our carbon footprint and reducing our environmental impact through sustainable practices and innovation. Our commitment to sustainability is not only driven by our desire to protect the environment, but also by our commitment to operate our business responsibly and for the benefit of our customers, employees and communities.

We also believe that sustainability is not a destination, but a journey. The compass we are using on this journey is our sustainability ambition, which we introduced back in 2020 – and is closely linked to our corporate strategy. The strategic pillar "Turning Change into Opportunity" explicitly highlights the idea of "Embracing Sustainability" – a clear message that we actively strive to shape this change. This mindset illustrates our dedication to the strong and visionary focus areas of our ambition, as well as our aspiration to achieve them by 2050 at the latest and in close collaboration with our partners along the value chain:

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

On this journey, we need reliable partners and cooperation at eye level in our industries to allow all links in the value chain to truly join forces. However, we can only build a sustainable economic system when politics, society and the financial sector also move in unison with the industry. We do agree on the vision of a sustainable and carbon-neutral economy, after all, but we will need to jointly define a realistic way to get there without creating bureaucratic nightmares as a result. If we succeed in jointly describing an ambitious but realistic pathway, then transformation becomes a real opportunity! Together, we can and must ensure that the economic transformation to sustainability will be a success.

Our success – and the progress we have made toward a one hundred percent sustainable company – is based on the engagement and expertise of our 200,000 employees worldwide. We have also expressed this in our new vision: "Creating Value for a Better Tomorrow – Powered by the Passion of our People!". I have great confidence in the innovative strength and passion of my colleagues. In 2023, we will therefore continue to focus on our ambitions and not only strive for a better tomorrow, but in particular for a more sustainable tomorrow.

This report outlines our achievements in 2022 as we pursue our sustainability ambitions, including our revenue with sustainable business and our efforts to reduce greenhouse gas emissions, conserve water, and minimize waste. We are proud to report that we have made significant progress in all these areas, and we will continue our efforts to reduce our environmental impact. We look forward to your questions and suggestions. And now, on behalf of the entire Executive Board and all our employees, I wish you an exciting and informative read.

With kind regards,

*Ariane Reinhart*

Dr. Ariane Reinhart
Member of the Executive Board
Group Human Relations, Group Sustainability and Director of Labor Relations

# Information on Reporting

## This is Continental's twelfth sustainability report. It is also the supporting document to complete the communication on progress questionnaire for the UN Global Compact.

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

**Reporting standards**
The reporting considers the standards of the Global Reporting Initiative (GRI), the UN Global Compact, the UN Sustainable Development Goals (SDG), the Task Force on Climate-related Financial Disclosures (TCFD), and the Sustainability Accounting Standards Board (SASB). The relevant indixes to the single standards can be found starting on page 126.

**Reporting period**
The report covers the 2022 fiscal year from January 1 to December 31, 2022, and was published on April 21, 2023.

**Scope of consolidation**
The integrated sustainability report encompasses the same scope of consolidation as for the consolidated financial statements (see Note 2 "General Information and Accounting Principles" on page 130 of the annual report). The information refers – unless otherwise indicated – to continuing operations of the Continental Group and therefore exclude Vitesco Technologies, which was spun off on September 15, 2021.

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

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

### Topics covered in the various reporting formats

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

### Text and assurance markings

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

### Significance of color coding and the applicable auditor’s report

<table>
<tr><th>Color coding</th><th>Significance</th><th>Applicable auditor’s report</th><th>Page reference auditor’s report</th></tr>
<tr><td rowspan="2">Yellow marking</td><td rowspan="2">This text section is derived from Continental AG corporate publications (consolidated financial statements, management report incl. the combined non-financial statement or remuneration report), which was assured by an independent auditor.</td><td>Report on the Audit of the Consolidated Financial Statements and the Consolidated Management Report</td><td rowspan="3">134</td></tr>
<tr><td>Auditor’s Report on the Remuneration Report</td></tr>
<tr><td>Green marking</td><td>This text section has been assured in a separate audit for the integrated sustainability report.</td><td>Independent Practitioner’s Report on a Limited Assurance Engagement on selected Sustainability Information in the Integrated Sustainability Report of Continental AG</td></tr>
<tr><td>No color-coding</td><td>This text has not been subject to an external audit.</td><td>---</td><td>---</td></tr>
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# Corporate Profile
# Structure of the Continental Group

**Source:** 2022 Annual Report> Management Report > Corporate Profile > Structure of the Continental Group (starting p. 26)

## Automotive, Tires and ContiTech: the three strong pillars of the Continental Group.

**Organizational structure**
The Continental Group is divided into four group sectors: Automotive, Tires, ContiTech and Contract Manufacturing. As of January 1, 2023, these comprise a total of 18 business areas.

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

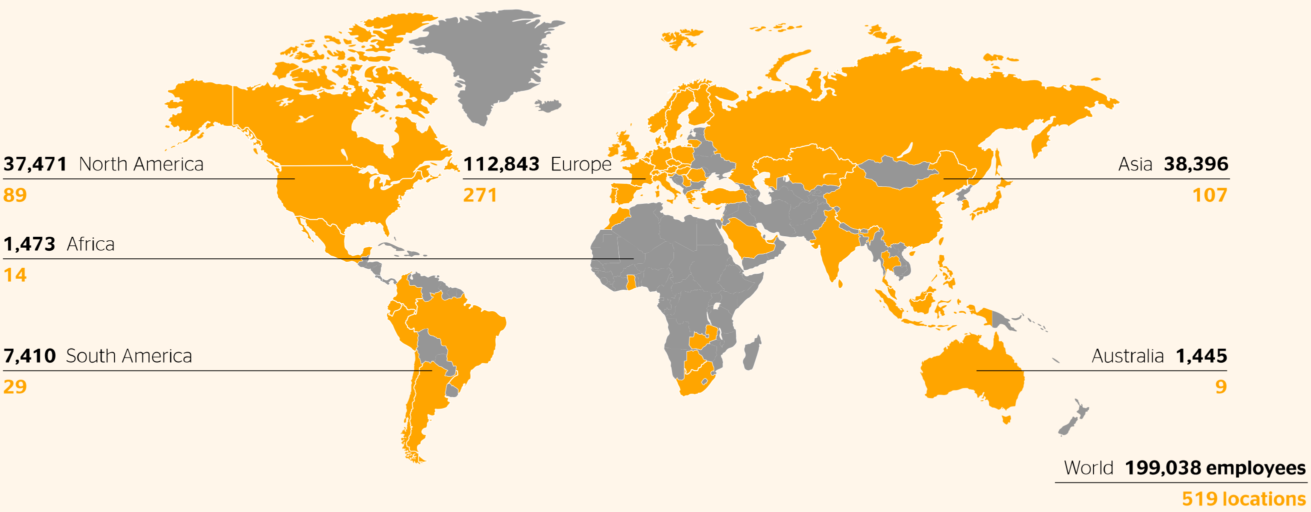
**Business responsibility**
Overall responsibility for managing the company is borne by the Executive Board of Continental Aktiengesellschaft (AG). The Automotive, Tires and ContiTech group sectors are each represented on the Executive Board.

The group functions of Continental AG are represented by the chairman of the Executive Board, the chief financial officer and the Executive Board member responsible for Human Relations, and assume the functions required to manage the Continental Group across the group sectors. They include, in particular, Finance, Controlling, Compliance, Law, IT, Human Relations, Sustainability, and Quality and Environment. The Group Purchasing group function is represented by the Executive Board member responsible for the Tires group sector.

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

**Companies and locations**
Continental AG is the parent company of the Continental Group. In addition to Continental AG, the Continental Group comprises 477 companies, including non-controlled companies. The Continental team is made up of 199,038 employees at 519 locations for production, research and development, and administration in 57 countries and markets. Added to this are distribution locations, with 917 company-owned tire outlets and a total of around 5,228 franchises and operations with a Continental brand presence.

**519 locations in 57 countries and markets**



**Structure of the Continental Group in 2022**

## Continental Group

| Automotive | Tires | ContiTech | Contract Manufacturing |
|---|---|---|---|

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

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

As of January 1, 2023, the Automotive group sector, including a development unit called Software and Central Technologies (SCT), is divided into six business areas.

With its premium portfolio in the car, truck, bus, two-wheel and specialty tire segment, the **Tires group sector** stands for innovative solutions in tire technology. Intelligent products and services related to tires and the promotion of sustainability complete the portfolio. For specialist dealers and fleet management, Tires offers digital tire monitoring and tire management systems, in addition to other services, with the aim of keeping fleets mobile and increasing their efficiency. With its tires, Continental contributes to safe, efficient and environmentally friendly mobility. In the reporting year, 22% of sales in Tires related to business with vehicle manufacturers, and 78% related to the tire-replacement business. The group sector is divided into five business areas:

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

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

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

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

- Contract Manufacturing

**Globally interconnected value creation**

Research and development (R&D) took place at 94 locations in the reporting year, predominantly in close proximity to our customers to ensure that we can respond flexibly to their various requirements and to regional market conditions. This applies particularly to projects of the Automotive and ContiTech group sectors. In the Tires group sector, R&D is largely centrally organized, since product requirements for tires are much the same across the world. They are adapted according to the specific requirements of each market. Continental generally invests around 7% to 8% of sales in R&D each year. For more information, see the Research and Development section.

Continental processes a wide range of raw materials and semi-finished products. The purchasing volume in the reporting year was €28.4 billion in total, €19.3 billion of which was for production materials. Electronics and electromechanical components together make up around 35% of the Continental Group's purchasing volume for production materials, which are primarily used in the Automotive and Contract Manufacturing group sectors, while mechanical components account for around 19%. Natural rubber and oil-based chemicals as well as synthetic rubber and carbon black are key raw materials for the Tires and ContiTech group sectors. The total purchasing volume for these materials amounts to around 26% of the total volume for production materials. For more information, see the Development of Raw Materials Markets section in the economic report.

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

**Globally interconnected value creation**

| R&D | Purchasing | Production | Sales & Distribution |
|---|---|---|---|
| **Innovative**<br>€2.9 billion in expenditure | **Diverse**<br>€28.4 billion in volumes | **Global**<br>207 locations | **Local**<br>€39.4 billion in sales |

## Shareholder Structure

**Source:** 2022 Annual Report > To Our Shareholders > Continental Shares and Bonds (p. 8)
**Note:** This text has been shortened.

**Free float stable at 54.0%**
As in the previous year, free float as defined by Deutsche Börse AG amounted to 54.0% as at the end of 2022. The most recent change took place on September 17, 2013, when our major shareholder, the IHO Group, Herzogenaurach, Germany, announced the sale of 7.8 million Continental shares, reducing its shareholding in Continental AG from 49.9% to 46.0%.

As at the end of 2022, the market capitalization of Continental AG amounted to €11.2 billion (PY: €18.6 billion). Market capitalization on the basis of free float averaged €6.1 billion over the last 20 trading days of the reporting year (PY: €10.1 billion). Free-float market capitalization is the decisive factor for index calculation in the regulatory framework of Deutsche Börse AG. At the end of 2022, Continental AG ranked 39th in terms of free-float market capitalization on the DAX (PY: 36th).

**Free-float distribution largely stable in 2022**
As at the end of the year, we once again determined the distribution of free float of Continental shares by way of shareholder identification (SID).

We were able to assign 106.4 million of the 108.0 million shares held in the form of shares or alternatively as American depositary receipts (ADRs) in the USA to more than 630 institutional investors, banks and asset managers across 42 countries. The identification ratio was 98.5% (PY: 97.6%).

According to the SID, the identified level of Continental shares held in Europe was slightly higher than the previous year at 49.7% of free float (PY: 49.0%).

The identified level of shares held by investors from the UK and Ireland was virtually unchanged compared with the previous year at 30.0% (PY: 29.7%).

The identified free-float holdings of German investors fell to 5.9% in the year under review (PY: 6.3%).

French investors held 3.5% of Continental free-float shares at the end of 2022 (PY: 3.4%).

The free-float holdings of Scandinavian investors increased to 3.6% in 2022 (PY: 3.1%).

Investors in other European countries increased their share of free float slightly to 6.7% in 2022 (PY: 6.5%).

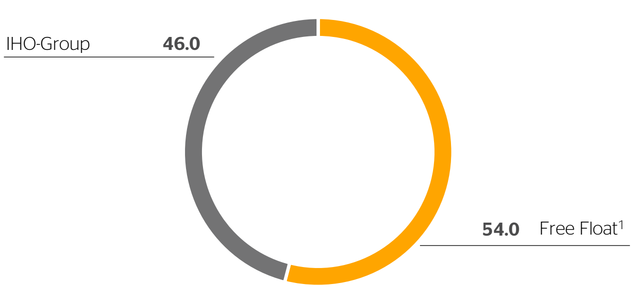
Shareholdings of investors in North America remained at the high level of the previous year in 2022. In total, they held 46.0% (PY: 45.7%) of the free float in the form of shares or ADRs.

The identified shareholdings of investors in Asia, Australia and Africa were at 2.8% at the end of 2022 (PY: 2.9%).

## In the Spotlight

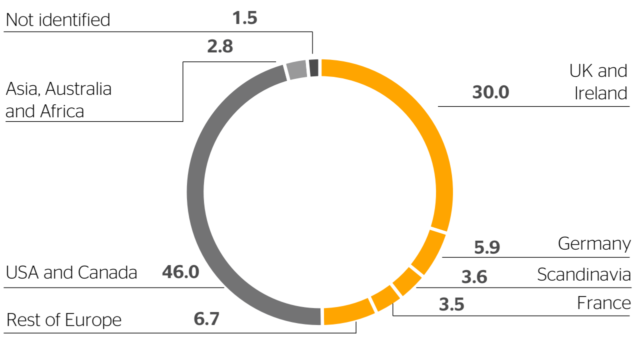
### Shareholder Structure and Regional Distribution of Free Float

**Shareholder structure as at Dec. 31, 2022 in %**




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

**Regional distribution of the free float as at Dec. 31, 2022 in % (98.5 % identified)**



# Strategy of the Continental Group

**Source:** 2022 Annual Report > Management Report > Corporate Profile > Strategy of the Continental Group (starting p. 29)

## Turning change into progress and opportunity.

In 2022, Continental developed a new vision and mission together with the entire Executive Board and managers from all group sectors, which it rolled out across the company:

**CREATING VALUE FOR A BETTER TOMORROW.**
OUR TECHNOLOGIES. YOUR SOLUTIONS. POWERED BY THE PASSION OF OUR PEOPLE.

The vision and mission are the foundation for our daily corporate activities. They link the challenges of the present to the key questions for the future:

- What do we stand for?
- What drives us?
- Where do we want to go?

The vision and mission provide us with pioneering guiding principles in an increasingly complex and highly dynamic market environment.

What do the new vision and mission mean for Continental?

- **"Creating value"**: Everything we do is designed to create value. This can be financial value for our shareholders but also value for our customers, our employees and the societies in which we operate.
- Our goal is to build **"a better tomorrow."** With our products and services, we contribute to making the world a little better. We develop and produce the mobility of tomorrow, making it safer, more convenient and more sustainable. At the same time, a better tomorrow means acting now and not in the distant future. Every day. Tomorrow will be better than today, because every day we get a little better.
- **"Our technologies"**: We will achieve these improvements with the help of technology. We are a technology company and believe that we will only be able to tackle the challenges of our time by rapidly developing the right technologies.
- **"Your solutions"**: Rather than being an end in itself, however, our technology should help our customers make their products even better and more useful. This is what we mean by "Our technologies. Your solutions." Because we are customer-focused in everything we do.
- **"Powered by the passion of our people":** This makes it clear that Continental stands for a certain culture. A culture of mutual respect. A culture of togetherness. And a culture of passion.

Based on this, our aim is to become the most attractive and progressive employer. Ultimately, in order to achieve our vision, we want to attract and retain the best talent at Continental.

Amid the fierce competition for this talent, we impress with our innovative technologies, our culture of mutual respect, trust and togetherness, and our pronounced passion to win. With our new vision and mission, we aim to strengthen our employees' commitment – the most important bond they have with Continental. Their commitment, enthusiasm and motivation are an expression of our passion to win and give us a key competitive advantage, more so now than ever.

All group sectors were involved in the development of the new vision and mission. They therefore represent an important basis for our daily activities and reflect the respective business identities of our broad-based corporation and the factors decisive for its success.

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

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

### 1. Strengthening operational performance

By strengthening our operational performance, we can ensure our future viability and competitiveness. We are aligning our cost structure to global market conditions. In 2019, we introduced appropriate measures with our Transformation 2019–2029 structural program, which we expect to generate gross savings of €850 million annually from 2024 onward.

The semiconductor shortage is an ongoing challenge for the automotive industry. Delivery backlogs and delivery times for semiconductors were at record highs in 2022, and the situation is not expected to improve substantially before 2025. Continental responded to the challenge by setting up a task force in fiscal 2021 and by establishing the Integrated Business Planning (IBP) unit in 2022. Operating internationally, the IBP unit manages supply and demand planning for all Automotive business areas and oversees volume planning for semiconductors in order to achieve a balance between customer demand and supplier deliveries.

### 2. Differentiating the portfolio

We continue to pursue the targeted differentiation of our product portfolio with a focus on growth and value. Our focus on growth is aimed at establishing strong market positions in innovative fields featuring highly dynamic growth, while our focus on value addresses saturated markets with stable but low growth.

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

We are purposefully entering into partnerships that make us better and faster, in particular with smaller specialist firms and start-up companies. In the year under review, for example, we continued to invest in collaborations for assisted and autonomous driving. Funding that we do not contribute to partnerships is used to establish and develop our in-house expertise. Examples can be found in the Research and Development section starting on page 35 of this annual report.

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

The portfolio strategy also includes possible acquisitions, divestments and partnerships. The business areas are regularly assessed to determine whether they are capable of creating the best possible value for Continental, and how their value can be maximized.

1

**Strengthen operational performance**

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

2

**Differentiate our portfolio**

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

3

**Turn change into opportunity**

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

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

Sustainability is a key area in which Continental is turning change into opportunity. Continental has set out a sustainability ambition with four focus areas: carbon neutrality, emission-free mobility and industry, circular economy, and responsible value chain. It describes how, together with our partners, we seek to shape the transformation in the relevant topic areas along the entire value chain by 2050 at the latest. This sustainability ambition provides the framework and guidelines for existing strategies, programs and processes, as well as their further development. The systematic expansion of our business in particular with zero-tailpipe-emission vehicles contributes significantly toward achieving our ambitions in the area of carbon neutrality and emission-free mobility and industries, as well as toward reducing greenhouse gas emissions in the mobility sector. Detailed information on the implementation of our sustainability ambition can be found in the Sustainability and Combined Non-Financial Statement section starting on page 37 of this annual report.

We are sticking to our medium-term business outlook:

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

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

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

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

# Sustainability Management in the Continental Group

Source: 2022 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Non-Financial Statement (starting p. 37)

**Ambition, strategy and program**
Sustainability is a driver of innovation for Continental during the current transformation of mobility and industries, and is thus firmly anchored in its corporate strategy in the cornerstone of "turning change into opportunity." Sustainability is also a key component in our vision of "creating value for a better tomorrow."

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

**Management, organization and responsibilities**
Within the Executive Board, the Executive Board member for Group Human Relations (director of Labor Relations) and Group Sustainability is responsible for sustainability. Sustainability management within the Continental Group is regulated by a dedicated internal sustainability policy.

The Group Sustainability group function is further supplemented by sustainability functions in the group sectors as well as coordinators in several business areas and countries. The key sustainability functions were expanded and strengthened in 2022.

The Group Sustainability Steering Committee is responsible for assessing interdepartmental issues, weighing up risks and opportunities and discussing relevant Executive Board decisions in advance. In fiscal 2022, it consisted of the entire Executive Board as well as the heads of the sustainability functions at corporate level and group sector level as well as the heads of other relevant group functions. The committee is chaired by the Executive Board member for Group Human Relations (director of Labor Relations) and Group Sustainability and managed by the head of the Group Sustainability group function. Some of the group sectors have their own interdepartmental sustainability committees, which are coordinated by the relevant sustainability functions.

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

The topic of sustainability is also an integral part of the Continental Group's strategy development. Significant investments must be reviewed and assessed as to their contribution to sustainability as a standard part of the approval process. For the Automotive, Tires and ContiTech group sectors, detailed roadmaps for the implementation of sustainability ambitions in the relevant topic areas are under development.

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

**Cultural change**
In order to support cultural change in the organization, we stepped up internal communication with respect to sustainability in fiscal 2022, held numerous events and further integrated the topic into key internal event formats for managers. These events include the annual Global Sustainability Conference, which is attended by Continental employees from all over the world.

## In the Spotlight

### Inclusion of Stakeholders

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

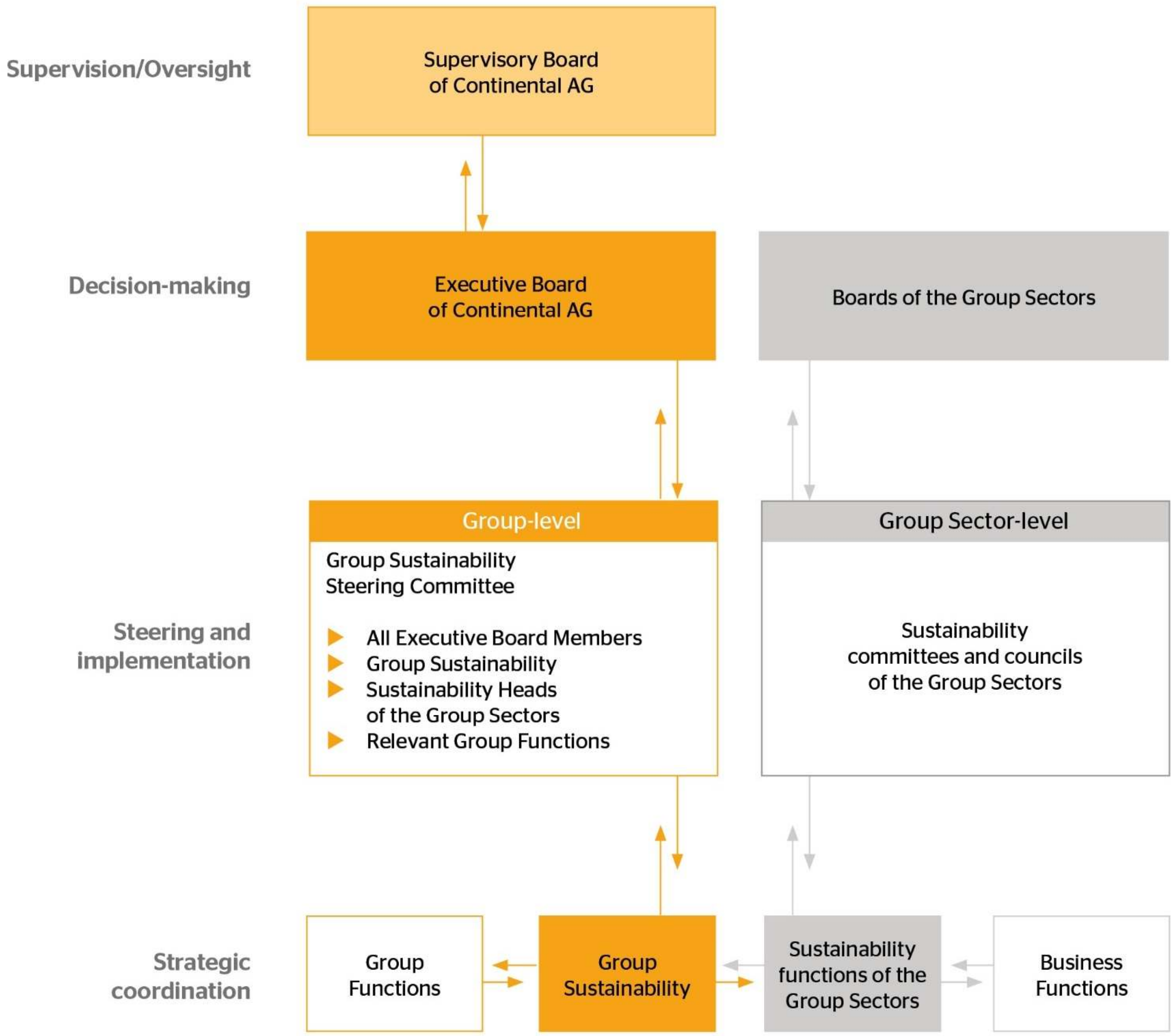
- Customers: e.g. via sales departments or key account management, cooperative undertakings, and trade fairs
- Investors and shareholders: e.g. via the annual shareholders' meeting, webcasts, and roadshows
- Employees: e.g. via town hall meetings, employee surveys, webcasts, and employee representatives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

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

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

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

**Steering of Sustainability in the Continental Group**



# Development of Material Sustainability Topic Areas

# Carbon Neutrality

## Management Approach

**Source:** 2022 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Non-Financial Statement (starting p. 39)

### Our ambition

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

Of central importance for our ambition are the requirements and speed of transformation of our customers, industries and markets as well as the resulting transformation opportunities and risks.

### Concept

We have set ourselves the corporate target of achieving carbon neutrality throughout our production processes. In terms of Scope 1 and market-based Scope 2 $CO_2$ emissions in accordance with the Greenhouse Gas (GHG) Protocol, we aim to be carbon-neutral by 2040 (2040 climate goal).

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

Together with the group sectors, the "Decarbonization Roadmap 2040" group project team has set clear interim targets for each group sector and defined two key steps:

- 100% procurement of electricity from renewable sources (Scope 2), which has already been implemented since 2020.
- 100% carbon neutrality for remaining energy consumption by 2040 (Scopes 1 and 2), through
  - the reduction of $CO_2$ emissions by means of energy efficiency projects
  - the substitution of fossil fuels
  - and the neutralization of unavoidable $CO_2$ emissions.

We have set ourselves the interim target of reducing our own emissions to 0.7 million metric tons of $CO_2$ by 2030. This represents a reduction of more than 30% compared with 2021.

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

In terms of Scope 3 $CO_2$ emissions in accordance with the GHG Protocol, we aim to achieve carbon neutrality by 2050 at the latest in line with our sustainability ambition. To this end, we have identified various levers throughout the value chain. These relate to the use phase of our products, coupled with the global shift toward emission-free mobility and industries, product design and the conversion of materials used to renewable and recycled materials, as well as generally a transition to circular processes.

For more information on our concepts in this respect, see the sections on emission-free mobility and industries and circular economy in the combined non-financial statement.

It will also be necessary to increase the use of green electricity along the supply chain. The Business Partner Code of Conduct was expanded accordingly with a view to carbon neutrality in 2021. The implementation of carbon neutrality throughout the value chain is managed in the individual group sectors, each of which is responsible for taking appropriate measures. In addition, achieving carbon neutrality throughout our value chains requires joint sustainability efforts with customers, suppliers and other partners.

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

We also offer customers our Net|Zero|Now immediate action program for climate change mitigation – an additional building block to help them achieve their climate targets along the entire value chain. In addition to Continental products for emission-free vehicles, the program is also offered for the combustion-engine vehicle and industrial businesses, as well as being used internally, such as at events. Continental is working with partners on certified ecosystem restoration, especially on reforestation projects, to remove $CO_2$ from the atmosphere and ease the global $CO_2$ budget by means of "negative emissions." To this end, Continental has defined its own quality criteria, beyond the requirements for the respective register. Under Net|Zero|Now, the currently remaining "carbon backpack" of the relevant Continental business can be fully or partially neutralized by an appropriately defined amount, for example. The carbon backpack is defined as all emissions generated by processes at Continental (Scopes 1 and 2) and its suppliers as well as following end of use (Scope 3), but not customer- and product-use-related emissions (e.g. the Scope 3 emissions generated during a product's use phase). These are calculated individually within the group sectors. The amount of negative emissions used under Net|Zero|Now is determined and documented accordingly within the group sectors. Continental has purchased a quota of certified projects. Appropriate certificates are issued to Continental in stages and subsequently deleted from the register. A systematic process is then in place at corporate level to ensure that appropriate issued and deleted (i.e. reserved) certificates are available for the amount used by the group sectors in the respective fiscal year and that these are not used more than once in the internal allocation across fiscal years and group sectors.

### Results of the concept

Own $CO_2$ emissions amounted to 0.99 million metric tons of $CO_2$ in fiscal 2022 (PY: 1.05 million metric tons of $CO_2$). These are calculated as the sum of Scope 1 and market-based Scope 2 $CO_2$ emissions. The decrease in direct $CO_2$ emissions (Scope 1) in fiscal 2022 is attributable to energy efficiency measures to reduce fossil fuel consumption as a result of the energy crisis, particularly in Europe.

Following the switch to green electricity for reported energy consumption in fiscal 2020, Continental's total $CO_2$ emissions (Scopes 1 and 2) have been reduced by 70% compared with fiscal 2019, as this green electricity produces no $CO_2$ emissions. Appropriate green energy attribute certificates were purchased for the full volume of reported purchased electricity not already covered by other instruments (such as green electricity contracts, power purchase agreements or self-generated electricity from renewable sources). Due to national register processes, not all deletions of energy attribute certificates were available for small residual quantities at the time the report was prepared.

| **Carbon neutrality performance indicators**[1] | **2022**[2] | 2021[2] |
|---|---|---|
| Direct $CO_2$ emissions (Scope 1) in millions of metric tons of $CO_2$ | 0.76 | 0.82 |
| Indirect $CO_2$ emissions (Scope 2) in millions of metric tons of $CO_2$[3] | 0.23 | 0.23 |
| **Total own $CO_2$ emissions (Scopes 1 and 2) in millions of metric tons of $CO_2$** | **0.99** | **1.05** |

*1 Definitions in accordance with the GHG Protocol. Scope 1 includes emissions from the burning of fossil fuels as part of Continental's own processes, and Scope 2 includes emissions from purchased electricity, steam and heat. $CO_2$ emission factors correspond to $CO_2$ equivalents ($CO_2e$).*
*2 Contains a small amount of imputed data for parts of the Continental Group that did not report data directly.*
*3 Calculated using the market-based calculation method of the GHG Protocol. Where contract-specific emission factors were not available, the standard emission factors from Defra (September 2021) were used.*

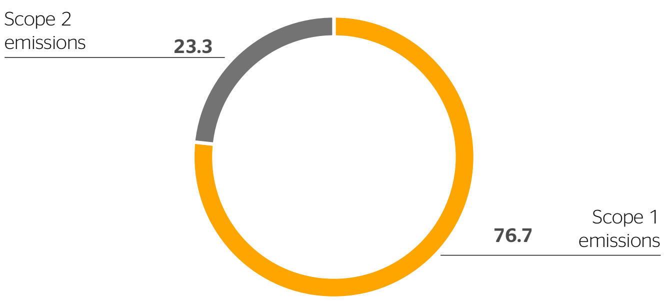
Within the Net|Zero|Now program, negative emissions were used for the first time in 2022 and amounted to 0.03 million metric tons of $CO_2$.

| **Carbon neutrality performance indicators** | **2022** | 2021 |
|---|---|---|
| Use of negative $CO_2$ emissions ($CO_2$ removal) in millions of metric tons of $CO_2$[1] | **0.03** | n. a. |

*1. Generated through voluntary carbon credits. These are obtained solely from reforestation and afforestation projects and are reserved exclusively for Continental in the Gold Standard, VCS, American Carbon Registry and Climate Action Reserve registries.*

Continental improved its climate change mitigation rating with global non-profit organization CDP (formerly operating as the Carbon Disclosure Project) from B to A- in 2022.

**Total own $CO_2$ emissions 2022 (0.99 million metric tons of $CO_2$) in %**[1, 2, 3]




*1 Definitions in accordance with the GHG Protocol. Scope 1 includes emissions from the burning of fossil fuels as part of Continental's own processes, and Scope 2 includes emissions from purchased electricity, steam and heat. $CO_2$ emission factors correspond to $CO_2$ equivalents ($CO_2e$).*
*2 Contains a small amount of imputed data for parts of the Continental Group that did not report data directly.*
*3 Calculated using the market-based calculation method of the GHG Protocol. Where contract-specific emission factors were not available, the standard emission factors from Defra (September 2021) were used.*

## Climate Scenario Analysis

Continental uses various elements of scenario techniques to develop, implement and further develop the company's climate strategy. In fiscal 2020, we analyzed various projections, extrapolations and retropolations as well as strategies and scenarios from customers, governments and institutions with a particular focus on further advancing our path toward carbon neutrality.

For Continental, such analysis always focuses on the impacts on Continental and our markets. Some of the scenarios considered assume that carbon neutrality would have to be achieved before 2050, or in the case of a 1.5°C path even much earlier, while other considerations assume that carbon neutrality will actually not be achieved globally until after 2050. Continental is therefore expecting our customers, industries and markets to proceed at differing speeds. Accordingly, we took into account in our sustainability ambitions that we want to achieve complete carbon neutrality by 2050 at the latest, but possibly also before 2050.

The individual scenarios are used to enable comparison with global objectives, to better identify potential opportunities and risks, and to adapt to various developments at an early stage. Continental's climate targets were also reviewed by the Science Based Targets initiative (SBTi) against specific global reduction paths and climate scenarios. The SBTi confirmed that the targets for own emissions (Scope 1 and 2 of the Greenhouse Gas (GHG) Protocol) correspond to a 1.5°C path, while for Scope 3 the linear derivations for 2030 were validated on the basis of the method used and confirmed as being compliant with the Paris Climate Agreement and a path well below 2°C.

## Introduction of an Internal Price on Carbon.

In 2022, Continental introduced an internal price on carbon to support and accelerate the transformation to become carbon neutral with respect to Scopes 1 and 2 by 2040. The internal price on carbon is part of the Decarbonization Roadmap 2040 and is valid for all group sectors. The shadow price was drawn up based on current and predicted future market prices for $CO_2$ and will be re-evaluated on a regular basis. The aim of this mechanism is to support the group sectors in achieving their carbon reduction targets and to further improve our environmental performance.

## In the Spotlight

### Continental Nominated as a CDP Supplier Engagement Leader

In 2022, Continental received an "A" rating from CDP for actions and strategies to reduce emissions in the supply chain for the fifth time in a row.

Continental is among the eight percent of companies that have been recognized as a "Supplier Engagement Leader".

More than 13,000 companies and organizations were evaluated.

CDP's annual Supplier Engagement Rating is designed to evaluate and encourage action on corporate supply chain engagement relating to climate issues.

## Indirect $CO_2$ Emissions Along the Value Chain (Scope 3)

As part of the full reporting of all 15 Scope 3 categories, Continental has implemented in the reporting year significant improvements in the granularity and precision of data collection for several categories. Reported $CO_2$ emissions corresponded again to $CO_2$ equivalents ($CO_2e$). The mentioned model improvements led partially to strong emission changes as explained in the single categories below. In these categories, the comparability of 2022 data to prior year data is therefore limited.

Continental has only limited access to data on actual emissions from suppliers and sub-suppliers. It is therefore still challenging to receive data of a high-quality reflecting type and scope of emissions. In addition, Continental is working on further improvements of the current models mainly through an increased quality of the data basis and collection of more granular data, when available. This will likely continue for future periods. The current limitations of scope are explicitly explained in the respective categories below.

Based on the current scope of the single categories, calculated indirect $CO_2$ emissions along the value chain (Scope 3) amounted in fiscal 2022 to 105.95 (PY: 108.89) million metric tons of $CO_2$. The reduction was mainly caused by a decrease in the largest Scope 3 category “Use of sold products”.

Continental has identified various key levers throughout the value chain to further reduce the Scope 3 emissions: the global shift toward emission-free mobility and industries, product design, renewable and recycled materials, as well as a transition to circular processes. For more information on our circular economy concept, see the section on Circular Economy page 26 in this Integrated Sustainability Report.

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

In most cases and where not otherwise specified, the calculation is based on the company’s own main data. Only the calculations of the categories “Business travel” and “Investments” were carried out using external primary data. In addition, external secondary data such as emission factors from Defra (Full set, Version 2.0, 2022), or Sphera (GaBi, version 10.6.2.9) were used, as well as other factors.

The calculation approaches, datasets and scope limitations applied are explained below for each reporting category:

Category 1: Purchased goods and services
For purchased goods, the weight for purchased product groups was multiplied by the specific emission factors of GaBi or internally determined group sector- and business area-specific $CO_2$ factors. For purchased product groups, for which not all weight information was available, the missing share was determined through calculations. Within this average-data method, the missing value was extrapolated using either the number of units or the expenditures.

The expenditures for services were multiplied either by the specific emission factors from Defra or by an internally determined emission factor. Within this spend-based method, a small volume of expenditure classifications had been extrapolated. The increase in emissions in 2022 was mainly due to improved methodology and a higher volume of purchased goods and to a lesser degree, it was also attributable to a widening of scope.

The available data in 2022 was more detailed and could hence be associated with more detailed categories of purchased goods and services. The model changes led overall to more precise mapping of emission factors resulting in a more precise calculation.

Category 2: Capital goods
The expenditures for property, plant and equipment were multiplied either by the specific emission factors from Defra or by an internally determined emission factor. Within this spend-based method, a small volume of expenditure classifications had been extrapolated. The reduction in comparison with fiscal 2021 occurred due to improved methodology. The available data in 2022 was more detailed and could hence be associated with more detailed categories of capital goods. The related emission factors from Defra were assigned to the respective detailed categories and have been updated. The model changes led overall to more precise mapping of emission factors resulting in a more precise calculation.

Category 3: Fuel- and energy-related activities (not included in Scopes 1 and 2)
For energy consumption, the specific emission factors from Defra were used. The country-specific grid electricity emission factors were calculated based on the Defra calculation method. For 2022, the calculated emissions with this average-data method were comparable with those for 2021.

Category 4: Upstream transportation and distribution
For this category average-data and spend-based methods were used. The transportation performance for each mode of transport (road, rail, sea, and air) determined through calculations on the basis of logistics expenses, weight distance and transport equipment were multiplied by the specific emission factors of GaBi or Defra. With the improved methodology, it was possible to obtain higher data granularity. The increase in 2022 was mainly due to the improved methodology and a change in emission factors. This calculation did not cover the emissions from inbound logistics paid by the suppliers due to an accounting approach that is currently missing.

Category 5: Waste generated in operations
Waste generation was multiplied by the specific emission factors from Defra. For 2022, the calculated emissions within this average-data method were on comparable level as 2021.

| **Indirect $CO_2$ emissions along the value chain (Scope 3) in millions of metric tons of $CO_2$[1]** | **2022** | 2021[2] | Main data base |
|---|---|---|---|
| Category 1: indirect $CO_2$ emissions (Scope 3) – Purchased goods and services | 15.01 | 12.90 | Purchased weight, service expenses |
| Category 2: indirect $CO_2$ emissions (Scope 3) – Capital goods | 0.87 | 1.23 | Property, plant and equipment expenses |
| Category 3: indirect $CO_2$ emissions (Scope 3) – Fuel- and energy-related activities (not included in Scope 1 and 2) | 0.63 | 0.61 | Energy consumption |
| Category 4: indirect $CO_2$ emissions (Scope 3) – Upstream transportation and distribution[3] | 1.00 | 0.47 | Logistics expenses, weight distance, transport equipment |
| Category 5: indirect $CO_2$ emissions (Scope 3) – Waste generated in operations | 0.04 | 0.04 | Waste generation |
| Category 6: indirect $CO_2$ emissions (Scope 3) – Business travel[4] | 0.05 | 0.02 | $CO_2$ data of service providers |
| Category 7: indirect $CO_2$ emissions (Scope 3) – Employee commuting | 0.17 | 0.19 | Employee data, external survey |
| Category 8: indirect $CO_2$ emissions (Scope 3) – Upstream leased assets | 0.07 | 0.02 | Size of warehouse and office locations |
| Category 9: indirect $CO_2$ emissions (Scope 3) – Downstream transportation and distribution | 0.45 | 0.30 | Logistics expenses, self pickers statistics |
| Category 10: indirect $CO_2$ emissions (Scope 3) – Processing of sold products[5] | 1.31 | 1.42 | Product weight |
| Category 11: indirect $CO_2$ emissions (Scope 3) – Use of sold products[6] | 81.92 | 87.95 | Number of tires, product weight |
| Category 12: indirect $CO_2$ emissions (Scope 3) – End-of-life treatment of sold products[7] | 4.36 | 3.66 | Product weight |
| Category 13: indirect $CO_2$ emissions (Scope 3) – Downstream leased assets | 0.01 | 0.01 | Size of buildings leased and rental income for leased equipment |
| Category 14: indirect $CO_2$ emissions (Scope 3) – Franchises | 0.04 | 0.01 | Locations |
| Category 15: indirect $CO_2$ emissions (Scope 3) – Investments | 0.03 | 0.05 | Sales of equity accounted investees |
| **Calculated indirect $CO_2$ emissions along the value chain (Scope 3)** | **105.95** | **108.89** | |

*1 Definitions in accordance with the GHG Protocol. $CO_2$ emissions correspond to $CO_2$ equivalents ($CO_2e$). Optional reporting aspects (except for category 6) for Scope 3 are currently not taken into account.*
*2 Figures as reported for fiscal 2021. The model changes done in 2022 are not applied to reported figures for 2021. This leads to a limited comparability for some categories as described in the corresponding text of the relevant categories.*
*3 Excluding the inbound logistics paid by the suppliers due to an accounting approach that is currently missing.*
*4 Including hotel accomodations as optional data.*
*5 Excluding ContiTrade and two-wheel business of the Tires group sector and the industrial business of the ContiTech group sector due to an accounting approach that is currently missing. Due to these scope limitations, this category covers 88% of Continental Group sales in 2022. Emissions do not include the effects of methane ($CH_4$) and nitrogen oxide ($N_2O$) due to an accounting approach that is currently missing.*
*6 Excluding the industrial business of the ContiTech group sector due to an accounting approach that is currently missing as well as individual business operations that are insignificant in terms of $CO_2$ in the group sectors Automotive (two-wheel business) and Tires (e.g. parts of the speciality tires business, non-tire products and sold products of ContiTrade). Due to these scope limitations, this category covers 86% of Continental Group sales in 2022. Emissions from passenger vehicles do not include the effects of methane ($CH_4$) and nitrogen oxide ($N_2O$) due to accounting approach that is currently missing.*
*7 End-of-life treatment for automotive parts is considered for car shredder but not beyond. Further treatments are not transparent. Large amounts of material mass, especially metals, are recyled.*

### Category 6: Business travel
$CO_2$ emissions for business trips were obtained from travel booking service providers, including hotel accommodations as optional data. The emission factors were taken from Defra or vehicle manufacturers. In order to cover business trips that may not have been booked via these service providers, internal expert assessments for this portion were also used. With this average-data method, the increase in 2022 was mainly due to more business travel activities.

### Category 7: Employee commuting
Daily commuting time and means of transport were taken from an external global survey. For this average-data method, the emissions were calculated by taking the estimated commuting distance, effective working days and headcount together with Defra emission factors. The slight decrease in 2022 was mainly due to the improved methodology. The model changes led overall to more precise assumptions with the result of a more precise calculation.

### Category 8: Upstream leased assets
Significant upstream leased assets are already accounted for $CO_2$ emissions under Scope 1 and Scope 2. The rented warehouses and offices that have not already been included in the calculation of Scope 1 and Scope 2 emissions were identified as additional assets to be reported. For this average-data method, the size of the leased assets was multiplied by the country and asset specific emission factors from PCAF (Partnership for Carbon Accounting Financials). The increase in fiscal 2022 was mainly due to the improved methodology which uses country and asset specific emission factors. The model changes led overall to more precise mapping of emission factors with the result of an improved calculation.

### Category 9: Downstream transportation and distribution
The logistics paid by the customer were extrapolated from Continental's own outbound logistics emissions from "Upstream transportation and distribution" based on the share of selfpickers determined by the total sales. The increase in fiscal 2022 is related to the effects described in category 4 "Upstream transportation and distribution".

### Category 10: Processing of sold products
Taking the product weight sold and the average vehicle weight based on market data, a virtual vehicle quantity was modeled in this average-data method. This virtual vehicle quantity was multiplied by the Scope 1 and Scope 2 emissions per vehicle manufactured by selected automotive manufacturers. In fiscal 2022, also

commercial vehicles were introduced as virtual vehicles. The calculation relates exclusively to Continental's vehicle business, and thus does not currently include the industrial business of the ContiTech group sector as well as ContiTrade, the trading organization of the Tires group sector, and the two-wheel business of the Tires group sector. Due to these scope limitations, the calculation covers 88% of Continental Group sales in 2022. The reduction in fiscal 2022 was due to a decrease in product weight sold, decrease in virtual vehicle quantity and a decrease in the Scope 1 and Scope 2 emissions per vehicle manufactured.

### Category 11: Use of sold products

The product weight sold for the Automotive and ContiTech group sector, as well as the number of tires sold for the Tires group sector were calculated using average-data methods with emission factors as shown below and other assumptions. The EU tire label classes were also taken into account for the Tires group sector. In fiscal 2022, the assumptions were same as in 2021, except for the commercial vehicle weight:

- The emission factor for passenger cars and light commercial vehicles was taken from the International Council on Clean Transportation (ICCT) (February 2023).
- The emission factor for heavy to medium commercial vehicles was taken from Defra.
- A service life of 200,000 km was assumed for passenger cars and light commercial vehicles (source: 2020 Sustainability Reports of Volkswagen and Daimler).
- For heavy to medium commercial vehicles, a service life of 1,000,000 km was assumed (source: internal expert assessment).
- The average vehicle weights for passenger cars and light commercial vehicles came from EEA (source: European Environment Agency 2022).
- The average vehicle weights for heavy to medium commercial vehicles were calculated from Defra and market data.
- The Tire's share of $CO_2$ emissions as well as other assumptions such as tire service life and the number of tires per vehicle were based on internal expert assessments and published industrial data.
- Bicycle tires were reported as zero $CO_2$ emissions since they do not cause direct $CO_2$ emissions during the use phase.

The calculation therefore related exclusively to Continental's vehicle business in passenger cars and light commercial vehicles as well as heavy to medium commercial vehicles. It does not currently include the industrial business of the ContiTech group sector, the two-wheel business of the Automotive group sector and parts of the specialty tires business, non-tire products and sold products of ContiTrade of the Tires group sector. Due to these scope limitations, the calculation covers 86% of Continental Group sales in 2022. The reduction in fiscal 2022 in "Use of sold products" was mainly due lower emission factors and lower volume of tires sold.

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

The product weight sold was multiplied by the specific emission factors of GaBi in accordance with the disposal and recycling type. Internal expert assessments and industrial data were used in the classification of disposal and recycling type. With this average-data method, the increase in fiscal 2022 was mainly caused by an improved methodology in the ContiTech group sector. The available data was more detailed and could hence be associated with more detailed product clusters. The model changes led overall to more precise use of emission factors with the result of a more precise calculation.

### Category 13: Downstream leased assets

This category was calculated using an average-data method. The size of the leased assets was multiplied by the country and asset specific emission factors from PCAF (Partnership for Carbon Accounting Financials). The leased equipment items (e.g. machinery) were multiplied by a specific emission factor from Defra. In 2022, the methodology was improved by the use of country and asset specific emission factors. The calculated emissions for 2022 were on comparable level as 2021.

### Category 14: Franchises

Using average-data method, the number of franchise locations was multiplied by internally determined energy consumption and specific emission factors from Defra. In 2022, the shift in the method to country-specific emission factors enabled a more precise calculation and led to an increase compared to prior year.

### Category 15: Investments

For this category, emissions were calculated using an average-data method. Sales of equity-accounted investees in financial reporting were multiplied by the portion of Continental's financial contribution with own $CO_2$ emissions (calculated based on Continental's Scopes 1 and 2 emissions) per euro of sales. In cases where sales could not be calculated, $CO_2$ emissions were extrapolated based on the number of sales reporting companies. The decrease in fiscal 2022 was caused by an improved methodology using group sector specific emissions and the overall reduction in Continental's calculated own $CO_2$ emissions.

## Carbon Footprint of Continental

In fiscal 2022, the calculated carbon footprint of the Continental Group, which includes the sum of calculated and reported Scope 1, Scope 2 (market based) and Scope 3 $CO_2$ emissions in accordance with the GHG Protocol, amounted to 106.94 million metric tons of $CO_2$. Please see the explanations on Scope 3 above for the current scope limitations in some Scope 3 categories.

## Gross and Net Carbon Backpack of Continental

Continental has only limited influence over most of its carbon footprint. We measure this part as “Calculated customer and product use-related $CO_2$ emissions”. This includes indirect Scope 3 $CO_2$ emissions for “Downstream transportation and distribution”, “Processing of sold products”, “Use of sold products”, “Downstream leased assets”, as well as “Franchises” and “Investments”. In fiscal 2022, calculated customer and product use-related $CO_2$ emissions amounted to 83.75 (PY: 89.75) million metric tons of $CO_2$. For more information including the changes, see the explanation per category starting page 20.

The calculated gross carbon backpack of Continental’s businesses measures the $CO_2$ emissions that can be directly or indirectly influenced by Continental that arise up until the goods are handed over, and for the product’s end of life. It therefore includes all of Continental’s own $CO_2$ emissions (Scopes 1 and 2) as well as indirect Scope 3 $CO_2$ emissions for the reporting categories “Purchased goods and services”, “Capital goods”, “Fuel- and energy-related activities (not included in Scopes 1 and 2)”, “Upstream transportation and distribution”, “Waste generated in operations”, “Business travel”, “Employee commuting”, “Upstream leased assets” and “End-of-life treatment of sold products”. The calculated gross carbon backpack of Continental’s businesses comprised 23.19 (PY: 20.19) million metric tons of $CO_2$. For more information including the changes, see explanation per category starting page 20.

In fiscal 2022, 0.03 million metric tons of (PY: n.a.) negative $CO_2$ emissions were reported as use of negative $CO_2$ emissions ($CO_2$ removal). For more information on the carbon removal program, see page 17.

The net carbon backpack, which we define as the gross carbon backpack minus the use of negative $CO_2$ emissions ($CO_2$ removal) amounted to 23.17 (PY:20.19) million metric tons of $CO_2$.

| **Carbon Footprint in millions of metric tons of $CO_2$[1]** | **2022** | 2021 |
|---|---|---|
| Total own $CO_2$ emissions (Scope 1 and 2) | 0.99 | 1.05 |
| Calculated indirect $CO_2$ emissions along the value chain (Scope 3) | 105.95 | 108.89 |
| **Calculated carbon footprint (sum of Scopes 1, 2 and 3)** | **106.94** | **109.94** |
| Calculated customer and product use-related $CO_2$ emissions[2] | 83.75 | 89.75 |
| **Calculated gross $CO_2$-backpack of Continental businesses[3]** | **23.19** | **20.19** |
| Use of negative $CO_2$ emissions ($CO_2$ removal)[4] | 0.03 | n. a. |
| **Calculated net $CO_2$-backpack of Continental businesses[5]** | **23.17** | **20.19** |

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

# Emission-free Mobility and Industries

## Management Approach

**Source:** 2022 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Non-Financial Statement (starting p. 39)

### Our ambition

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

Of central importance for our ambition are the requirements and speed of transformation of our customers, industries and markets as well as the resulting transformation opportunities and risks.

### Concept

Continental is shaping the transformation toward emission-free mobility and emission-free industries with customer-oriented solutions, such as for electric mobility, emission-free railway engineering, bicycles and wind turbines. In doing so, we rely both on new product developments and on the further development of our existing product portfolio. Components, software and products from Continental can be found in a wide range of electric vehicles, for example – from tires to high-performance computers and interior surfaces. For current examples of innovative products and systems from Continental, see the Research and Development section of this annual report.

The respective group sectors and business areas are responsible for implementing this sustainability ambition, particularly with regard to portfolio development, product strategies and business models, and are supported by the group functions of the Continental Group. To this end, relevant aspects have been and will continue to be incorporated in portfolio analyses, and are included in the strategy and business development processes for the group sectors and business areas.

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

### Results of the concept

In fiscal 2022, the allocated business with emission-free mobility and industries amounted to a total of €2,805 million (PY: €991 million).

This increase in fiscal 2022 was partly due to increase in allocated business with zero-tailpipe-emission vehicles from €986 million to €1,657 million. The year-on-year growth is attributable in particular to the growing market success of electric mobility, since Continental's products can now be found in many mass-produced models.

In addition, for allocated low-carbon business beyond business with zero-tailpipe-emission vehicles, the replacement business with highly efficient tires with low rolling resistance for the existing fleet of vehicles already on the market was included for the first time. As a result, the volume for this business multiplied.

| **Emission-free mobility and industries performance indicators** | **2022** | 2021 |
|---|---|---|
| Allocated business with zero-tailpipe-emission vehicles in millions of euros[1, 2] | 1,657 | 986 |
| Allocated low-carbon business beyond business with zero-tailpipe-emission vehicles in millions of euros[3] | 1,148 | 6 |
| **Allocated business with emission-free mobility and industries in millions of euros** | **2,805** | **991** |

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

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

*3 Definition: allocated low-carbon business beyond business with zero-tailpipe-emission vehicles measures business that enables our customers to significantly contribute to climate change mitigation and is considered Taxonomy-eligible under the delegated regulation (2021/2800) for climate change mitigation and adaptation, supplementing the Taxonomy Regulation (2020/852), excluding low-carbon technologies for transport except the replacement business with highly efficient tires with low rolling resistance (label classes A and B) for the existing fleet of vehicles already on the market, which is included for the first time for 2022.*

## In the Spotlight

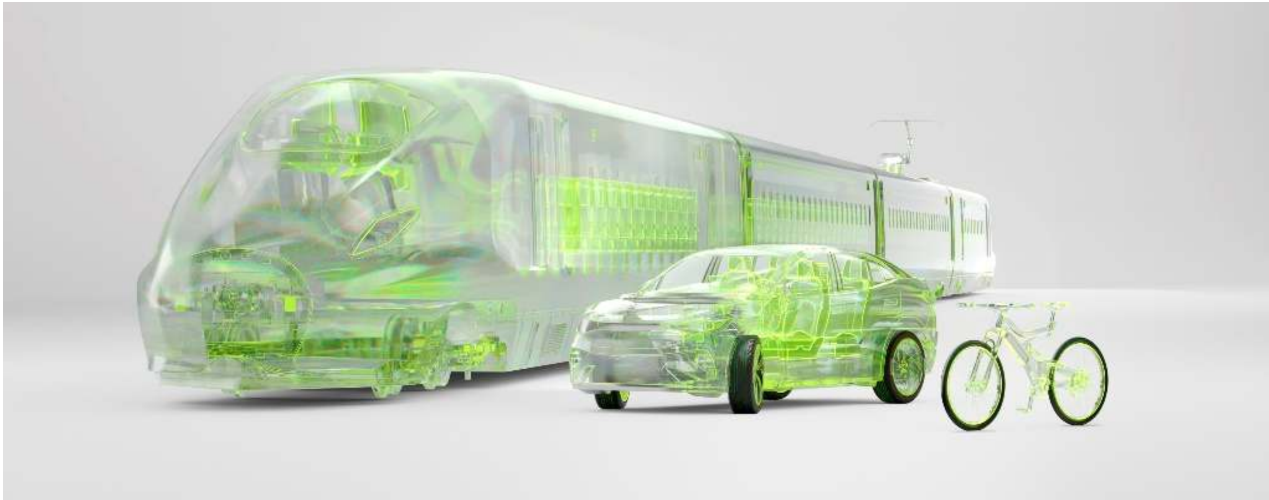
### Allocated Business with Zero-Tailpipe-Emission-Vehicles

The transformation of mobility, combined with the end of classic combustion engine drives, is a megatrend, in which Continental is already participating. In fiscal 2022, our allocated business with zero-tailpipe-emission vehicles amounted close to €1.7 billion. Sales increased significantly compared to the previous year. We expect further growth in the future.

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

**Product Examples**:

| | |
|---|---|
| Acceleration Sensors for Crash Detection | Inertial Measurement Unit |
| Air Conditioning Lines | Innovative Surfaces for Instrument and Door Panels |
| Airbag Control Unit | Innovative Surfaces for Seat Covers |
| Battery Impact Detection System | Integrated Brake System |
| BEV Battery Cooling Lines | Intelligent Battery Sensor |
| BEV Engine Mounts | Intelligent Glass Control |
| Bicycle Tires | Interior Displays |
| Bicycle Tubes | Key Authentication Passive Entry Passive Start |
| Bluetooth and UWB Transceiver | Long-Range Radar for Intelligent Driving Functions |
| Brake Hoses | Operating System Software |
| Broadcast Window Antennas | Pedestrian Protection System |
| Chassis Control Unit | Power Liftgate Module |
| Chassis Position Sensor | Pressure Sensors for Side Crash Detection |
| ContiMobilityKit | Primary and Secondary Suspension Systems for Railway Applications |
| Control Unit for Passenger Seat | Radar |
| Door Control Units | Radio Frequency Transceiver |
| Driver Monitoring Camera | Sensor Actuators Module |
| Electric Vehicle Engine Mounts | Smartphone Terminal/NFC Reader |
| FDC Silverbox | Spring Seats |
| Full Digital Cluster | Strut Mounts |
| Green Calipers and Drum Brakes | Summer and Winter Tires |
| Head-Up Display | Telematic Control Unit |
| High Performance Computer | UWB Transceivers |
| High Voltage Current Sensing Module | Wheel Speed Sensors |



# Circular Economy

## Management Approach

**Source:** 2022 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Non-Financial Statement (starting p. 39)

### Our ambition

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

Of central importance for our ambition are the requirements and speed of transformation of our customers, industries and markets as well as the resulting transformation opportunities and risks.

### Concept

The switch to a circular economy is a profound and complex transformation process for Continental, which at the same time is highly relevant for the achievement of other topic areas of the company's sustainability ambition. The group sectors are responsible for implementing circularity, in particular with respect to product design, business models, material use and material procurement. They have each started to design and/or implement specific initiatives and projects that are aimed at improving the use of product-related, technological and biological cycles. In addition, work is continuously being done on the durability, recyclability and adaptability of products. To cite some examples:

- The Automotive group sector offers its customers the remanufacturing of components such as high-quality displays for selected products.
- The Tires group sector has concluded a development agreement with Pyrum Innovations, a specialist in scrap tire pyrolysis.
- The ContiTech group sector has launched skai VyP Coffee, an upholstery fabric made partly from recycled and processed coffee grounds.

For more information, see the respective press release on our website under Press.

With regard to operational waste management, as a further key component of the circular economy, we have set ourselves the corporate target of increasing the waste for recovery quota to 95% by 2030. Waste for recovery includes material recycling, thermal recovery or any other form of recycling or reuse. This objective gives priority to recycling over disposal. The implementation of the corporate target is managed by Group Environmental and Climate Protection as part of operational environmental management.

For more information on the organization of operational environmental management, see the section on green and safe factories in this combined non-financial statement. The waste for recovery quota has also been part of the LTI plans for the members of the Executive Board and global managers since fiscal 2020. For more information, see the remuneration report on our website under Company/Corporate Governance/Executive Board.

### Results of the concept

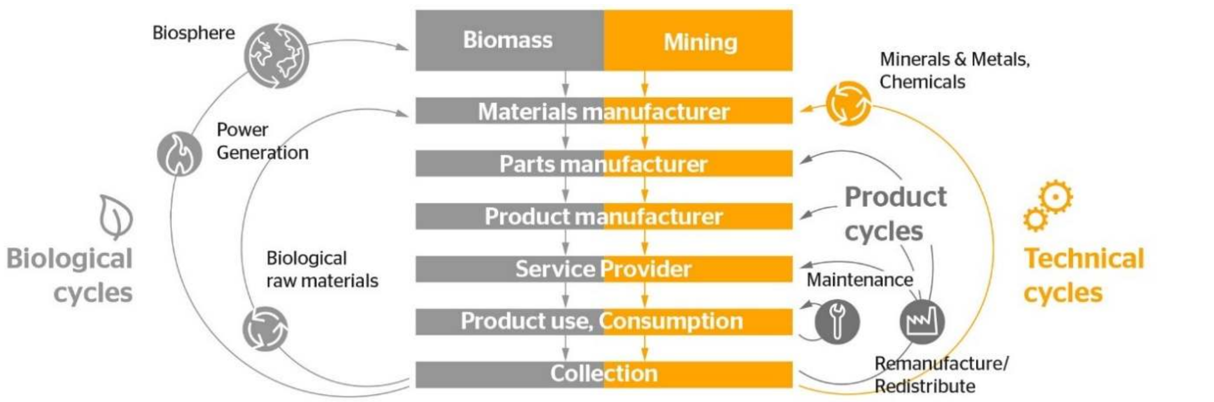
The waste for recovery quota was at 85% in fiscal 2022 (PY: 81%). This was mainly due to the successful implementation of local projects as well as to market conditions, which allowed for increased waste recovery.

| Circular economy performance indicator | 2022[2] | 2021[2] |
|---|---|---|
| Waste for recovery quota in %[1] | 85 | 81 |

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

## In the Spotlight

### In a Circular Economy, there is no Waste, only Material in the Wrong Place



## In the Spotlight

### Product Examples from the Group Sectors

**Automotive**

Bio-sourced Plastic Key Fob

Millions of key fobs have been produced since 2017. Recently, the Automotive business area "Architecture and Networking" started focusing in particular on more sustainable development for their products and, together with a customer, took on the challenge of developing a new brand variant part made of up of 100% bio-sourced material.

The material that has been chosen is based on castor oil (PA11) and is thus fully bio-sourced and recyclable. After some successful pre-tests on an equivalent part, the development has started in the end of 2022 with SOP planned for 2024.

Thanks to the shared sustainability vision of Continental's Automotive group sector and the OEM, the path has been paved for further discussions with customers on alternative materials to be used on a larger product scope in future.

**Tires**

Conti Urban Concept Tire Designed for Sustainable Public Transport

Continental's sustainable concept tire Conti Urban, which is designed for electrified city buses and delivery vehicles in urban environments, has celebrated its world premiere at the IAA Transportation 2022. This concept tire, which is already approved for road use, contains around 50 percent renewable and recycled feedstock. All the materials used could potentially be deployed in series production in the near future.

The tread of the Conti Urban – the part of the tire that is in contact with the road – contains 68 percent renewable materials, including rapeseed oil, silica obtained from the ash of rice husks and responsibly sourced natural rubber originating from a joint development project by Continental and the German development aid agency 'Deutsche Gesellschaft für internationale Zusammenarbeit' (GIZ). Cutting-edge digital technology, local involvement in the cultivation of rubber and close collaboration with strong partners create transparency here and ensure a high level of traceability along the entire value chain for natural rubber. All natural rubber used in the tread originates from this project. In addition to recovered carbon black and recycled steel, Continental has also used Reclaim material to build the tire. This recycled rubber originates primarily from Continental's innovative retreading and recycling plant for truck tires in Hanover, Germany.

Like the majority of Continental's commercial vehicle tires, the Conti Urban can also be retreaded, a process that breathes new life into worn but intact tire casing by replacing the old tread with a new one. The continued use of the casing, which contains an especially high share of all the materials used in a tire, pays off: Continental's sustainable concept tire Conti Urban increases its sustainability even more when its service life is extended. Once the tire is retreaded, so when the casing receives a brand-new tread, the share of renewable and recycled feedstock rises to more than 90 percent. By 2050, Continental wants to use 100 percent sustainably produced materials in all its tire products.

**ContiTech**

TPO film – Designed for Recycling

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

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

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

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

# Responsible Value Chain

## Management Approach

**Source:** 2022 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Non-Financial Statement (starting p. 39)

### Our ambition

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

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

Of central importance for our ambition are the requirements and speed of transformation of our customers, industries and markets as well as the resulting transformation opportunities and risks.

### Concept

In the reporting year, a comprehensive management system for ensuring due diligence within a responsible value chain was developed and launched. The global implementation of the system in stages is designed to achieve continuous improvement and to respect both human and environmental rights along the value chain. This covers both Continental's own operations and in particular those of direct suppliers. For this purpose, responsibilities, rules and processes are clearly defined, including control mechanisms. The management system is guided by specific commitments in the areas of labor standards, occupational health and safety, the environment, safety practices and land rights. The aim of the system is to ensure the corresponding laws are observed and recognized, in particular the requirements under the German Supply Chain Due Diligence Act *(Lieferkettensorgfaltspflichtengesetz)*. It is also aimed at systematically applying due diligence procedures, reducing risks, supporting the implementation of customer requirements and supplementing the existing internal control system.

Within the system, our Business Partner Code of Conduct defines the fundamental requirements, among others for our suppliers, and for their suppliers, including with regard to human rights, working conditions, environmental protection, conflict minerals and anti-corruption. The Code of Conduct is updated regularly to reflect changes or adjustments to legislation. For suppliers of natural rubber, our sourcing policy for sustainable natural rubber additionally applies. Violations of our rules can be reported via the Integrity Hotline, which is available around the clock and worldwide.

When Continental is notified about violations of our Business Partner Code of Conduct, these will be checked, and, if necessary, further appropriate measures will be initiated necessary. Where business partners are proven to have violated our Business Partner Code of Conduct, Continental requests and monitors remedial measures and reserves the right to terminate the business relationship as a last resort.

Sustainability aspects are also taken into consideration at various other points in supplier management. For example, selected suppliers are evaluated based on various criteria using self-assessment questionnaires, which we collect via the generally accepted sustainability platforms for our industries, such as EcoVadis and NQC. These questionnaires are reviewed annually at the corporate level. Furthermore, selective local audits or other audit activities – such as in relation to the existence of management systems – are also carried out.

We also continue to develop our approach for the responsible value chain in dialog with external stakeholders and support the development of industry-wide standards, for example through our participation in industry dialog with the German government on human rights in the automotive industry. Here, we have worked in particular to cultivate a shared understanding of industry risks and due diligence requirements. We are also involved in initiatives and associations such as econsense, the Responsible Business Alliance (RBA) and the Global Platform for Sustainable Natural Rubber (GPSNR).

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

### Results of the concept

To further increase transparency and sustainability in Continental's natural rubber supply chain, the joint venture "Rubberway," which was founded in 2019, was rolled out further for the digital risk analysis of the upstream supply chain. The joint project with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in the Indonesian province of West Kalimantan, which has been in place since 2018, was also further expanded. The aim of the project is to jointly drive forward the implementation of a digital system for the traceability of natural rubber from the project region. By optimizing the supply chain and offering training in the sustainable cultivation of natural rubber, smallholders are supported in boosting the quantity, quality and yield of their produce and in this way improving their income. In addition, a cultivation strategy designed around sustainability prevents clearing and deforestation, thereby conserving valuable resources. As part of a development project with Security Matters (SMX), Continental is working on testing a tamper-proof means of verification of the geographical origin of natural rubber using marker technologies. In fiscal 2022, field testing was successfully completed, and the marker substance could be verified beyond doubt throughout the entire tire production process.

As at December 31, 2022, 1,009 valid supplier self-assessment questionnaires were available via the two sustainability platforms EcoVadis and NQC (PY: 631). This corresponds to a completion rate of 63% of suppliers selected for this process (PY: 53%). The increase in the number of available valid supplier self-assessment questionnaires and the higher completion rate are due to the onboarding of ContiTech suppliers in EcoVadis and the follow-up activities with suppliers to update and renew their self-assessment questionnaires.

| Responsible value chain performance indicator | 2022 | 2021 |
|---|---|---|
| Number of available valid supplier self-assessment questionnaires (as at December 31)[1] | 1,009 | 631 |

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

We present further performance indicators for the implementation of a responsible value chain with regard to our own locations in the sections on good working conditions as well as green and safe factories in the combined non-financial statement.

## Introduction of Responsible Value Chain Management System

Continental pursues an integrated management approach to fulfilling its duty of care with respect to human and environmental rights. Continental is committed to respecting human rights and the core labor standards of the International Labour Organization (ILO) in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGP). The management system ensures that human and environmental rights along the value chain are respected. It is based on Continental's commitments relating to the responsible value chain:

### Labor standards

**Child labor:** Continental firmly rejects any form of child labor and specifically respects the standards of the International Labour Organization. Continental does not employ people under the age of 15 or under the age at which compulsory schooling ends or under the applicable country's minimum age for employment, whichever is greatest. Furthermore, young workers under the age of 18 need to be treated with special diligence and should not perform work that is likely to jeopardize their health, safety and/or development.

**Fair payment:** At Continental, compensation paid to workers shall comply with all applicable wage laws and regulations, including those relating to minimum wages, living wages, overtime hours, and legally mandated benefits. In compliance with local laws and requlations, workers shall be compensated for overtime in a reasonable manner. Deductions from wages as a disciplinary measure shall not be permitted. For each pay period, workers shall be provided with a timely and comprehensive wage statement that includes sufficient information to verify that the compensation for work performed is accurate.

**Equal treatment / anti-discrimination:** Continental is committed to creating a working environment that is free from any form of discrimination based on gender, age, race, skin color, health status, disability, social or ethnic origin, nationality, sexual orientation, political opinion, religion or belief, or any other characteristics protected by applicable laws and regulations. Furthermore, workers shall be provided with reasonable accommodations for religious practices, where relevant. In particular, equal work shall be compensated with equal pay.

**Forced labor & modern slavery:** Continental firmly rejects any form of forced labor, modern slavery, debt bondage, trafficking, or any other form of labor that is not conducted voluntarily or not compliant with the International Labour Organization's standards. This includes any form of oppression in the vicinity of the workplace, be it economically or of any other kind. Workers must be provided with documented employment terms or an offer of employment in a language that they should be able to understand. Migrant workers need to be treated with special diligence and shall receive the relevant work-related information prior to departure from their country of origin and must always have access and full control over their identity or immigration documents.

**Freedom of association:** Continental respects the freedom of association of all workers who have the right to freedom of association and representation of their interests through elected representatives. They are free to form or join trade unions in compliance with the applicable laws and regulations. They must not be discriminated against on the basis of their relationship with trade unions or elected representatives. In compliance with the applicable laws and regulations, elected representatives and trade unions are free to operate. This includes collective bargaining and strikes for the regulation of working conditions.

**Working conditions** (incl. working time): At Continental, work organization – particularly with respect to working time – must comply with the applicable laws and regulations as a minimum. Continental commits to preventing physical and mental fatigue through the avoidance of excessive working hours. Therefore, except in emergency or extraordinary situations, an average working week should typically consist of no more than 60 hours per week (including overtime), and workers shall be allowed to take at least one day off every seven days. Scheduling of overtime must be carried out in accordance with applicable laws and regulations as a minimum.

### Health and safety

**Health and safety obligations:** Occupational safety and health are integral parts of Continental's responsibility to respect the physical and mental integrity of workers. Based on a systematic and preventive management approach, we consequently prevent work-related injury and ill health, and provide safe and healthy workplaces. This includes the creation of appropriate working conditions, prevention of excessive physical and mental fatigue, responsible handling of hazardous materials and further effective preventive measures such as the training and instruction of workers. We comply with applicable laws and obligations regarding safety and health.

**Use of mercury:** Continental is committed to the responsible handling of mercury. This includes the handling of mercury, mercury compounds, mercury-added products and mercury waste in accordance with the Minamata Convention on Mercury and its amendments.

**Persistent organic pollutants:** Continental is committed to the responsible handling of persistent organic pollutants, in accordance with the Stockholm Convention on Persistent Organic Pollutants (POPs) and its amendments.

### Security practices

**Responsible security practices:** Continental is committed to respecting human rights and to ensuring sufficient instructions and establishing appropriate control mechanisms when contracting or using own, private or public security forces. This especially includes a prohibition on contracting or using private or public security forces for the protection of an enterprise's project when it is likely that – due to a lack of instructions or control – these security forces will disregard human rights, use torture and/or cruel, inhumane or degrading treatment, violate the right of physical integrity, or impair freedom of association.

### Environment

**Harmful environmental impacts:** Continental strives to prevent harmful environmental impacts such as emissions to soil, air and water, as well as waste and noise generation and excessive water consumption, particularly in order to not impact upon people's health and physical needs. We comply with applicable laws and regulations regarding environmental protection.

**Waste handling:** Continental applies the waste hierarchy (prevent, reuse, recycle, recover) for waste wherever possible. Continental operates a waste management system in order to handle hazardous and non-hazardous waste in a responsible manner. With our business partners, we ensure that transboundary movements of hazardous wastes and their disposal are controlled in accordance with the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal. We comply with applicable laws and regulations regarding waste handling.

**Land rights:** Continental respects legitimate land rights during the entire real estate life cycle, in the acquisition, development, operation or other use of land, forests and waters, especially wherever these secure the livelihood of people. In doing so, any unlawful eviction, taking, and use of land, forests, and waters must be prevented.

**Supply chain:** Continental collaborates with its business partners to foster respecting adequate standards throughout the value chain. Continental expects its suppliers to respect human and environmental rights as referenced in the responsible value chain Commitments and applicable laws. Furthermore, Continental's suppliers are required to implement adequate due diligence processes. These are dedicated to identifying, preventing and mitigating the risk of negative impacts on human and environmental rights in their operations and supply chains, including through the use of appropriate grievance mechanisms and reporting. Continental is committed to supporting its business partners and especially its suppliers, including, but not limited to, through the use of adequate monitoring systems, corrective action plans, and training sessions.

For more information on our concepts in this respect, see also, in this Integrated Sustaianbility Report, the following sections on:


- Green and Safe Factories starting page 36 (including the strategies on Occupational Safety and Health and Operational Environmental Protection page 37).
- Good Working Conditions starting page 60 (including Labor Relations page 77).
- Code of Conduct and Training page 90.


### Complaint mechanism

In the context of detection, Continental has set up an Integrity Hotline to give employees and third parties outside the Continental Group the opportunity to report violations of legal regulations, its fundamental values and ethical standards. Information on any kind of potential violations can be reported anonymously via this hotline. The hotline is available worldwide in many different languages. The company's investigating units rigorously pur-sue any and all substantiated leads. For further information on our concept in this respect, see our Report on Risks and Opportunity page 106. in this Integrated Sustainability Report.

### Further information

For more information on our approach to human rights management, see Continental Modern Slavery Statement on our website under Sustainability/Reporting & Principles.

## In the Spotlight

### Responsible Sourcing of Natural Rubber

In the past fiscal year, Continental further developed its management approach for the strategic dimension of responsibly sourced natural rubber. All activities here are in compliance with the human rights and due diligence guidelines of the Organisation for Economic Cooperation and Development (OECD).

As a founding member of the Global Platform for Sustainable Natural Rubber (GPSNR), Continental works with other partners to further increase traceability in the value chain for natural rubber. Within the GPSNR, NGOs and stakeholders that collectively account for more than 50 percent of global demand for natural rubber and represent all stages of the value chain are working to build a fair and equitable value chain. In 2022, Continental was elected to the Executive Committee (EC) by the GPSNR plenary meeting. In addition, Continental is actively involved in working groups on the platform and shares relevant project experiences.

Continental's ambition is to source all natural rubber for its tire production from responsible sources from 2030 onwards. In order to achieve this, Continental is in particular pressing ahead with increasing the transparency of its supply chains. Innovative technology, digitalization, education projects, and systematic risk mapping are the main tools that Continental uses to make its supply chains more sustainable.

In its Sustainable Natural Rubber Sourcing Policy, which is fully in line with the due diligence framework of the GPSNR assurance model, Continental sets out clear responsibilities and obligations for itself and all its suppliers and service providers along the entire value chain for natural rubber. Its sustainable sourcing policy is intended to minimize risks in connection with the environment, human rights, and society. Continental is committed to begin on GPSNR reporting requirements for 2023.

We expect our suppliers, service providers and partners to promote the implementation of the requirements specified in our Sustainable Natural Rubber Sourcing Policy and our Code of Conduct in their respective supply chains as well. Continental has reached 100 percent of direct suppliers of Central Purchasing with its Sustainable Natural Rubber (SNR) policy and documented their acknowledgement, one year ahead of the initial plan of end of 2023.

Continental uses digital systems to ensure compliance with the defined principles of its relevant purchasing policies. For all direct and centrally managed suppliers (Tier 1), Continental assesses human rights-related, environmental and ethical risks impacts in its suppliers' business and procurement processes, in particular using verified self-information with the help of third-party partners (for example: EcoVadis). In fiscal 2022, Continental successfully reached 100 percent coverage by volume of all direct natural rubber suppliers of Central Purchasing. In addition, it achieved 95 percent coverage by volume of all direct natural rubber suppliers that are certified by ISO 14001 environmental management systems.

To increase transparency and sustainability along its supply chains, Continental is actively working with competitors and stakeholders in various collaborative industry approaches. For example, as a driver of innovation in the natural rubber sector, Continental, together with some partners (Michelin, SMAG), already announced the establishment of the joint venture “Rubberway” for digital system of the upstream supply chain (Tier 1 – Tier X) back in 2019. In fiscal 2022, Continental has reached 37 percent coverage by volume of all direct natural rubber suppliers of central purchasing and is on track to reach 100 percent responsibly sourced volume by 2030.

**The Continental GIZ Cooperation in Indonesia.**
As part of a development partnership with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Continental is getting involved right at the start of the supply chain in Indonesia, the world's second-largest producer of natural rubber. Production here is mainly carried out by independent smallholders. The farmers mostly live scattered around remote areas, making it difficult to reach them with offers for advice and training. In a joint development partnership, Continental and GIZ are training smallholders locally in sustainable cultivation practices. This helps the farmers to cultivate higher-quality natural rubber, which in turn helps secure the livelihoods of many smallholdings while also preventing deforestation. The number of farmers involved is to be increased from 450 to 4,000 by 2024.

# Innovation and Digitalization

## Research and Development

**Source:** 2022 Annual Report > Management Report > Corporate Profile > Research and Development (starting p. 35)

### Continental is driving forward the future of mobility, making it safer, cleaner and more convenient.

For more than 150 years Continental has been revolutionizing the way we move. Today, the industry is being shaped by forward-looking technologies such as automated and autonomous driving, smart infotainment and holistic connectivity, but also fundamental trends such as digitalization, sustainability and cost saving, which are just as much a part of the future of mobility as efficient safety technologies and driving comfort.

**Autonomous and intelligent solutions connected to the cloud**
Continental has expanded its portfolio for assisted and partially automated driving with the system-on-chip family from Ambarella, which enables faster processing of increased sensor data in the vehicle and paves the way for autonomous mobility. This helps ensure higher levels of environmental perception and therefore safer mobility. By reducing energy consumption and battery weight, the chip set can also increase the range of electric vehicles. It complements Continental's solutions for assisted driving and further promotes vehicle automation.

**Milestone in the development of future brake systems**
Continental has introduced a new technology with its first customer, changing from a wet to a semi-dry brake system. The Future Brake System, which includes several new components, uses "dry" electromechanical brakes on the rear axle that do not require brake fluid. The brakes on the front axle continue to operate hydraulically. The new technology also includes the MK C2, a second-generation brake-by-wire system. The start of production at a North American car manufacturer is planned for 2025.

**Program to increase R&D efficiency in the Automotive group sector**
Continental launched the Automotive R&D Excellence Program in 2022, a strategic initiative to improve the competitiveness of product development within the Automotive group sector and ensure business success. Its goal is to create an organization that is able to adapt quickly to market needs, utilize state-of-the-art processes, methodologies and tools, identify effective business priorities and implement structured business solutions. Due to its holistic approach, the program consists of over 100 representatives and experts from all Automotive business areas, divided into nine work packages and three work streams.

**Continental tires with polyester made from recycled PET bottles available throughout Europe since the summer**
Continental tires containing polyester from recycled PET bottles have been available in Europe since June 2022. ContiRe.Tex technology can completely replace the polyester conventionally used in tire casings. It was first unveiled by Continental less than one year earlier in September 2021 and is the first technology of its kind to be used in tire production. Three tire lines featuring polyester from recycled PET bottles are currently on offer, each available in five sizes: the PremiumContact 6, the EcoContact 6 and the AllSeasonContact.

The specially developed technology uses polyester yarn obtained from used PET bottles that would not otherwise be recycled, without requiring any intermediate chemical steps. The bottles used come exclusively from regions without a closed recycling loop. Around 40 recycled PET bottles are used for each set of standard-size passenger car tires. This sustainable technology is much more efficient than other known methods for processing PET bottles into high-performance polyester yarns. By using recycled polyester yarn, Continental is taking a further step toward circular economies across product lines. Tires manufactured with ContiRe.Tex technology have a "Contains Recycled Material" logo on the sidewall.

| | 2022 | | 2021 | |
|---|---|---|---|---|
| **Research and development expenses (net)** | € millions | % of sales | € millions | % of sales |
| Automotive | 2,387.7 | 13.0 | 2,136.6 | 13.9 |
| Tires | 319.8 | 2.3 | 293.8 | 2.5 |
| ContiTech | 163.8 | 2.5 | 156.5 | 2.6 |
| Contract Manufacturing | 0.1 | 0.0 | –0.1 | 0.0 |
| **Continental Group** | **2,871.4** | **7.3** | **2,586.8** | **7.7** |
| | | | | |
| **Capitalization of research and development expenses** | **24.4** | | **31.5** | |
| in % of research and development expenses | 0.8 | | 1.2 | |
| **Depreciation on research and development expenses** | **46.4** | | **44.0** | |

**ContiConnect 2.0: digital tire management of the future**

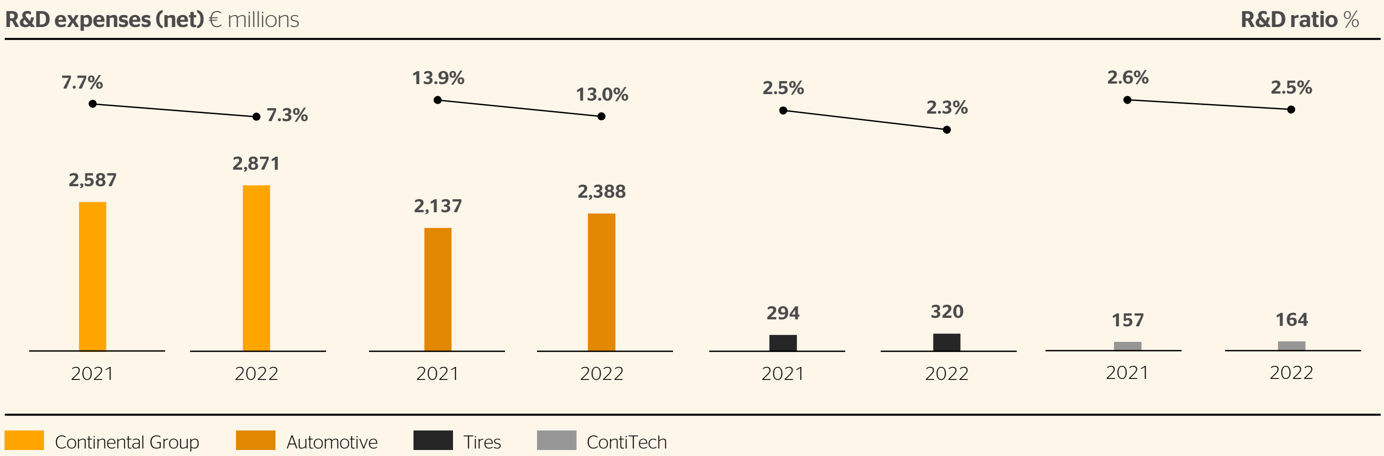
Continental has launched a comprehensive enhancement of its ContiConnect system that combines intelligent tire management with digital, service-based tire solutions. With ContiConnect 2.0, tires for passenger cars, trucks, buses and off-road vehicles can be serviced exactly when needed. In addition to the previous functions such as continuous tire pressure monitoring, the newly developed version also allows fleet customers to digitally track the remaining mileage, tread depth and condition of all tires in their fleets. The coordination of vehicle and tire services generates cost efficiency, lowers emissions and strengthens sustainability. In the off-road vehicle sector, ContiConnect is already used frequently by fleet customers in construction, intralogistics and at ports.

**Three new tire solutions for sustainable passenger and goods transport over short and long distances**

At the IAA Transportation 2022 in Hanover, Continental presented a range of innovative tire solutions aimed at improving the sustainability of passenger and goods transport over short and long distances. The Conti Urban, for example, is a concept tire specially designed for electric buses and delivery vehicles of the future. The prototype, which has already been approved for road use and could soon go into a trial phase with customers, consists of nearly 50 percent renewable and recycled materials. After a single re-treading, this figure rises to more than 90 percent. Furthermore, the concept tire's noise level has been specially optimized. Continental believes that greater sustainability is essential for urban buses and delivery vehicles. In particular, as the demand for inner-city passenger and freight transport is constantly growing, more and more electrified city buses are being registered too.

**CONTI LoadSense: powerful load monitoring system for conveyor belts**

With CONTI LoadSense, a newly developed monitoring system, Continental is expanding its portfolio for predictive maintenance and status monitoring for conveyor systems. Customers can track all aspects of their installations' carrying capacity thanks to the system's reliable data. The Continental system uses radar and ultrasonic sensors to monitor the material flow on the conveyor belt around the clock. It scans the material and the belt from different angles to determine the position of the load and belt. The data is then correlated to calculate the volume flow and determine potential material losses. Because standardized limits (CEMA, DIN and ISO standards) are automatically incorporated into the system software, the customer can rely on the safe and efficient operation of the conveyor system and digitally track process performance in real time. System alarms automatically report when critical process conditions are detected. CONTI LoadSense can be retrofitted to conveyor systems and is suitable for all conveyor belts.



## Cybersecurity Strategy and Management

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

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

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

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

**Certifications**
As at December 31, 2022, a total of 64 locations in the Automotive and Tires group sectors. were certified to the standards of the Trusted Information Security Assessment Exchange (TISAX) (PY: 38 locations in the Automotive group sector). The aim is to certify all relevant locations of the Automotive group sector by the end of 2023. The next step for the Tires group sector will be to certify seven OEM-related tire plants by mid-2024 and the remaining relevant locations by the end of 2025. The group sector ContiTech will certify its first locations by the end of 2023.

**Cyberattack in August 2022**
A cyberattack on Continental's IT system was discovered in August 2022. For more information, see the section on Risks Related to Continental's Business Operations page 111 in the Report on Risks and Opportunities in this Integrated Sustainability Report.

## Ethics Regulations for Artificial Intelligence

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

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

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

The guidelines therefore include the following topics:

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

## In the Spotlight

### The Digital Tire Management of the Future: ContiConnect 2.0

**Continuing the drive towards predictive maintenance**
ContiConnect 2.0 is a new version of Continental's proven digital tire management system developed from scratch. It builds on existing functions such as continuous tire pressure monitoring to also enable fleet customers to digitally track the remaining mileage, tread depth, and condition of all the tires in their fleets. Added to which, the user experience has been significantly improved – thanks to the release of a new app, which covers all the work taking place on the vehicle and presents the fleet manager with the information relevant to them in an even more precisely targeted form.

**Big data for precise tire forecasts**
All of the available data on the tire and vehicle is continuously analyzed in the cloud. Big data therefore makes it possible to issue precise tire condition forecasts. Vehicle and tire services can be coordinated and aligned with one another to optimum effect, which creates synergies and seamless links to workshops and dealers. The result is increased fleet efficiency, lower overall costs and reassurance for fleet managers that their vehicles will be ready to use more of the time – as we move towards predictive maintenance.," ContiConnect 2.0 has been trialed successfully by a selected group of customers since late 2021, and the new platform was rolled out worldwide over the course of 2022.

**Designed for sustainable mobility**
Continental is using these smart, intelligent tire services to optimize tire management across its fleet customers in various fields of application around the world. ContiConnect 2.0 is a solution for truck, bus and passenger car fleets, as well as off-road vehicles. The fleet manager is presented with a fast and user-friendly overview of their entire fleet – regardless of where the vehicles happen to be. The modular design of ContiConnect 2.0, the flexibility of its components and its level of compatibility allow Continental to integrate additional solutions, as requested by the customer. In addition, experts at Continental are working on the integration of external systems for recording tread depth.

# Green and Safe Factories

## Management Approach

**Source:** 2022 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Non-Financial Statement (starting p. 39)

### Our ambition

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

### Concept

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

Local management systems drive forward the implementation of these guidelines. The concrete organizational and technical requirements can be found in the relevant ESH management manuals for the group sectors. Many locations have additionally undergone external certification audits. The certified business activities are assessed annually to determine how many employees are covered by environmental management, energy management, and occupational safety and health management systems. The accident rate – the number of accidents per million working hours – is used as an effectiveness indicator for occupational safety and health management. The accident rate has also been part of the LTI plans for the members of the Executive Board and global managers since fiscal 2020. Continental has set itself the goal of reducing the accident rate to 2.2 accidents per million working hours by 2030. For more information, see the remuneration report on our website under Company/Corporate Governance/Executive Board.

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

### Results of the concept

As at December 31, 2022, the majority of our employees throughout the Continental Group were covered by the management systems of the certified business activities. The environmental management system certification covered 76% of employees (PY: 76%), the energy management system certification covered 40% of employees (PY: 40%), and the occupational safety and health management system certification covered 62% of employees (PY: 62%). The figures were therefore on par with the previous year.

The accident rate amounted to 2.5 accidents per million working hours in fiscal 2022 (PY: 2.6 accidents per million working hours) and was therefore at a similar level to the previous year.

| Green and safe factories performance indicators | 2022 | 2021 |
|---|---|---|
| Environmental management system certification (ISO 14001)[1] Employee coverage (as at December 31) in % | 76 | 76 |
| Energy management system certification (ISO 50001)[1] Employee coverage (as at December 31) in % | 40 | 40 |
| Occupational safety and health management system certification (ISO 45001 or similar)[1] Employee coverage (as at December 31) in % | 62 | 62 |
| Accident rate (number of accidents per million working hours)[2, 3] | 2.5 | 2.6 |

*1 Valid certification and concluded recertification processes were counted, as well as ongoing recertification processes, if the achievement of recertification was considered highly probable.*
*2 Definition: number of accidents during working hours per million paid working hours. Counted from more than one lost day, i.e. with at least one lost day beyond the day of the accident.*
*3 Excluding leasing personnel (i.e. permanent staff only) and way-to-work accidents.*

## Occupational Safety and Health Strategy

With respect to occupational safety and health, we are pursuing the vision of "providing exceptionally attractive workplaces where a safe and healthy work environment fosters the long-term health and high performance of our people."

In line with our mission to "minimize our safety & health risks and drive Continental's safety and health culture to protect our people" we implement specific programs in the areas of industrial safety, occupational medicine, health management, ergonomics, and hazardous substance management. These programs are aimed at Continental's safety & health goals which are aligned with our safety & health vision. The Continental Group's safety & health strategy, goals and corresponding programs cover the aspects of rule enforcement and compliance, safety & health culture, steering, and continual improvement considering the framework of our safety & health management system based on the requirements of ISO 45001.

The safety and health group function supports and advises, in its governance role, the individual organizational units and locations with implementing the strategy and goals through programs steered by KPIs. The Safety and Health group function maintains active networks of experts within the company to promote international cooperation, exchange of information on best practice, and continual improvement processes

Our occupational safety and health strategy also contributes to our responsible value chain system. For more information, see page 28 in this Integrated Sustainability Report.

## Operational Environmental Protection Strategy

In addition to focusing on climate protection (see page 18), our strategy for operational environmental protection also includes the additional focal topics of energy, water, and waste.

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

Our energy consumption in fiscal 2022 was 8.6 TWh (PY: 9.0 TWh), with purchased electricity and natural gas accounting for most of this. Energy consumption decreased by 4.0% year-on-year. This is attributable to energy saving and efficiency measures to lower fossil fuel consumption as a result of the energy crisis, particu-larly in Europe. Measured in relation to group sales, this figure saw a decline of 17.8%.

| Relative performance indicators of operational environmental protection[1] | 2022 | 2021 | Change |
|---|---|---|---|
| Energy consumption in MWh/group sales in millions of euros | 218.5 | 265.6 | –17.8% |
| Water withdrawal in $m^3$/group sales in millions of euros | 397.6 | 494.6 | –19.6% |
| Waste generation[2] in metric tons/group sales in millions of euros | 10.2 | 12.0 | –15.2% |

*1 Contains a small amount of imputed data for parts of the Continental Group that did not report data directly.*
*2 Waste generation does not include construction waste.*

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

In fiscal 2022, the volume of water withdrawal amounted to 15.7 million $m^3$ (PY: 16.7 million $m^3$). This mainly includes drinking water sourced from public-utility water providers, as well as extracted groundwater and surface water. The volume of water withdrawal decreased by 6.2% compared with the previous year. In relation to group sales, our water withdrawal decreased by 19.,6% year-on-year. This result is attributable to the various local projects across all group sectors aimed at reducing water consumption.

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

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

Accordingly, consistent and systematic waste management is already an integral part of our waste logistics. We have also set ourselves the target of increasing our waste for recovery quota to 95% by 2030. A number of projects aimed at achieving this goal have already been initiated and implemented. These include, for example, greater use of regranulates in plastic injection molding processes, use of reusable packaging in collaboration with our suppliers and customers, and pyrolysis of vulcanized rubber materials, as well as an internal initiative to reduce non-tires waste generation in our manufacturing locations.

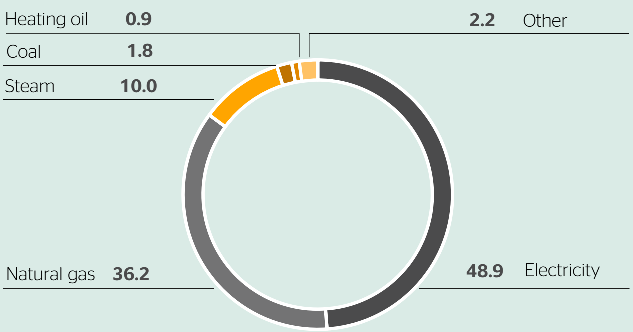
Waste generation in fiscal 2022 amounted to 401,316 metric tons (PY: 405,249 metric tons), which represents a decrease of 1.0% year-on-year. Hazardous waste accounts for a share of 8.7% (PY: 8.2%). In relation to group sales, waste generation saw a decline of 15.2%.

Our occupational environmental protection strategy also contributes to our responsible value chain system. For more information, see page 28 in this Integrated Sustainability Report.

## In the Spotlight

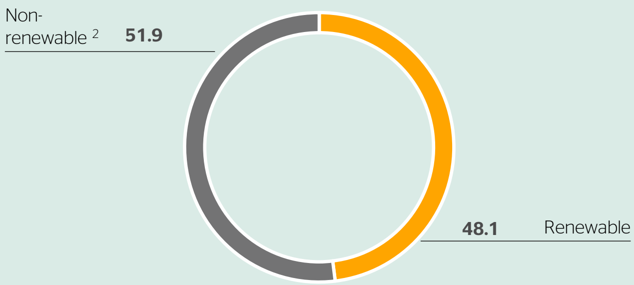
### Figures for Operational Environmental Protection in Detail

**Energy consumption 2022 (8.6 TWh) in %[1]**



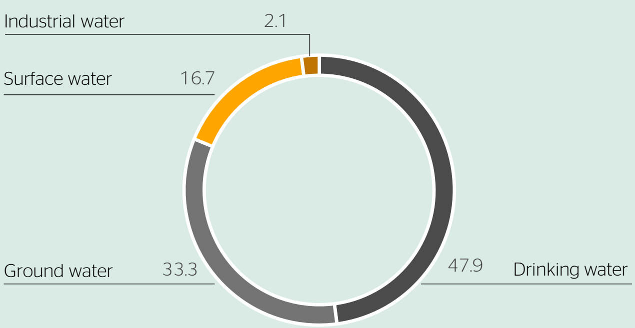

*1 Contains a small amount of imputed data for parts of the Continental Group that did not report data directly.*

**Energy consumption 2022 (8.6 TWh) in %[1]**



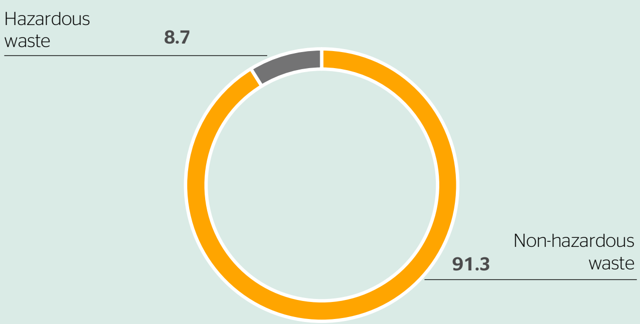

*1 Contains a small amount of imputed data for parts of the Continental Group that did not report data directly.*
*2 Contains a small amount of self-produced electricity from non-renewable sources (with CHP technology).*

**Water demand 2022 (15.7 million m³) in %[1]**




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

**Waste generation 2022 (401,316 metric tons) in %[1, 2, 3]**




*1 Contains a small amount of imputed data for parts of the Continental Group that did not report data directly.*
*2 Classification of waste according to national legislation.*
*3 Waste generation does not include construction waste.*

# Long-term Value Creation

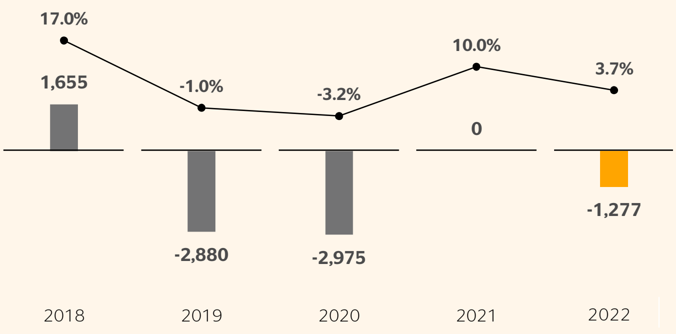
## Corporate Management

**Source:** 2022 Annual Report > Management Report > Corporate Profile > Corporate Management (starting p. 32)

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

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

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




*For 2021, the figures for continuing operations are shown.*

EBIT is the net total of sales, other income and expenses plus income from equity-accounted investees and from investments but before financial result and income tax expense. In the year under review, EBIT for the Continental Group was €0.8 billion.

Capital employed is the funds used by the company to generate its sales. At Continental, this figure is calculated as the average of operating assets as at the end of the quarterly reporting periods. In 2022, average operating assets amounted to €20.3 billion.

The return on capital employed (ROCE) represents the ratio of these two calculated values. Comparing a figure from the statement of income (EBIT) with one from the statement of financial position (capital employed) produces an integral analysis. We deal with the problem of the different periods of analysis by calculating the capital employed as an average figure over the ends of quarterly reporting periods. The ROCE amounted to 3.7% in 2022.

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

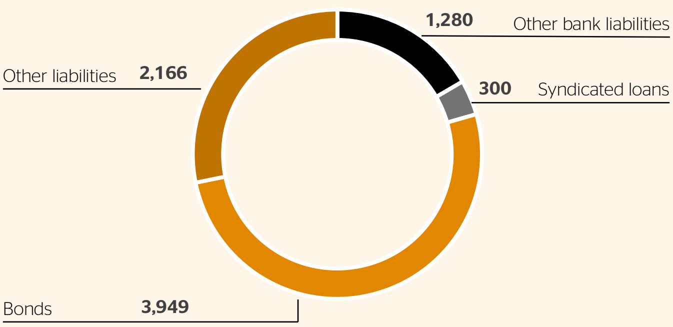
Value is added if the ROCE exceeds the weighted average cost of capital (WACC). We call this value added, produced by subtracting the WACC from the ROCE multiplied by average operating assets, the Continental Value Contribution (CVC). In 2022, the CVC amounted to -€1,277.2 million.

| **ROCE by group sector (%)** | **2022** | 2021 |
|---|---|---|
| Automotive | -11.1 | -4.6 |
| Tires | 23.0 | 25.7 |
| ContiTech | 5.1 | 16.8 |
| Contract Manufacturing | 1.5 | 29.0 |
| **Continental Group** | **3.7** | **10.0** |

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

The Finance & Treasury group function provides the necessary financial framework to finance corporate growth and secure the long-term existence of the company. The company's annual investment requirements are likely to range from 6% to 7% of sales in the coming years.

**Composition of gross indebtedness (€7,695 million)**




Our goal is to finance ongoing investment requirements from the operating cash flow. Other investment projects, such as acquisitions, should be financed from a balanced mix of equity and debt depending on the ratio of net indebtedness to equity (gearing ratio) and the liquidity situation to achieve constant improvement in the respective capital market environment. In general, the gearing ratio should be below 40% in the coming years and not exceed 60% in general. If justified by extraordinary financing reasons or specific market circumstances, we can rise above this ratio under certain conditions. The equity ratio should exceed 30%. In the reporting year, the equity ratio was 36.2% and the gearing ratio 32.8%.

Gross indebtedness amounted to €7,694.7 million as at December 31, 2022. Key financing instruments are the syndicated loan with a revolving credit line of €4.0 billion that has been granted until December 2026, and bonds issued on the capital market. Our gross indebtedness should be a balanced mix of liabilities to banks and other sources of financing on the capital market. For short-term financing in particular, we use a wide range of financing instruments. As at the end of 2022, this mix consisted of bonds (51%), a syndicated loan (4%), other bank liabilities (17%) and other indebtedness (28%) based on gross indebtedness. The syndicated loan that was renewed ahead of schedule in December 2019 consists of a revolving tranche of €4.0 billion and has an original term of five years. The margin will also depend on the Continental Group's sustainability performance. In November 2021, Continental exercised the second and final option to extend the term by one year. The lending banks then extended this financing commitment until December 2026 at unchanged conditions.

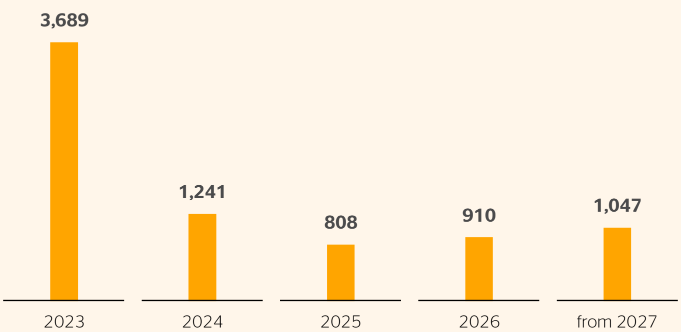
The company strives to have at its disposal unrestricted liquidity of about €1.5 billion. This is supplemented by committed, unutilized credit lines from banks in order to cover liquidity requirements at all times. These requirements fluctuate during a calendar year owing in particular to the seasonal nature of some business areas. In addition, the amount of liquidity required is also influenced by corporate growth. Unrestricted cash and cash equivalents amounted to €2,441.3 million as at December 31, 2022. There were also committed and unutilized credit lines of €4,573.5 million.

As at December 31, 2022, €300.0 million of the revolving credit line of €4.0 billion had been utilized. Around 51% of gross indebtedness is financed on the capital market in the form of bonds. The interest coupons vary between 0.0% and 3.625% p.a. The most recent bond issue took place in November 2022 in anticipation of the upcoming bond maturities in 2023. A bond with a volume of €625.0 million, a term of five years and an interest rate of 3.625% p.a. was placed with investors. The bonds with maturities between 2023 and 2027 ensure a balanced overall maturity profile for the repayment amounts. In addition to the forms of financing already mentioned, there were also bilateral credit lines with various banks in the amount of €2,182.5 million as at December 31, 2022. Continental's corporate financing instruments currently also include sale-of-receivables programs and commercial paper programs. As in the previous year, Continental had two commercial paper programs in Germany and the USA in 2022. As at the end of 2022, the nominal volume of the commercial paper issued under the German program was €350.0 million.

### Maturity profile

Continental strives for a balanced maturity profile of its liabilities in order to be able to repay the amounts due each year from free cash flow as far as possible. Aside from short-term indebtedness, most of which can be rolled on to the next year, two bonds in the amounts of €500.0 million and €750.0 million, respectively, will mature in 2023. The other bonds issued in 2019, 2020 and 2022 require repayments of €725.0 million in 2024, €600.0 million in 2025, €750.0 million in 2026 and €625.0 million in 2027.

**Maturities of gross indebtedness (€7,695 million)**



### Continental's credit rating unchanged

In the reporting period, Continental AG was rated by the three rating agencies Standard & Poor's, Fitch and Moody's, each of which maintained their investment-grade credit ratings in 2022. The rating outlook from Moody's improved from negative to stable. The most recent rating adjustment took place in spring 2020, when all three rating agencies adjusted their long-term credit rating downward by one notch. Our goal remains a credit rating of BBB/BBB+.

### Credit rating for Continental AG

| | **Dec. 31, 2022** | Dec. 31, 2021 |
|---|---|---|
| **Standard & Poor's[1]** | | |
| Long-term | BBB | BBB |
| Short-term | A-2 | A-2 |
| Outlook | negative | negative |
| **Fitch[2]** | | |
| Long-term | BBB | BBB |
| Short-term | F2 | F2 |
| Outlook | stable | stable |
| **Moody's[3]** | | |
| Long-term | Baa2 | Baa2 |
| Short-term | P-2 | P-2 |
| Outlook | stable | negative |

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

# Economic Report

**Source:** 2022 Annual Report > Management Report > Economic Report (starting p. 54)

**Macroeconomic Development**
Rising inflation rates, which were exacerbated by the war in Ukraine, and interest rate hikes by many central banks to combat inflation dampened global economic development in 2022. According to the January 2023 World Economic Outlook Update (WEO Update) published by the International Monetary Fund (IMF), the global economy grew by 3.4% in fiscal 2022, which was below the IMF's forecast of 4.4% growth from January 2022.

According to statistical office Eurostat, gross domestic product (GDP) in the eurozone rose by 3.5% year-on-year in 2022. In Germany, GDP rose by 1.9%, according to the Federal Statistical Office. The other major eurozone economies of France, Italy and Spain reported growth rates ranging from just under 3% to around 5%, according to the IMF. Other European economies recorded similar economic growth rates to the eurozone in 2022. The United Kingdom, for example, achieved growth of 4.1%, according to the IMF. For Russia, however, the IMF estimated a 2.2% decline in GDP.

In North America, the USA posted GDP growth of 2.1% in 2022, according to the Bureau of Economic Analysis. For Canada and Mexico, the IMF reported GDP growth of 3.5% and 3.1%, respectively. Other countries in the Americas also saw continued economic recovery in 2022. For Brazil, for example, the IMF estimated GDP growth of 3.1%.

Asian countries also recorded a continued economic revival in the year under review, according to the IMF. Very high growth rates were achieved in 2022 by India's economy, with GDP growth of 6.8%, and by the Association of Southeast Asian Nations (ASEAN), with GDP growth of 5.2%. According to the IMF, lower growth rates were reported for China and for Japan, with GDP growth of 3.0% and 1.4%, respectively.

**Development of Key Customer Sectors and Sales Regions**
With a 61% share of consolidated sales (PY: 61%), the automotive industry – with the exception of the replacement business – was Continental's most important customer group in fiscal 2022. The Automotive group sector accounted for the lion's share, but the Tires and ContiTech group sectors also generated significant sales figures in this market segment.

The second-biggest market segment for Continental was the global replacement-tire business for passenger cars and commercial vehicles, with 28% of total sales in fiscal 2022 (PY: 28%). Because passenger cars and light commercial vehicles make up a considerably higher share of the replacement-tire business, their development is particularly important to our economic success.

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

Continental's biggest sales region in the reporting year was still Europe, which accounted for 47% of sales (PY: 49%), followed by North America at 27% (PY: 25%) and Asia-Pacific at 22% (PY: 22%).

Development of new passenger-car registrations
In 2022, there was a decline in the number of newly registered cars in many of the world's automotive markets. The availability of many car models remained mostly limited due to a shortage of semi-finished products, particularly semiconductors. This was accompanied by increased car prices, high inflation rates for other consumer goods and uncertainty among many consumers triggered by the war in Ukraine.

According to preliminary data from the German Association of the Automotive Industry (Verband der Automobilindustrie, VDA), 11.3 million new vehicles were registered in the European car market (EU27, EFTA and the United Kingdom) in 2022, 4% fewer than in the previous year. Passenger car sales fell by 6% in Japan and by 8% in the USA. Brazil recorded a slight decline of 1%. In Russia, passenger car sales plummeted by 59% in 2022 as a result of many international automotive manufacturers withdrawing due to the war in Ukraine.

By contrast, according to the VDA, sales in China – the world's largest car market – rose by 10% to 23.2 million units in 2022, thanks in part to a tax reduction on the majority of cars sold. In India, sales of new vehicles rose by 23% to 3.8 million units in 2022.

According to preliminary data from car manufacturer Renault, new-car registrations in 2022 were on par with the previous year worldwide.

Development of production of passenger cars and light commercial vehicles
Disrupted supply chains resulting from the war in Ukraine and pandemic-related lockdowns in China put a strain on the production of passenger cars and light commercial vehicles weighing less than 6 metric tons in many regions in the first half of 2022. Europe was particularly affected.

In the second half of the year, the supply situation stabilized. The availability of semiconductors, which had previously been in very short supply, also improved. As a result, many manufacturers noticeably expanded their production.

According to preliminary data, Europe as a whole recorded a 1% decline in the production of passenger cars and light commercial vehicles in the reporting year as a result of the sharp production decrease in Russia and reduced volumes in other Eastern European countries.

By contrast, North America and China increased their production by 10% and 6% in 2022.

According to preliminary figures, global production for 2022 rose by 7% to 82.4 million units.

### Development of production of medium and heavy commercial vehicles

The production of medium and heavy commercial vehicles weighing more than 6 metric tons was initially affected by disrupted supply chains in our core European market in the reporting period. In Eastern Europe, in particular, production was also heavily impaired as a result of the war in Ukraine. As the year progressed, production in Western and Central Europe rose again, virtually offsetting the decline in production in Eastern Europe for 2022 overall. According to preliminary data, overall production volumes fell by 1% year-on-year.

In our other core market of North America, strong economic growth led to a considerable upturn in demand and a 9% increase in the production of medium and heavy commercial vehicles, according to preliminary figures.

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

Following a strong first quarter in 2022, the following three quarters saw a significant decline in demand in Europe and North America. Higher prices due to the substantial increase in costs caused by the war in Ukraine led to purchases being made in advance by many tire dealers.

Sales volumes of replacement tires for passenger cars and light commercial vehicles weighing less than 6 metric tons rose by 2% in Europe (excluding Russia) for 2022 as a whole. In North America, demand fell by 4% in the year under review. In China, the measures taken to contain the COVID-19 pandemic led to a 14% slump in sales volumes. According to preliminary data, global sales volumes of replacement tires for passenger cars and light commercial vehicles fell by 2% in the reporting year.

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

In our core markets of Europe (excluding Russia) and North America, preliminary data indicates that year-on-year demand for replacement tires for medium and heavy commercial vehicles weighing more than 6 metric tons rose by 6% and 13%, respectively, in 2022.

### Development of industrial production

In addition to vehicle production and the replacement business for the automotive industry, the development of various other industries is crucial to the success of our ContiTech group sector. ContiTech products are used in particular in equipment, machinery and vehicles for railway transport, mining, agriculture and other key industries. As well as the general development of gross domestic product, the development of industrial production is therefore regarded as an important indicator for ContiTech's business with industrial customers.

In the reporting period, industrial production in the eurozone was affected by disrupted supply chains and increased costs, mainly in the second quarter. By contrast, industrial production in the USA increased considerably in 2022. In China, the temporary lockdowns to combat the COVID-19 pandemic affected development in the second and fourth quarters of 2022 in particular. This was countered by stronger industrial production in the first and third quarters.

## Development of Raw Materials Markets

In the year under review, the sanctions imposed against Russia initially led to a shortage of many raw materials, which in turn caused sharp price rises. Expanded offerings from other suppliers and a decline in demand as a result of weaker economic growth in many economies caused prices for many raw materials to fall again as the year progressed – in some cases to below their level at the beginning of the year.

Carbon steel and stainless steel are input materials for many of the mechanical components such as die-cast parts integrated by Continental into its products. Steel wire is used in particular in tire production as steel cord but also in conveyor belts and timing belts to increase tensile strength. Aluminum is used in particular for die-cast parts and stamped and bent components, while copper is used in particular in electric motors, mechatronic components and printed circuit boards. Prices for carbon steel in euros, which had increased sharply in the previous year, fell by approximately 6% on average in 2022. The price of copper in US dollars, which had also seen a sharp increase in the previous year, fell by 5% on average. Conversely, the average price of aluminum in US dollars was up 9% in 2022.

**Changes to vehicle production, the tire-replacement business and industrial production in 2022 (compared with 2021)**

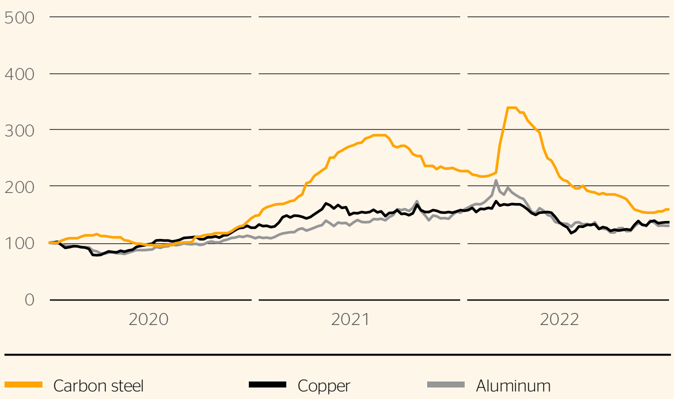
| Passenger cars and light commercial vehicles | Vehicle production | Tire-replacement business |
|---|---|---|
| Europe | –1% | 2% |
| North America | 10% | –4% |
| China | 6% | –14% |
| **Worldwide** | **7%** | **–2%** |

| | Industrial production |
|---|---|
| Eurozone | 0.7% |
| USA | 4.0% |
| China | 4.0% |

| Medium and heavy commercial vehicles | Vehicle production | Tire-replacement business |
|---|---|---|
| Europe | –1% | 6% |
| North America | 9% | 13% |

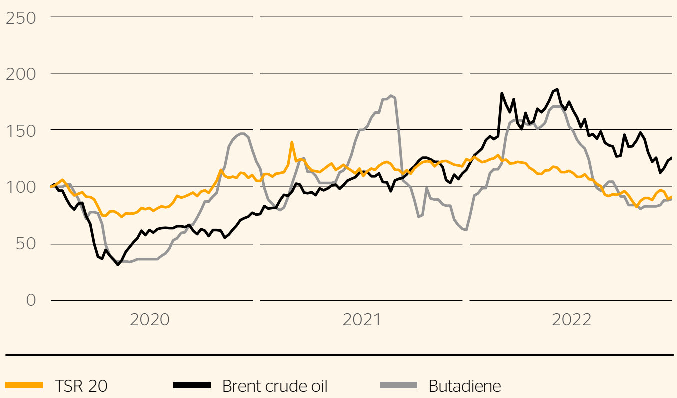
*Preliminary data.*
*Sources:*
*Vehicle production: S&P Global (Europe with Western, Central and Eastern Europe incl. Russia and Türkiye).*
*Tire-replacement business: LMC International Ltd. (Europe with Western, Central and Eastern Europe (excluding Russia) and Türkiye).*
*Industrial production: Bloomberg.*

**Steel, copper and aluminum** Indexed to January 1, 2020




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

**TSR 20, crude oil and butadiene** Indexed to January 1, 2020




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

Precious metals such as silver and gold are used by Continental and by our suppliers to coat components. In 2022, the average US-dollar price of gold was on par with the previous year. By contrast, the price of silver in US dollars fell by 13% on average.

For natural rubber, weakening tire demand led to a decline in prices from the summer of 2022 onward. The price of natural rubber TSR 20 in US dollars was down 8% year-on-year in 2022, for example.

Crude oil is the most important basic building block for synthetic-rubber input materials such as butadiene and styrene as well as for carbon black, various other chemicals, and plastics. The price of crude oil rose sharply in the first few months of 2022 due to the war in Ukraine. This trend reversed, however, in the summer. By the end of the year, the price had fallen back to the level it was at the beginning of 2022. The annual average price of Brent crude oil in US dollars increased by 42% year-on-year.

The rise in the price of crude oil also led to price increases for various input materials for synthetic rubber in 2022, although these price increases were dampened by the weakening demand for tires. The average prices in US dollars for butadiene and styrene, for example, increased by 6% and 4%, respectively.

Plastic resins, as technical thermoplastics, are required by Continental and our suppliers in particular for the manufacture of housing parts in the Automotive group sector and for various other plastic parts in the ContiTech group sector. The average price of resins in US dollars was up 23% in 2022.

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

Overall, the described price developments for raw materials together with a significantly weaker euro led to significant cost burdens in all group sectors of the Continental Group in 2022.

## Earnings Position

- Sales up 16.7%
- Sales up 12.3% before changes in the scope of consolidation and exchange-rate effects
- Adjusted EBIT up 5.2%

The following table generally shows the figures for continuing operations in the reporting and comparative periods, with net income attributable to the shareholders of the parent and earnings per share referring to continuing and discontinued operations in the comparative period.

| **Continental Group in € millions** | **2022** | 2021 | Δ in % |
|---|---|---|---|
| Sales | 39,408.9 | 33,765.2 | 16.7 |
| EBITDA | 3,966.0 | 4,104.2 | –3.4 |
| in % of sales | 10.1 | 12.2 | |
| EBIT | 754.8 | 1,845.8 | –59.1 |
| in % of sales | 1.9 | 5.5 | |
| | | | |
| Net income attributable to the shareholders of the parent[1] | 66.6 | 1,435.2 | –95.4 |
| Basic earnings per share in €[1] | 0.33 | 7.18 | –95.4 |
| Diluted earnings per share in €[1] | 0.33 | 7.18 | –95.4 |
| | | | |
| Research and development expenses (net) | 2,871.4 | 2,586.8 | 11.0 |
| in % of sales | 7.3 | 7.7 | |
| Depreciation and amortization[2] | 3,211.2 | 2,258.4 | 42.2 |
| thereof impairment[3] | 966.6 | 29.1 | 3,221.6 |
| Capital expenditure[4] | 2,426.4 | 1,947.4 | 24.6 |
| in % of sales | 6.2 | 5.8 | |
| Operating assets as at December 31 | 19,555.6 | 18,949.4 | 3.2 |
| Operating assets (average) | 20,272.9 | 18,416.1 | 10.1 |
| ROCE in % | 3.7 | 10.0 | |
| Number of employees as at December 31[5] | 199,038 | 190,875 | 4.3 |
| | | | |
| Adjusted sales[6] | 39,265.6 | 33,606.3 | 16.8 |
| Adjusted operating result (adjusted EBIT)[7] | 1,950.7 | 1,854.7 | 5.2 |
| in % of adjusted sales | 5.0 | 5.5 | |

*1 In the year under review, the Continental Group changed the methodology used for the recognition of uncertain tax positions. The comparative period has been adjusted accordingly. For more information, see Note 2 (General Information and Accounting Principles) of the notes to the consolidated financial statements.*
*2 Excluding impairment on financial investments.*
*3 Impairment also includes necessary reversals of impairment losses.*
*4 Capital expenditure on property, plant and equipment, and software.*
*5 Excluding trainees.*
*6 Before changes in the scope of consolidation.*
*7 Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.*

### Business and sales performance

Consolidated sales increased by €5,643.7 million or 16.7% year-on-year in 2022 to €39,408.9 million (PY: €33,765.2 million). Before changes in the scope of consolidation and exchange-rate effects, sales rose by 12.3%. The sales performance in the Automotive, Tires and ContiTech group sectors was shaped primarily by price adjustments to offset higher costs for raw materials, logistics and energy. In Automotive, rising automobile production and strong organic growth also had a positive effect, while Tires was additionally able to implement favorable changes to its product mix. Contract Manufacturing reduced its sales in accordance with the contractually agreed procedure between Continental and Vitesco Technologies.

The Continental Group's sales performance was impacted by positive exchange-rate effects totaling €1,513.7 million, while changes in the scope of consolidation had a negligible effect.

The regional distribution of sales in 2022 was as follows:

| Sales by region in % | 2022 | 2021 |
|---|---|---|
| Germany | 18 | 17 |
| Europe excluding Germany | 29 | 31 |
| North America | 27 | 25 |
| Asia-Pacific | 22 | 22 |
| Other countries | 4 | 5 |

### Adjusted EBIT

Adjusted EBIT for the Continental Group increased by €96.0 million or 5.2% year-on-year to €1,950.7 million (PY: €1,854.7 million) in 2022, corresponding to 5.0% (PY: 5.5%) of adjusted sales.

### EBIT

EBIT was down by €1,091.0 million year-on-year in 2022 to €754.8 million (PY: €1,845.8 million), a decrease of 59.1%. The return on sales fell to 1.9% (PY: 5.5%). The cost of sales rose by €5,075.7 million to €31,100.6 million (PY: €26,024.9 million), primarily due to sharp price increases for raw materials, semi-finished products, energy and logistics. For more information, see the Development of Raw Materials Markets section in the economic report as well as the report on expected developments. In addition, impairment on goodwill and property, plant and equipment had a negative impact on EBIT.

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €149.7 million in the reporting year (PY: €159.0 million).

The ROCE was 3.7% (PY: 10.0%).

### Special effects in 2022

Total consolidated expense from special effects in 2022 amounted to €1,027.8 million. Automotive accounted for €846.5 million of this, Tires for €103.5 million, ContiTech for €81.5 million and the holding for €2.9 million. In Contract Manufacturing, special effects resulted in total consolidated income of €6.6 million.

The Continental Group immediately reviews intangible assets and property, plant and equipment, investment property and goodwill as soon as there is an indication of impairment (triggering event). The rise in the general interest rate level is one such indication of impairment. Due to this triggering event and other significant assumptions made when calculating the value in use of a cash-generating unit (CGU) – such as free cash flows, discount rates and their parameters, and long-term growth rates – goodwill was impaired by €552.9 million and property, plant and equipment impaired by €311.4 million in the Automotive group sector during the course of the year. This was mainly attributable to increased discount rates and updated planning.

Owing to the sanctions imposed against or by Russia, intangible assets and property, plant and equipment were reviewed at the Russian companies during the year. This led to a full impairment of all intangible assets and property, plant and equipment. In total, the impairment amounted to €86.7 million (Automotive €0.2 million; Tires €80.6 million; ContiTech €5.9 million).

Together with the aforementioned effects, impairment on property, plant and equipment and intangible assets resulted in expenses totaling €411.5 million (Automotive €323.6 million; Tires €82.0 million; ContiTech €5.9 million). In addition, reversals of impairment losses on property, plant and equipment resulted in income of €3.5 million in the Automotive group sector. These figures do not include impairment and reversals of impairment losses that arose in connection with restructuring.

Severance payments resulted in a negative special effect totaling €40.4 million (Automotive €14.0 million; Tires €10.5 million; ContiTech €12.8 million; Contract Manufacturing €0.2 million; holding €2.9 million).

The Automotive group sector incurred restructuring expenses of €18.1 million, including impairment on property, plant and equipment in the amount of €8.9 million. In addition, the reversal of restructuring provisions resulted in income of €104.2 million. This included reversals of impairment losses on property, plant and equipment in the amount of €1.0 million.

The Tires group sector incurred restructuring expenses of €2.0 million, including impairment on property, plant and equipment in the amount of €0.3 million. In addition, the reversal of restructuring provisions resulted in income of €4.1 million.

The ContiTech group sector incurred restructuring expenses of €67.7 million, including impairment on property, plant and equipment in the amount of €2.2 million. In addition, the reversal of restructuring provisions resulted in income of €8.8 million. This included reversals of impairment losses on property, plant and equipment in the amount of €4.7 million.

In the Contract Manufacturing group sector, there were restructuring expenses of €1.0 million. In addition, the reversal of restructuring provisions resulted in income of €9.4 million.

Restructuring-related expenses resulted in an expense totaling €63.6 million (Automotive €46.4 million; Tires €11.5 million; ContiTech €4.1 million; Contract Manufacturing €1.6 million).

The disposal of companies resulted in income totaling €0.6 million (Tires €0.4 million; ContiTech €0.2 million).

The Tires group sector incurred an expense of €2.0 million in connection with the optimization of the sales network in Belgium.

A subsequent purchase price adjustment related to the acquisition of Kathrein Automotive GmbH, Hildesheim, Germany, in 2019 led to income of €0.8 million in the Automotive group sector.

### Special effects in 2021

Total consolidated income from special effects in 2021 amounted to €122.6 million. ContiTech accounted for €130.1 million of this, Contract Manufacturing for €26.4 million and the holding for €67.3 million. Expenses from special effects amounted to €91.3 million for Automotive and €9.9 million for Tires.

The spin-off of Vitesco Technologies resulted in expenses totaling €86.4 million (Automotive €92.7 million; holding income of €6.3 million).

The organizational realignment of the Automotive group sector resulted in expenses totaling €3.0 million in Automotive.

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

Impairment on property, plant and equipment resulted in expenses totaling €25.9 million (Automotive €13.7 million; Tires €1.8 million; Contract Manufacturing €10.4 million). In addition, reversals of impairment losses on property, plant and equipment resulted in income of €9.4 million (Automotive €6.0 million; ContiTech €3.4 million). These figures do not include impairment and reversals of impairment losses that arose in connection with restructuring.

Severance payments resulted in a negative special effect totaling €112.2 million (Automotive €58.9 million; Tires €24.0 million; ContiTech €18.7 million; Contract Manufacturing €2.0 million; holding €8.6 million).

The Automotive group sector incurred restructuring expenses of €14.8 million, including impairment on property, plant and equipment in the amount of €4.7 million. In addition, the reversal of restructuring provisions resulted in income of €68.4 million.

The Tires group sector incurred restructuring expenses of €5.4 million, including impairment on property, plant and equipment in the amount of €1.1 million. The reversal of restructuring provisions also resulted in income of €24.3 million.

The ContiTech group sector incurred restructuring expenses of €14.6 million, including impairment on property, plant and equipment in the amount of €0.3 million. In addition, the reversal of restructuring provisions resulted in income of €14.4 million.

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

Restructuring-related expenses resulted in an expense totaling €59.5 million (Automotive €48.8 million; ContiTech €9.8 million; Contract Manufacturing €0.9 million).

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

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

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

Furthermore, the Automotive group sector generated income of €32.5 million from the reversal of the provision for capital commitments to OSRAM CONTINENTAL GmbH, Munich, Germany.

### Procurement

The first half of the reporting year for the Automotive and Contract Manufacturing group sectors was characterized by significant bottlenecks for semiconductors, which eased for certain products in the second half of the year. The supply situation for semiconductors nevertheless remains tense overall. The prices of key input materials and many raw materials for the Tires and ContiTech group sectors rose sharply from the second quarter of 2022 and reached their peak in the second half of the year. Annual average procurement costs for the raw materials used in the Tires and ContiTech group sectors were above the previous year's level, in part due to significantly higher energy and logistics costs.

## Reconciliation of EBIT to net income

| € millions | 2022 | 2021 | Δ in % |
|---|---|---|---|
| Automotive | –970.1 | –374.6 | –159.0 |
| Tires | 1,723.6 | 1,700.6 | 1.4 |
| ContiTech | 166.5 | 514.7 | –67.7 |
| Contract Manufacturing | 9.5 | 130.4 | –92.7 |
| Other/Holding/Consolidation | –174.7 | –125.3 | –39.4 |
| **EBIT** | **754.8** | **1,845.8** | **–59.1** |
| Financial result[1] | –198.0 | –156.1 | –26.8 |
| **Earnings before tax from continuing operations[1]** | **556.8** | **1,689.7** | **–67.0** |
| Income tax expense | –444.6 | –359.5 | –23.7 |
| Earnings after tax from continuing operations[1] | 112.2 | 1,330.2 | –91.6 |
| Earnings after tax from discontinued operations | n. a. | 156.9 | n. a. |
| **Net income[1]** | **112.2** | **1,487.1** | **–92.5** |
| Non-controlling interests | –45.6 | –51.9 | 12.1 |
| **Net income attributable to the shareholders of the parent[1]** | **66.6** | **1,435.2** | **–95.4** |
| **Earnings per share (in €) relating to** | | | |
| Basic earnings per share from continuing operations[1] | 0.33 | 6.39 | –94.8 |
| Consolidated basic earnings per share[1] | 0.33 | 7.18 | –95.4 |
| Diluted earnings per share from continuing operations[1] | 0.33 | 6.39 | –94.8 |
| Consolidated diluted earnings per share[1] | 0.33 | 7.18 | –95.4 |

*1 In the year under review, the Continental Group changed the methodology used for the recognition of uncertain tax positions. The comparative period has been adjusted accordingly. For more information, see Note 2 (General Information and Accounting Principles) of the notes to the consolidated financial statements.*

## Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) in 2022

| € millions | Automotive | Tires | ContiTech | Contract Manufacturing | Other/ Holding/ Consolidation | Continental Group |
|---|---|---|---|---|---|---|
| **Sales** | **18,321.6** | **14,005.2** | **6,594.3** | **665.6** | **–177.8** | **39,408.9** |
| Changes in the scope of consolidation[1] | –102.0 | – | –41.3 | – | – | –143.3 |
| **Adjusted sales** | **18,219.6** | **14,005.2** | **6,553.0** | **665.6** | **–177.8** | **39,265.6** |
| | | | | | | |
| **EBITDA** | **962.5** | **2,644.7** | **486.4** | **44.7** | **–172.3** | **3,966.0** |
| Depreciation and amortization[2] | –1,932.6 | –921.1 | –319.9 | –35.2 | –2.4 | –3,211.2 |
| **EBIT** | **–970.1** | **1,723.6** | **166.5** | **9.5** | **–174.7** | **754.8** |
| Amortization of intangible assets from purchase price allocation (PPA) | 70.1 | 14.5 | 65.1 | – | – | 149.7 |
| Changes in the scope of consolidation[1] | 23.4 | – | –5.0 | – | – | 18.4 |
| Special effects | | | | | | |
| Impairment on goodwill | 552.9 | – | – | – | – | 552.9 |
| Impairment[3] | 320.1 | 82.0 | 5.9 | 0.0 | – | 408.0 |
| Restructuring[4] | –86.1 | –2.1 | 58.9 | –8.4 | – | –37.7 |
| Restructuring-related expenses | 46.4 | 11.5 | 4.1 | 1.6 | – | 63.6 |
| Severance payments | 14.0 | 10.5 | 12.8 | 0.2 | 2.9 | 40.4 |
| Gains and losses from disposals of companies and business operations | – | –0.4 | –0.2 | – | – | –0.6 |
| Other | –0.8 | 2.0 | – | – | – | 1.2 |
| **Adjusted operating result (adjusted EBIT)** | **–30.1** | **1,841.6** | **308.1** | **2.9** | **–171.8** | **1,950.7** |

*1 Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.*
*2 Excluding impairment on financial investments.*
*3 Impairment also includes necessary reversals of impairment losses. It does not include impairment that arose in connection with a restructuring and impairment on financial investments and goodwill.*
*4 Also includes restructuring-related impairment losses totaling €11.4 million (Automotive €8.9 million; Tires €0.3 million; ContiTech €2.2 million) and reversals of impairment losses totaling €5.7 million (Automotive €1.0 million; ContiTech €4.7 million).*

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

| € millions | Automotive | Tires | ContiTech | Contract Manufacturing | Other/ Holding/ Consolidation | Continental Group |
|---|---|---|---|---|---|---|
| **Sales** | **15,357.4** | **11,807.6** | **5,912.6** | **889.6** | **–202.0** | **33,765.2** |
| Changes in the scope of consolidation[1] | – | – | –158.9 | – | – | –158.9 |
| **Adjusted sales** | **15,357.4** | **11,807.6** | **5,753.7** | **889.6** | **–202.0** | **33,606.3** |
| | | | | | | |
| **EBITDA** | **666.8** | **2,525.9** | **833.7** | **194.2** | **–116.4** | **4,104.2** |
| Depreciation and amortization[2] | –1,041.4 | –825.3 | –319.0 | –63.8 | –8.9 | –2,258.4 |
| **EBIT** | **–374.6** | **1,700.6** | **514.7** | **130.4** | **–125.3** | **1,845.8** |
| Amortization of intangible assets from purchase price allocation (PPA) | 68.1 | 18.7 | 72.2 | – | – | 159.0 |
| Changes in the scope of consolidation[1] | – | – | –27.5 | – | – | –27.5 |
| Special effects | | | | | | |
| Impairment on goodwill | – | – | – | – | – | – |
| Impairment[3] | 7.8 | 4.8 | –3.4 | 10.4 | 0.0 | 19.6 |
| Restructuring[4] | –53.6 | –18.9 | 0.2 | –39.7 | – | –112.0 |
| Restructuring-related expenses | 48.8 | – | 9.8 | 0.9 | – | 59.5 |
| Severance payments | 58.9 | 24.0 | 18.7 | 2.0 | 8.6 | 112.2 |
| Gains and losses from disposals of companies and business operations | –33.8 | – | –155.4 | – | –69.6 | –258.8 |
| Other[5] | 63.2 | – | – | – | –6.3 | 56.9 |
| **Adjusted operating result (adjusted EBIT)** | **–215.2** | **1,729.2** | **429.3** | **104.0** | **–192.6** | **1,854.7** |

*1 Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.*
*2 Excluding impairment on financial investments.*
*3 Impairment also includes necessary reversals of impairment losses. It does not include impairment that arose in connection with a restructuring and impairment on financial investments and goodwill.*
*4 Also includes restructuring-related impairment losses totaling €9.5 million (Automotive €4.7 million; Tires €1.1 million; ContiTech €0.3 million; Contract Manufacturing €3.4 million).*
*5 Mainly includes expenses totaling €86.4 million in connection with the spin-off of Vitesco Technologies. In addition, the termination of OSRAM CONTINENTAL GmbH, Munich, Germany, resulted in income of €32.5 million from the reversal of an unused provision for capital commitments.*

### Research and development

Research and development expenses (net) increased by €284.6 million or 11.0% year-on-year to €2,871.4 million (PY: €2,586.8 million), corresponding to 7.3% (PY: 7.7%) of sales.

In the Automotive group sector, costs in connection with initial product development projects in the original-equipment business are capitalized. Costs are capitalized as at the time at which we are named as a supplier and have successfully achieved a specific pre-release stage. Capitalization ends with the approval for unlimited volume production. The costs of customer-specific applications, pre-production prototypes and testing for products already being sold do not qualify as development expenditure that may be recognized as an intangible asset. Capitalized development expenses are amortized on a straight-line basis over a useful life of three to seven years and recognized in the cost of sales. In the opinion of the Continental Group, the assumed useful life reflects the period for which an economic benefit is likely to be derived from the corresponding development projects. Of the development costs incurred in 2022, including development expenses for internally developed software, €24.4 million (PY: €31.5 million) in the Automotive group sector qualified for recognition as an asset.

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

This results in a capitalization ratio of 0.8% (PY: 1.2%) for the Continental Group.

### Depreciation and amortization

Depreciation and amortization increased by €952.8 million to €3,211.2 million (PY: €2,258.4 million), equivalent to 8.1% of sales (PY: 6.7%). This included impairment totaling €966.6 million in 2022 (PY: €29.1 million).

### Financial result

The negative financial result rose by €41.9 million year-on-year to €198.0 million (PY: €156.1 million) in 2022. This increase was primarily attributable to the global interest rate trend on the money and capital markets.

Interest income rose by €0.7 million year-on-year to €83.6 million (PY: €82.9 million) in 2022. Interest income in connection with income tax payables accounted for €20.3 million of the total (PY: €42.0 million). A significant effect resulted from the ruling by the German Federal Constitutional Court in July 2021, according to which the interest rate of 6% p.a. previously applied for interest on claims for back taxes and tax refunds is unconstitutional. At the end of 2021, the provisions for possible interest payments on income tax liabilities were adjusted for the first time on the basis of a reduced interest rate of 3% p.a. In 2022, there were further positive effects as a result of this interest rate being reduced again to 1.8% p.a.

Interest expense totaled €234.8 million in 2022 and was thus €54.4 million higher than the previous year's figure of €180.4 million. Interest expense from long-term employee benefits and expected income from long-term employee benefits and from pension funds amounted to a net expense of €62.4 million in the reporting year (PY: €44.0 million). These interest effects do not include the interest income from the plan assets of the pension contribution funds or the interest expense from the defined benefit obligations of the pension contribution funds. Interest expense, resulting mainly from bank borrowings, capital market transactions and other financing instruments, was €172.4 million (PY: €136.4 million). Interest expense on lease liabilities accounted for €26.7 million of this amount (PY: €25.1 million). Interest expenses in connection with income tax payables amounted to €3.1 million (PY: €10.6 million).

The bonds issued by Continental AG and Conti-Gummi Finance B.V., Maastricht, Netherlands, resulted in expenses of €52.9 million (PY: €50.7 million). The slight increase was due to the issuance of a euro bond totaling €625.0 million by Continental AG on November 30, 2022. The issue price of this bond, which has a term of five years and a fixed interest rate of 3.625% p.a., was 100.000%.

Effects from currency translation resulted in a negative contribution to earnings of €59.6 million (PY: €128.1 million) in the reporting year. By contrast, effects from changes in the fair value of derivative instruments, and other valuation effects resulted in income totaling €12.8 million (PY: €69.5 million). Other valuation effects accounted for €5.1 million of this (PY: €121.7 million). In the previous year, the main cause was the reversal of allowances for doubtful accounts on loans and the reversal of a provision for loan commitments to the former associate OSRAM CONTINENTAL GmbH, Munich, Germany, and two of its subsidiaries. The derecognition of loans due to a debt waiver had an offsetting effect of €16.8 million. Taking into account exchange-rate effects, this resulted in income totaling €89.4 million in the previous year. In 2022, additional income of €2.9 million (PY: €30.9 million) was derived from changes in the value of other financial assets. Taking into account the sum of the effects from currency translation and changes in the fair value of derivative instruments, earnings in 2022 were negatively impacted by €51.9 million (PY: €180.3 million). The year-on-year improvement resulted primarily from the development of the Chinese renminbi in relation to the euro.

### Income tax expense

Income tax expense in fiscal 2022 amounted to €444.6 million (PY: €359.5 million). The tax rate was 47.6%, compared with 21.3% in the previous year. The current-year tax rate is presented on an adjusted basis before the permanent effects of the recognized goodwill impairment.

As in the previous year, foreign tax rate differences as well as incentives and tax holidays had positive effects in the year under review. The tax rate was negatively impacted by non-cash allowances on deferred tax assets totaling €113.2 million (PY: €109.5 million), of which €30.1 million (PY: €26.9 million) was for previous years. Furthermore, as in the previous year, the tax rate was negatively affected by non-deductible expenses and non-imputable foreign withholding taxes.

### Net income attributable to the shareholders of the parent

Net income attributable to the shareholders of the parent decreased by €1,368.6 million in 2022 to €66.6 million (PY: €1,435.2 million). Basic earnings per share amounted to €0.33 (PY: €7.18), the same amount as diluted earnings per share.

### Employees

The number of employees in the Continental Group rose by 8,163 from 190,875 in 2021 to 199,038.

The number of employees in the Automotive group sector rose by 8,225 as a result of expansion at production sites and in research and development.

The number of employees in the Tires group sector declined by 230. This was primarily due to the implementation of restructuring measures and adjustments to demand-driven production.

In the ContiTech group sector, higher order volumes and the acquisition of WCCO Belting LLC, Wilmington, USA were the main reasons the increase in the number of employees by 838.

The number of employees in the Contract Manufacturing group sector fell by 712 to 2,192 (PY: 2,904).

| **Employees by region in %** | **2022** | 2021 |
|---|---|---|
| Germany | 23 | 24 |
| Europe excluding Germany | 34 | 34 |
| North America | 19 | 18 |
| Asia-Pacific | 20 | 20 |
| Other countries | 4 | 4 |

**Financial Position**

- Free cash flow at €90.6 million
- Cash outflow arising from investing activities at €2.2 billion
- Net indebtedness at €4.5 billion

### Reconciliation of cash flow

The following information on the reconciliation of cash flow relates to continuing operations in the reporting year and to continuing and discontinued operations in the comparative year.

At €2,295.5 million in 2022, the cash inflow arising from operating activities was €658.9 million lower than the previous year's figure (PY: €2,954.4 million) and corresponded to 5.8% of sales (PY: 7.7%). This decline is primarily due to the decrease in EBIT of €1,405.0 million to €754.8 million (PY: €2,159.8 million). In addition to the loss of EBIT from discontinued operations, factors that had a negative effect on EBIT in the reporting year included sharp price increases for raw materials, semi-finished products, energy and logistics as well as impairment on goodwill and property, plant and equipment.

The cash-effective increase in working capital led to a cash outflow of €733.9 million (PY: €445.1 million). This rise was due in part to an increase in inventories of €1,644.9 million (PY: €1,417.7 million) owing to higher procurement costs and stockbuilding. Another contributing factor was the rise in operating receivables of €821.9 million (PY: decrease of €31.2 million), due primarily to the sharp increase in sales, partly as a result of price adjustments, and lower cash receipts as at the end of the reporting period. The increase in operating liabilities of €1,732.9 million (PY: €941.4 million) had an offsetting effect.

Interest payments fell by €13.5 million to €151.9 million (PY: €165.4 million). Income tax payments decreased by €154.0 million to €597.2 million (PY: €751.2 million).

Cash flow arising from investing activities amounted to an outflow of €2,204.9 million (PY: €1,582.0 million). Capital expenditure on property, plant and equipment, and software was up €307.0 million from €1,825.8 million to €2,132.8 million before the capitalization of borrowing costs and right-of-use assets from leases. The increase in investing activities is primarily attributable to the Automotive and Tires group sectors.

The net amount from the acquisition and disposal of companies and business operations led to a total cash outflow of €109.1 million in 2022 (PY: cash inflow of €218.1 million). This cash outflow was primarily due to an acquisition in the ContiTech group sector.

These effects resulted in free cash flow of €90.6 million for fiscal 2022 (PY: €1,372.4 million), corresponding to a year-on-year decrease of €1,281.8 million.

### Capital expenditure (additions)

Capital expenditure for property, plant and equipment, and software amounted to €2,426.4 million in 2022 (PY: €1,947.4 million). The Automotive and Tires group sectors in particular contributed to the increase of €479.0 million. The capital expenditure ratio was 6.2% (PY: 5.8%).

### Financing and indebtedness

Gross indebtedness amounted to €7,694.7 million as at the end of 2022 (PY: €6,260.5 million), up €1,434.2 million on the previous year's level.

Based on quarter-end values, 69.5% (PY: 80.9%) of gross indebtedness after hedging measures had fixed interest rates on average over the year.

The carrying amount of the bonds increased by €641.9 million from €3,307.3 million in the previous year to €3,949.2 million as at the end of fiscal 2022. This rise is due to the euro bond with a volume of €625.0 million issued by Continental AG on November 30, 2022, under the Debt Issuance Programme. The issue price of this bond, which has a term of five years and a fixed interest rate of 3.625% p.a., was 100.000%.

Bank loans and overdrafts amounted to €1,579.6 million (PY: €1,199.7 million) as at December 31, 2022, and were therefore €379.9 million above the previous year's level.

The syndicated loan that was renewed ahead of schedule in December 2019 consists of a revolving tranche of €4,000.0 million and has an original term of five years. The margin will also depend on the Continental Group's sustainability performance. In November 2021, Continental exercised the second and final option to extend the term by one year. The lending banks then extended this financing commitment until December 2026 at unchanged conditions. As at December 31, 2022, Continental AG had utilized €300.0 million (PY: –) of this revolving loan.

Other indebtedness rose by €412.4 million to €2,165.9 million (PY: €1,753.5 million) as at the end of 2022. The increase is primarily attributable to a higher issue volume of commercial paper. This resulted in liabilities totaling €367.3 million (PY: €17.1 million). As at the end of 2022, the utilization of sale-of-receivables programs, at €323.9 million (PY: €286.8 million), was only slightly higher than in the previous year. Three sale-of-receivables programs with a maximum financing volume of €400.0 million were used within the Continental Group as at the end of 2022, the same as in the previous year.

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

Net indebtedness increased by €733.9 million compared with the end of 2021 to €4,499.4 million (PY: €3,765.5 million). The gearing ratio rose year-on-year to 32.8% (PY: 29.7%).

As at December 31, 2022, the Continental Group had liquidity reserves totaling €7,561.5 million (PY: €7,149.4 million), consisting of cash and cash equivalents of €2,988.0 million (PY: €2,269.1 million) and committed, unutilized credit lines of €4,573.5 million (PY: €4,880.3 million).

The restrictions that may impact the availability of capital are also understood to comprise all existing restrictions on the cash and cash equivalents. In the Continental Group, the aforementioned cash and cash equivalents are restricted with regard to pledged amounts and balances in countries with foreign-exchange restrictions or other barriers to accessing liquidity. The assessment of any restrictions related to cash and cash equivalents is made on each respective reporting date. Taxes to be paid on the transfer of cash assets from one country to another are not usually considered to represent a restriction on cash and cash equivalents. As at December 31, 2022, unrestricted cash and cash equivalents totaled €2,441.3 million (PY: €1,998.2 million).

### Reconciliation of net indebtedness

| € millions | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Long-term indebtedness | 4,006.0 | 4,643.2 |
| Short-term indebtedness | 3,688.7 | 1,617.3 |
| Long-term derivative instruments and interest-bearing investments | –105.8 | –113.2 |
| Short-term derivative instruments and interest-bearing investments | –101.5 | –112.7 |
| Cash and cash equivalents | –2,988.0 | –2,269.1 |
| **Net indebtedness** | **4,499.4** | **3,765.5** |

### Reconciliation of change in net indebtedness

| € millions | 2022 | 2021 |
|---|---|---|
| **Net indebtedness from continuing and discontinued operations at the beginning of the reporting period** | **3,765.5** | **4,139.1** |
| | | |
| Cash flow arising from operating activities | 2,295.5 | 2,954.4 |
| Cash flow arising from investing activities | –2,204.9 | –1,582.0 |
| **Cash flow before financing activities (free cash flow)** | **90.6** | **1,372.4** |
| Dividends paid | –440.0 | – |
| Dividends paid to and cash changes from equity transactions with non-controlling interests | –16.9 | –29.3 |
| Non-cash changes | –318.8 | –163.7 |
| Other | –3.1 | –9.2 |
| Exchange-rate effects | –45.7 | 44.8 |
| **Change in net indebtedness** | **–733.9** | **1,215.0** |
| Less net indebtedness from discontinued operations at the time of disposal | n. a. | –841.4 |
| | | |
| **Net indebtedness at the end of the reporting period** | **4,499.4** | **3,765.5** |

**Net Assets Position**

- **Equity at €13.7 billion**
- **Equity ratio at 36.2%**
- **Gearing ratio at 32.8%**

### Total assets

At €37,926.7 million (PY: €35,640.1 million), total assets as at December 31, 2022, were €2,286.6 million higher than on the same date in the previous year.

### Non-current assets

Non-current assets fell by €796.6 million year-on-year to €18,788.7 million (PY: €19,585.3 million). Owing to higher interest rates and other valuation-related effects, goodwill was impaired by €552.9 million. Before exchange-rate effects and changes in the scope of consolidation, this impairment loss reduced the carrying amount of goodwill to €3,218.2 million (PY: €3,711.8 million). Other intangible assets fell by €114.0 million to €973.7 million (PY: €1,087.7 million). Property, plant and equipment increased by €55.6 million to €11,467.2 million (PY: €11,411.6 million).

### Current assets

Current assets rose by €3,083.2 million to €19,138.0 million (PY: €16,054.8 million). Due to higher procurement costs and stockbuilding, inventories in the reporting year grew by €1,735.9 million to €6,729.6 million (PY: €4,993.7 million). Trade accounts receivable rose by €678.2 million to €7,767.7 million (PY: €7,089.5 million), due primarily to the sharp increase in sales, partly as a result of price adjustments, and lower cash receipts as at the end of the reporting period. At €2,988.0 million, cash and cash equivalents were up €718.9 million from €2,269.1 million on the same date in the previous year.

### Equity

Total equity (including non-controlling interests) was €1,066.5 million higher than in the previous year at €13,735.0 million (PY: €12,668.5 million). Other comprehensive income increased by €1,416.6 million to -€1,318.9 million (PY: -€2,735.5 million). This was primarily attributable to the adjustment of pension provisions to reflect higher discount rates. The gearing ratio changed from 29.7% to 32.8%. The equity ratio increased to 36.2% (PY: 35.5%).

### Non-current liabilities

At €7,359.9 million, non-current liabilities were down €2,969.5 million from €10,329.4 million in the previous year. This decline is mostly due to a decrease in long-term employee benefits of €2,119.5 million to €2,623.5 million (PY: €4,743.0 million). The decrease resulted primarily from the remeasurement of defined benefit pension plans in the amount of €2,322.4 million due to higher discount rates. The reacquisition of shares in ContiTech AG, Hanover, from Continental Pension Trust e. V., Hanover, totaling €496.3 million also led to a further reduction in long-term employee benefits, as it resulted in plan assets in the pension trust being offset. Long-term provisions for other risks and obligations were lower by €163.6 million at €624.1 million (PY: €787.7 million). Long-term indebtedness decreased by €637.2 million to €4,006.0 million (PY: €4,643.2 million).

### Current liabilities

At €16,831.8 million, current liabilities were up €4,189.6 million from €12,642.2 million in the previous year. The main factor causing this increase was short-term indebtedness, which rose by €2,071.4 million to €3,688.7 million (PY: €1,617.3 million). Trade accounts payable also rose by €1,771.6 million to €7,637.0 million (PY: €5,865.4 million).

### Operating assets

Operating assets rose by €606.2 million year-on-year to €19,555.6 million as at December 31, 2022 (PY: €18,949.4 million).

Working capital was up €852.0 million at €7,111.5 million (PY: €6,259.5 million). This development was due to a €1,735.9 million increase in inventories to €6,729.6 million (PY: €4,993.7 million) and a €887.7 million rise in operating receivables to €8,018.9 million (PY: €7,131.2 million). Operating liabilities had an offsetting effect, rising by €1,771.6 million to €7,637.0 million (PY: €5,865.4 million).

Non-current operating assets were down €519.2 million year-on-year at €16,403.2 million (PY: €16,922.4 million). Goodwill fell by €493.6 million to €3,218.2 million (PY: €3,711.8 million), with €552.9 million of the decrease attributable to impairment. This was offset by exchange-rate effects of €38.9 million and additions from acquisitions of €20.4 million. Property, plant and equipment rose by €55.6 million to €11,467.2 million (PY: €11,411.6 million). Other intangible assets fell by €114.0 million to €973.7 million (PY: €1,087.7 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €149.7 million (PY: €159.0 million) reduced the value of intangible assets.

In the ContiTech group sector, ContiTech USA, Inc., Wilmington, Delaware, USA, acquired 100% of the shares in WCCO Belting LLC, Wilmington, Delaware, USA. This increased operating assets by €81.7 million. Three additional share deals added €8.5 million to operating assets.

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

Exchange-rate effects increased the Continental Group's total operating assets by €258.3 million (PY: €657.2 million).

Average operating assets rose by €1,856.8 million year-on-year to €20,272.9 (PY: €18,416.1 million).

## Consolidated statement of financial position

| Assets in € millions | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Goodwill | 3,218.2 | 3,711.8 |
| Other intangible assets | 973.7 | 1,087.7 |
| Property, plant and equipment | 11,467.2 | 11,411.6 |
| Investments in equity-accounted investees | 305.1 | 305.9 |
| Long-term miscellaneous assets[1] | 2,824.5 | 3,068.3 |
| **Non-current assets[1]** | **18,788.7** | **19,585.3** |
| Inventories | 6,729.6 | 4,993.7 |
| Trade accounts receivable | 7,767.7 | 7,089.5 |
| Short-term miscellaneous assets | 1,652.7 | 1,702.5 |
| Cash and cash equivalents | 2,988.0 | 2,269.1 |
| **Current assets** | **19,138.0** | **16,054.8** |
| **Total assets[1]** | **37,926.7** | **35,640.1** |

| Equity and liabilities in € millions | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| **Total equity[1]** | **13,735.0** | **12,668.5** |
| **Non-current liabilities** | **7,359.9** | **10,329.4** |
| Trade accounts payable | 7,637.0 | 5,865.4 |
| Short-term other provisions and liabilities[1] | 9,194.8 | 6,776.8 |
| **Current liabilities[1]** | **16,831.8** | **12,642.2** |
| **Total equity and liabilities[1]** | **37,926.7** | **35,640.1** |
| | | |
| **Net indebtedness** | **4,499.4** | **3,765.5** |
| **Gearing ratio in %[1]** | **32.8** | **29.7** |

*1 In the year under review, the Continental Group changed the methodology used for the recognition of uncertain tax positions. The comparative period has been adjusted accordingly. For more information, see Note 2 (General Information and Accounting Principles) of the notes to the consolidated financial statements.*

## Reconciliation to operating assets in 2022

| € millions | Automotive | Tires | ContiTech | Contract Manufacturing | Other/ Holding/ Consolidation | Continental Group |
|---|---|---|---|---|---|---|
| **Total assets** | **15,255.7** | **10,800.6** | **4,686.5** | **759.0** | **6,424.9** | **37,926.7** |
| Cash and cash equivalents | – | – | – | – | 2,988.0 | 2,988.0 |
| Short- and long-term derivative instruments, interest-bearing investments | – | – | – | – | 207.3 | 207.3 |
| Other financial assets | 52.0 | 35.0 | 6.1 | 0.3 | 30.5 | 123.9 |
| **Less financial assets** | **52.0** | **35.0** | **6.1** | **0.3** | **3,225.8** | **3,319.2** |
| **Less other non-operating assets** | **–147.0** | **–14.4** | **4.0** | **0.3** | **536.6** | **379.5** |
| Deferred tax assets | – | – | – | – | 2,059.2 | 2,059.2 |
| Income tax receivables | – | – | – | – | 277.6 | 277.6 |
| **Less income tax assets** | **–** | **–** | **–** | **–** | **2,336.8** | **2,336.8** |
| **Segment assets** | **15,350.7** | **10,780.0** | **4,676.4** | **758.4** | **325.7** | **31,891.2** |
| | | | | | | |
| **Total liabilities and provisions** | **8,402.2** | **4,053.5** | **2,015.5** | **272.0** | **9,448.5** | **24,191.7** |
| Short- and long-term indebtedness | – | – | – | – | 7,694.7 | 7,694.7 |
| Other financial liabilities | – | – | – | – | 520.3 | 520.3 |
| **Less financial liabilities** | **–** | **–** | **–** | **–** | **8,215.0** | **8,215.0** |
| Deferred tax liabilities | – | – | – | – | 57.5 | 57.5 |
| Income tax payables | – | – | – | – | 525.7 | 525.7 |
| **Less income tax liabilities** | **–** | **–** | **–** | **–** | **583.2** | **583.2** |
| **Less other non-operating liabilities** | **1,374.1** | **642.8** | **508.5** | **44.8** | **487.7** | **3,057.9** |
| **Segment liabilities** | **7,028.1** | **3,410.7** | **1,507.0** | **227.2** | **162.6** | **12,335.6** |
| | | | | | | |
| **Operating assets** | **8,322.6** | **7,369.3** | **3,169.4** | **531.2** | **163.1** | **19,555.6** |

## Reconciliation to operating assets in 2021

| € millions | Automotive | Tires | ContiTech | Contract Manufacturing | Other/ Holding/ Consolidation | Continental Group |
|---|---|---|---|---|---|---|
| **Total assets[1]** | **14,515.8** | **9,754.6** | **4,418.8** | **1,036.5** | **5,914.4** | **35,640.1** |
| Cash and cash equivalents | – | – | – | – | 2,269.1 | 2,269.1 |
| Short- and long-term derivative instruments, interest-bearing investments | – | – | – | – | 225.9 | 225.9 |
| Other financial assets | 47.5 | 28.8 | 5.7 | 0.4 | 17.0 | 99.4 |
| **Less financial assets** | **47.5** | **28.8** | **5.7** | **0.4** | **2,512.0** | **2,594.4** |
| **Less other non-operating assets** | **14.7** | **42.6** | **5.1** | **0.3** | **524.4** | **587.1** |
| Deferred tax assets[1] | – | – | – | – | 2,328.8 | 2,328.8 |
| Income tax receivables | – | – | – | – | 303.4 | 303.4 |
| **Less income tax assets[1]** | **–** | **–** | **–** | **–** | **2,632.2** | **2,632.2** |
| **Segment assets** | **14,453.6** | **9,683.2** | **4,408.0** | **1,035.8** | **245.8** | **29,826.4** |
| | | | | | | |
| **Total liabilities and provisions[1]** | **8,659.1** | **4,098.5** | **2,025.6** | **388.5** | **7,799.9** | **22,971.6** |
| Short- and long-term indebtedness | – | – | – | – | 6,260.5 | 6,260.5 |
| Other financial liabilities | – | – | – | – | 26.9 | 26.9 |
| **Less financial liabilities** | **–** | **–** | **–** | **–** | **6,287.4** | **6,287.4** |
| Deferred tax liabilities | – | – | – | – | 101.6 | 101.6 |
| Income tax payables[1] | – | – | – | – | 472.2 | 472.2 |
| **Less income tax liabilities[1]** | **–** | **–** | **–** | **–** | **573.8** | **573.8** |
| **Less other non-operating liabilities[1]** | **2,669.3** | **963.5** | **713.6** | **106.6** | **780.4** | **5,233.4** |
| **Segment liabilities** | **5,989.8** | **3,135.0** | **1,312.0** | **281.9** | **158.3** | **10,877.0** |
| | | | | | | |
| **Operating assets** | **8,463.8** | **6,548.2** | **3,096.0** | **753.9** | **87.5** | **18,949.4** |

*1 In the year under review, the Continental Group changed the methodology used for the recognition of uncertain tax positions. The comparative period has been adjusted accordingly. For more information, see Note 2 (General Information and Accounting Principles) of the notes to the consolidated financial statements.*

## In the Spotlight

### Financial Support from Public Authorities

**Source:** 2022 Annual Report > Consolidated Financial Statements > Notes to the Consolidated Financial Statements > Notes to the Consolidated Statement of Income >
7. Research and Development Expenses (p. 151), 8. Other Income and Expenses (p. 152), 13. Grants in Connection with the COVID-19 Pandemic (p. 157)
and 2022 Annual Report> Consolidated Financial Statements > Notes to the Consolidated Financial Statements > Notes to the Consolidated Statement of Financial Position >15. Property, Plant and Equipment (p. 160)

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

Research and Development:
The research and development expenses include government grants totaling €44.4 million (PY: €43.9 million).

Assets:
In addition, government grants amounting to €7.2 million (PY: €7.5 million) that were not intended for investments in non-current assets were received and recognized in profit or loss in the “Other” item.

COVID-19 Pandemic:
Government grants paid to the Continental Group as a result of the COVID-19 pandemic totaled €2.5 million (PY: €10.3 million) in the year under review and were recognized in the income statement. These primarily include reimbursements of social security contribu-tions in the amount of €1.5 million (PY: €4.5 million), the majority of which relate to short-time work income.

Property, Plant and Equipment:
Government investment grants of €32.9 million (PY: €86.7 million) were deducted directly from cost.

# Good Working Conditions

## Management Approach

**Source:** 2022Annual Report > Management Report > Corporate Profile > Sustainability and Combined Non-Financial Statement (starting p. 39)

### Our ambition

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

### Concept

The Continental Group's Code of Conduct sets out the foundation for good working conditions as the basis of our global collaboration, including respect for human rights and fair working conditions. Employees receive training on compliance with the Code of Conduct. The management system being rolled out for a responsible value chain also includes the company's own activities (see responsible value chain).

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

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

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

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

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

### Results of the concept

In fiscal 2022, the Sustainable Engagement index was 80% (PY: 80%) and therefore on par with the previous year.

The sickness rate was unchanged at 3.7% (PY: 3.7%). For the unforced fluctuation rate, we recorded a slight increase to 7.8% (PY: 7.0%).

Information about personnel expenses in fiscal 2022 (i.e. wages and salaries, social security contributions and pension and post-employment benefit costs) can be found in Note 9 of the notes to the consolidated statement of income in this annual report. Employee benefits such as pensions, post-employment benefits and long-term bonus payments are broken down in Note 29 of the notes to the consolidated statement of financial position.

| **Good working conditions performance indicators** | 2022 | 2021 |
|---|---|---|
| OUR BASICS Live Sustainable Engagement index in %[1, 2] | 80 | 80 |
| Sickness rate in %[3, 4] | 3.7 | 3.7 |
| Unforced fluctuation rate in %[4, 5] | 7.8 | 7.0 |

*1 Definition: employee agreement on topics relating to sustainable engagement in the employee survey OUR BASICS Live.*
*2 This is based on the responses of 46,199 participants (PY: 47,472 participants) as a representative random sample of Continental's group sectors and countries. The participation rate was 75% (PY: 75%).*
*3 Definition: sickness-related absence relative to contractual work time.*
*4 Excluding leasing personnel (i.e. permanent staff only).*
*5 Definition: voluntary departure of employees from the company relative to the average number of employees.*

## Personnel Expenses

**Source**: 2022 Annual Report > Consolidated Financial Statements > Notes to the Consolidated Financial Statements > Notes to the Consolidated Statement of Income > 9. Personnel Expenses (p. 154)

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

| € millions | 2022 | 2021 |
|---|---|---|
| Wages and salaries | 8,257.0 | 7,547.3 |
| Social security contributions | 1,580.8 | 1,474.8 |
| Pension and post-employment benefit costs | 334.7 | 414.7 |
| **Personnel expenses** | **10,172.5** | **9,436.8** |

Compared with the 2021 reporting year, personnel expenses increased by €735.7 million to €10,172.5 million (PY: €9,436.8 million).

The average number of employees in 2022 was 195,203 (PY: 193,451). As at the end of the year, there were 199,038 (PY: 190,875) employees in the Continental Group.

The year-on-year increase in personnel expenses was mainly due to higher wages and salaries and exchange-rate effects.

Social security contributions of the companies of the Continental Group (employer contributions) amounted to €325.3 million in the reporting year. The previous year's figure of €262.1 million was based on the main German companies of the Continental Group.

## Employee Benefits

**Source:** 2022 Annual Report > Consolidated Financial Statements > Notes to the Consolidated Financial Statements > Notes to the Consolidated Statement of Financial Position > 29. Employee Benefits (starting p. 177)

The following table outlines the employee benefits:

| | Dec. 31, 2022 | | Dec. 31, 2021 | |
|---|---|---|---|---|
| € millions | Short-term | Long-term | Short-term | Long-term |
| Pension provisions (unfunded obligations and net liabilities from obligations and related funds) | – | 2,199.8 | – | 4,286.8 |
| Provisions for other post-employment benefits | – | 133.2 | – | 168.7 |
| Provisions for similar obligations | 1.3 | 44.9 | 1.4 | 49.1 |
| Other employee benefits | – | 232.1 | – | 225.3 |
| Liabilities for workers' compensation | 31.1 | 13.5 | 29.4 | 13.1 |
| Liabilities for payroll and personnel-related costs | 848.6 | – | 808.4 | – |
| Termination benefits | 40.1 | – | 71.6 | – |
| Liabilities for social security | 162.2 | – | 164.3 | – |
| Liabilities for vacation | 191.4 | | 168.4 | – |
| **Employee benefits** | **1,274.7** | **2,623.5** | **1,243.5** | **4,743.0** |
| **Defined benefit assets (difference between pension obligations and related funds)** | | **93.1** | | **101.6** |

**Long-term employee benefits**

Pension plans

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

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

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

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

Defined benefit plans

Defined benefit plans include pension plans, termination indemnities regardless of the reason for the end of employment and other post-employment benefits. As a result of the significant increase in the number of employees in recent years and the high level of acquisition activity, pension obligations essentially relate to active employees. The defined benefit pension plans cover 158,452 beneficiaries, including 107,078 active employees, 23,017 former employees with vested benefits, and 28,357 retirees and surviving dependents. The pension obligations are concentrated in four countries: Germany, the USA, the United Kingdom and Canada, which account for more than 90% of total pension obligations.

The weighted average term of the defined benefit pension obligations is around 15 years. This term is based on the present value of the obligations.

Germany

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

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

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

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

In the reporting period, Continental AG reacquired a €475.6 million share in ContiTech AG, Hanover, from Continental Pension Trust e. V., Hanover. Furthermore, an additional purchase price of €20.7 million was agreed for the sale of the former compensation payment by ContiTech AG, Hanover. The purchase price and the additional purchase price will become due on January 31, 2024, at the latest. The purchase price claim of Continental Pension Trust e. V., Hanover, constitutes plan assets as defined in IAS 19, *Employee Benefits*, and is therefore reported net against the corresponding obligations.

Some prior commitments were granted through two legally independent pension contribution funds. Pensionskasse für Angestellte der Continental Aktiengesellschaft VVaG and Pensionskasse von 1925 der Phoenix AG VVaG have been closed since March 1,1984, and July 1, 1983, respectively. The pension contribution funds are smaller associations within the meaning of Section 53 of the German Insurance Supervision Act *(Versicherungsaufsichtsgesetz – VAG)* and are subject to the supervision of the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht). The investment regulations are in accordance with the legal requirements and risk structure of the obligations. The pension contribution funds have tariffs with an interest rate of 2.6%. Under the German Company Pensions Law *(Betriebsrentengesetz – BetrAVG)*, Continental is ultimately liable for the implementation path of the pension contribution fund. In accordance with IAS 19, *Employee Benefits*, the pension obligations covered by the pension contribution fund are therefore defined benefit pension plans. The pension contribution funds met their minimum net funding requirement as at December 31, 2022. However, given that only the plan members are entitled to the assets and amounts generated, the benefit obligations are recognized in the same amount as the existing assets at fair value.

Continental also supports private contribution through deferred compensation schemes.

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

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

USA

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

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

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

Due to the rise in interest rates, further efforts are currently being made to push for additional funding.

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

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

### United Kingdom

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

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

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

Our pension strategy in the UK focuses on reducing risks and includes the option of partial or complete funding by purchasing annuities. The rise in interest rates currently presents opportunities to push for partial or complete funding.

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

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

The most recent technical valuations of the four defined benefit pension plans took place with their valuation dates between December 2018 and December 2020 and led to the following result:

- Continental Teves UK Employee Benefit Scheme (assessment as at December 31, 2020): Due to the extraordinary allocation in 2021 of GBP 10.0 million and the scheduled payment of GBP 1.4 million in October 2021, there is no need for a recovery plan and therefore no further allocations are currently envisaged.

- Continental Group Pension and Life Assurance Scheme: An agreement was concluded with an insurer in 2019 for a complete buy-out through the acquisition of annuities. The necessary data clarifications progressed in 2022 but have not yet been finalized. Implementation has been further delayed and will not be completed until 2023 at the earliest.

- Mannesmann UK Pension Scheme (assessment as at March 31, 2019): As part of the assessment, an agreement was resolved on a minimum annual endowment of GBP 75,000 for the period from April 1, 2019, to September 30, 2019; a minimum monthly endowment of GBP 100,000 for the period from October 1, 2019, to March 31, 2020; a minimum monthly endowment of GBP 150,000 for the period from April 1, 2020, to March 31, 2021; a minimum monthly endowment of GBP 175,000 for the period from April 1, 2021, to March 31, 2023; and a minimum monthly endowment of GBP 200,000 for the period from April 1, 2023, to August 31, 2026. The assessment as at March 31, 2022, was performed, and negotiations between the trustees and the company are ongoing. The valuation process will be completed within the planned 15 months.

- Phoenix Dunlop Oil & Marine Pension Scheme (assessment as at December 31, 2018): As part of the assessment, an agreement was resolved on a minimum annual endowment of GBP 2.2 million and an annual adjustment of 3.5% over a period of four years. Thereafter, there will be an annual payment of GBP 1.4 million and an annual adjustment of 3.5% over a period of another three years. The assessment as at December 31, 2021, was performed, and negotiations between the trustees and the company are at an advanced stage. The valuation process will be completed within the planned 15 months.

### Canada

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

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

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

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

| | 2022 | | | | | | 2021 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **€ millions** | **Germany** | **USA** | **Canada** | **UK** | **Other** | **Total** | Germany | USA | Canada | UK | Other | Total |
| **Defined benefit obligations as at January 1** | **5,368.8** | **1,071.6** | **43.2** | **423.7** | **341.3** | **7,248.6** | **6,570.2** | **1,139.0** | **125.6** | **426.1** | **386.9** | **8,647.8** |
| Exchange-rate differences | – | 69.2 | 0.4 | -16.8 | 6.6 | **59.4** | – | 89.1 | 7.7 | 29.1 | 5.3 | 131.2 |
| Current service cost | 185.1 | 2.9 | 1.6 | 1.7 | 22.5 | **213.8** | 287.3 | 5.0 | 1.9 | 2.2 | 25.2 | 321.6 |
| Service cost from plan amendments | – | 3.7 | – | – | 0.5 | **4.2** | – | – | – | – | 30.1 | 30.1 |
| Curtailments/settlements | – | – | – | – | -3.1 | **-3.1** | – | – | – | – | -2.4 | -2.4 |
| Interest on defined benefit obligations | 80.8 | 32.0 | 1.4 | 7.8 | 11.5 | **133.5** | 51.3 | 27.3 | 2.6 | 6.1 | 8.8 | 96.1 |
| Actuarial gains/losses from changes in demographic assumptions | – | – | – | -1.2 | -0.4 | **-1.6** | – | 3.5 | – | -1.9 | 0.2 | 1.8 |
| Actuarial gains/losses from changes in financial assumptions | -1,816.2 | -255.4 | -12.2 | -149.6 | -57.7 | **-2,291.1** | -591.9 | -51.4 | -8.5 | -16.2 | -18.3 | -686.3 |
| Actuarial gains/losses from experience adjustments | 8.5 | 8.6 | 0.2 | 12.6 | 8.5 | **38.4** | -1.5 | 0.6 | -1.3 | -5.0 | -3.8 | -11.0 |
| Net changes in the scope of consolidation | – | – | – | – | 0.2 | **0.2** | -837.5 | -80.0 | -80.1 | – | -61.8 | -1,059.4 |
| Employee contributions | – | – | 0.4 | 0.1 | -0.6 | **-0.1** | – | – | 0.3 | 0.1 | -0.6 | -0.2 |
| Other changes | 3.4 | – | 0.0 | – | -0.2 | **3.2** | 0.7 | – | – | – | -0.3 | 0.4 |
| Benefit payments | -115.5 | -66.8 | -2.3 | -16.6 | -34.2 | **-235.4** | -109.8 | -61.5 | -5.0 | -16.8 | -28.0 | -221.1 |
| **Defined benefit obligations as at December 31** | **3,714.9** | **865.8** | **32.7** | **261.7** | **294.9** | **5,170.0** | **5,368.8** | **1,071.6** | **43.2** | **423.7** | **341.3** | **7,248.6** |

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

| | 2022 | | | | | | 2021 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **€ millions** | **Germany** | **USA** | **Canada** | **UK** | **Other** | **Total** | Germany | USA | Canada | UK | Other | Total |
| **Fair value of fund assets as at January 1** | **1,331.0** | **1,112.0** | **39.1** | **441.2** | **141.0** | **3,064.3** | **1,368.2** | **1,157.5** | **105.9** | **408.8** | **162.8** | **3,203.2** |
| Exchange-rate differences | – | 72.0 | 0.2 | -18.6 | 1.3 | **54.9** | – | 91.5 | 6.6 | 28.9 | 0.8 | 127.8 |
| Interest income from pension funds | 17.3 | 33.0 | 1.3 | 8.1 | 4.1 | **63.8** | 13.6 | 27.8 | 2.2 | 5.9 | 4.0 | 53.5 |
| Actuarial gains/losses from fund assets | -99.5 | -272.4 | -8.6 | -119.9 | -9.2 | **-509.6** | 33.1 | -35.4 | 4.3 | -5.0 | 1.5 | -1.5 |
| Employer contributions | 51.1 | 5.5 | 1.7 | 5.6 | 15.2 | **79.1** | 50.0 | 4.0 | 2.7 | 19.3 | 13.3 | 89.3 |
| Employee contributions | – | – | 0.4 | 0.1 | 0.1 | **0.6** | – | – | 0.3 | 0.1 | 0.9 | 1.3 |
| Net changes in the scope of consolidation | – | -7.1 | – | – | – | **-7.1** | -109.6 | -70.2 | -77.5 | – | -24.1 | -281.4 |
| Other changes | 496.4 | 5.4 | -0.2 | – | 0.4 | **502.0** | – | -1.7 | -0.4 | – | -0.1 | -2.2 |
| Benefit payments | -74.0 | -66.8 | -2.3 | -16.6 | -24.0 | **-183.7** | -24.3 | -61.5 | -5.0 | -16.8 | -18.1 | -125.7 |
| **Fair value of fund assets as at December 31** | **1,722.3** | **881.6** | **31.6** | **299.9** | **128.9** | **3,064.3** | **1,331.0** | **1,112.0** | **39.1** | **441.2** | **141.0** | **3,064.3** |

The carrying amount consisting of the defined benefit assets and the pension provisions decreased by €2,078.5 million compared with the previous year. This was primarily due to actuarial gains in all countries.

The defined benefit assets decreased by €8.5 million year-on-year. This resulted primarily from the rise in actuarial gains in all countries.

€5,079.7 million (PY: €7,135.8 million) of the defined benefit obligations as at December 31, 2022, related to plans that are fully or partially funded, and €90.3 million (PY: €112.8 million) related to plans that are unfunded.

The €2,078.6 million decrease in the defined benefit obligations compared with December 31, 2021, resulted in particular from actuarial gains from changes in financial assumptions.

The fund assets in Germany include the CTA assets amounting to €1,406.2 million (PY: €996.6 million), pension contribution fund assets of €185.7 million (PY: €211.8 million) and insurance annuity contracts amounting to €130.4 million (PY: €122.3 million). In the previous year, the fund assets also included plan assets in the amount of €0.3 million.

Fund assets in the reporting year were €3,064.3 million, the same as in the previous year. The reacquisition of a €475.6 million share in ContiTech AG, Hanover, from Continental Pension Trust e. V., Hanover, increased fund assets. Conversely, actuarial losses reduced fund assets.

Actuarial gains and losses on fund assets in Germany resulted from actuarial gains of €101.2 million (PY: €33.1 million) from the CTAs.

In the Continental Group, there are pension contribution funds for previously defined contributions in Germany that have been closed to new entrants since July 1, 1983, and March 1, 1984, respectively. As at December 31, 2022, the minimum net funding requirement was exceeded; Continental AG has no requirement to make additional contributions. The pension fund assets had a fair value of €185.8 million as at December 31, 2022 (PY: €211.8 million). The pension contribution funds have tariffs with an interest rate of 2.6%. Under the German Company Pensions Law, Continental AG is ultimately liable for the implementation path of the pension contribution fund. It therefore constitutes a defined benefit pension plan that must be reported in line with the development of pension provisions. However, given that only the plan members are entitled to the assets and income generated, the benefit obligations are recognized in the same amount as the existing assets at fair value.

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

| | **Dec. 31, 2022** | | | | | | Dec. 31, 2021 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **€ millions** | **Germany** | **USA** | **Canada** | **UK** | **Other** | **Total** | Germany | USA | Canada | UK | Other | Total |
| **Funded status[1]** | **-1,992.6** | **15.8** | **-1.1** | **38.2** | **-166.0** | **-2,105.7** | **-4,037.8** | **40.4** | **-4.1** | **17.5** | **-200.3** | **-4,184.3** |
| Asset ceiling | – | – | – | – | -1.0 | **-1.0** | – | – | – | – | -0.9 | -0.9 |
| **Carrying amount** | **-1,992.6** | **15.8** | **-1.1** | **38.2** | **-167.0** | **-2,106.7** | **-4,037.8** | **40.4** | **-4.1** | **17.5** | **-201.2** | **-4,185.2** |

*1 Difference between fund assets and defined benefit obligations.*

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

| | **Dec. 31, 2022** | | | | | | Dec. 31, 2021 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **€ millions** | **Germany** | **USA** | **Canada** | **UK** | **Other** | **Total** | Germany | USA | Canada | UK | Other | Total |
| Defined benefit assets | – | 40.4 | 0.7 | 42.8 | 9.2 | **93.1** | – | 69.6 | – | 22.9 | 9.1 | 101.6 |
| Pension provisions | -1,992.6 | -24.6 | -1.8 | -4.6 | -176.2 | **-2,199.8** | -4,037.8 | -29.2 | -4.1 | -5.4 | -210.3 | -4,286.8 |
| **Carrying amount** | **-1,992.6** | **15.8** | **-1.1** | **38.2** | **-167.0** | **-2,106.7** | **-4,037.8** | **40.4** | **-4.1** | **17.5** | **-201.2** | **-4,185.2** |

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

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

| | 2022 | | | | | 2021 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **%** | **Germany[1]** | **USA** | **Canada** | **UK** | **Other** | Germany[1] | USA | Canada | UK | Other |
| Discount rate | 3.65 | 5.40 | 5.25 | 4.80 | 5.96 | 1.25 | 2.80 | 3.20 | 1.90 | 3.40 |
| Long-term salary growth rate | 3.00 | 0.00 | 3.00 | 1.30 | 4.37 | 3.00 | 0.00 | 3.00 | 1.36 | 3.18 |

*1 Not including the pension contribution funds.*

Another parameter for measuring the pension obligation is the long-term pension trend. The following weighted average long-term pension trend was used as at December 31, 2022, for the key countries: Germany 2.20% (PY: 1.75%), Canada 0.0% (PY: 0.0%) and the United Kingdom 3.3% (PY: 3.5%). For the USA, the long-term pension trend does not constitute a significant measurement parameter.

The pension trend increased from 1.75% to 2.20% as at December 31, 2022, due to inflation and the associated pension increases in Germany.

Net pension cost can be summarized as follows:

| | 2022 | | | | | | 2021 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **€ millions** | **Germany** | **USA** | **Canada** | **UK** | **Other** | **Total** | Germany | USA | Canada | UK | Other | Continuing operations | Continuing and discontinued operations |
| Current service cost | 185.1 | 2.9 | 1.6 | 1.7 | 22.5 | 213.8 | 247.1 | 5.0 | 1.9 | 2.2 | 21.9 | 278.1 | 321.6 |
| Service cost from plan amendments | – | 3.7 | – | – | 0.5 | 4.2 | – | – | – | – | 30.1 | 30.1 | 30.1 |
| Curtailments/settlements | – | – | – | – | -3.1 | -3.1 | – | – | – | – | -1.8 | -1.8 | -2.4 |
| Interest on defined benefit obligations | 80.8 | 32.0 | 1.4 | 7.8 | 11.5 | 133.5 | 46.2 | 26.7 | 1.2 | 6.1 | 7.5 | 87.7 | 96.1 |
| Expected return on the pension funds | -17.3 | -33.0 | -1.3 | -8.1 | -4.1 | -63.8 | -12.8 | -27.2 | -0.9 | -5.9 | -3.3 | -50.1 | -53.5 |
| Effect of change of asset ceiling | – | – | – | – | 0.1 | 0.1 | – | – | – | – | 0.0 | 0.0 | 0.0 |
| Other pension income and expenses | – | 1.7 | 0.2 | – | 0.0 | 1.9 | – | 1.5 | 0.2 | – | -0.2 | 1.5 | 2.0 |
| **Net pension cost** | **248.6** | **7.3** | **1.9** | **1.4** | **27.4** | **286.6** | **280.5** | **6.0** | **2.4** | **2.4** | **54.2** | **345.5** | **393.9** |

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

| | 2022 | | | | | | 2021 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **€ millions** | **Germany** | **USA** | **Canada** | **UK** | **Other** | **Total** | Germany | USA | Canada | UK | Other | Continuing operations | Continuing and discontinued operations |
| Actuarial gains/losses from defined benefit obligations | -1,807.7 | -246.8 | -12.0 | -138.2 | -49.6 | -2,254.3 | 527.2 | 46.4 | -5.8 | 23.1 | -21.5 | 569.4 | 640.9 |
| Actuarial gains/losses from fund assets | 99.5 | 272.4 | 8.6 | 119.9 | 9.2 | 509.6 | 29.9 | -36.9 | -1.5 | -5.0 | -0.8 | -14.3 | -6.1 |
| Actuarial gains/losses from asset ceiling | – | – | – | – | -0.1 | -0.1 | – | – | – | – | 0.7 | 0.7 | -0.2 |
| **Actuarial gains/losses** | **-1,708.2** | **25.6** | **-3.4** | **-18.3** | **-40.5** | **-1,744.8** | **557.1** | **9.5** | **-7.3** | **18.1** | **-21.6** | **555.8** | **634.6** |

Actuarial gains and losses arise from increases or decreases in the present value of the defined benefit obligation due to changes in the actuarial assumptions made. The increase in the discount factor in all countries in the 2022 reporting period compared with 2021 resulted in actuarial gains in all countries. The actuarial gains in the previous fiscal year likewise resulted from a rise in interest rates compared with the prior year.

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

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

| | Dec. 31, 2022 | | | | | Dec. 31, 2021 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **€ millions** | **Germany[1]** | **USA** | **Canada** | **UK** | **Other** | Germany[1] | USA | Canada | UK | Other |
| **0.5% increase** | | | | | | | | | | |
| Effects on service and interest cost | -5.9 | -2.5 | -0.3 | 0.6 | -0.1 | -11.6 | -2.4 | -0.3 | 1.1 | -0.1 |
| Effects on benefit obligations | -270.5 | -37.2 | -2.4 | -15.8 | -12.4 | -501.8 | -57.1 | -3.6 | -35.5 | -16.8 |
| **0.5% decrease** | | | | | | | | | | |
| Effects on service and interest cost | 6.5 | 2.1 | 0.3 | -1.0 | 0.0 | 13.2 | 2.0 | 0.3 | -1.2 | 0.1 |
| Effects on benefit obligations | 308.6 | 40.4 | 2.6 | 17.5 | 13.5 | 587.4 | 62.9 | 4.0 | 39.8 | 18.4 |

*1 Not including the pension contribution funds.*

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

| | Dec. 31, 2022 | | | | Dec. 31, 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| **€ millions** | **Germany** | **USA[1]** | **Canada** | **UK** | Germany | USA[1] | Canada | UK |
| **0.5% increase** | | | | | | | | |
| Effects on benefit obligations | 1.3 | – | 0.6 | 0.9 | 3.7 | – | 0.7 | 2.5 |
| **0.5% decrease** | | | | | | | | |
| Effects on benefit obligations | -1.3 | – | -0.4 | -0.9 | -3.9 | – | -0.6 | -2.5 |

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

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

| | Dec. 31, 2022 | | | | Dec. 31, 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| **€ millions** | **Germany** | **USA[1]** | **Canada** | **UK** | Germany | USA[1] | Canada | UK |
| **0.5% increase** | | | | | | | | |
| Effects on benefit obligations | 109.6 | – | – | 11.6 | 176.0 | – | – | 25.1 |
| **0.5% decrease** | | | | | | | | |
| Effects on benefit obligations | -100.4 | – | – | -11.5 | -159.5 | – | – | -24.9 |

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

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

In addition to the aforementioned sensitivities, the impact of a one-year-longer life expectancy on the value of benefit obligations was computed for the key countries. A one-year increase in life expectancy would lead to a €147.3 million (PY: €270.6 million) increase in the value of the benefit obligations, and that figure would be broken down as follows: Germany €115.1 million (PY: €216.4 million), USA €23.7 million (PY: €35.1 million), United Kingdom €7.9 million (PY: €18.3 million) and Canada €0.6 million (PY: €0.8 million). In Germany, increased payments in the form of pensions rather than capital were assumed in the actuarial valuation, which has the effect of increasing the benefit obligations. For the calculation of pension obligations for domestic plans, life expectancy is based on the 2018 G mortality tables by Prof. Klaus Heubeck. For foreign pension plans, comparable criteria are used for the respective country.

### Plan assets

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

The portfolio structures of the pension funds at the measurement date for the fiscal years 2022 and 2021 are as follows:

| **%** | 2022 | | | | | 2021 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Asset class** | **Germany[1]** | **USA** | **Canada** | **UK** | **Other** | Germany[1] | USA | Canada | UK | Other |
| Equity instruments | 5 | 1 | 61 | 7 | 26 | 6 | 3 | 59 | 14 | 14 |
| Debt securities | 32 | 96 | 38 | 40 | 53 | 51 | 94 | 40 | 31 | 68 |
| Real estate | 9 | – | – | 0 | 2 | 12 | – | – | 1 | 2 |
| Absolute return[2] | 10 | – | 1 | 4 | – | 18 | – | – | 6 | – |
| Cash, cash equivalents and other | 44 | 3 | – | 13 | 19 | 13 | 3 | 1 | 10 | 16 |
| Annuities[3] | – | – | – | 36 | – | – | – | – | 38 | – |
| **Total** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** |

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

The following table shows the cash contributions made by the company to the pension funds for 2022 and 2021 as well as the expected contributions for 2023:

| **€ millions** | 2023 (expected) | **2022** | 2021 |
|---|---|---|---|
| Germany | – | 51.1 | 50.0 |
| USA | 1.1 | 5.5 | 4.0 |
| Canada | 1.6 | 1.7 | 2.3 |
| UK | 5.7 | 5.6 | 19.3 |
| Other | 13.7 | 15.2 | 13.1 |
| **Total** | **22.1** | **79.1** | **88.7** |

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

| **€ millions** | Germany | USA | Canada | UK | Other | **Total** |
|---|---|---|---|---|---|---|
| **Benefits paid** | | | | | | |
| 2021 | 108.0 | 60.2 | 2.4 | 16.8 | 24.2 | **211.6** |
| 2022 | 115.5 | 66.8 | 2.3 | 16.6 | 34.2 | **235.4** |
| **Benefit payments as expected** | | | | | | |
| 2023 | 148.9 | 68.4 | 2.1 | 11.5 | 16.0 | **246.9** |
| 2024 | 141.9 | 68.4 | 1.9 | 11.8 | 21.5 | **245.5** |
| 2025 | 147.3 | 68.6 | 2.2 | 12.6 | 24.5 | **255.2** |
| 2026 | 156.3 | 68.7 | 2.1 | 13.5 | 27.2 | **267.8** |
| 2027 | 162.8 | 68.3 | 2.6 | 14.2 | 28.1 | **276.0** |
| Total of years 2028 to 2032 | 895.9 | 328.1 | 13.1 | 81.2 | 180.3 | **1,498.6** |

The pension payments from 2021 onward relate to lump-sum amounts in connection with fixed service cost benefit plans, as well as annual pension benefits. Furthermore, the earliest eligible date for retirement has been assumed when determining future pension payments. The actual retirement date could occur later. Therefore, the actual payments in future years for present plan members could be lower than the amounts assumed.

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

| **€ millions** | **2022** | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Defined benefit obligations | 5,170.0 | 7,248.6 | 8,647.8 | 7,875.1 | 6,595.3 |
| Fund assets | 3,064.3 | 3,064.3 | 3,203.2 | 3,032.7 | 2,728.5 |
| Funded status | -2,105.7 | -4,184.3 | -5,444.6 | -4,843.9 | -3,866.8 |
| Remeasurement of plan liabilities | -2,254.3 | -695.5 | 704.5 | 997.0 | -2.4 |
| Remeasurement of plan assets | -509.6 | -1.5 | 191.5 | 209.0 | -104.5 |

### Other post-employment benefits

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

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

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

| **€ millions** | **2022** | 2021 |
|---|---|---|
| **Defined benefit obligations as at January 1** | **168.7** | **205.7** |
| Exchange-rate differences | 9.9 | 12.8 |
| Current service cost | 0.9 | 1.2 |
| Curtailments/settlements | 0.4 | 0.0 |
| Interest on healthcare and life insurance benefit obligations | 5.3 | 4.9 |
| Actuarial gains/losses from changes in demographic assumptions | 0.0 | -1.3 |
| Actuarial gains/losses from changes in financial assumptions | -33.9 | -8.0 |
| Actuarial gains/losses from experience adjustments | -5.7 | -3.1 |
| Changes in the scope of consolidation | – | -30.7 |
| Benefit payments | -12.4 | -12.8 |
| **Defined benefit obligations/net amount recognized as at December 31** | **133.2** | **168.7** |

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

| **%** | **2022** | 2021 |
|---|---|---|
| Discount rate | 5.45 | 2.92 |
| Rate of increase in healthcare and life insurance benefits in the following year | 0.48 | 0.48 |
| Long-term rate of increase in healthcare and life insurance benefits | 0.37 | 0.36 |

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

| | **2022** | 2021 | |
|---|---|---|---|
| **€ millions** | | Continuing operations | Continuing and discontinued operations |
| Current service cost | 0.9 | 1.1 | 1.2 |
| Service cost from plan amendments | 0.2 | – | – |
| Curtailments/settlements | 0.2 | 0.0 | 0.0 |
| Interest on healthcare and life insurance benefit obligations | 5.3 | 4.4 | 4.9 |
| **Net cost** | **6.6** | **5.5** | **6.1** |

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

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

| € millions | 2022 | 2021 |
|---|---|---|
| **0.5% increase** | | |
| Effects on service and interest cost | 0.4 | 0.0 |
| Effects on benefit obligations | -5.0 | 1.0 |
| **0.5% decrease** | | |
| Effects on service and interest cost | -0.4 | 0.0 |
| Effects on benefit obligations | 5.5 | -0.9 |

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

| € millions | 2022 | 2021 |
|---|---|---|
| **0.5% increase** | | |
| Effects on service and interest cost | 0.0 | 0.4 |
| Effects on benefit obligations | 0.7 | -8.2 |
| **0.5% decrease** | | |
| Effects on service and interest cost | 0.0 | -0.4 |
| Effects on benefit obligations | -0.6 | 9.1 |

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

| € millions | |
|---|---|
| **Benefits paid** | |
| 2021 | 11.9 |
| 2022 | 12.4 |
| **Benefit payments as expected** | |
| 2023 | 14.3 |
| 2024 | 14.3 |
| 2025 | 14.3 |
| 2026 | 14.2 |
| 2027 | 14.1 |
| Total of years 2028 to 2032 | 42.2 |

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

| € millions | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Defined benefit obligations | 133.2 | 169.5 | 205.7 | 215.9 | 194.9 |
| Funded status | -133.2 | -169.5 | -205.7 | -215.9 | -194.9 |
| Remeasurement of plan liabilities | -39.6 | -12.4 | 16.1 | 13.2 | -15.6 |

### Obligations similar to pensions

Some companies of the Continental Group have made commitments to employees for a fixed percentage of the employees' compensation. These entitlements are paid out when the employment relationship is terminated. In the year under review, expenses from these obligations amounted to €4.5 million (PY: €8.0 million).

### Defined contribution pension plans

The Continental Group offers its employees pension plans in the form of defined contribution plans, particularly in the USA, the UK, Japan and China. Not including social security contributions, expenses from defined contribution pension plans amounted to €80.0 million (PY: €76.4 million) in the fiscal year.

### Other employee benefits

Other employee benefits include provisions for partial early retirement programs and anniversary and other long-service benefits. The provisions for partial early retirement are calculated using a discount rate of 3.32% (PY: 0.0%). Provisions for anniversary and other long-service benefits were calculated using a discount rate of 3.77% (PY: 0.95%). In accordance with the option under IAS 19, *Employee Benefits*, the interest component is reported in the financial result.

### Variable remuneration elements

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

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

### Long-term incentive plans (LTI plans)

Expenses of €3.3 million (PY: €6.4 million) from the addition of provisions for the TIP bonus and the 2020, 2021 and 2022 LTI plans were recognized in the respective function costs.

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

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

- The term of the 2018/21 tranche, which was resolved on March 13, 2018, by the Supervisory Board for the members of the Executive Board and on May 28, 2018, by the Executive Board for senior executives, begins retroactively as at January 1, 2018, and is four years. After the expiry of the 2018/21 LTI tranche in December 2021, the bonus was not paid out in 2022, as the fair value of the tranche as at the payment date was €0.0 million.

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

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

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

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

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

› **2019 Transformation Incentive Plan (TIP):** In 2019, the Continental Group offered its senior executives the possibility of participating in the long-term, sustainable increase in the Continental Group's value by paying a TIP bonus in addition to the fixed salary and the annual variable remuneration. The term of the TIP, which the Executive Board adopted for senior executives on September 2, 2019, extends from October 1, 2019, to December 31, 2021. After the expiry of the TIP bonus in December 2021, the bonus was paid out in June 2022.

  The Executive Board of Continental AG specified the amount of the target bonus (TIP bonus) in euros for each beneficiary of a TIP bonus (senior executives). The TIP bonus is calculated based on a certain number of virtual shares of Continental AG (basic holding), which can increase through two bonus packages, multiplied by the payment share price. The payment share price is the arithmetic mean of Continental AG's closing share prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) on the trading days in the last month prior to the Annual Shareholders' Meeting that follows the end of the term. The TIP bonus, which can total at most 200% of the initial share price, is paid to the respective beneficiary as a gross lump sum at the end of the second complete calendar month following the Annual Shareholders' Meeting that follows the end of the term. Since the basic holding can be increased through two bonus packages, the degree of achievement of two target criteria is decisive for the amount of the TIP bonus. The target criterion of the first bonus package is the results of the OUR BASICS Live corporate survey in 2021. If at least 70% (equally weighted average) of all participants respond positively to the Sustainable Engagement Index, the beneficiary receives additional virtual shares equivalent to 50% of the basic holding. The target criterion of the second bonus package is met if, at the end of the term, the total shareholder return (TSR) on Continental shares equals or exceeds the performance of the STOXX Europe 600 Automobiles & Parts Index. In this case, the beneficiary receives additional virtual shares equivalent to 50% of the basic holding. The TSR on Continental shares corresponds to the sum of the share price performance as at the end of the term and all dividends distributed during the term relative to the share price at the beginning of the term. The share price used in calculating the TSR is the arithmetic mean of the closing prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) on the trading days (i) in the first month of the term ("initial share price") and (ii) in the last month of the term ("final share price").

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

› **2020 to 2022 LTI plan:** From 2020, a new LTI plan was granted to the Executive Board, senior executives and executives that aims to promote long-term commitment to the company and its sustainable growth. Therefore, the long-term TSR of Continental shares, compared with an index consisting of European companies that are active in the automotive and tire industry and comparable with Continental AG (STOXX Europe 600 Automobiles & Parts (SXAGR); hereinafter "benchmark index"), is a key performance criterion for the LTI. The second performance criterion is a sustainability score that is multiplied by the degree of target achievement in order to calculate the LTI to be paid. The amount of the LTI to be paid is based on the performance of the Continental share price over the term of the LTI.

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

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

› The term of the 2022 LTI plan, which was resolved on December 14, 2021, by the Supervisory Board for the members of the Executive Board, and on March 21, 2022, by the Executive Board for senior executives and executives, begins retroactively as at January 1, 2022, and is four years for the Executive Board and three years for senior executives and executives.

› For each beneficiary of the 2020, 2021 and 2022 LTI plan, the Supervisory Board (for the members of the Executive Board) or the Executive Board (for senior executives and executives) of Continental AG agrees an allotment value in euros for the LTI.

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

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

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

The payment amount of the 2020, 2021 and 2022 LTI plan can total at most 200% of the defined initial share price (executives and senior executives) or issue price (Executive Board). The issue price is the average price of the two months before the start of the term.

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

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

The following TSR parameters were used as at the measurement date of December 31, 2022:

- Constant zero rates as at the measurement date of December 31, 2022:
  2019 LTI plan: 2.03% as at the expected payment date;
  2020 LTI plan (senior executives and executives): 1.76% as at the due date and 1.95% as at the end of the payment share price period;
  2020 LTI plan (Executive Board): 2.45% as at the due date and 2.49% as at the end of the payment share price period;
  2021 LTI plan (senior executives and executives): 2.45% as at the due date and 2.49% as at the end of the payment share price period;
  2021 LTI plan (Executive Board): 2.53% as at the due date and 2.52% as at the end of the payment share price period;
  2022 LTI plan (senior executives and executives): 2.52% as at the due date and 2.53% as at the end of the payment share price period;
  2022 LTI plan (Executive Board): 2.51% as at the due date and 2.51% as at the end of the payment share price period.

- Continental share price at year end of €55.98.

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

- Dividend payments as the arithmetic mean based on publicly available estimates for 2023 until 2025; the dividend of Continental AG amounted to €2.20 per share in 2022, and Continental AG distributed a dividend of €0.00 per share in 2021.

- Historical volatilities on the basis of daily Xetra closing rates for Continental shares and the benchmark index based on the respective remaining term for LTI tranches and the 2020 to 2022 LTI plan. The historical Continental share volatilities for the 2020 LTI plan are 45.32% for senior executives and executives and 43.76% for the Executive Board. The volatility for the 2021 LTI plan is 43.76% for senior executives and executives and 39.11% for the Executive Board. The volatility for the 2022 LTI plan is 39.33% for senior executives and executives and 43.14% for the Executive Board. The historical benchmark index volatilities for the 2020 LTI plan are 27.80% for senior executives and executives and 31.11% for the Executive Board. The volatility for the 2021 LTI plan is 31.11% for senior executives and executives and 28.24% for the Executive Board. The volatility for the 2022 LTI plan is 28.25% for senior executives and executives and 33.56% for the Executive Board.

- Historical correlations on the basis of daily Xetra closing rates for the benchmark index based on the respective remaining term of the components of the 2020 to 2022 LTI plans. For the 2020 LTI plan it is 0.8480 for senior executives and executives and 0.8191 for the Executive Board. For the 2021 LTI plan it is 0.8191 for senior executives and executives and 0.8148 for the Executive Board. For the 2022 LTI plan it is 0.8076 for senior executives and executives and 0.8464 for the Executive Board.

- The fair values of the tranches developed as follows. The amount of the provision as at the measurement date of December 31, 2022, results from the respective vesting level:
  2019 LTI plan: €0.0 million (PY: €0.0 million), the vesting level is 100%;
  2020 LTI plan (senior executives and executives): €14.7 million (PY: €26.9 million), the vesting level is 100%;
  2020 LTI plan (Executive Board): €0.0 million (PY: €1.0 million), the vesting level is 75%;
  2021 LTI plan (senior executives and executives): €13.1 million (PY: €27.9 million), the vesting level is 67%;
  2021 LTI plan (Executive Board): €0.2 million (PY: €1.3 million), the vesting level is 50%;
  2022 LTI plan (senior executives and executives): €30.8 million, the vesting level is 33%;
  2022 LTI plan (Executive Board): €1.6 million, the vesting level is 25%.

In total, no expenses or income for the 2017 to 2019 LTI plans were recorded in the reporting year. For the 2019 TIP bonus, reduced liabilities for payroll and personnel-related costs resulted in income of €4.5 million in 2022 (PY: expenses of €0.8 million). For the 2020 LTI plan, reduced liabilities for payroll and personnel-related costs resulted in income of €3.1 million (PY: €3.0 million) for senior executives and executives, and €0.4 million (PY: €1.0 million) for the Executive Board. Expenses of €0.6 million (PY: €9.3 million) were incurred for the 2021 LTI plan for senior executives and executives, and income of €0.3 million (PY: expenses of €0.3 million) was recognized for the 2021 LTI plan for the Executive Board due to reduced personnel expenses. Expenses of €10.5 million were incurred for the 2022 LTI plan for senior executives and executives, and €0.4 million for the 2022 LTI plan for the Executive Board.

### Performance bonus (deferral) under the 2019 remuneration system

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

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

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

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

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

The following parameters were used as at the measurement date of December 31, 2022:

- Constant zero rates as at the measurement date of December 31, 2022:
  2019 tranche: 1.76% as at the due date and as at the expected payment date.

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

- Dividend payments: the dividend of Continental AG amounted to €2.00 per share in 2022; Continental AG distributed a dividend of €0.00 per share in 2021.

- Historical volatilities on the basis of daily Xetra closing rates for Continental shares based on the respective remaining term for virtual shares. The volatility calculated for the 2019 tranche was 45.32%.

As at December 31, 2022, commitments with a fair value of €0.3 million are attributable to Executive Board members active at the end of the reporting period; this is equivalent to 5,525 virtual shares (PY: €0.9 million; 9,393 virtual shares).

#### Performance bonus (deferral) under the remuneration system from 2020

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

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

- Earnings before interest and tax (hereinafter “EBIT”), adjusted for goodwill impairment as well as gains and/or losses from the disposal of parts of the company.
- Return on capital employed (ROCE) as the ratio of EBIT (adjusted, as mentioned above) to average operating assets for the fiscal year.
- Cash flow before financing activities (hereinafter “free cash flow”), adjusted for cash inflows and outflows from the disposal or acquisition of companies and business operations.

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

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

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

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

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

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

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

Expenses of €1.5 million (PY: €14.1 million) were incurred for the 2022 STI in 2022.

The number of shares converted by the Executive Board from the deferral of the 2021 STI came to 35,640 in 2022 (PY: 2,126).

### Short-term employee benefits

#### Liabilities for payroll and personnel-related costs

The Continental value sharing bonus is a program that allows Continental employees to share in net income. The amount of profits shared is calculated on the basis of key internal figures. As in the previous year, no provision was recognized for the reporting period.

## Labor Relations

In keeping with our corporate values of "Trust" and "For One Another", it is of great importance to Continental that we maintain an open and constructive dialog between management and our employees.

The forms of direct and indirect employee co-determination vary from country to country, and from location to location. In our Code of Conduct, which we updated at the start of 2019, we grant our employees fundamental rights of co-determination.

Co-determination in the workplace is governed by law in Germany and Europe. In Germany, the workforce is represented at Group level by the Group Works Council.

At the European level, employee co-determination is upheld by a transnational body of employee representatives called the EuroForum.

As provided for in the German Co-Determination Act (*Mitbestimmungsgesetz – MitbestG*), employees also account for half of the members of the Supervisory Board of Continental AG. Collective bargaining agreements are an essential component of the collaboration between social partners.

These agreements range from location-specific agreements on specific workplace design and flexibility right through to company-level association agreements on collective pay and industry-level pay-scale agreements for the whole of Germany, for example.

Collective bargaining agreements of various types and scopes based on country-specific legal requirements are a reflection of the tangible employee co-determination that exists in the vast majority of countries.

Since 2019, the Continental Global Labor Relations Network has been driving and coordinating information and best-practice sharing across the countries and providing support and governance to the countries and locations.

Our labor relation departments also contribute to our responsible value chain system. For more information, page 28 in this Integrated Sustainability Report.

## Equal Pay

Equality and equal opportunities are part of Continental's DNA and an expression of its corporate values. By signing the "Charter of Diversity", Continental has simultaneously committed itself to the goal of equal pay. For Continental, equal pay does not mean that identical or equivalent positions must be remunerated identically. Rather, the remuneration of an employee results from different factors.

For staff employed on the basis of a collective bargaining agreement, equal pay is ensured by classifying identical or similar positions in the same tariff level with a corresponding pay level, independent from individual characteristics, such as age, gender, nationality, origin etc.

In the non-tariff area, each position at Continental is objectively evaluated using predominantly the Korn Ferry Hay Group's job evaluation method. The focus of the job evaluation is on the nature and the requirements of the position itself, not on the employee's skills, educational background, personal characteristics etc. Thus, the job evaluation is a non-biased approach to determine the position value of different jobs within an organization. Subsequently, the positions are clustered into grade levels.

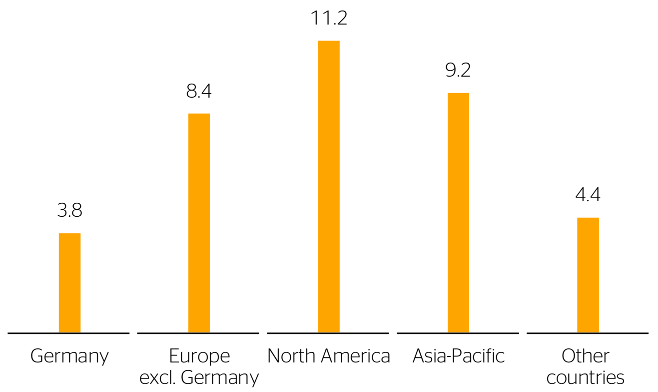
Each level is assigned a salary band, so that identical or similar positions appear in the same salary band. Alongside the position evaluation, the individual remuneration also takes into account other factors, such as the individual experience, qualifications, competence and performance of the employee. Pay analyses are carried out on a regular basis. These provide information on possible discrepancies, in particular gender differences, so that appropriate measures can be taken. The analyses often go beyond gender, however.

## Fluctuation

The rate of unforced fluctuation increased to 7.8% in fiscal 2022 (PY: 7.0%). The rate of unforced fluctuation is defined as the voluntary departure of employees from the company in relation to the average number of employees.

In Germany, the rate of unforced fluctuation was at 3.8% (PY: 3.0%); in Europe excluding Germany this figure was at 8.4% (PY: 6.9%), in North America, it was at 11.2% (PY: 10.5%), in Asia-Pacific at 9.2% (PY: 9.5%), and in all other countries at 4.4% (PY: 4.7%). The increase therefore affects most regions. These fluctuation rates should be interpreted based on factors that are specific to each country.

**Unforced fluctuation rate by regions 2022 in %[1, 2]**

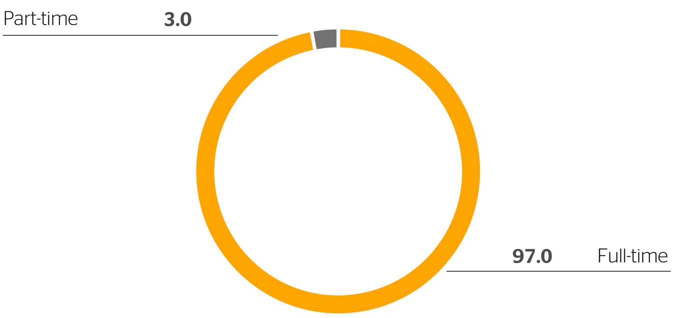



*1 Definition: voluntary departure of employees from the company relative to the average number of employees.*
*2 Excluding leasing personnel (i.e. permanent staff only).*

## Level of Employment

In 2022, a total of 3.0% of employees worked part-time (PY: 2.9%). Part-time work is defined as < 90% of full-time working hours.

**Employees by level of employment as at Dec 31, 2022 in %[1, 2]**




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

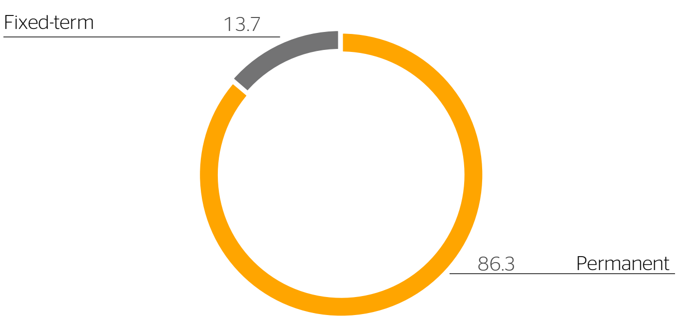
Overall, 6.2% (PY: 7.0%) of women and 1.8% (PY: 1.7%) of men worked part-time.

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

## Type of Employment Contracts

Fixed-term contracts were at of 13.7% in fiscal 2022 (PY: 12.3%). These fixed-term contracts include the contracts of leasing personnel. We employed a total of 10,311 leasing personnel as of December 31, 2022 (PY: 8,565).

**Employees by contract types as at Dec 31, 2022 in %[1]**




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

In Germany, fixed-term contracts accounted for a share of 8.7% of all contracts of employment (PY: 7.1%); in Europe excluding Germany this share was at 13.0% (PY: 10.1%), in North America at 4.2% (PY: 3.3%), in Asia-Pacific at 29.2% (PY: 31.4%), and in other countries at 15.2% (PY: 8.5%). Overall, 14.4% (PY: 12.4%) of women and 10.9% (PY: 10.0%) of men were on a fixed-term contract.

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

Fixed-term contracts including leasing personnel are important tools for Continental so that it can react flexibly and quickly to the requirements of the markets, which are changing at an increasingly rapid rate. Making use of leasing employment plays a key role in improving competitiveness and thus contributes toward safeguarding jobs at our locations.

We view leasing employment as an option for increasing flexibility, to cover peaks in demand, for example. It thus enables us to adapt to large-scale fluctuations in order volumes on a case-by-case basis.

## Strategic Workforce Planning

At Continental, strategic workforce planning (SWP) is used to compare the long-term development of the current workforce with future personnel requirements to identify quantitative and qualitative gaps as well as overlaps in requirements, and to enable appropriate HR measures to be taken on this basis.

How does SWP actually work? First, an analysis of the current workforce is carried out as part of SWP. A forecast of the workforce over the next few years is then drawn up on the basis of fluctuation and employees entering retirement.

The next step is to calculate future personnel requirements. This is done on the basis of drivers, such as predicted developments in sales and/or production volume.

SWP is used to align more closely the company's HR measures with actual business requirements. When doing so, it is important to bring together the various parties involved in the business and the corresponding functions, including HR functions, and to discuss the effects on future business development together.

This gives HR staff a better understanding of the business units' strategic alignment while also allowing them to contribute their own knowledge, for example with respect to the availability of talent in the business strategy development process. In this regard, HR staff also act as a sparring partner for business strategy development.

# Benchmark in Quality

## Management Approach

**Source:** 2022 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Non-Financial Statement (starting p. 39)

### Our ambition

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

### Concept

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

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

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

### Results of the concept

As at December 31, 2022, certified quality management systems covered 83% of our employees throughout the Continental Group (PY: 84%).

Thirty new field quality events were identified in fiscal 2022 (PY: 36).

| Benchmark in quality performance indicators | 2022 | 2021 |
| --- | --- | --- |
| Quality management system certification (ISO 9001 or similar)[1] | | |
| Employee coverage (as at December 31) in % | 83 | 84 |
| New field quality events (as at December 31)[2] | 30 | 36 |

*1 Valid certification and concluded recertification processes were counted, as well as ongoing recertification processes, if the achievement of recertification was considered highly probable.*
*2 Definition: a field quality event is a risk-minimizing measure for a product manufactured and/or sold by Continental based on a safety-related defect and/or non-compliance with regulations that was initiated by Continental, a customer and/or an authority.*

Information about the scope of warranty and product liability claims in fiscal 2022 can be also found in Note 38 of the other disclosures in the notes to the consolidated financial statements.

## Quality Strategy

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

The quality strategy is divided into five strategic topics:

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

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

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

**4. Yokoten**
Every employee is required to share their experience and knowledge and apply best practice. In doing so, Continental is consistently following the Japanese philosophy of “Yokoten” – which means learning and sharing knowledge, and shared continuous improvement within the organization.

**5. Robustness**
Throughout all of this, Continental ensures the robustness of products, software and services for its customers. This helps to ensure that the company is perceived by its customers as a benchmark for quality.

To continuously live up to our aspiration of the perceived benchmark position with respect to quality, our short, mid and long-term focus for the quality strategy is on prevention.

With people, process and technology-oriented activities aligned across the Continental Group, we constantly strive to identify risks before they turn into problems, carrying out due risk management and taking the right actions to avoid them.

# Safe Mobility

## Management Approach

Driving a car has never been safer than it is today. New technologies are helping to steadily reduce the number of accidents, despite ever-increasing traffic volumes. But the reality is that, even now, more than 1.35 million people die in road accidents worldwide each year, while a further 50 million are injured. However, it is not only the number of accidents, but also developments such as electrification and automated driving, as well as rules and legal regulations, that have led to increased vehicle safety requirements and are driving market penetration forward. Continental's Automotive group sector develops solutions for active and passive vehicle safety that contribute toward the vision of crash-free driving – known as Vision Zero.

The overarching goal of Vision Zero is a safe mobility system in which there are no longer any accidents, deaths, or injuries. To achieve this, it is more than just good brakes that are needed. Safety for all road users and traffic participants, management of vehicle motion, anticipatory, preventive safety functions, safe infrastructure solutions and advanced driver assistance systems are an important step toward this goal. Many of them, such as brake and motion systems and functions or Emergency Brake Assist can only leverage their full potential on the road in conjunction with the products that actually make contact with the road's surface: the tires.

Tires are indeed the only point of contact between a vehicle and the road. In a critical situation, it is the tire that determines whether the vehicle can stop in time or stay safely on course through a corner. Therefore, Continental tires offer optimized grip, outstanding braking performance, maximum safety, are energy efficient as well as long-lasting. To maintain this exceptional high quality of tires, our group sector Tires is constantly working to improve tire life, wear rates and rolling resistance.

In addition, our group sector ContiTech develops and supplies a range of sealing and suspension components for hydraulic, pneumatic and electronic brake systems. As they are used in a safety-relevant system, these components satisfy the most stringent of quality requirements. They are essential to the functional reliability of a vehicle. Furthermore, we also take care of other safety aspects like e. g. rubber timing belts as a safety component on new electromechanical steering systems or thermal management solutions to guarantee safety in electric car batteries.

Safety is becoming a key factor for the success of a vehicle, and safety products are more and more dedicated elements in future server-based architectures. Safety is by no means a privilege for a few premium models, but it will be guaranteed for all vehicles. For Continental, it is clear: safe mobility is an integral part of a sustainable future and many of our sustainable solutions are helping to increase safety.

## In the Spotlight

### Safe and Sustainable Brake Systems

Brakes remain the single most important element of active driving safety. They contribute not only to driving safety in borderline situations, even without driver intervention, but at the same time they must now also contribute to vehicle efficiency. In other words: they must help to prevent $CO_2$ emissions and reduce particulate emissions during friction braking.

Examples of products that increase safety and sustainability at the same time:

- Green Caliper: The newly developed brake caliper for disc brakes is significantly lighter than previous designs and has a lower residual torque. In combination with the brake disc, the lower mass – in some cases up to five kilograms per brake – and the reduced friction between the brake pad and the brake disc help to increase the range of an electric vehicle.
- Brake-by-wire system MK C2: For the efficiency of hybrid and electric vehicles, it is important to use up as little of the vehicle's kinetic energy as possible on the friction brakes, since this energy is transformed into heat and lost for the vehicle. The MK C2 enables full utilization of the recuperation potential. This allows the vehicle to recover more electricity and achieve measurable energy and, in the case of hybrid vehicles, even CO2 savings.
- Semi-dry Brake System: received an award in 2022 for the series production of its semi-dry brake system, worth €2 billion in lifetime sales. Electromechanical brakes are used at the rear axle, which are operated “dry”, i.e. without brake fluid. The new technology also includes the brake-by-wire system MK C2. The semi-dry brake system paves the way toward a completely dry brake system. Along the way, many millions of liters of waste will be saved in the form of old brake fluid.

# Sustainable Management Practice

## Management Approach

**Source:** 2022 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Non-Financial Statement (starting p. 39)

### Our ambition

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

### Concept

Group Compliance, which is divided into a central team and regional functions, is responsible for preventing violations in the areas of corruption, antitrust law, money laundering and data protection. This structure is supplemented by compliance coordinators in the countries and at the locations. The fundamental principles of compliance management are set out in the Continental Group's compliance manual.

Continental strives for a holistic compliance management system based on a comprehensive analysis of potential compliance risks, followed by the implementation of appropriate policies and procedures, training, consulting, monitoring and controls that lead to ongoing lessons learned and system improvements. The Integrity Hotline and an ombudsman's office are on hand to offer support in the detection of violations.

As a further cornerstone for sustainable management practice, we are committed to promoting employee diversity, which we understand as internationality, a balanced gender ratio, and a range of experiences and age categories. We have set ourselves the corporate target of increasing the share of female executives and senior executives to 25% by 2025 and to up to 30% by 2030.

We intend to achieve this in particular by promoting cultural change in the organization through the expansion of women's networks and the holding of diversity workshops and specific events. Gender diversity – the share of female executives and senior executives – has also been part of the LTI plans for the members of the Executive Board and global managers since fiscal 2020. For more information, see the remuneration report on our website under Company/Corporate Governance/Executive Board.

For more information on sustainable management practice and our diversity concept, see the Corporate Governance section of this annual report. For more information on compliance, see the "Structure of the internal control system" section in the report on risks and opportunities.

### Results of the concept

As at December 31, 2022, Continental had increased its share of female executives and senior executives to 19.1% (PY: 17.8%). The increase in the representation of women at management level proves that our initiatives and measures to promote gender diversity are having an effect. The share excluding the USA amounted to 18.8%. For the long-term remuneration of executives, separate analysis of the key figure excluding the USA is necessary for legal reasons.

| **Sustainable management practice performance indicator** | **2022** | 2021 |
|---|---|---|
| Gender diversity – share of female executives and senior executives (as at December 31) in % | 19.1 | 17.8 |
| of which share of female executives and senior executives excluding the USA (as at December 31) in % | 18.8 | n. a. |

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

**Source:** 2022 Annual Report > To our Shareholders > Corporate Governance > Corporate Governance Statement Pursuant to Section 289f of the German Commercial Code (HGB) (starting p. 15)

## Responsible corporate governance is what governs the actions of the Executive Board and the Supervisory Board.

Good, responsible corporate governance geared toward sustainable, long-term value creation and in the interests of all stakeholder groups is what governs the actions of the Executive Board and Supervisory Board of Continental AG. The following corporate governance statement pursuant to Sections 289f and 315d of the German Commercial Code *(Handelsgesetzbuch – HGB)* is representative of corporate governance at Continental and is a part of the management report. The remuneration report for fiscal 2022 on the remuneration of the Executive Board and the Supervisory Board together with the auditor's report and the valid remuneration system for the remuneration of the Executive Board are available on Continental's website under Company/Corporate Governance/Executive Board. The valid remuneration system for remuneration of the Supervisory Board is described in the remuneration report for fiscal 2022 and is available on Continental's website under Company/Corporate Governance/Supervisory Board.

**Declaration pursuant to Section 161 of the German Stock Corporation Act *(Aktiengesetz – AktG)* and deviations from the German Corporate Governance Code *(Deutscher Corporate Governance Kodex – DCGK)***
In December 2022, the Executive Board and the Supervisory Board issued the following annual declaration pursuant to Section 161 *AktG*:

"The Executive Board and the Supervisory Board of Continental AG declare in accordance with Section 161 German Stock Corporations Act *(AktG)* that the recommendations of the 'Government Commission on the German Corporate Governance Code' in the version dated December 16, 2019 (published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette *(Bundesanzeiger)* on March 20, 2020), were complied with since February 18, 2022, with the exception as set out below, and further the recommendations of the 'Government Commission on the German Corporate Governance Code' in the version dated April 28, 2022 (published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette *(Bundesanzeiger)* on June 27, 2022) have been complied with and will continue to be complied with, with the exception set out below.

Reference is made to the declaration of the Executive Board and the Supervisory Board of March 2022 as well as to previous declarations in accordance with Section 161 *AktG* and the deviations from the recommendations of the German Corporate Governance Code explained therein.

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

Hanover, December 2022

Prof. Dr.-Ing. Wolfgang Reitzle
Chairman of the Supervisory Board

Nikolai Setzer
Chairman of the Executive Board"

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

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

- OUR BASICS – Continental AG's corporate guidelines. The vision, mission and values, desired behavior and self-image of the Continental Group; available on Continental's website under Company/Corporate Governance/Vision & Mission.
- Sustainability ambition; available on Continental's website under Sustainability/Sustainability Framework/Continental's Sustainability Ambition.
- Compliance with the binding Code of Conduct for all Continental employees. For more information, see Continental's website under Sustainability/Sustainable Corporate Governance/Organization and Management.

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

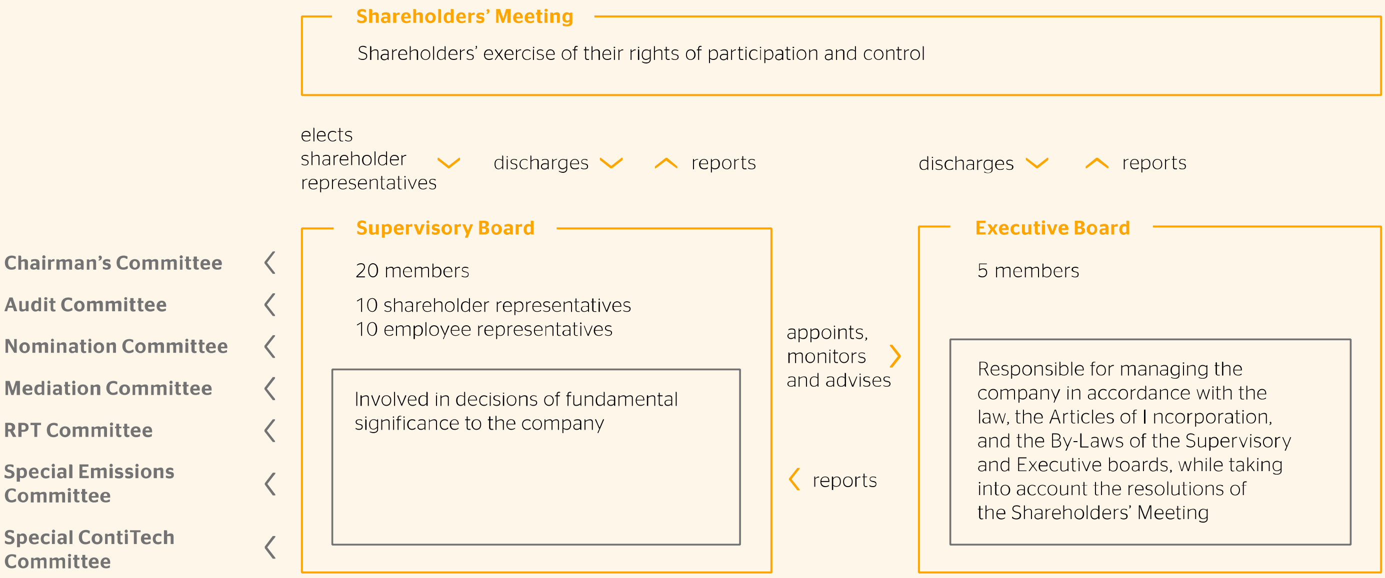
**The Executive Board and its practices**
The Executive Board has sole responsibility for managing the company in the interests of the company, free from instructions from third parties in accordance with the law, the Articles of Incorporation and the Executive Board's By-Laws, while taking into account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

policy. He ensures management coordination and uniformity on the Executive Board and represents the company to the public. The Executive Board jointly develops the company's strategy, agrees it with the Supervisory Board and ensures its implementation.
The Executive Board had five members as at December 31, 2022, and as at the date of this statement. Information on areas of responsibility and resumes of the Executive Board members are available on Continental's website under Company/Corporate Governance/Executive Board. From May 1, 2023, the Executive Board will be expanded to six members following the Supervisory Board's decision to create a new Executive Board function for Integrity and Law on December 14, 2022 (for details, see the report of the Supervisory Board, page 12). The first time a person is appointed to the Executive Board, his or her term as a rule is three years only. As a rule, a member of the Executive Board is not appointed beyond the statutory retirement age.

Only under exceptional circumstances will a member of the Executive Board be reappointed earlier than one year prior to the end of their term of appointment with simultaneous annulment of their current appointment. More information on the members of the Executive Board and their memberships to be disclosed pursuant to Section 285 No. 10 *HGB* can be found on page 219 and on Continental's website under Company/Corporate Governance/Executive Board.

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

**Corporate bodies of the company**




The Executive Board has established separate boards for the Automotive, Tires and ContiTech group sectors. This measure supports the decentralization of responsibility that the global organization of the company seeks to achieve, and relieves the burden on the Continental Group Executive Board. In addition to establishing these boards, the Executive Board has delegated to them decision-making powers for certain matters that affect only the relevant group sectors.

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

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

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

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

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

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

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

The Supervisory Board regularly reviews how effectively it and its committees have fulfilled their responsibilities. It recently carried out such a review in 2021 with the help of an external consultant. This confirmed the Supervisory Board's efficient and professional approach to its work in the past years. The Supervisory Board has adopted the recommendations that resulted from the 2021 self-assessment and, among other things, resolved to hold an additional regular meeting each fiscal year and to coordinate more closely with the Executive Board, including outside of meetings.

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

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

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

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

- **Financial expertise:** The Supervisory Board should possess financial knowledge and experience pursuant to Section 100 (5) *AktG* as well as recommendation D.3 of the German Corporate Governance Code, i.e. in the areas of accounting, internal control and risk management systems, and the audit of financial statements.

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

- **Sustainability expertise:** The Supervisory Board should have in-depth knowledge and experience in the sustainability issues that are relevant to the company.

- **Organizational and human resources development:** The Supervisory Board should have expertise in the area of HR strategy, HR management and labor relations, and in particular knowledge and practical experience in the transformation of companies, including the impact on changing skills requirements for staff.

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

- The number of members of the Supervisory Board who have the required international experience should at a minimum remain constant. Eleven members currently have international experience.
- An appropriate number of members with industry experience should be maintained. This applies to 16 of the members.
- The Supervisory Board should have an appropriate number of members on the shareholder side whom it deems to be independent in accordance with the German Corporate Governance Code. Taking into account the ownership structure, a Supervisory Board member is therefore considered independent if they are independent of the company and its Executive Board, and also independent of a controlling shareholder. The independence of shareholder representatives was assessed in accordance with the German Corporate Governance Code by shareholder representatives on the Supervisory Board. As part of the assessment of independence from the Executive Board and the company, it was taken into account that four shareholder representatives will have been members of the Supervisory Board for more than 12 years in 2023. It was also taken into consideration in the assessment of independence from any controlling shareholder that two Supervisory Board members are linked to the controlling shareholder, the IHO Group, Herzogenaurach, Germany. As determined in the assessment by the shareholder representatives on the Supervisory Board, the Supervisory Board still has an appropriate number of members on the shareholder side who are independent in accordance with the German Corporate Governance Code. This assessment is based on the following considerations:
  - More than half of the shareholder representatives should be independent of Continental AG and its Executive Board. In the assessment of the independence of the four shareholder representatives that have been on the Supervisory Board for more than 12 years, given the former and ongoing administration of the members in question, the shareholder representatives overall see no grounds to accept changing the existing assessment of independence. The shareholder representatives currently on the Supervisory Board are therefore all, without exception, independent of Continental AG and its Executive Board.
  - At least five shareholder representatives should be independent of the controlling shareholder, the IHO Group, headquartered in Herzogenaurach, Germany. The shareholder representatives independent of the controlling shareholder are:
    - Prof. Dr.-Ing. Wolfgang Reitzle
    - Dorothea von Boxberg (as of April 29, 2022)
    - Stefan E. Buchner
    - Dr. Gunter Dunkel
    - Satish Khatu
    - Isabel Corinna Knauf
    - Sabine Neuß
    - Prof. Dr. Rolf Nonnenmacher
- In its nominations for election to the Supervisory Board, the Supervisory Board as a rule does not nominate candidates who have already held this position for three full terms of office at the time of the election.
- The Supervisory Board has not stipulated an age limit as recommended in recommendation C.2 of the German Corporate Governance Code. It does not consider such a general criterion to be suitable for evaluating the qualifications of a candidate's nomination to the Supervisory Board.

According to Section 96 (2) *AktG*, the Supervisory Board of Continental AG is also subject to the requirement that at least 30% of its members be women and at least 30% be men. The company reports on this on page 22, in accordance with Section 289f (2) Nos. 4 to 6 *HGB*.

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

The current status of implementation for the profile of skills and expertise and the composition-relevant targets of the Supervisory Board:

| | | | | **Skills and Expertise** | | | | **Composition-relevant Targets** | |
|---|---|---|---|---|---|---|---|---|---|
| | **Financial expertise** | **Corporate governance and board experience** | **Sustainability expertise** | **Organizational and HR development** | **Internationality (* with regard to Asian markets)** | **Industry experience** | **Independence from company & Executive Board purs. to *DCGK*** | **Independence from controlling shareholder purs. to *DCGK*** | **Year of appointment/ current term** |
| **Targets** | | | | | **Consistent number** | **Appropriate number** | **More than 50% shareholder representatives** | **At least 5 shareholder representatives** | **As a rule, no election proposal after 3 full terms** |
| **Shareholder representatives** | | | | | | | | | |
| Prof. Dr.-Ing. Wolfgang Reitzle | ○ | ● | ○ | ● | ● | ● | ● | ● | 2009 (3rd term) |
| Dorothea von Boxberg | ○ | ○ | ● | ● | ● | ○ | ● | ● | 2022 (1st term) |
| Stefan E. Buchner | ○ | ● | ● | ● | ●* | ● | ● | ● | 2022 (1st term) |
| Dr. Gunter Dunkel | ○ | ● | ○ | ● | ● | ○ | ● | ● | 2009 (3rd term) |
| Satish Khatu | ○ | ○ | ○ | ● | ●* | ● | ● | ● | 2019 (1st term) |
| Isabel Corinna Knauf | ○ | ● | ○ | ● | ●* | ○ | ● | ● | 2019 (1st term) |
| Sabine Neuß | ○ | ● | ○ | ● | ● | ● | ● | ● | 2014 (2nd term) |
| Prof. Dr. Rolf Nonnenmacher | ● | ● | ○ | ● | ○ | ○ | ● | ● | 2014 (2nd term) |
| Klaus Rosenfeld | ● | ● | ○ | ● | ○ | ● | ● | ○ | 2009 (3rd term) |
| Georg F. W. Schaeffler | ○ | ● | ○ | ● | ● | ● | ● | ○ | 2009 (3rd term) |
| **Total number of shareholder representatives** | **2** | **8** | **2** | **10** | **8** | **6** | **10** | **8** | |
| **Employee representatives** | | | | | | | | | |
| Christiane Benner | ○ | ● | ○ | ● | ● | ● | | | 2018 (2nd term) |
| Hasan Allak | ○ | ○ | ● | ● | ○ | ● | | | 2019 (1st term) |
| Francesco Grioli | ○ | ● | ○ | ● | ○ | ● | | | 2018 (2nd term) |
| Michael Iglhaut | ○ | ○ | ○ | ● | ○ | ● | | | 2006 (4th term) |
| Carmen Löffler | ○ | ○ | ○ | ● | ○ | ● | | | 2021 (1st term) |
| Dirk Nordmann | ○ | ○ | ○ | ● | ○ | ● | | | 2004 (4th term) |
| Lorenz Pfau | ○ | ○ | ○ | ● | ● | ● | | | 2019 (1st term) |
| Jörg Schönfelder | ○ | ○ | ○ | ● | ● | ● | | | 2004 (4th term) |
| Stefan Scholz | ● | ○ | ● | ● | ○ | ● | | | 2015 (2nd term) |
| Elke Volkmann | ○ | ● | ○ | ● | ○ | ● | | | 2014 (2nd term) |
| **Total number of employee representatives** | **1** | **3** | **2** | **10** | **3** | **10** | | | |
| **Supervisory Board total** | **3** | **11** | **4** | **20** | **11** | **16** | | | |
| **Target achievement** | | | | | ● | ● | ● | ● | ● |

● = applicable ○ = not applicable

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

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

The **Audit Committee** primarily deals with the audit of the accounts, the monitoring of the accounting process and the effectiveness of the internal control system, the risk management system and the internal audit system, the audit of the financial statements (including sustainability reporting and examination thereof) and compliance. In particular, the committee deals with the preliminary examination of Continental AG's annual financial statements and the consolidated financial statements, and makes its recommendation to the plenary session of the Supervisory Board, which then passes resolutions pursuant to Section 171 *AktG*. Furthermore, the committee discusses the company's draft interim financial reports. It is also responsible for ensuring the necessary independence of the auditor and deals with additional services performed by the auditor. The committee engages the auditor, determines the focus of the report as necessary, negotiates the fee and regularly reviews the quality of the audit. The chairman of the Audit Committee regularly consults with the auditor on the progress of the audit and reports on this to the committee. The committee also regularly consults with the auditor without the Executive Board. It also gives its recommendation for the Supervisory Board's proposal to the Annual Shareholders' Meeting for the election of the auditor. The Audit Committee is also responsible for the preliminary audit of non-financial reporting and for the engagement of an auditor for its review, if any. The chairman of the Audit Committee is Prof. Dr. Rolf Nonnenmacher. He is independent in all respects as defined in the German Corporate Governance Code. As an auditor with many years of professional experience in management positions, he has in-depth knowledge and experience in auditing. Another committee member, Klaus Rosenfeld, is also a financial expert, and as chief financial officer in a number of companies has in-depth knowledge and experience in accounting and internal control and risk management systems. The other members are Francesco Grioli, Michael Iglhaut, Dirk Nordmann and Georg F. W. Schaeffler. Neither a former Executive Board member nor the chairman of the Supervisory Board may act as chairman of the Audit Committee.

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

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

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

The **Special Emissions Committee** and the **Special ContiTech Committee** support the Supervisory Board's investigations into the manipulation of emission limits by certain automotive manufacturers and irregularities in the production of air conditioning lines and industrial hoses in two business areas of the ContiTech group sector, respectively. In particular, the special committees are available to external law firms as a point of contact, source of information and recipient of reports, regularly report to the plenary session on the investigations and prepare any resolutions required for the plenary session or committees. The members of the Special Emissions Committee are Prof. Dr.-Ing. Wolfgang Reitzle, Georg F. W. Schaeffler and Dirk Nordmann. The members of the Special ContiTech Committee are Prof. Dr.-Ing. Wolfgang Reitzle, Prof. Dr. Rolf Nonnenmacher and Dirk Nordmann.

Finally, the Supervisory Board has formed a group of experts that deals with sustainability issues relevant to Continental. The group of experts comprises two shareholder representatives and two employee representatives.

More information on the members of the Supervisory Board and its committees can be found on pages 220 and 221. Current resumes, which are updated annually, are available on Continental's website under Company/Corporate Governance/Supervisory Board They also contain information on how long each member has held their position on the Supervisory Board.

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

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

**Accounting and auditing of financial statements**
The Continental Group's accounting is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The annual financial statements of Continental AG are prepared in accordance with the accounting regulations of the German Commercial Code. The Annual Shareholders' Meeting on April 29, 2022, elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hanover branch (PwC) to audit the consolidated financial statements for fiscal 2022 as well as the interim financial reports of the company. Dr. Arne Jacobi is the responsible auditor at PwC.

**Internal control system and risk management**
Diligent corporate management and good corporate governance also require that the company deal with risks responsibly. Continental has a corporate-wide internal control and risk management system that is aimed in particular at monitoring the accounting process and helps analyze and manage the company's risk situation. We report on this in detail in the report on risks and opportunities starting on page 88, which forms part of the management report for the consolidated financial statements.

**Transparent and prompt reporting**
As part of our investor relations and corporate communications, we regularly report to shareholders, analysts, shareholders' associations, the media and interested members of the public in equal measure on significant developments in the company and its situation. All shareholders have instant access to all the information that is also available to financial analysts and similar parties. The website of Continental AG provides the latest information, including the company's financial reports, presentations held at analyst and investor conferences, press releases and ad-hoc disclosures. The dates of key periodic publications (annual report, quarterly statements and half-year report) and events as well as of the Annual Shareholders' Meeting and the annual press conference are announced well in advance in a financial calendar on the website of Continental AG. For the scheduled dates for 2023, see the Investors/Events and Presentations section.

**Reporting pursuant to Section 289f (2) Nos. 4 to 6 *HGB***
Pursuant to Section 96 (2) *AktG*, the Supervisory Board of Continental AG as a listed stock corporation subject to the German Co-determination Act consists of at least 30% women and at least 30% men. This minimum quota must always be fulfilled by the Supervisory Board as a whole. Due to an objection by the employee representatives against the overall fulfillment in accordance with Section 96 (2) Sentence 3 *AktG* before the election of the Supervisory Board in spring 2019, the minimum quota for the Supervisory Board of Continental AG must be fulfilled separately by the shareholder representatives and the employee representatives. Women made up 30% of both the shareholder and employee representatives on the Supervisory Board of Continental AG as at December 31, 2022.

In accordance with Section 111 (5) *AktG*, the Supervisory Board must set a target quota of women on the Executive Board and a deadline for achieving this target. If the ratio of women is less than 30% at the time this is set, the target must not subsequently fall below the ratio achieved. In December 2021, the Supervisory Board set a target quota for women on the Executive Board of Continental AG of at least 28.6% for the period up until July 31, 2022. Since August 1, 2022, the ratio requirement as set out in Section 76 (3a) *AktG* applies for the ratios of new Executive Board members, and this was followed in the past fiscal year. As at July 31, 2022, and December 31, 2022, women made up 40% of the Executive Board. The Supervisory Board continues to follow the general debate around the representation of women on executive and supervisory boards and will take any future regulations into account.

In accordance with Section 76 (4) *AktG*, the Executive Board of Continental AG is required to set targets for the ratio of women in the first two management levels below the Executive Board and a deadline for achieving these targets. In December 2021, the Executive Board set new target quotas for women in the first two management levels below the Executive Board at Continental AG for the period up until December 31, 2026: 37% for the first management level and 33% for the second management level. As at December 31, 2022, the ratio of women was 35% in the first management level and 30% in the second management level.

As a global company, Continental continues to attach high priority to the goal of steadily increasing the proportion of women in management positions throughout the Continental Group, above and beyond the legal requirements in Germany.

**Diversity concept**
Continental counts on the diversity of its employees. The current focus of its commitment to promote diversity is on internationality and a balanced gender ratio.

The Supervisory Board also pays attention to the diversity of the composition of the Executive Board. The Executive Board does the same when appointing people to management positions. As a basic principle, the Executive Board aims to achieve a balanced ratio of domestic to international managers everywhere. The proportion of local and international managers varies according to region. In 2022, a total of around 49% of the Continental Group's managers came from countries other than Germany (PY: around 48%). Continental is also working on increasing the proportion of women in management positions. In 2022, we were able to increase this number to around 19% across the Continental Group (PY: 18%). The proportion is to be increased to 25% by 2025.

In drawing up the Executive Board's succession plan, the Supervisory Board together with the Executive Board makes use of the measures and programs to promote internationality and women in management positions, thus making it possible to identify and develop potential international candidates and female managers for positions on the Executive Board. The aim in the medium term is to use these measures to increase the diversity of the Executive Board even further.

The Supervisory Board also pays attention to the diversity of its own composition. For the Supervisory Board, diversity refers to age, gender, background and professional experience, among other things. The Supervisory Board is convinced that it will achieve diversity in its composition in particular by fulfilling the profile of skills and expertise and meeting the targets for its composition.

## Workforce Diversity Concept

We firmly believe that workforce diversity enhances our agility and innovative capacity as a company, since different perspectives give rise to new ideas. Particularly in these times of digital transformation, workforce diversity is instrumental in driving the future success of the company. In 2008, Continental signed the German Diversity Charter, and in doing so pledged to promote workforce diversity. When we updated our Code of Conduct at the start of 2019, we strengthened our commitment to this pledge internally.

Facilitating and shaping workforce diversity is an integral part of the corporate function Group Talent Management and Organizational Development, which is responsible for designing a higher-level strategic framework for the development and promotion of diversity and supporting the business units in implementing their own objectives. Diversity management is firmly anchored in the global HR strategy. "Enable Transformation" is one component of the HR strategy that deals with harnessing digital transformation opportunities to the greatest extent possible at Continental. In this context, our company promotes diversity to help identify the potential of digitalization and promote new ways of thinking across business areas

In addition to having diversity embedded in our transformation strategy, three key corporate-wide levers have been identified to promote workforce diversity:

- Driving wide-scale cultural change
- Implementing specific objectives to increase diversity
- Empowering managers to actively support workforce diversity

The "Global Diversity Network" serves as a platform for cultural development. There are currently a total of 39 workforce diversity networks within this umbrella organization, which provides a forum for members from around the world to share their business expertise and best practices in the area of diversity on a regular basis.

Other important events aimed at supporting a more inclusive corporate culture include:

- "Diversity Events": Each year, we celebrate diversity in our locations all over the world. For example, to mark occasions such as "International Women's Day", "Diversity Day", "Black History Month" or "LGBTQ+ Awareness Month", employees are invited to join discussions and presentations and participate in games, workshops and more to learn more about the benefits of diversity as well as what they can do to contribute toward a more inclusive culture.

- "Women (Senior) Executive Networks Event": In 2021, we brought together women with business responsibilities from the various business areas and regions in six different networks with sponsors, to provide a platform for networking and sharing thoughts, practices and ideas on various topics, such as how to increase the attractiveness of leadership for female professionals. Since then, they come together for a joint event on an annual basis with the aim of further expanding these networks.

- "LGBTQ+ Awareness Workshop": For the first time, a workshop was held in 2021 for all employees and management personnel with a focus on providing information and enabling self-reflection on the topic of LGBTQ+ in the workplace. This event not only addresses people's own unconscious prejudices, but also demonstrates ways of contributing toward an appreciative working environment. Since then, workshops on this topic have been organized regularly within the Group.

Efforts to strengthen diversity are further supported through the introduction of a global key performance indicator. To promote the position of women in our company, we have set ourselves the target of increasing the proportion of female employees at the executive and senior executive levels to 25%  by 2025. In 2022, this figure was already at 19.1% (PY: 17.8%) for women in the first two management levels. In 2016, we rolled out the Women@Work program around the world to support women in the early stages of their careers and to connect them with female employees at the executive and senior executive levels. To date, more than 650 women in North America and Europe have participated in this program. Many of them are still in regular contact with one another to this day, sharing their experiences and expertise and solving common business problems together.

In addition to supporting their career development, improving the balance of work and family life is another important tool we can use to promote the position of women in our company. In particular, we are continually increasing our efforts to make work more flexible. Initiatives in this area include the introduction of flexible work models such as part-time and flex-time work, as well as remote working and sabbaticals.

Our success in increasing workforce diversity within the company depends to a great extent on the attitudes of management personnel. To ensure a variety of viewpoints and perspectives are incorporated into our corporate culture, "cross moves", i.e. a move to a different group sector, business area or function, as well as international experience, are now essential criteria for promoting our employees to executive and senior executive levels.

Diagnostic procedures also help to ensure that staffing decisions are made as objectively as possible. Diversity is also a core element of many continuing education and training courses. The "Differences Add Value" training course supports managers, among other things, with deepening their understanding of diversity by sharing and discussing practical experiences and business situations relating to diversity at Continental. The "Train the Trainer" principle lays the foundation for this training course to reach as many Continental employees around the world as possible, giving them a greater understanding of the added value generated when people with different perspectives, strengths or styles work together.

## Compliance

For more information on compliance, see the Structure of the Internal Control System section in the Report on Risks and Opportunities page 105.

## Code of Conduct and Training

The Continental Code of Conduct describes the framework of Continental's alliance for creating top value from values based on our shared vision and mission and our four corporate values: Trust, Passion To Win, Freedom To Act, and For One Another, as well as the sustainability of our actions. The Code of Conduct addresses the following topics:

- Compliance with laws, regulations, and internal rules, standards, and instructions
- Respect for human rights and fair working conditions
- Health, safety, the environment, and product integrity
- Honest business practices
- Compliance with antitrust laws
- Anti-corruption
- Prevention of money laundering
- Conflicts of interest
- Use of Continental's corporate property
- Data protection and cybersecurity
- Confidential information and intellectual property
- Import and export regulations
- Tax compliance.

In fiscal 2022, 11,716 employees completed e-learning training on the Code of Conduct (PY: 6,378). In addition, 23,780 participants were recorded taking compliance e-learning courses on anti-corruption and antitrust law (PY: 117,000, including Vitesco Technologies), while 5,069 participants attended in-person training courses on anti-corruption and antitrust law (PY: 13,000 incl. Vitesco Technologies), most of which were conducted virtually as webinars. Participants in in-person training events are selected on a risk-based and target group-oriented basis.

| **Compliance training sessions** | **2022** | 2021 |
|---|---|---|
| Employees who have completed e-learning on the Code of Conduct | 11,716 | 6,378 |
| Participants in e-learning courses on anti-corruption, antitrust law, or the Vitesco spin-off (in 2021) | 23,780 | ~ 117,000 |
| Participants in in-person training courses on anti-corruption and antitrust law | 5,069 | ~ 13,000 |

*1 2022 numbers include continuing operations only.*
*2 2021 numbers include continuing and discontinued operations.*

## Tax Compliance

We are aware of our social responsibility in terms of meeting our tax obligations. In our Code of Conduct, we expressly pledge to comply with all national and international tax regulations.

The Continental Group tax policy sets out a framework for organizing the management of Group-wide tax risks to enable monitoring of tax compliance. In this context, a tax risk management system is currently being implemented throughout the Continental Group. This system identifies and assesses tax risks and stipulates appropriate risk-mitigating measures. In this way, we take steps to ensure, for example, that there are no illegal tax reductions or infringements of our obligations to cooperate with the tax authorities. Furthermore, the Group tax strategy stipulates that Continental shall not pursue any aggressive tax planning activities and will pay taxes in the areas where our business operations create value. Our Group-level tax departments maintain a professional relationship with the tax authorities.

Within the framework of its statutory obligations, Continental AG discloses relevant tax information for all Continental Group entities on an annual basis, such as tax payments on income and profits, to Germany's Federal Central Tax Office (in what is termed country-by-country reporting). This tax information is based on consolidated financial statements audited and attested to by an independent auditor.

## In the Spotlight

### Litigation and Compensation Claims

**Source:** 2022 Annual Report > Consolidated Financial Statements > Notes to the Consolidated Financial Statements > Other Disclosures (starting p. 208)

Continental AG and its subsidiaries are involved in lawsuits, regulatory investigations and proceedings worldwide. Such lawsuits, investigations and proceedings could also be initiated or claims asserted in other ways in the future.

**Product liability**
In particular, Continental is constantly subject to product liability and other claims in which the company is accused of the alleged infringement of its duty of care, violations against warranty obligations or defects of material or workmanship. Claims from alleged breaches of contract resulting from product recalls or government proceedings are also asserted. Among other cases, claimants in the USA file lawsuits for property damage, personal injury and death caused by alleged defects in our products. Claims for material and non-material damages, and in some cases punitive damages, are asserted. The outcome of individual proceedings, which are generally decided by a jury in a court of first instance, cannot be predicted with certainty. No assurance can be given that Continental will not incur substantial expenses as a result of the final judgments or settlements in some of these cases, or that these amounts will not exceed any provisions set up for these claims. Some subsidiaries in the USA are exposed to relatively limited claims for damages from purported health injuries allegedly caused by products containing asbestos. The total costs for dealing with all such claims and proceedings have amounted to less than €50 million per year since 2006.

**Disputes over industrial property rights**
Continental could be liable to pay compensation for infringements or could be forced to purchase licenses to continue using technology from third parties. Continental, for example, supplies telecommunication modules that transmit vehicle data, enable voice and internet functionality, and are compatible with cellular communication standards. In this respect, there is a risk that Continental or its suppliers may be denied their own direct license to use patents relating to these standards (standard essential patents), especially in the field of telecommunications standards such as 3G, 4G or 5G, and that Continental may become dependent on licenses and the conditions under which they are granted to customers.

**Regulatory proceedings**
In May 2005, the Brazilian competition authorities opened investigations against Continental's Brazilian subsidiary Continental Brasil Industria Automotiva Ltda., Guarulhos, Brazil (CBIA), following a complaint of anticompetitive behavior in the area of commercialization of tachographs. On August 18, 2010, the Brazilian antitrust authorities determined an "invitation to cartel" and imposed a fine of BRL 12 million (around €2.1 million) on CBIA, which was then reduced to BRL 10.8 million (around €1.9 million). CBIA denies the accusation that it has infringed Brazilian antitrust law. Although the court of first instance appealed to by CBIA upheld the decision, on CBIA's further appeal the next higher court annulled this decision and remanded the matter. In case an infringement of Brazilian antitrust law is found, third parties may, in addition, claim damages from CBIA.

On October 2, 2006, South African antitrust authorities received a complaint from a third party accusing several South African tire manufacturers of alleged antitrust behavior, including Continental Tyre South Africa (Pty.) Ltd., Port Elizabeth, South Africa (CTSA), a subsidiary of Continental. On August 31, 2010, the South African antitrust authorities came to the conclusion that CTSA had violated South African antitrust law and referred the matter to the responsible antitrust court for a decision. CTSA denies the allegation of infringements of South African antitrust law. However, the tribunal could impose a fine of up to 10% of CTSA's sales. In addition, third parties may also claim damages from CTSA in case of an infringement of South African competition law.

As a result of investigations by the US Department of Justice (DOJ) and the Korea Fair Trade Commission (KFTC) in connection with the suspected involvement in violations of US and South Korean antitrust law in the instrument cluster business, which came to light in 2012, the KFTC imposed a fine on Continental Automotive Electronics LLC, Bugang-myeon, South Korea (CAE), at the end of 2013, the final amount of which was set in 2018 at KRW 32,101 million (around €23.9 million). In the USA, CAE and Continental Automotive Korea Ltd., Seongnam-si, South Korea, agreed to pay a fine of US $4.0 million (approximately €3.7 million) in 2015. In the proceedings relating to class action lawsuits filed in the USA and Canada for alleged damages resulting from the antitrust violations, settlements totaling US $5.0 million (around €4.7 million) were concluded in the USA in 2018 and settlements totaling CAN $0.6 million (around €0.4 million) concluded in Canada in 2020. The risk of investigations by other antitrust authorities into this matter and claims for damages by further alleged victims remain unaffected by the fines imposed.

As a result of investigations that came to light in 2014, the European Commission imposed a fine of €44.0 million on Continental AG; Continental Teves AG & Co. oHG, Frankfurt am Main, Germany; and Continental Automotive GmbH, Hanover, Germany; on February 21, 2018, for the unlawful exchange of information. This involved specific brake components. Continental has paid this fine. Customers have since approached Continental to claim for damages, in some cases for specific amounts. In September 2022, Mercedes-Benz AG and Mercedes-Benz Group AG filed a civil lawsuit against Continental AG and three other companies of the Continental Group before a court in London, United Kingdom. Mercedes-Benz has yet to attach any specific amount to its claim. Continental has challenged the court's jurisdiction in this case. Mercedes-Benz Group AG subsequently filed for declaratory judgment action with the Hanover District Court against Continental AG and two other companies of the Continental Group in December 2022. In addition, two class action lawsuits have been filed in Canada against Continental AG and several of its subsidiaries. Continental believes that these claims and lawsuits are without merit. However, should the lawsuits lead to a judgment against Continental, the resulting expenses could be substantial and exceed the provision set aside for this purpose. In accordance with IAS 37.92 and GAS 20.154, no further disclosures will be made with regard to the proceedings and the related measures so as not to adversely affect the company's interests.

On March 3, 2021, the Brazilian antitrust authorities (Conselho Administrativo de Defesa Econômica, CADE), acting on the basis of the issues addressed by the European Commission and described above, formally initiated proceedings against Continental Teves AG & Co. oHG, Frankfurt am Main, Germany, and certain former employees for alleged unlawful exchange of competition-sensitive information concerning hydraulic brake systems. The proceedings against Continental are still at an early stage. Continental is therefore unable to reliably predict in any way what the outcome of these proceedings will be. If Continental is found responsible for any violation, CADE could impose a fine on the company of 0.1% to 20% of its revenue or that of the Continental Group in Brazil in the year prior to when the administrative proceedings were launched (2020). Non-pecuniary penalties may also be possible. Furthermore, customers allegedly affected by the alleged exchange of information could claim for damages if indeed a violation of Brazilian antitrust law is established.

Since 2020, the public prosecutor's office in Hanover has been conducting investigative proceedings against current and former employees as well as former board members of Continental AG suspected of committing criminal acts and breaches of supervisory duties in connection with the development and use of illegal defeat devices in diesel and gasoline engines of multiple automotive manufacturers as well as in connection with the subsequent investigation of these actions, and as part of these proceedings has conducted multiple searches at locations of Continental AG and individual companies of the Continental Group. Continental AG and individual companies of the Continental Group are ancillary parties to these proceedings. The investigations concern activities of the former Powertrain segment that were transferred within the scope of the spin-off to Vitesco Technologies Group AG, Regensburg, Germany, and its subsidiaries in 2021.

In addition, the public prosecutor's office in Frankfurt am Main, in connection with conducting investigation proceedings concerning illegal defeat devices in diesel engines of an international automotive manufacturer, has been conducting separate administrative offense proceedings against Continental AG and two companies of the Continental Group on suspicion of breach of supervisory duties. These proceedings were legally concluded after the end of the fiscal year with payment of fines totaling almost €3.6 million.

Both the investigations by the public prosecutor's office in Hanover and the company's internal investigation into the matters covered by these proceedings, which involve considerable costs and effort, are ongoing. Continental AG and the companies of the Continental Group are cooperating unreservedly with the public prosecutor's office in Hanover. There is a risk that fines will be imposed as a result of the allegations. The amount of such fines, which could comprise a levy and a penalty component, is currently unknown but collectively could be significant. Furthermore, the risk of damage to the company's reputation cannot be ruled out.

To cover risks and costs arising from the proceedings conducted by the public prosecutor's offices in Hanover and Frankfurt am Main, a provision amounting to a low nine-figure sum had been set aside as at December 31, 2022. With the conclusion of proceedings by the public prosecutor's office in Frankfurt am Main, the provision was partially utilized at the start of the fiscal 2023 such and now amounts to a high eight-figure sum.

In the event that fines or other measures are imposed on Continental AG and/or individual companies of the Continental Group that concern the transferred business, Vitesco Technologies Group AG is obligated on the basis of and in accordance with contractual provisions arising in particular from the corporate separation agreement concluded in the context of the spin-off to indemnify Continental AG and any individual companies of the Continental Group against the ensuing costs and liabilities. This is consistent with the agreement between the parties that all opportunities as well as all risks arising from the transferred business shall pass to Vitesco Technologies Group AG and the companies of Vitesco Technologies. These regulations have not been taken into account in the formation of the provision described above. In accordance with IAS 37.92 and GAS 20.154, no further disclosures will be made with regard to the proceedings and the related measures and any potential claims against Vitesco Technologies Group AG so as not to adversely affect the company’s interests.

In view of the scope of these national and international investigations against automotive manufacturers and suppliers, further proceedings by public authorities, civil legal proceedings, and claims by third parties along with the related financial risks cannot be ruled out.

# Remuneration Report Pursuant to Section 162 of the German Stock Corporation Act (*Aktiengesetz – AktG*)

**Source:** Corporate Website > Company/Executive Board > 2022 Remuneration Report

**Note:** This text has been shortened.
For more information about:
- the Remuneration System prior to December 31,2019, see page 10 in the 2022 Remuneration Report,
- Individual Remuneration of the Members of the Executive Board in Fiscal 2022, see page 11 in the 2022 Remuneration Report,
- Auditor´s Report, see page 27 in the 2022 Remuneration Report.

This remuneration report describes the key elements of the remuneration system as well as the structure and amount of the remuneration for individual members of the Executive Board and Supervisory Board in fiscal 2022 (reporting year) in accordance with Section 162 *AktG*. It also outlines the principles of the remuneration system for the members of the Executive Board and the Supervisory Board.

The complete version of the remuneration system is available online at **www.continental.com** under Company/Executive Board

### Earnings position in fiscal 2022

Consolidated sales increased by €5,643.7 million or 16.7% year-on-year in 2022 to €39,408.9 million (PY: €33,765.2 million). Before changes in the scope of consolidation and exchange rate effects, sales rose by 12.3%. The sales performance in the Automotive, Tires and ContiTech group sectors was shaped primarily by price adjustments to offset higher costs for raw materials, logistics and energy. In Automotive, rising automobile production and strong organic growth also had a positive effect, while Tires was additionally able to implement favorable changes to its product mix. Contract Manufacturing reduced its sales in accordance with the contractually agreed procedure between Continental and Vitesco Technologies.

The Continental Group's sales performance was impacted by positive exchange-rate effects totaling €1,513.7 million, while changes in the scope of consolidation had a negligible effect. Adjusted EBIT for the Continental Group increased by €96.0 million or 5.2% year-on-year to €1,950.7 million (PY: €1,854.7 million) in 2022, corresponding to 5.0% (PY: 5.5%) of adjusted sales.

### Resolution of the Annual Shareholders' Meeting on the approval of the 2021 remuneration report (Section 162 (1) No. 6 *AktG*)

A remuneration report pursuant to Section 162 *AktG* was prepared for the first time in fiscal 2021. The Annual Shareholders' Meeting approved the 2021 remuneration report on April 29, 2022, with an approval rate of 68.29%. To create more transparency, the 2022 remuneration report additionally contains a tabular overview of the individual remuneration components. It also includes further explanations, in particular on the maximum target achievement for the variable remuneration components, the maximum remuneration and the retirement benefits for the members of the Executive Board.

### Significant changes in Executive Board remuneration compared with fiscal 2021

The pay-for-performance principle set out in the remuneration system is reflected in the amount of variable remuneration. The relevant performance criteria were not fully achieved in fiscal 2022. This resulted in low variable remuneration for fiscal 2022 compared with the previous year.

The remuneration conditions for Executive Board members were standardized in 2022. There is currently a differentiation between the chairman and the other members of the Executive Board. The remuneration of the chairman of the Executive Board and (individual) members of the Executive Board did not increase in fiscal 2022. The remuneration of the Executive Board has therefore not increased since the introduction of the new remuneration system on January 1, 2020.

There were no personnel changes on the Executive Board in fiscal 2022.

There were multiple personnel changes on the Supervisory Board in fiscal 2022. On January 1, 2022, Mr. Stefan Erwin Buchner succeeded Prof. Siegfried Wolf, who left the board on December 31, 2021. On April 29, 2022, Ms. Dorothea von Boxberg succeeded Ms. Maria Elisabeth Schaeffler-Thumann, who left on the same day.

## Overview of the Remuneration System as of January 1, 2020

The remuneration of the active members of the Executive Board is based on the remuneration system in effect since January 1, 2020, which was developed with an independent consultant and finalized by the Supervisory Board at its meeting on March 17, 2020. It takes into account the general legal conditions and the requirements of the German Corporate Governance Code and was approved by the Annual Shareholders' Meeting of Continental AG on July 14, 2020, with an approval rate of 97.41% (hereinafter "remuneration system"). Another regular approval will take place at the Annual Shareholders' Meeting in 2024.

The following overview shows the key elements of the current Executive Board remuneration system. The remuneration system for members of the Executive Board comprises a fixed component that is unrelated to performance and a variable component that is based on performance.

## Executive Board remuneration system

| | | | |
|---|---|---|---|
| **Fixed remuneration** | **Basic remuneration** | | › Fixed, contractually agreed remuneration, paid in 12 monthly installments |
| | **Additional benefits** | | › Company car, reimbursement of travel expenses, as well as relocation costs and expenses for running a second household, where this is required for work reasons, a health check, directors' and officers' (D&O) liability insurance with deductible, accident insurance, employers' liability insurance association contribution including, where necessary, income tax incurred as a result, health insurance and long-term care insurance contributions |
| | **Future benefit rights** | **Type** | › Defined contribution commitment |
| | | **Contribution** | › Contractually agreed annual fixed amount, which is multiplied by an age factor and credited to the pension account as a capital component |
| **Variable remuneration** | **Short-term variable remuneration** | **Type** | › Performance bonus (short-term incentive, STI) |
| | | **Cap** | › 200% of the contractually agreed target amount of the STI |
| | | **Performance criteria** | › **Financial performance criteria**<br>– 40% EBIT target/actual comparison<br>– 30% ROCE target/actual comparison<br>– 30% consolidated free cash flow target/actual comparison<br>– Share of EBIT and ROCE in the earnings of the Continental Group and, if applicable, the group sector, depending on area of responsibility<br>– Degree of target achievement: on a straight-line basis from 0% to 200%<br><br>› **Non-financial performance criteria**<br>– Possibility of defining additional non-financial performance criteria regarding market development and customer focus, implementation of transformation projects, and organizational and cultural development<br>– Definition of target achievement in the form of a personal contribution factor (PCF) between 0.8 and 1.2<br>– Multiplier of the result of the financial performance criteria by the PCF<br>– PCF = 1.0 if non-financial performance criteria have not been defined<br>– Cap of 200% to be observed even when applying the PCF |
| | | **Payment** | › 60%[1] in the year after the Annual Shareholders' Meeting |
| | **Long-term variable remuneration** | **Equity deferral** | |
| | | | › 40%[1] of the payout amount of the performance bonus/STI must be invested in shares<br>› Holding period: three years |
| | | **Long-term incentive (LTI)** | |
| | | **Plan type** | › Phantom share plan performance |
| | | **Cap** | › 200% of the contractually agreed allotment value |
| | | **Performance criteria** | › Total shareholder return (TSR) of the Continental share compared with the STOXX Europe 600 Automobiles & Parts (SXAGR) index – relative TSR; factor between 0 and 1.5<br>› Sustainability factor (up to six targets) between 0.7 and 1.3<br>› Multiplicative link<br>› Share price performance |
| | | **Term** | › Four years |
| **Maximum remuneration** | | | › €11.5 million (chairman of the Executive Board) and €6.2 million (members of the Executive Board)<br>› Caps (performance bonus and LTI each max. 200%) remain unaffected |
| **Share ownership guideline (SOG)** | | | Obligation to invest 200% (chairman of the Executive Board) or 100% (other members of the Executive Board) of basic remuneration<br>› Accumulation period: four years after appointment<br>› Investments from the equity deferral are counted toward the total<br>› Holding obligation: two years after the end of term of office |

*1 Net amount: from the net inflow of the performance bonus, shares of Continental AG with a value of 20% of the total gross amount of the performance bonus must be purchased and held for a period of three years; the corresponding gross amount was calculated assuming a tax and contribution ratio of 50% flat.*

The remuneration system for members of the Executive Board comprises in detail the following components:

**1. Fixed remuneration component**
The fixed component that is unrelated to performance comprises the fixed annual salary, additional benefits and future benefit rights.

Additional benefits include (i) provision of a company car, which can also be for personal use, (ii) reimbursement of travel expenses, as well as relocation costs and expenses for running a second household, where this is required for work reasons, (iii) a regular health check, (iv) directors' and officers' (D&O) liability insurance with deductible in accordance with Section 93 (2) Sentence 3 *AktG*, (v) accident insurance,
(vi) the employers' liability insurance association contribution including, where necessary, income tax incurred as a result, as well as (vii) health insurance and long-term care insurance contributions based on Section 257 of Book V of the German Social Code (SGB V) and Section 61 of Book XI of the German Social Code (SGB XI).

In accordance with their future benefit rights, each member of the Executive Board is granted post-employment benefits that are paid starting at the age of 63, but not before they leave the service of Continental AG (hereinafter "insured event").

From January 1, 2014, the company pension for the members of the Executive Board was changed to a defined contribution commitment. A capital component is credited to the Executive Board member's pension account each year. To determine this, a fixed contribution, agreed by the Supervisory Board in the Executive Board member's service agreement, is multiplied by an age factor that represents an appropriate return. When the insured event occurs, the benefits are paid out as a lump sum, in installments or – as is normally the case due to the expected amount of the benefits – as a pension. Post-employment benefits must be adjusted after commencement of such benefit payments by 1% p.a. in accordance with Section 16 (3) No. 1 of the German Company Pensions Law (Betriebsrentengesetz – BetrAVG).

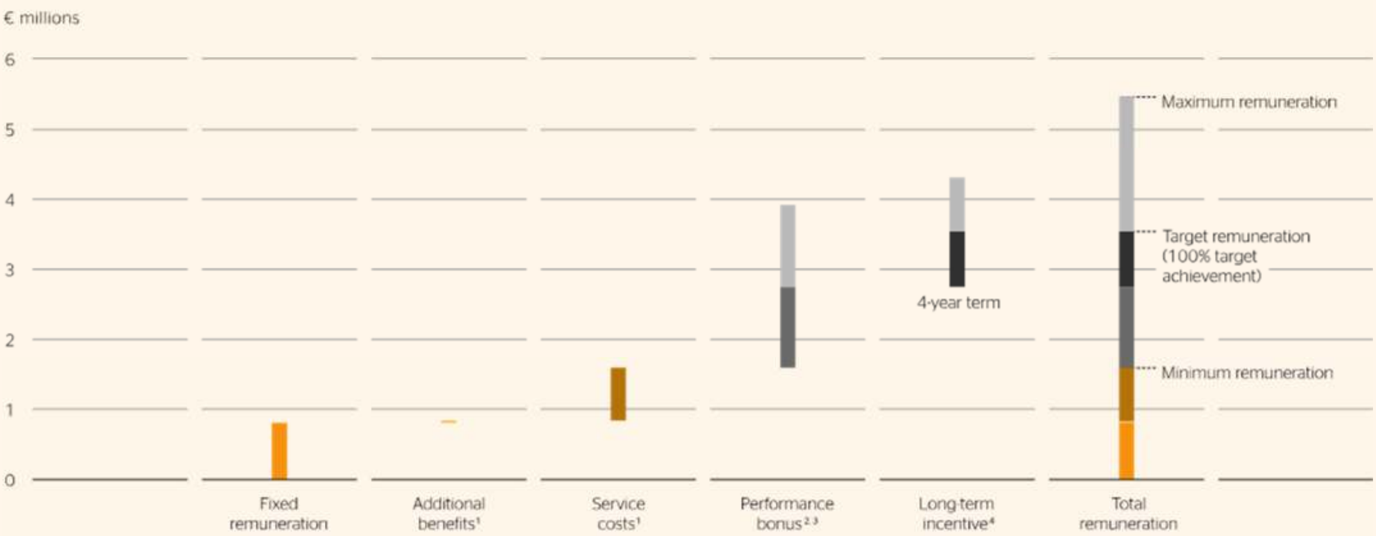
For Nikolai Setzer, the future benefit rights accrued until December 31, 2013, were converted at that time into a starting component in the capital account. In this case, post-employment benefits must be adjusted after commencement of such benefit payments by 1.75% p.a. to take account of the obligation stipulated in Section 16 (1) BetrAVG.

**2. Variable remuneration component**
The variable components that are based on performance comprise a short-term remuneration component (performance bonus without equity deferral, also short-term incentive, STI) as well as long-term remuneration components (long-term incentive (LTI) and equity deferral of the performance bonus). For the variable remuneration components, before the start of each fiscal year, target criteria are determined by the Supervisory Board with a view to its strategic goals, the provisions of Sections 87 and 87a *AktG* and the German Corporate Governance Code in its respective valid version, whereby the degree to which these criteria are met will determine the actual amount paid out.

The Supervisory Board may take the function and area of responsibility of the individual members of the Executive Board into account accordingly when determining the amount of the total target-based remuneration. As part of this, shares of the individual remuneration component for the total target-based remuneration are indicated below in percentage ranges. The precise proportions therefore vary depending on the functional differentiation as well as a possible change within the framework of the yearly remuneration review.

The fixed annual salary comprises 22% to 28% of the target remuneration, the performance bonus (excluding equity deferral) between 17% and 22%, and the equity deferral and long-term incentive between 33% and 38%. Future benefit rights make up between 17% and 23% of the target remuneration, and additional benefits make up approximately 1%.

**Remuneration of an Executive Board Member responsible for a business area (example)**




*1 Average figure.*
*2 Based on a target amount (here €1.167 million) for 100% achievement of defined EBIT, ROCE and FCF targets as well as a personal contribution factor (PCF) of 1.0. A maximum of 200% of the target bonus can be achieved.*
*3 From the net inflow of the performance bonus, shares of Continental AG with a value of 20% of the total gross amount of the performance bonus must be purchased and held for a period of three years.*
*4 Based on the allotment value (here €783 million), which is converted into virtual shares of Continental AG. The payment amount depends on the relative total shareholder return, the sustainability criteria achieved and the share price before the payment. A maximum of 200% of the allotment value can be achieved.*

a) Performance bonus (short-term incentive, STI)
In the service agreement, the Supervisory Board agrees to a target amount for the performance bonus (hereinafter "STI target amount") that is granted to each member of the Executive Board in the event of 100% target achievement. The maximum amount of the performance bonus is limited to 200% of the STI target amount.

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

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

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

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

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

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

Prior to the start of a fiscal year, the Supervisory Board determines for each financial performance criterion the values for target achievement of 0% and 200% on an annual basis. It is not possible to adjust or change these performance criteria after the end of a fiscal year. The degree to which the target is achieved is calculated on a straight-line basis between 0% and 200% by comparing the target value with the respective actual value for the fiscal year.

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

› Market development and customer focus (e.g. new markets, new product or customer segments).

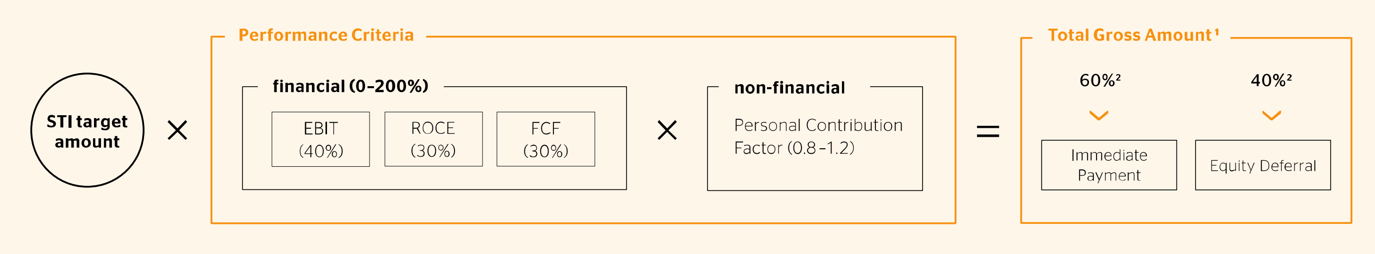
› Implementation of transformation projects (e.g. spin-off, portfolio adjustment, reorganization, increase in efficiency, strategic alliances).

› Organizational and cultural development (e.g. promotion of corporate values, agility and ownership, strengthening of internal cooperation and communication, succession planning, employer branding).

If the Supervisory Board does not determine a PCF for a member of the Executive Board, the PCF value is 1.0. In terms of the PCF, it is also not possible to adjust or change the non-financial performance criteria after the end of a fiscal year.

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

**Structure of the performance bonus (STI)**




*1 A maximum of 200% of the target amount can be achieved.*
*2 Net amount: from the net inflow of the performance bonus, shares of Continental AG with a value of 20% of the total gross amount of the performance bonus must be purchased and held for a period of three years; the corresponding gross amount was calculated assuming a tax and contribution ratio of 50% flat.*

The financial and non-financial performance criteria for the performance bonus are intended to incentivize the members of the Executive Board to create value and to achieve or even exceed the short-term economic goals as well as motivate them to attain operational excellence. The PCF also allows the Supervisory Board to take into account the individual or collective achievements of the Executive Board members, based on non-financial performance criteria and goals, that are decisive for the operational implementation of the corporate strategy

The performance bonus is intended firstly to reflect the overall responsibility for the company of the members of the Executive Board and promote collaboration among the group sectors, and secondly to provide independent leadership for the respective areas.

Following the spin-off of the Powertrain business area as of September 15, 2021, and the dissolution of the Autonomous Mobility and Safety (AMS) and Vehicle Networking and Information (VNI) business areas on December 31, 2021, the corporate structure has been simplified. Since January 1, 2022, the Continental Group has been divided into three group sectors: Automotive, Tires and ContiTech.

Taking into account this new structure, the targets set for each Executive Board member and the calculation of the STI as of January 1, 2022, are based on the following respective business responsibility:

› For an Executive Board member whose area of responsibility covers the Continental Group as a whole – e.g. chief executive officer (CEO), chief financial officer (CFO), chief human relations officer (CHRO) – achievement of the EBIT and ROCE targets is measured based on the key figures determined for the Continental Group.

› For an Executive Board member whose area of responsibility covers a group sector, achievement of the EBIT and ROCE targets is measured based on the key figures determined for the Continental Group and for the group sector (50% each).

› Achievement of the free cash flow target is measured for all Executive Board members based on free cash flow (FCF) for the Continental Group as a whole.

In this respect the content of the weighting has therefore not changed, only the assignment to the reference unit due to the new structure.

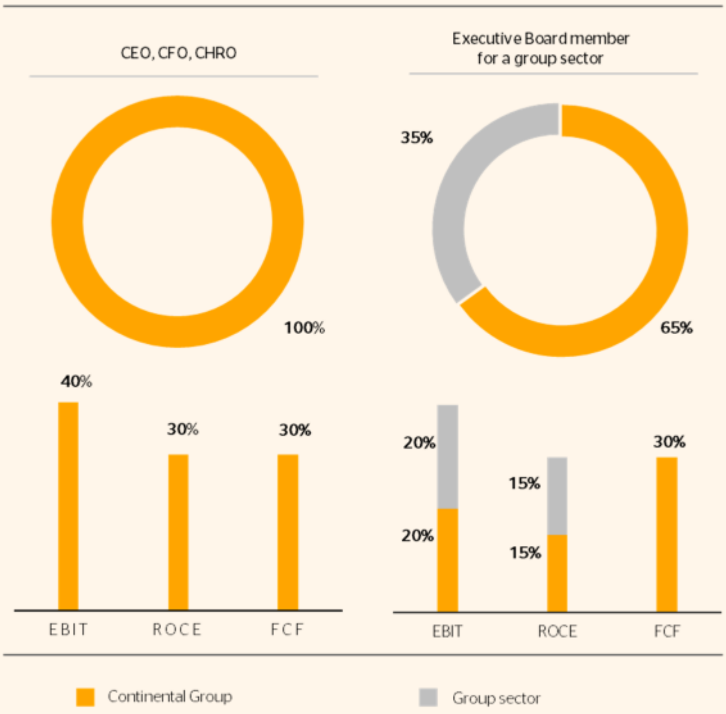
Until December 31, 2021, taking into account the existence of the Autonomous Mobility and Safety (AMS) and Vehicle Networking and Information (VNI) business areas and the inclusion of the Powertrain business area within the Continental Group, the targets set for each Executive Board member and the calculation of the STI were based on the following respective business responsibility (in addition to the other factors mentioned above):

› For an Executive Board member whose area of responsibility covered the Autonomous Mobility and Safety (AMS) or Vehicle Networking and Information (VNI) business area, achievement of the EBIT and ROCE targets was measured based on the key figures determined for the Continental Group (25%), for the Automotive Technologies group sector (25%) and for the respective business area (50%).

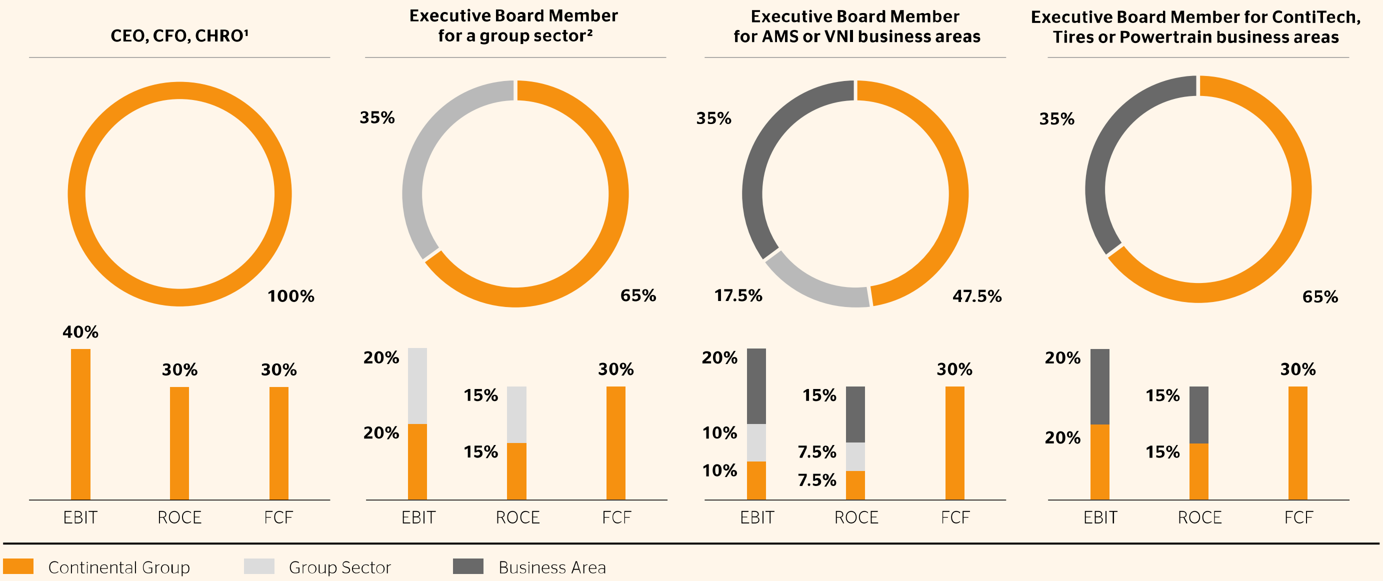
› For an Executive Board member whose area of responsibility covered the ContiTech or Tires business area, achievement of the EBIT and ROCE targets was measured based on the key figures determined for the Continental Group (50%) and for the respective business area (50%).

› The same applied in fiscal 2020 for the Executive Board member whose area of responsibility covered the Powertrain business area.

**Performance bonus (STI) – consideration of business responsibility from January 1, 2022**




**Performance bonus (STI) – consideration of business responsibility until December 31, 2021**




*1 For the 2021 STI ("granted" in 2022), the measurement of target achievement for the Executive Board member responsible for Powertrain was also based solely on the Continental Group's key figures due to the spin-off.*
*2 For the 2021 STI ("granted" in 2022), this weighting was not applied because an Executive Board member with sole responsibility for one group sector was not appointed.*

As a rule, each member of the Executive Board is obligated to invest 20% of the total gross amount (generally corresponding to around 40% of the net payout amount) in shares of Continental AG and to hold these shares legally and economically for a period of at least three years from the day of acquisition. The shares acquired as deferral can be counted toward the obligation of the Executive Board member to acquire shares of Continental AG in accordance with the share ownership guideline presented in Section 4. The remainder of the total gross amount (generally corresponding to around 60% of the net payout amount) is paid out as short-term variable remuneration.

b) Long-term incentive (LTI)

The long-term incentive (hereinafter “LTI”) is intended to promote the long-term commitment of the Executive Board to the company and its sustainable growth. Therefore, the long-term total shareholder return (hereinafter “TSR”) of Continental shares, compared with an index consisting of European companies that are active in the automotive and tire industry and comparable with Continental AG (STOXX Europe 600 Automobiles & Parts (SXAGR); hereinafter “benchmark index”), is a key performance criterion for the LTI. The second performance criterion is a sustainability score that is multiplied by the degree of target achievement in order to calculate the LTI to be paid. The amount of the LTI to be paid is based on the performance of the Continental share price over the term of the LTI.

Each LTI has a term of four fiscal years. In the service agreement, the Supervisory Board agrees to an allotment value in euros for the LTI with each member of the Executive Board. At the start of the first fiscal year of the term of the LTI plan, this allotment value is converted into a basic holding of virtual shares. The allotment value is divided by the arithmetic mean of Continental AG’s closing share prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) in the last two months prior to the start of the term of the respective LTI plan (issue price).

The maximum amount of the LTI to be paid is limited to 200% of the allotment value.

For the calculation of the relative TSR, after the four-year term of the LTI plan, the TSR on Continental shares (hereinafter “Continental TSR”) is compared with the performance of the benchmark index over this time period.

If the Continental TSR corresponds to the benchmark TSR, the TSR target is 100% achieved. If the Continental TSR falls short of the benchmark TSR by 25 percentage points or more, the target achievement is 0%. If the Continental TSR exceeds the benchmark TSR by 25 percentage points or more, the target achievement is 150%. If the Continental TSR falls short of, or exceeds, the benchmark TSR by fewer than 25 percentage points, the degree to which the targets are achieved is calculated on a straight-line basis between 50% and 150%. A target achievement of more than 150% in the Continental TSR performance criterion is excluded.

The Supervisory Board sets out appropriate provisions in the event of changes to Continental AG’s share capital, the listing of the Continental share or the benchmark index that have a substantial impact on the Continental TSR or the benchmark TSR.

In addition to the TSR, the Supervisory Board sets out up to six performance criteria and targets for the sustainability score of the respective plan. The targets are based on the Continental Group’s sustainability ambition, the reported sustainability indicators and associated corporate targets as well as management processes, which are specified in detail in the non-financial statement within the management report. The target values for the individual target years of the LTI are derived from the medium and long-term corporate targets. For own $CO_2$ emissions, for example, the target path of the 2040 carbon neutrality target and the corresponding intermediate steps for the respective LTI target values are used. The basis for measuring the target achievement is the measurement of performance in the corresponding period or in the last year of the plan.

The Supervisory Board determines the extent of the target achievement based on the audited consolidated financial statements and the non-financial statement of the Continental Group for the fourth fiscal year of the term of the LTI plan. For the calculation of the sustainability score, to the value of 0.7 for each target that has been achieved, a value is added that is determined by dividing 0.6 by the number of determined performance criteria. The sustainability score can be no higher than 1.3.

For the calculation of the LTI to be paid out, the relative TSR and the sustainability score for the performance index are first multiplied together. By multiplying the basic holding of virtual shares with the performance index, this results in the final holding of virtual shares.

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

## Overview of performance criteria for the ongoing long-term incentive (LTI)

| Plan / performance criteria | Strategic orientation for the defined target values, where necessary with intermediate steps for the individual tranches in order to achieve the long-term goal | Included in the plan | | | |
|---|---|---|---|---|---|
| | | 2020–2023 | 2021–2024 | 2022–2025 | 2023–2026 |
| **Own $CO_2$ emissions** | Reduction of own $CO_2$ emissions to 0.7 million metric tons of $CO_2$ by 2030 and to net zero by 2040 | x | x | x | x |
| **Waste for recovery quota** | Increase in the waste for recovery quota to 95% by 2030 | x | x | x | x |
| **Accident rate** | Defined reduction in the accident rate over the term of the plan and to 2.2 accidents per million working hours by 2030 | x | x | x | x |
| **Sick leave** | Defined reduction in sick leave over the term of the plan | x | -- | -- | -- |
| **Women in management positions** | Increase in the share of women in management positions to 25% by 2025 and to up to 30% by 2030[1] | x | x | x | x |
| **Sustainable engagement** | Permanent achievement of at least 80% in the Sustainable Engagement index, which measures employee agreement with the corresponding questions in the employee survey | x | x | x | x |

*1 Excluding the USA due to legal reasons*

## Structure of the 2022 long-term incentive (2022–2025 LTI)

### 3. Maximum remuneration

Pursuant to Section 87a (1) Sentence 2 No. 1 *AktG*, the Supervisory Board has set a maximum amount for the sum of all remuneration components including additional benefits and service costs (“maximum remuneration”). The maximum remuneration amounts to €11.5 million for the chairman of the Executive Board and €6.2 million for the other members of the Executive Board. These maximum limits relate to the total of all payments (gross) resulting from the remuneration regulations for a fiscal year.

The fixed annual remuneration component and the variable performance bonus and LTI components are already capped in terms of their amount (fixed remuneration or cap of 200% for the performance bonus and LTI) and already represent a significant limitation of remuneration. In terms of the additional benefits and service costs, fluctuations in the remuneration to be considered can occur despite a clear delineation of the committed benefits. For the additional benefits, the amounts to be considered include the non-cash benefits resulting from tax regulations. For the service costs, the amount to be considered is the service cost for the year in accordance with IFRS as opposed to the fixed pension contribution. This service cost in accordance with IFRS varies annually depending on several factors, including the respective age of the Executive Board member and the discount rate as at the end of the reporting period. The maximum remuneration was defined taking into account these potential fluctuations, which have no impact on the remuneration actually paid.

### 4. Share ownership guideline (SOG)

Each member of the Executive Board is required to invest a minimum amount in Continental AG shares and to hold these shares during their term of office plus an additional two years after the end of their appointment and the end of their service agreement

The minimum amount to be invested by each member of the Executive Board is based on their agreed gross fixed annual salary. It amounts to 200% of the fixed annual salary of the chairman of the Executive Board and 100% of the fixed annual salary of all other members of the Executive Board. As a rule, all Executive Board members have four years to accumulate their shares.

Contrary to this principle, the accumulation period may be postponed if, after four years, the sum of the net amounts paid from the variable remuneration components of the performance bonus (including the amount that the Executive Board member is obligated to invest as part of the equity deferral) and the LTI is below the SOG investment obligation. In this case, the accumulation period shall end six weeks after the sum of the net amounts paid has reached the SOG target. The accumulation period shall end ahead of time if the Executive Board member’s service agreement ends less than four years after the start of the accumulation period. In this case, the contractually defined SOG target is reduced pro rata temporis, but may not exceed the sum of the net payments made for the performance bonus and LTI during the reduced period.

For the duration of the mandatory holding period, a member of the Executive Board may neither pledge Continental shares acquired in accordance with the share ownership guideline nor otherwise hold them.

## In the Spotlight

### Remuneration

With the global introduction of the new remuneration system in fiscal 2020, remuneration for the Executive Board as well as for executives and senior executives was increasingly geared toward long-term and sustainable development of the company in order to ensure the long-term viability of the company.

This move also serves to comply with the German Corporate Governance Code (DCGK) and the Law on the Implementation of the 2nd EU Shareholder Rights Directive (ARUG II), according to which the remuneration structure is to be geared toward sustainable and long-term development. For example, sustainability indicators that support Continental's sustainability strategy were included in the Long-Term Incentive Plan (LTI). With a focus on the key strategic topics, the Supervisory Board or the Executive Board defines medium- to long-term performance criteria and targets for a sustainability factor for the respective long-term plan. The plan launched in fiscal 2022 included targets for $CO_2$ emissions, the waste for recovery quota, sustainable engagement, gender diversity, and accident rate.

Further information on this can be found in the Remuneration Report starting page 94 in this Integrated Sustainability Report.

## In the Spotlight

### Continental Profit Sharing Program

The Continental Profit Sharing Program is a global program by which our employees globally benefits from the Group's positive performance.

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

In 2020, due to economic challenges faced by the company, Continental decided to suspend the program. As announced in early 2023, Continental has now decided, after negotiations with the employee representatives, to start a new global Profit-Sharing-Program in fiscal 2024 with the first payout in 2025. This new program is based on different criteria, two of which are sustainability criteria: own $CO_2$ emission (Scope 1 and 2) and the global accident.

# Corporate Citizenship

## Management Approach

As an active member of the global community, we demonstrate sustained commitment to social issues in many places around the world. We are primarily involved in the regions and markets in which we are present or that are directly influenced by our business activities. Our commitment focuses as far as possible on local social needs, and aims to make long-lasting, positive changes to the benefit of people's living conditions and the environment.

Community projects, donations and other charitable activities are therefore initiated and managed at a local level at the discretion of the decentral, distributed units. In particular, these include donations, local support for volunteer work (corporate volunteering), as well as partnerships with public and non-profit organizations, schools and universities. The focus is on projects and initiatives in the areas of education, diversity and equal opportunities, as well as with regard to environmental protection and road safety. Wherever possible, we also bring in aspects of our core business to make our employees' professional skills even more effective in a social context – such as in the form of mentoring programs.

Our Group-wide donations directive defines the main content and processes for financial donations and donations in kind. As a general rule, we only make donations to charitable non-profit organizations. We do not make any donations, either directly or indirectly, to political parties, political organizations, or politicians. The option that our employees in the United States have of personally making political donations through a "political action committee" does not contradict this policy.

## In the Spotlight

### "Turning Racing Tires into Living Space"
### Recycled Tires Used to Build Rubber Paving Blocks for a Basketball Court

Turning racing tires into living space" is the motto under which a new basketball court was constructed in Hanover, Germany, in order to give children from the surrounding area an exciting place to play, run, and practice. Continental's Tires business area Replacement EMEA is donating 400 square meters of rubber paving blocks made from recycled racing tires from the Extreme E electric racing series, which Continental has supported as a founding partner since 2019. The Extreme E tires underwent a particularly complex manufacturing process to extract all chemical components from them before they became paving blocks.

Around 200 racing tires have undergone this recycling process and have been given a second life as the surface of a basketball court for a good cause. The BasKIDball project aims to overcome social barriers with the help of sports and to create basketball courts all over Germany where young people can practice together, no matter their age, origin, or which school they go to. BasKIDball stands for values such as team spirit, trust, health, and fairness, and the social aspect plays a central role. The court was created as part of a collaboration between the city of Hanover, property construction company Hanova, the BasKIDball project, the VIA Linden and Serve the City Hannover associations and the SV Linden 07 club, on whose premises the half-court has been built.

The basketball court was opened by Christian Kötz, Member of the Executive Board Tires, Extreme E driver Mikaela Åhlin-Kottulinsky and Belit Onay, Mayor of Hanover.

# Risks and Opportunities

**Source:** 2022 Annual Report > Management Report > Report on Risks and Opportunities (starting p. 88)

### The overall situation is analyzed and managed corporate-wide using the risk and opportunity management system.

The management of Continental is geared toward sustainably increasing the value of each individual operating unit. We evaluate risks and opportunities continually and responsibly to achieve our goal of adding value.

We define risk as the possibility of internal or external events occurring that can have a negative influence on the attainment of our strategic and operational targets. As a global corporation, Continental is exposed to a number of different risks, in particular due to the transformation in the mobility industry, that could impair business and, in extreme cases, threaten the company's existence. At the same time, this transformation also presents opportunities that we intend to consistently seize, as described in the Strategy of the Continental Group section. We accept manageable risks if the resulting opportunities are expected to result in sustainable growth in value. We consider growth in value in terms of the Continental Value Contribution (CVC) system described in the Corporate Management section.

# Continental's Internal Control System

The governance systems at Continental comprise the internal control system, the risk management system and – as part of the risk management system – the compliance management system. The risk management system in turn also includes the early risk identification system in accordance with Section 91 (2) of the German Stock Corporation Act *(Aktiengesetz – AktG)*.

The Executive Board is responsible for the governance systems, which include all subsidiaries. The Supervisory Board and its Audit Committee monitor the effectiveness of these systems.

**Structure of the internal control system**

In order to operate successfully as a company in a complex business environment and to ensure the effectiveness, efficiency and propriety of all processes and compliance with the relevant legal and sub-legislative regulations, Continental has established an internal control system that encompasses all relevant business processes.

Key elements of the corporate-wide internal control system are the clear allocation of responsibilities and system-inherent controls in the respective process flows. The two-person rule and separation of functions are fundamental principles of this organization. Continental's management also issues guidelines to ensure that all business processes are conducted in an economical, orderly and legally compliant manner.

Based on these fundamental principles and the globally applicable guidelines, the internal control system at Continental follows the Three Lines Model.

In the **first line**, system-inherent controls are configured in the company's IT systems to support the orderly and economical execution of all process flow transactions in accordance with the corporate-wide guidelines. At the same time, these transactional controls help to identify risks and deviations that require separate consideration. As the controls and process flows established in the first line apply to Continental's operating business, they are generally put in place at the level of our operating units, such as our subsidiaries, business areas and group sectors.

In the **second line** of our internal control system, guidelines for process flows are developed, implemented and updated and compliance with controls and guidelines is monitored. Responsibility for this lies primarily with the group functions, in addition to the business areas and group sectors. The responsibilities include, for example, the risk management system and the compliance management system. In order to perform this supervisory and monitoring function, an integrated reporting system has been established that includes, for example, the financial reporting internal control system (Financial Reporting ICS), the general risk management system, the compliance risk management system and the tax compliance management system. The supervisory and monitoring function is performed on the basis of regular reports and supplemented as needed with effectiveness tests as part of self-audits and regular internal and external reviews.

The compliance management system plays an important role within the second line of defense by helping to prevent, detect and respond to compliance violations. The Group Compliance group function is responsible for the compliance management system. The chief compliance officer reports directly to the chairman of the Executive Board. The work done by Group Compliance focuses mainly on preventing and detecting corruption, fraud and other property offenses, violations of antitrust and competition law and money laundering; implementing data protection; and responding to compliance violations. For other legal areas in which there is a risk of compliance violations, responsibility for appropriate and effective compliance management lies with the respective functions, which are supported in these tasks by Group Compliance.

An effective culture of compliance is the basis for prevention. It begins with setting an appropriate "tone from the top" by the Executive

Board and management and, in addition to risk analysis, includes in particular employee training, compliance consulting and the internal publication of guidelines.

In the course of risk analysis, the business activities of Continental are examined for compliance risks within the scope of top-down as well as bottom-up review processes. The risk of compliance violations arises primarily from organizational structures and workflows, the given market situation and activities in certain geographical regions. Furthermore, findings from investigations by the Group Internal Audit group function as well as discussions with management and employees at all hierarchical levels are taken into account. This risk analysis is not a one-off procedure, but is performed annually and continuously updated.

Prevention is also fostered by consultation on specific matters with Group Compliance and by the internal publication of guidelines on topics such as anti-corruption (including giving and receiving gifts as well as donations and sponsoring), antitrust and competition law, anti-money laundering and data protection. In training events, Group Compliance addresses topics directly related to everyday compliance issues and challenges.

Continental introduced the Business Partner Code of Conduct to prevent compliance violations by suppliers, service providers, representatives or similar third parties. This must be recognized as a basic requirement for doing business with Continental.

In the context of detection, Continental has set up an Integrity Hotline to give employees and third parties outside the Continental Group the opportunity to report violations of legal regulations, its fundamental values and ethical standards. Information on any kind of potential violations, including accounting manipulation, can be reported anonymously via this hotline. The hotline is available worldwide in many different languages. The company's investigating units rigorously pursue any and all substantiated leads.

Detection also includes the support of regular and incident-related audits conducted by Group Internal Audit. Compliance-related issues are regularly the subject of audits by Group Internal Audit.

Responses are aimed at implementing measures as a consequence of identified compliance violations. Group Compliance is involved in decision-making on measures that may be required, including thorough analysis to ensure that isolated incidents are not symptoms of failings in the system. In this way, corresponding gaps can be closed preventively and the compliance management system, as well as the internal control system, can be systematically developed.

The **third line** of our internal control system is our Group Internal Audit group function.

Group Internal Audit serves an independent and objective auditing and advisory function, applying a systematic approach to help review, assess and improve the adequacy and effectiveness of the organization's governance systems. Continental's Executive Board authorizes Group Internal Audit to conduct audits in all regions, companies or functions of Continental AG and its affiliated, fully consolidated subsidiaries worldwide.

Group Internal Audit prepares an annual risk-oriented audit plan that is submitted to Continental's Executive Board for review and approval. In addition to its planned general audits, Group Internal Audit also conducts special investigations. These are based on tips and information about fraudulent acts received from internal or external sources such as the Integrity Hotline or the ombudsman's office.

Group Internal Audit regularly reports its audit and investigation results to the Executive Board and the Audit Committee. Significant risks and potential improvements to internal controls are presented as part of the reporting to the aforementioned bodies. The implementation by management of the measures recommended in the course of audits is also monitored by Group Internal Audit and reported to the Executive Board and the Audit Committee.

**Appropriateness and effectiveness of the internal control system**

The three-tier structure of the internal control system at Continental and the associated guidelines and processes introduced worldwide fundamentally ensure that the relevant business processes are performed properly, economically and in compliance with legal regulations. Nevertheless, an internal control system cannot provide complete protection, particularly if internal controls and guidelines are intentionally circumvented. To proactively prevent and detect such circumvention, Continental has established monitoring functions at the various levels of the internal control system. Group Internal Audit assumes a particularly important role in this regard. Internal monitoring of compliance with internal controls is supplemented by information we receive from external audits, for example as part of ISO certifications, customer and supplier audits, company audits, customs audits and IT audits. These findings are taken into account when updating and making necessary adjustments to our internal control system.

Continental's Executive Board is kept continuously informed of the results of internal audit activities, external audits and governance system reporting, all of which form the basis for the Executive Board's assessment of the appropriateness and effectiveness of the internal control system.

The increased volatility of our business environment, the transformation of the automotive industry, the ever faster pace of technological development and the necessary consideration of sustainability aspects have shown that an internal control system must be continuously adapted to changing conditions. This increasingly complex environment has made it particularly vital to reassess the individual sub-areas of the internal control system in order to achieve a comprehensive overview and structure defined by uniform specifications. To this end, a comprehensive project to analyze the internal control system has been initiated.

**Main characteristics of the internal control and risk management system with respect to the accounting process (Sections 289 (4) and 315 (4) of the German Commercial Code (*Handelsgesetzbuch – HGB*))**

Pursuant to Sections 289 (4) and 315 (4) *HGB*, the main characteristics of the internal control and risk management system with respect to the accounting process must be described. All parts of the risk management system and internal control system that could have a material effect on the annual and consolidated financial statements must be included in the reporting.

The consolidated financial statements of Continental AG are prepared on the basis of standard reporting by the subsidiaries included in the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). Reporting is performed in compliance with IFRS and with the accounting manual applicable throughout the Continental Group. The consolidation of subsidiaries, debt, income and expenses, and intercompany profits is performed at corporate level.

The effectiveness of the financial reporting internal control system (Financial Reporting ICS) is evaluated in major areas by carrying out effectiveness tests in the reporting units on a quarterly basis. In addition, Group Internal Audit reviews the efficiency and effectiveness of control processes as well as compliance with internal and external requirements. If any weaknesses are identified, the Continental Group's management initiates the necessary measures.

**Risk management system**

In the governance, risk and compliance (GRC) policy adopted by the Executive Board, Continental defines the general conditions for integrated GRC as a key element of the risk management system, which regulates the identification, assessment, reporting and documentation of risks. In addition, this also further increases corporate-wide risk awareness and establishes the framework for a uniform risk culture.

The GRC system incorporates all components of risk reporting and the examination of the effectiveness of the Financial Reporting ICS. Risks are identified, assessed and reported at the organizational level that is also responsible for managing the identified risks. A multi-stage assessment process is used to involve also the higher-level organizational units. The GRC system thus includes all reporting levels, from the company level to the top corporate level.

At the corporate level, the responsibilities of the GRC Committee – chaired by the Executive Board member responsible for Finance, Controlling and IT – include identifying material risks for the Continental Group as well as complying with and implementing the GRC policy. The GRC Committee regularly informs the Executive Board and the Audit Committee of the Supervisory Board of the material risks, any weaknesses in the control system and measures taken. Moreover, the auditor is required to report to the Audit Committee of the Supervisory Board regarding any material weaknesses in the Financial Reporting ICS which they have identified as part of their audit activities.

**Risk assessment and reporting**

A period under consideration of one year is always applied when evaluating risks and opportunities. Risks and their effects are assessed using an end-to-end gross and net assessment methodology that helps to identify the impact of risk-minimizing measures.

Risks are assessed primarily according to quantitative criteria in various categories. If a risk cannot be assessed quantitatively, then it is assessed qualitatively based on the potential negative effects its occurrence would have on achieving corporate goals and based on other qualitative criteria such as the impact on Continental's reputation. Risks and opportunities are not offset.

Material individual risks for the Continental Group are identified from all the reported risks based on the probability of occurrence and the potential amount of damage that would be caused in the period under consideration. Quantified risks are based on EBIT effect and free cash flow effect.

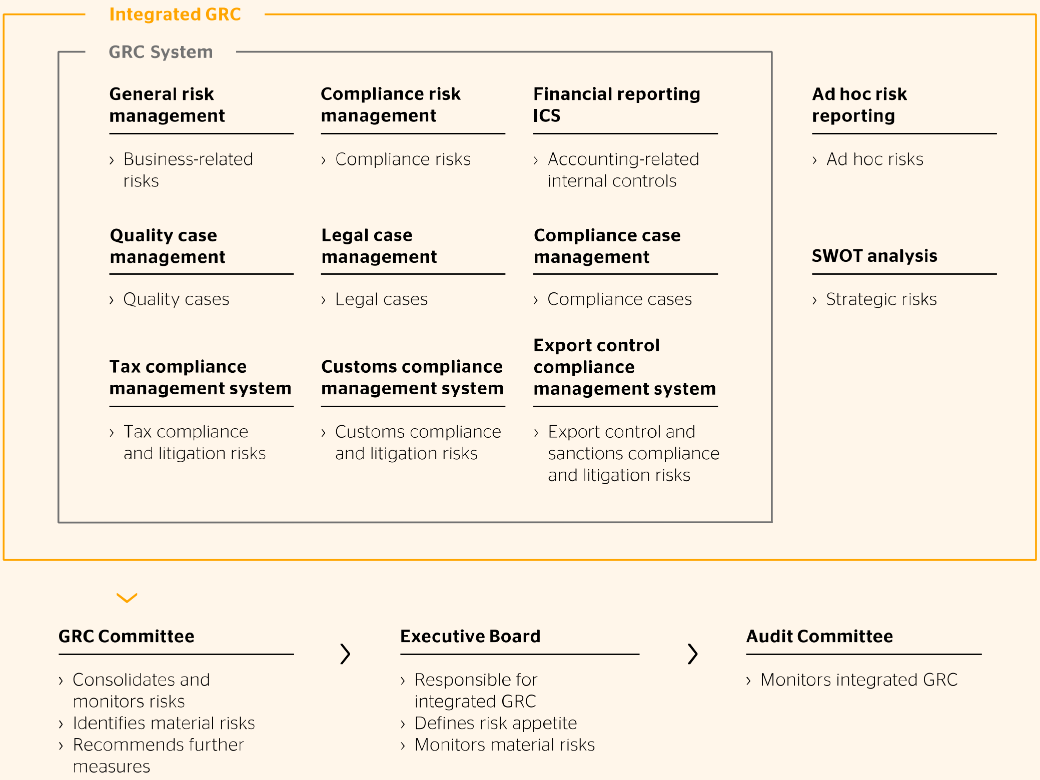
The individual risks that Continental has classified as material and the aggregated risks that have been assigned to risk categories are all described in the report on risks and opportunities, provided the potential negative effect of an individual risk or the sum of risks included in a category exceeds €100 million in the period under consideration or there is a significant negative impact on the corporate goals.

Continental further developed its procedure for risk aggregation in the year under review. However, this did not lead to any significant changes in the general flow of established processes. The risk inventory, now aggregated using a Monte Carlo simulation, is compared with the risk-bearing capacity determined on the reporting date, taking into account possible interactions, and is supplemented by a qualitative assessment by the GRC Committee on non-quantifiable risks in order to derive a statement on the potential risk to the Continental Group.

Local management can utilize various instruments for risk assessment, such as predefined risk categories (e.g. exchange-rate risks, product-liability risks, legal risks) and assessment criteria, centrally developed function-specific questionnaires as well as the Financial Reporting ICS's process and control descriptions. The key controls in business processes (purchase to pay, order to cash, asset management, HR, IT authorizations, the financial statement closing process and sustainability reporting) are thus tested with respect to their effectiveness.

All major subsidiaries carry out a semiannual assessment of business-related risks and an annual assessment of compliance risks in the GRC system's IT-aided risk management application. Any quality, legal and compliance cases that have actually occurred are also taken into account when assessing these risks. In the year under review, the GRC system was expanded to include the tax compliance management system, the customs compliance management system and the export control compliance management system, in order to ensure standard and regular review and reporting of pertinent risks. The quarterly Financial Reporting ICS completes regular GRC reporting.

**Risk reporting**




Furthermore, strategic risks are identified and assessed, for example as part of a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats). Any new material risks arising ad hoc between regular reporting dates have to be reported immediately and considered by the GRC Committee. These also include risks identified in the audits by group functions.

In addition to the risk analyses carried out by the reporting units as part of integrated GRC, audits are also performed by Group Internal Audit. Furthermore, the central controlling function analyzes the key figures provided as part of this reporting process at corporate and group-sector level in order to assess the effects of potential risks.

### Risk management and monitoring

For each risk identified, the responsible management team initiates appropriate countermeasures which, for material risks, are also documented in the GRC system. The GRC Committee monitors and consolidates the material risks and suitable countermeasures at the corporate level. It regularly reports to the Executive Board and recommends further measures if needed. The Executive Board discusses and resolves the measures and reports to the Supervisory Board's Audit Committee. The responsible bodies continually monitor the development of all identified risks and the progress of actions initiated. Group Internal Audit regularly audits the risk management process, thereby continually monitoring its effectiveness and further development.

### Opportunity management

As part of our opportunity management activities, we assess market and economic analyses and changes in legal requirements (e.g. with regard to fuel consumption and emission standards as well as safety regulations). In addition, we deal with the corresponding effects on the automotive sector and other relevant markets, our production factors and the composition and further development of our product portfolio.

# Material Risks

The order of the risk categories and individual risks presented within the four risk groups reflects the current assessment of the relative risk exposure for Continental and thus provides an indication of the current significance of these risks. If no quantitative information on the amount of damage is provided, the assessment is carried out on the basis of qualitative criteria. Unless the emphasis is placed on a specific group sector, the risks apply to all group sectors.

## Financial Risks

**Continental is exposed to risks in connection with its financing agreements and the syndicated loan.**
Continental is subject to risks in connection with its financing agreements. Risks arise from the bonds that Continental AG and Conti-Gummi-Finance B.V., Maastricht, Netherlands, have issued as part of the Debt Issuance Programme (DIP). These financing agreements contain covenants that could limit Continental's capacity to take action as well as change-of-control provisions.

In order to finance current business activities as well as investments and payment obligations, a syndicated loan agreement is in place, from which risks may arise. Under the terms of the syndicated loan agreement, the lenders have the right to demand repayment of the loan in the event of a change of control at Continental AG.

The requirements for and consequences of a change in control in accordance with the terms of the bonds or the syndicated loan agreement are described in detail in the Additional Disclosures and Notes Pursuant to Sections 289a and 315a *HGB* section on pages 85 and 86. The loans and bonds cited here could also immediately become due and payable if other financing agreements of more than €75.0 million are not repaid on time or are prematurely called for repayment.

The committed volume of the syndicated loan consists of a revolving tranche of €4.0 billion (due in December 2026). As at the end of fiscal 2022, €300.0 million of the revolving tranche had been utilized.

**Continental is exposed to risks associated with changes in currency exchange rates and hedging.**
Continental operates worldwide and is therefore exposed to financial risks that arise from changes in exchange rates. This could result in losses if assets denominated in currencies with a falling exchange rate lose value and/or liabilities denominated in currencies with a rising exchange rate appreciate. In addition, fluctuations in exchange rates could intensify or reduce fluctuations in the prices of raw materials in euros, as Continental sources a considerable portion of its raw materials in foreign currency. As a result of these factors, fluctuations in exchange rates can influence Continental's earnings situation.

External and internal transactions involving the delivery of products and services to third parties and companies of the Continental Group can result in cash inflows and outflows that are denominated in currencies other than the functional currency of the respective subsidiary of the Continental Group (transaction risk). To the extent that cash outflows of the respective subsidiary of the Continental Group in any one foreign currency are not offset by cash flows resulting from operational business in the same currency, the remaining net exchange-rate risk is hedged against on a case-by-case basis using the appropriate derivative instruments, particularly currency forwards, currency swaps and currency options with a term of up to 12 months.

Moreover, Continental is exposed to exchange-rate risks arising from external and internal loan agreements that result in cash inflows and outflows denominated in currencies other than the functional currency of the respective subsidiary of the Continental Group. These exchange-rate risks are in general hedged against by using appropriate derivative instruments, particularly currency forwards, currency swaps and cross-currency interest-rate swaps. Any hedging transactions executed in the form of derivative instruments can result in losses.

In order to quantify the possible effects of transaction-related exchange-rate risks from financial instruments on the earnings position of the Continental Group, transaction currencies with a significant exchange-rate risk within the next 12 months are identified based on current net exposure. If the exchange rates of these currencies all develop disadvantageously for Continental at the same time, then the hypothetical negative effect on the Continental Group's earnings position, calculated based on a 10% change in the current closing rate, would amount to between €500 million and €600 million.

**Continental is exposed to default risks in connection with cash and cash equivalents, derivative instruments and interest-bearing investments.**
In order to minimize the default risk for cash and cash equivalents, derivative instruments and interest-bearing investments, Continental generally uses banks that it has classified as core banks on the basis of defined criteria. As a general rule, these banks should have at least one investment-grade credit rating from one of the global rating agencies. The default risk can therefore be considered very low. The creditworthiness of the core banks – and of other banks with which investments are made, loans are granted or derivative instruments are traded in derogation from the core bank principle for operational or regulatory reasons – is continuously monitored. Not only the credit ratings but also in particular the premiums for insuring against credit default risks (credit default swaps, CDSs) are monitored, provided this information is available. In addition, Continental sets investment limits for each bank and trading limits for derivative instruments. The amount of these limits is based on the creditworthiness of the respective bank. Compliance with these limits is continuously monitored. Within the internally defined risk groups, the cash and cash equivalents, interest-bearing investments and positive (net) fair values of derivative instruments held at banks assigned to a higher risk group range from €100 million to €200 million.

## Risks Related to the Markets in which Continental Operates

**Continental could be exposed to material risks in connection with a global financial and economic crisis.**
With a 61% share of consolidated sales, the automotive industry – with the exception of the replacement business – is Continental's most important customer group. The remainder of its sales are generated from the replacement or industrial markets, mainly in the replacement markets for passenger-car and truck tires, and to a lesser extent in the non-automotive end markets of the other group sectors.

In the year under review, global automotive markets recovered more slowly than expected, with ongoing high volatility and uncertainty resulting in particular from problems within supply chains as well as the sharp rise in raw material, energy and logistics costs. Should a long-term revival take longer than anticipated or be dampened by a general economic downturn, it would likely adversely affect Continental's sales and earnings.

In the year under review, Continental's five largest OEM customers (Ford, Mercedes-Benz, Renault-Nissan-Mitsubishi, Stellantis and VW) generated approximately 32% of sales. If one or more of Continental's OEM customers is lost or terminates a supply contract prematurely, the original investments made by Continental to provide such products or outstanding claims against such customers could be wholly or partially lost.

Moreover, Continental generated 47% of its 2022 total sales in Europe and 18% in Germany alone. By comparison, 27% of Continental's total sales in 2022 were generated in North America, 22% in Asia-Pacific and 4% in other countries. Therefore, in the event of an economic downturn in Europe, particularly in Germany, for example, Continental's business and earnings situation could be affected more extensively than that of its competitors. Furthermore, the automotive and tire markets in Europe and North America are largely saturated. To minimize this dependence, Continental is striving to improve its regional sales balance, particularly by generating more sales in emerging markets and especially in Asia.

Based on a scenario analysis that assumes a 10% decline in sales volumes in 2023 compared with planning assumptions, and taking into account measures required as a result, we anticipate a possible decline of around 3 percentage points in the adjusted EBIT margin.

**Continental operates in a cyclical industry.**
With a 61% share of consolidated sales, the automotive industry – with the exception of the replacement business – is Continental's most important customer group. Global production of vehicles and, as a result, sales to OEMs are subjected to major fluctuations in some cases. They depend, among other things, on general economic conditions, disposable income and household consumer spending and preferences, which can be affected by a number of factors, including fuel costs as well as the availability and cost of consumer financing. As the volume of automotive production fluctuates, the demand for Continental's products also fluctuates, as OEMs generally do not commit to purchasing minimum quantities from their suppliers or to fixed prices. It is difficult to predict future developments in the markets Continental serves, which also makes it harder to estimate the requirements for production capacity. As Continental's business is characterized by high fixed costs, it is thus exposed to the risk that fixed costs are not fully covered in the event of falling demand and the resulting underutilization of its facilities (particularly in Automotive). Conversely, should the markets in which Continental operates once again grow faster than anticipated, there could be insufficient capacity to meet customer demand. To reduce the impact of the potential risk resulting from this dependence on the automotive industry, Continental is strengthening its replacement business and industrial business, including by means of acquisitions.

**Continental is exposed to fluctuations in the prices of raw materials and electronic components as well as a rise in energy and logistics costs.**
For the Automotive group sector, higher prices for raw materials and electronic components in particular can result in cost increases. The Tires and ContiTech group sectors mainly use natural and synthetic rubber as well as oil-based raw materials. The prices for these raw materials and components are exposed to sometimes considerable fluctuations worldwide. At present, Continental does not actively hedge against the risk of rising prices of electronic components or raw materials by using derivative instruments. There may also be a significant rise in energy and logistics costs. If the company is not able to compensate for the increased costs or to pass them on to customers, these price increases could reduce Continental's earnings by €400 million to €500 million.

**Continental could be affected by the consequences of the COVID-19 pandemic over a longer period.**
Due to the ongoing COVID-19 pandemic, particularly in China, there is still a risk of significant and ongoing negative effects on sales and procurement markets. This would have a negative impact on the availability of raw materials and components as well as Continental's sales volumes both in the OEM business and in the industrial and replacement business. The duration of the general economic downturn as well as its effects on global supply chains and Continental's various business units will largely depend on the success of containment measures as well as the effectiveness of corresponding relief packages and fiscal stimulus measures. While Continental has introduced measures aimed, for example, at improving its cost structure and ensuring supply chains, there is generally a risk of long-term negative effects on Continental's earnings, financial and net assets position.

**Continental is exposed to geopolitical risks.**
Current geopolitical developments such as the war in Ukraine and the conflict between China and Taiwan could have significant effects on Continental's sales and procurement markets. These include sanctions and other risks in supply chains as well as unforeseeable effects on the global economy. Continental constantly monitors current developments and derives possible scenarios and necessary measures.

**Continental is exposed to risks associated with uncertain energy supplies.**
Due to the ongoing war in Ukraine and the resulting geopolitical tensions, Continental is exposed to risks associated with uncertain energy supplies. This applies in particular to gas supplies, but also

to electricity supplies in many countries in which Continental operates. Possible longer-term supply restrictions could lead to negative effects on Continental's earnings, financial and net assets position and to far-reaching negative effects on the economy as a whole.

**Continental is exposed to risks associated with additional or higher tariffs.**
Due to the trend toward protectionism and the increase in trade conflicts around the world, Continental sees itself at risk from additional or higher tariffs on automobiles and on the products, components and raw materials it supplies or purchases. These tariffs could cause demand for Continental's products to drop and costs to increase, which would have an adverse effect on Continental's business and earnings situation.

## Risks Related to Continental's Business Operations

**Continental depends on a limited number of key suppliers for certain products.**
Continental is subject to the potential risk of unavailability of certain raw materials and production materials. Although Continental's general policy is to source product components from a number of different suppliers, single sourcing cannot always be avoided and, consequently, Continental is dependent on certain suppliers, in particular with respect to certain products manufactured by Automotive as well as in Tires and ContiTech. Since Continental's procurement logistics are mostly organized on a just-in-time or just-in-sequence basis, supply delays, cancellations, strikes, insufficient quantities or inadequate quality can lead to interruptions in production and therefore have a negative impact on Continental's business operations in these areas. Continental tries to limit these risks by endeavoring to select suppliers carefully and monitor them regularly. However, if one of Continental's suppliers is unable to meet its delivery obligations (e.g. due to insolvency, destruction of production plants as a result of natural disasters, refusal to perform following a change in control, or the far-reaching effects of the COVID-19 pandemic), or if corresponding deliveries are affected by sanctions due to geopolitical disputes, Continental may be unable to source input products from other suppliers on short notice at the required volume. Such developments and events can therefore cause delays in the delivery or completion of Continental products or projects and could result in Continental having to purchase products or services from third parties at higher costs or even to financially support its own suppliers. Furthermore, in many cases OEM customers have approval rights with respect to the suppliers used by Continental, which could make it impossible for Continental to source input products from other suppliers upon short notice if the relevant OEM customer has not already approved other suppliers at an earlier point in time and which could lead to order cancellations. Claims for damages on a considerable scale can also not be ruled out. Furthermore, Continental's reputation among OEM customers could suffer, with the possible consequence that they select a different supplier.

**Continental is exposed to information-technology risks.**
With regard to its business and production processes, its products and its internal and external communication, Continental is highly dependent on centralized and standardized information-technology systems and networks. These systems and networks as well as the products themselves are potentially exposed to the risk of various forms of cybercrime as well as damage and disruption that can have a wide range of other causes. In hacker attacks, third parties could attempt to gain unauthorized access to confidential information and data that is stored, processed or communicated in the systems and networks. In addition, data, products and systems could be blocked, damaged, controlled or destroyed as a result of becoming infected with viruses or malware.

During a cyberattack that was discovered in August 2022, attackers infiltrated parts of Continental's IT systems and copied several terabytes of data before the attack could be stopped. Continental subsequently received ransom demands from the alleged attackers, who threatened to publish the copied data. Continental did not respond to the demands. The hacker group published a list of the data that it claimed to have in its possession. With the support of external cybersecurity experts, Continental is conducting an investigation into the incident and the data affected. It cannot be ruled out that the incident could lead to fines and possible claims for damages given the data protection laws and non-disclosure agreements in force. Continental's business activities were not affected by the attack at any point, and Continental maintains full control over its IT systems.

Although Continental has taken appropriate precautions to manage the risks associated with system and network disruptions and corresponding attacks, a prolonged outage in a computer center or telecommunication network or a comparable incident could result in systems or networks becoming unexpectedly unavailable over an extended period. The measures taken to minimize such risks include technical and organizational precautions such as duplicated data storage and contingency plans, as well as suitable training measures that are continuously expanded, particularly to raise awareness of the growing threat from cybercrime.

Should the precautions taken prove insufficient to adequately protect the systems, networks, products and information, Continental could suffer considerable damage and disadvantages as a result of outages or the knowledge and use of its information by third parties.

**Continental is exposed to risks in connection with its pension commitments.**
Continental provides defined benefit pension plans in Germany, the USA, the UK and certain other countries. As at December 31, 2022, the pension obligations amounted to €5,170.0 million. These existing obligations are financed predominantly through externally invested pension plan assets. In 2006, Continental established legally independent trust funds under contractual trust arrangements (CTAs) for the funding of pension obligations of certain subsidiaries in Germany. In 2007, Continental assumed additional CTAs in connection with the acquisition of Siemens VDO. As at December 31, 2022, Continental's net pension obligations (defined benefit obligations less the fair value of plan assets) amounted to €2,105.7 million.

Continental's externally invested plan assets are funded by externally managed funds and insurance companies. While Continental generally prescribes the investment strategies applied by these funds and takes these into account when selecting external fund managers, it does not have any influence over their individual investment decisions. The assets are invested in different asset classes, including equity, fixed-income securities, real estate and other investment vehicles. The values attributable to the externally invested plan assets are subject to fluctuations in the capital markets that are beyond Continental's influence. Unfavorable developments in the capital markets could result in a substantial coverage shortfall for these pension obligations, resulting in a significant increase in Continental's net pension obligations.

Any such increase in Continental's net pension obligations could adversely affect Continental's financial condition due to an increased additional outflow of funds to finance the pension obligations. Also, Continental is exposed to risks associated with longevity and interest-rate changes in connection with its pension commitments, as an interest-rate decrease could have an adverse effect on Continental's liabilities under these pension plans. Furthermore, certain US-based subsidiaries of Continental have entered into obligations to make contributions to healthcare costs of former employees and retirees. Accordingly, Continental is exposed to the potential risk that these costs may increase in the future.

If the discount rates used to calculate net pension obligations were to decrease by 0.5 percentage points at the end of the year, all other things being equal, this would lead to a rise in net pension obligations of anywhere from €300 million to €400 million which could not be reduced by taking measures to minimize risk. However, this would not affect EBIT.

**Continental is exposed to risks associated with warranty and product liability claims.**
In its quality strategy, Continental has defined the framework conditions for all quality-related activities and ascribes the highest priority to quality. However, Continental is constantly subject to product liability claims and proceedings alleging violations of due care, violation of warranty obligations or material defects, and claims arising from breaches of contract due to recalls or government proceedings. Any such lawsuits, proceedings and other claims could result in increased costs for Continental. Moreover, defective products could result in loss of sales and loss of customer and market acceptance. Such risks are insured up to levels considered economically reasonable by Continental, but its insurance coverage could prove insufficient in individual cases. Additionally, any defect in one of Continental's products (in particular tires and other safety-related products) could also have a considerable adverse effect on the company's reputation and market perception. This could in turn have a negative impact on Continental's sales and income. Moreover, vehicle manufacturers are increasingly requiring a contribution from their suppliers for potential product liability, warranty and recall claims. In addition, Continental is subject to continuing efforts by its customers to change contract terms and conditions concerning the contribution to warranty and recall cost. Furthermore, Continental manufactures many products pursuant to OEM customer specifications and quality requirements. If the products manufactured and delivered by Continental do not meet the requirements stipulated by its OEM customers at the agreed date of delivery, production of the relevant products is generally discontinued until the cause of the product defect has been identified and remedied. Under certain circumstances, this could lead to losses of sales and earnings. Furthermore, Continental's OEM customers could potentially claim damages, even if the cause of the defect is remedied at a later point in time. Moreover, failure to fulfill quality requirements could have an adverse effect on the market acceptance of Continental's other products and its market reputation in various market segments.

The quantifiable risks from warranty and product liability claims as at December 31, 2022, taking into account provisions, amounted to between €100 million and €200 million.

**Continental is exposed to risks from trade restrictions, sanctions and export controls.**
Due to the global alignment of the economic activity of the Continental Group, there are business risks with respect to embargoes, sanctions and export controls. As a global company, Continental also has business relations with customers and partners based in countries that are – or may be in the future – subject to export restrictions, embargoes, economic sanctions or other forms of trade restrictions. In addition to the fundamental influence that such restrictions have on the business activity of the Continental Group, violations of relevant provisions may lead to considerable penalties, administrative sanctions, damage to the company's reputation, as well as claims for damages. Continental may also be forced, through new trade restrictions, to limit or put an end to business activity in certain countries or regions.

**Continental could be adversely affected by property loss and business interruption.**
Fire, natural hazards, terrorism, power failures or other disturbances at Continental's production facilities or within Continental's supply chain – with customers and with suppliers – can result in severe damage and loss. Such far-reaching negative consequences can also arise from political unrest or instability. Due to climate change, the probability of natural hazards, in particular extreme weather events, is expected to continue to rise and the extent of damage to increase. The risks arising from business interruption, loss of production or the financing of facilities are insured up to levels considered economically reasonable by Continental, but its insurance coverage could prove insufficient in individual cases. Furthermore, such events could injure or damage individuals, third-party property or the environment, which could, among other things, lead to considerable financial costs for Continental.

**Continental is exposed to risks in connection with its interest in MC Projects B.V.**
Continental and Compagnie Financière Michelin SAS, Clermont-Ferrand, France (Michelin), each hold a 50% stake in MC Projects B.V., Maastricht, Netherlands, a company to which Michelin contributed the rights to the Uniroyal brand for Europe as well as for certain countries outside Europe. In turn, MC Projects B.V. licensed to Continental certain rights to use the Uniroyal brand on or in connection with tires in Europe and elsewhere. Under the terms of the agreement concluded in this connection, both the agreement and the Uniroyal license can be terminated if a major competitor in the tire

business acquires more than 50% of the voting rights of Continental AG or of its tire business. Furthermore, in this case Michelin also has the right to acquire a majority in MC Projects B.V. and to have MC Projects B.V. increase its minority stake in the manufacturing company Continental Barum s.r.o., Otrokovice, Czechia – one of Continental's largest tire plants in Europe – to 51%. These events could have an adverse effect on the business and earnings position of Continental's Tires group sector.

## Legal and Environmental Risks

**Continental could be threatened with fines and claims for damages for alleged or actual unlawful behavior.**
Despite the compliance management system in place at Continental, the global nature of the Continental Group's business activities means there is a possibility that unlawful behavior (e.g. corruption, fraud, violations of antitrust and competition law, money laundering) could occur in individual cases or that Continental could be accused of unlawful behavior. This alleged or actual unlawful behavior could lead to fines or claims for damages. Significant proceedings in this context are outlined below.

In May 2005, the Brazilian competition authorities opened investigations against Continental's Brazilian subsidiary Continental Brasil Industria Automotiva Ltda., Guarulhos, Brazil (CBIA), following a complaint of anticompetitive behavior in the area of commercialization of tachographs. On August 18, 2010, the Brazilian antitrust authorities determined an "invitation to cartel" and imposed a fine of BRL 12 million (around €2.1 million) on CBIA, which was then reduced to BRL 10.8 million (around €1.9 million). CBIA denies the accusation that it has infringed Brazilian antitrust law. Although the court of first instance appealed to by CBIA upheld the decision, on CBIA's further appeal the next higher court annulled this decision and remanded the matter. In case an infringement of Brazilian antitrust law is found, third parties may, in addition, claim damages from CBIA.

On October 2, 2006, South African antitrust authorities received a complaint from a third party accusing several South African tire manufacturers of alleged antitrust behavior, including Continental Tyre South Africa (Pty.) Ltd., Port Elizabeth, South Africa (CTSA), a subsidiary of Continental. On August 31, 2010, the South African antitrust authorities came to the conclusion that CTSA had violated South African antitrust law and referred the matter to the responsible antitrust court for a decision. CTSA denies the allegation of infringements of South African antitrust law. However, the tribunal could impose a fine of up to 10% of CTSA's sales. In addition, third parties may also claim damages from CTSA in case of an infringement of South African competition law.

As a result of investigations by the US Department of Justice (DOJ) and the Korea Fair Trade Commission (KFTC) in connection with the suspected involvement in violations of US and South Korean antitrust law in the instrument cluster business, which came to light in 2012, the KFTC imposed a fine on Continental Automotive Electronics LLC, Bugang-myeon, South Korea (CAE), at the end of 2013, the final amount of which was set in 2018 at KRW 32,101 million (around €23.9 million). In the USA, CAE and Continental Automotive Korea Ltd., Seongnam-si, South Korea, agreed to pay a fine of US $4.0 million (approximately €3.7 million) in 2015. In the proceedings relating to class action lawsuits filed in the USA and Canada for alleged damages resulting from the antitrust violations, settlements totaling US $5.0 million (around €4.7 million) were concluded in the USA in 2018 and settlements totaling CAN $0.6 million (around €0.4 million) concluded in Canada in 2020. The risk of investigations by other antitrust authorities into this matter and claims for damages by further alleged victims remain unaffected by the fines imposed.

As a result of investigations that came to light in 2014, the European Commission imposed a fine of €44.0 million on Continental AG; Continental Teves AG & Co. oHG, Frankfurt am Main, Germany; and Continental Automotive GmbH, Hanover, Germany; on February 21, 2018, for the unlawful exchange of information. This involved specific brake components. Continental has paid this fine. Customers have since approached Continental to claim for damages, in some cases for specific amounts. In September 2022, Mercedes-Benz AG and Mercedes-Benz Group AG filed a civil lawsuit against Continental AG and three other companies of the Continental Group before a court in London, United Kingdom. Mercedes-Benz has yet to attach any specific amount to its claim. Continental has challenged the court's jurisdiction in this case. Mercedes-Benz Group AG subsequently filed for declaratory judgment action with the Hanover District Court against Continental AG and two other companies of the Continental Group in December 2022. In addition, two class action lawsuits have been filed in Canada against Continental AG and several of its subsidiaries. Continental believes that these claims and lawsuits are without merit. However, should the lawsuits lead to a judgment against Continental, the resulting expenses could be substantial and exceed the provision set aside for this purpose. In accordance with IAS 37.92 and GAS 20.154, no further disclosures will be made with regard to the proceedings and the related measures so as not to adversely affect the company's interests.

On March 3, 2021, the Brazilian antitrust authorities (Conselho Administrativo de Defesa Econômica, CADE), acting on the basis of the issues addressed by the European Commission and described above, formally initiated proceedings against Continental Teves AG & Co. oHG, Frankfurt am Main, Germany, and certain former employees for alleged unlawful exchange of competition-sensitive information concerning hydraulic brake systems. The proceedings against Continental are still at an early stage. Continental is therefore unable to reliably predict in any way what the outcome of these proceedings will be. If Continental is found responsible for any violation, CADE could impose a fine on the company of 0.1% to 20% of its revenue or that of the Continental Group in Brazil in the year prior to when the administrative proceedings were launched (2020). Non-pecuniary penalties may also be possible. Furthermore, customers allegedly affected by the alleged exchange of information could claim for damages if indeed a violation of Brazilian antitrust law is established.

Since 2020, the public prosecutor's office in Hanover has been conducting investigative proceedings against current and former employees as well as former board members of Continental AG suspected of committing criminal acts and breaches of supervisory duties in connection with the development and use of illegal defeat devices in diesel and gasoline engines of multiple automotive manufacturers as well as in connection with the subsequent investigation of these actions, and as part of these proceedings has conducted multiple searches at locations of Continental AG and individual companies of the Continental Group. Continental AG and individual companies of the Continental Group are ancillary parties to these proceedings. The investigations concern activities of the former Powertrain business area that were transferred within the scope of the spin-off to Vitesco Technologies Group AG, Regensburg, Germany, and its subsidiaries in 2021.

In addition, the public prosecutor's office in Frankfurt am Main, in connection with conducting investigation proceedings concerning illegal defeat devices in diesel engines of an international automotive manufacturer, has been conducting separate administrative offense proceedings against Continental AG and two companies of the Continental Group on suspicion of breach of supervisory duties. These proceedings were legally concluded after the end of the fiscal year with payment of fines totaling almost €3.6 million.

Both the investigations by the public prosecutor's office in Hanover and the company's internal investigation into the matters covered by these proceedings, which involve considerable costs and effort, are ongoing. Continental AG and the companies of the Continental Group are cooperating unreservedly with the public prosecutor's office in Hanover. There is a risk that fines will be imposed as a result of the allegations. The amount of such fines, which could comprise a levy and a penalty component, is currently unknown but collectively could be significant. Furthermore, the risk of damage to the company's reputation cannot be ruled out.

To cover risks and costs arising from the proceedings conducted by the public prosecutor's offices in Hanover and Frankfurt am Main, a provision amounting to a low nine-figure sum had been set aside as at December 31, 2022. With the conclusion of proceedings by the public prosecutor's office in Frankfurt am Main, the provision was partially utilized at the start of the fiscal 2023 such and now amounts to a high eight-figure sum.

In the event that fines or other measures are imposed on Continental AG and/or individual companies of the Continental Group that concern the transferred business, Vitesco Technologies Group AG is obligated on the basis of and in accordance with contractual provisions arising in particular from the corporate separation agreement concluded in the context of the spin-off to indemnify Continental AG and any individual companies of the Continental Group against the ensuing costs and liabilities. This is consistent with the agreement between the parties that all opportunities as well as all risks arising from the transferred business shall pass to Vitesco Technologies Group AG and the companies of Vitesco Technologies. These regulations have not been taken into account in the formation of the provision described above. In accordance with IAS 37.92 and GAS 20.154, no further disclosures will be made with regard to the proceedings and the related measures and any potential claims against Vitesco Technologies Group AG so as not to adversely affect the company's interests.

In view of the scope of these national and international investigations against automotive manufacturers and suppliers, further proceedings by public authorities, civil legal proceedings and claims by third parties, along with the related financial risks, cannot be ruled out.

**There is a risk that Continental could infringe on the industrial property rights of third parties.**
There is a risk that Continental could infringe on the industrial property rights of third parties, since its competitors, suppliers and customers also submit a large number of inventions for industrial property protection. It is not always possible to determine with certainty whether there are effective and enforceable third-party industrial property rights to certain processes, methods or applications. Therefore, third parties could assert claims (including illegitimate ones) of alleged infringements of industrial property rights against Continental. As a result, Continental could be required to cease manufacturing, using or marketing the relevant technologies or products in certain countries, or be forced to make changes to manufacturing processes and/or products. In addition, Continental could be liable to pay compensation for infringements or could be forced to purchase licenses to continue using technology from third parties. Continental, for example, supplies telecommunication modules that transmit vehicle data, enable voice and internet functionality, and are compatible with cellular communication standards. In this respect, there is a risk that Continental or its suppliers may be denied their own direct license to use patents relating to these standards (standard essential patents), especially in the field of telecommunications standards such as 3G, 4G or 5G, and that Continental may become dependent on licenses and the conditions under which they are granted to customers. In addition, Continental is subject to efforts by its customers to change contract terms and conditions concerning the participation in disputes regarding alleged infringements of intellectual property rights.

**Continental is exposed to risks from legal disputes.**
Companies from the Continental Group are involved in a number of legal and arbitration proceedings and could become involved in other such proceedings in the future. These proceedings could involve substantial claims for damages or payments, particularly in the USA. For more information on legal disputes, see Note 38 of the notes to the consolidated financial statements.

**Continental could be unsuccessful in adequately protecting its intellectual property and technical expertise.**
Continental's products and services are highly dependent upon its technological know-how and the scope and limitations of its proprietary rights therein. Continental has obtained or applied for a large number of patents and other industrial property rights that are of considerable importance to its business. The process of obtaining patent protection can be lengthy and expensive. Furthermore, patents may not be granted on currently pending or future applications or may not be of sufficient scope or strength to provide Continental with meaningful protection or commercial advantage. In addition, although there is a presumption that patents are valid, this does not necessarily mean that the patent concerned is effective or that possible patent claims can be enforced to the degree necessary or desired.

A major part of Continental's know-how and trade secrets is not patented or cannot be protected through industrial property rights. Consequently, there is a risk that certain parts of Continental's know-how and trade secrets could be transferred to collaboration partners, customers and suppliers, including Continental's machinery suppliers or plant vendors. This poses a risk that competitors will copy Continental's know-how without incurring any expenses of their own. Moreover, Continental has concluded a number of license, cross-license, collaboration and development agreements with its customers, competitors and other third parties under which Continental is granted rights to industrial property and/or know-how of such third parties. It is possible that license agreements could be terminated under certain circumstances in the event of the licensing partner's insolvency or bankruptcy and/or in the event of a change of control in either party, leaving Continental with reduced access to intellectual property rights to commercialize its own technologies.

**Continental could become subject to additional burdensome environmental or safety regulations, and new regulations could adversely affect demand for the company's products and services.**
As a corporation that operates worldwide, Continental must observe a large number of different regulatory systems in numerous countries that change frequently and are continuously evolving and becoming more stringent, particularly with respect to the environment, chemicals and hazardous materials, as well as health regulations. This also applies to air, water and soil pollution regulations and to waste legislation, all of which have recently become more stringent through new laws, particularly in the EU and the USA. Moreover, Continental's locations and operations necessitate various permits, and the requirements specified therein must be complied with. In the past, adjusting to new requirements has necessitated investments, and Continental assumes that further investments in this regard will be required in the future.

# Material Opportunities

Unless the emphasis is placed on a specific group sector, the opportunities apply to all group sectors.

**There are opportunities for Continental if the economy performs better than anticipated.**
If the economy in our major sales regions develops better than we have anticipated, we expect that demand for vehicles, replacement tires and industrial products will also develop better than we have anticipated. Due to the increased demand for Continental's products among vehicle manufacturers and industrial clients and in the replacement business that would be expected as a consequence, our sales could rise more significantly than expected and there could be positive effects with regard to fixed cost coverage. Particular importance is attached to the European market due to the high share of sales that Continental generates in this region (47%).

**There are opportunities for Continental if prices fall on the raw materials markets relevant to us.**
Continental's earnings situation is affected to a significant extent by the cost of raw materials, electronic components, logistics and energy. For Automotive, this particularly relates to the cost of electronic components as well as metals and plastics. The earnings situation of Tires and ContiTech is significantly impacted by the cost of oil and of natural and synthetic rubber. If prices for natural and synthetic rubber in particular decline, this could have a positive impact on Continental's earnings, provided sales prices for rubber products remain stable.

**The trend toward automated and autonomous driving presents Continental with opportunities.**
The trend from assisted driving to automated and autonomous driving is set to continue. Several vehicle manufacturers plan to offer new models with partially automated "Level 3" functions over the next few years. A key requirement for partially automated driving is that vehicles be equipped with sensors. To date, between two and seven sensors for assisted driving have been installed per vehicle, depending on their equipment features. Even for partially automated driving, considerably more and also higher-quality radar, camera and LiDAR sensors are required, depending on the scope of the functionality. Since Continental is one of the leading providers of advanced driver assistance systems, the increasing volume of sensors, electronic control units and new software could result in considerable sales and earnings opportunities.

**Innovations for vehicle interiors present Continental with opportunities.**
For optimum interaction between the driver and the vehicle, more and more new products are being used in car manufacturing in the increasingly important area of "user experience." For the user experience of the future, Continental has developed countless innovations such as curved digital 3D displays and temporarily hidden displays. With customer-specific solutions for interior sensor technology, Continental is also increasing safety and ease of use within the vehicle. Since intelligent concepts for new experiences for car buyers in the vehicle interior are becoming more and more important, and Continental is one of the leading providers of these, increasing demand among car manufacturers could result in considerable sales and earnings opportunities.

**The digitalization of vehicles and the services generated as a result present Continental with opportunities.**
The massive amounts of data generated by driver assistance systems and driver information systems as well as the immediate processing thereof in vehicles require a changeover of the vehicle architecture to the most cutting-edge high-performance computers. This – together with the new software solutions required for this purpose – results in substantial growth potential for Continental

with positive effects on its future sales and attainable margins. Furthermore, the increasing digitalization of our products gives us the opportunity to offer our customers software-based services and regular software updates in addition to the product itself, and to open up new markets for mobility services (smart mobility).

**The tire business presents Continental with opportunities.**
Continental intends to further increase its market share in the growth markets of Asia and North America in particular. In the passenger-car tire segment, the global business with tires for electric mobility and ultra-high-performance tires is to be systematically expanded further. The truck and bus tire business is to be further developed in all regions through the Conti360° fleet services. Continental's specialty tire business, which includes not only two-wheel and racing tires but also tires for a variety of industrial applications, is expected to grow further as well. Smart, digital tire solutions and ambitious sustainability goals will also make a significant contribution to market success and differentiation in the future. The market launch of our new ContiRe.Tex technology and the intelligent tire management solution ContiConnect 2.0 are important steps in this direction (see the Research and Development section). In the area of service-based digital solutions, the Tires group sector of Continental aims to become the leading supplier worldwide by 2030. If Continental succeeds in increasing its market share in high-growth segments and in digital solutions and services even more than planned, this is likely to have positive effects on its sales and earnings.

**Digitalization in the industrial business presents Continental with opportunities.**
The growth potential results primarily from the increasing demand for digital and intelligent solutions in the industrial business. To this end, the ContiTech group sector will draw on its long-standing and detailed knowledge of the industry and materials to open up new business opportunities by combining various materials with electronic components and individual services (e.g. Conti LoadSense; see the Research and Development section). If these new products become established more quickly than planned, this would create corresponding sales and earnings opportunities for Continental.

**There are opportunities for Continental from changes in the legal framework.**
Legal regulations with the aim of further improving traffic safety provide an opportunity for a rise in demand for Continental's products. Based on our broad product portfolio for active vehicle safety, we have developed more advanced safety systems over the past years. Further volume growth is expected as a result of more stringent requirements in various regional safety tests, since an increasing number of safety systems have been recognized as having achieved the very highest level of safety. In addition, more and more legal requirements in individual countries are being expanded to include active safety systems.

# Statement on Overall Risk and Opportunities Situation

In the opinion of the Executive Board, the overall risk situation of the Continental Group has not changed significantly in the past fiscal year.

It remains to be seen to what extent and for how long current events such as the war in Ukraine, the uncertainty in various supply chains and inflation will continue to affect the automotive industry and the macroeconomic situation.

However, the analysis for the year under review did not reveal any risks, either at the end of the reporting period or at the time the annual financial statements were prepared, that individually or collectively pose a threat to the company or the Continental Group as a going concern. In the opinion of the Executive Board, there are also no discernible risks to the Continental Group as a going concern in the foreseeable future.

Considering the material opportunities, the overall risk assessment for the Continental Group presents a reasonable risk and opportunities situation to which our risk-containment measures and our corporate strategy have been aligned accordingly.

# Notes and Additional Information
# Information in Accordance with the EU Taxonomy Regulation

**Source:** 2022 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Non-Financial Statement (starting p. 37)

The EU Taxonomy is a classification system for determining sustainable economic activities in the real economy. The following disclosures are the mandatory disclosures of the Continental Group in accordance with Art. 8 of EU Taxonomy Regulation 2020/852.

**Specific information on the implementation of disclosure requirements in accordance with the EU Taxonomy Regulation**
There continues to be uncertainty for Continental with respect to the reporting to be carried out as per the EU Taxonomy Regulation and the application of the regulations concerning Taxonomy-aligned economic activities. This is mainly because unclear wording continues to be used in the regulations and notes on determining Taxonomy-eligible – and in particular Taxonomy-aligned – economic activities as well as the calculations for key performance indicators for turnover, capital expenditure and operating expenditure. As a result, these regulations and notes are still open to interpretation.

From Continental's perspective, there is also uncertainty about the interaction between the various regulations, delegated acts and official answers to frequently asked questions. Furthermore, the short implementation period granted by the EU Taxonomy Regulation and the published delegated acts means that many questions of interpretation related to implementation have not yet been conclusively clarified. The EU Platform on Sustainable Finance, a permanent expert group set up by the European Commission, also explicitly points toward this in its report to the Commission dated October 2022. In interpreting the regulation, we also take into consideration the publicly communicated assessments of industry associations in the supplier and automotive industries as well as the reporting practices of European suppliers for 2021.

For the supplier industry, the European Commission additionally determined in its preliminary answers to frequently asked questions dated December 19, 2022, that the explicit handling of components – for the transport sector, for example – would be governed in more detail in later revisions of the delegated regulation. Continental therefore continues to explicitly stress the difficulty of classifying suppliers within the framework of the EU Taxonomy.

**Taxonomy-eligible economic activities**
As part of our sustainability ambition, we strive for carbon neutrality and emission-free mobility and industries by 2050 at the latest (see also the sections on carbon neutrality and on emission-free mobility and industries in this combined non-financial statement) and thus for the expansion of clean and carbon-neutral mobility. With this in mind, we have introduced performance indicators at a corporate level as part of our sustainability scorecard, with the aim of monitoring our progress. From this scorecard, we classify the allocated business with emission-free mobility and industries as the indicator that comprises all economic activities to be disclosed for Continental as Taxonomy-eligible with respect to the environmental target of climate change mitigation in accordance with the EU Taxonomy Regulation. It consists of allocated business with zero-tailpipe-emission vehicles and allocated low-carbon business beyond business with zero-tailpipe-emission vehicles. These activities are not identified as Taxonomy-eligible under Annex II to the delegated climate act (climate change adaptation).

All other economic activities of the Continental Group that are not included in the aforementioned economic activities are classified as Taxonomy-non-eligible for the reporting year.

In particular, the allocation of the economic activity is a decisive factor for this classification, since a direct connection should be demonstrated for economic activities upstream in the value chain, as stated by the Platform on Sustainable Finance in its report to the Commission dated October 2022.

We therefore classify the allocated business with zero-tailpipe-emission vehicles under category 3.6 ("Manufacture of other low-carbon technologies") of the delegated regulation for climate change mitigation (EU 2021/2139, Annex I), since it makes a substantial contribution toward increasing "clean or climate-neutral mobility" in accordance with Art. 10 (1) c) in conjunction with Art. 10 (1) i) of the EU Taxonomy Regulation. From Continental's perspective, it additionally meets the conditions for enabling activities as defined in Art. 16 of the EU Taxonomy Regulation, since this economic activity does not lead to lock-in effects and has a substantial positive environmental impact, on the basis of life-cycle considerations. The majority of $CO_2$ emissions from vehicles and vehicle components occur during the use phase, whereby a substantial positive environmental impact can generally be assumed for zero-tailpipe-emission vehicles and their components, as stated by Annex I to the delegated regulation for climate change mitigation in relation to vehicles.

This classification is also based on the European Commission's answer in its frequently asked questions dated December 2022, which states that the manufacture of specific car and vehicle components cannot be classified under the activity "Manufacture of low-carbon technologies for transport" (3.3) as standard, since the EU Taxonomy does not provide for any general regulation for upstream activities.

Furthermore, the allocated low-carbon business beyond business with zero-tailpipe-emission vehicles is reported as Taxonomy-eligible. In addition to various industrial businesses, it covers for the first time the replacement business with highly efficient tires with low rolling resistance for the existing fleet of vehicles already on the market. This tire market business with the two highest label classes of A and B is classified under category 3.6 ("Manufacture of other low-carbon technologies"). Label classes A and B are currently clearly above the market average and – compared with lower label classes – aim at relevant reductions of emissions in the transport sector.

For the replacement business, the condition that the substantial reductions be achieved without so-called lock-in effects is also met, since the improvement is achieved for the fleet that is already on the market. Conversely, the original-equipment business, with highly efficient tires for vehicles with combustion engines, is likewise considered to be pursuing substantial reductions, but is not considered to be compatible with the principle of avoiding lock-in effects that is relevant to enabling activities as defined in Art. 16 of the EU Taxonomy Regulation. This classification is also supported by the Platform on Sustainable Finance, even if this assessment is not binding. As a result of this, in its report to the Commission dated October 2022 concerning lock-in effects, it is assumed that there would be lock-in effects for enabling technologies for vehicles with combustion engines and for hybrid vehicles in the original equipment business, which are still Taxonomy-eligible until 2025, and that these lock-in effects would not be incurred for electric or emission-free vehicles.

The various industrial businesses reported by Continental as Taxonomy-eligible economic activities primarily comprise the manufacture of components for wind turbines and photovoltaic systems and, for the first time, the manufacture of materials for industrial plant insulation. Contrary to the reporting for fiscal 2021, Continental is also allocating these businesses to category 3.6 ("Manufacture of other low-carbon technologies"), since the economic activities pursue substantial reductions and therefore make significant contributions to the expansion of renewable energies and energy saving, for example through insulation in industrial plants. This classification can be justified by the European Commission's answer in its frequently asked questions dated December 2022, which states that the intermediate steps in the value chain are not automatically Taxonomy-eligible if the description relates only to the manufacture of end products. In addition, the description of the economic activities in accordance with categories 3.1 to 3.5 does not recognize these components.

For all classifications presented under category 3.6, Continental believes it is irrelevant which functions the supplier technologies in emission-free vehicles or other end products fulfill, as long as they facilitate the goals set out in Art. 10 (1) and pursue the aim set out in the activity description for category 3.6 of achieving substantial reductions in $CO_2$ emissions over their entire life cycle.

We base the classification on the information publicly available at the time the report was prepared.

**Taxonomy-eligible turnover**

The information on turnover is prepared in accordance with section 1.1.1 of Annex 1 to the delegated regulation on disclosure obligations (2021/2178) and in compliance with IFRS accounting regulations (see tables at the end of this non-financial statement). The method of determination selected by Continental ensures that double counting is avoided.

Information on the Continental Group's total turnover (the denominator of the key figure calculation) can be found in the consolidated statement of income of this annual report under "Sales."

**Taxonomy-eligible capital expenditure and operating expenditure**

Taxonomy-eligible capital expenditure and operating expenditure have been recorded in accordance with the delegated regulation on disclosure obligations (2021/2178) and taking into account the clarifications made by the European Commission in October 2022.

The figures for Taxonomy-eligible capital expenditure and operating expenditure under category a are allocations based on the proportion of Taxonomy-eligible turnover. For reasons connected to the business model, the equipment, machinery and buildings of the Continental Group are thus used both for Taxonomy-eligible activities and for other activities. This applies both to capital expenditure and operating expenditure for assets or processes associated with Taxonomy-eligible activities (category a).

The allocation takes place at business area level for capital expenditure and at group sector level for operating expenditure, and not according to the individual locations, in order to avoid double counting, take into account internal business and consolidation effects and reflect the Continental Group's matrix structure. Such an allocation approach is also recommended in principle by the Platform on Sustainable Finance in its report to the Commission dated October 2022, which states, for enabling activities, that capital expenditure and operating expenditure should be reported on the basis of their proportion of turnover, provided the activities are Taxonomy-eligible and that they not do not include activities that are Taxonomy-non-eligible.

The individual measures assessed as Taxonomy-eligible as well as the acquisition of products from Taxonomy-eligible economic activities under category c were recorded separately and deducted prior to allocation. The allocation selected by Continental and the prior deduction from category c ensures that double counting for capital expenditure and operating expenditure is avoided.

In assessing category c, Continental assumes that Taxonomy-eligible capital expenditure and operating expenditure may result from the acquisition of products from Taxonomy-eligible economic activities and the implementation of individual measures that enable Continental's business activities to become low-carbon or reduce their greenhouse gas emissions. These products and measures include economic activities that actively contribute to achieving our decarbonization roadmap. They comprise the following economic activities listed in Annex I to the delegated regulation for climate change mitigation:

- 3.3 Manufacture of low-carbon technologies for transport through the purchase of vehicles
- 7.3 Installation, maintenance and repair of energy efficiency equipment, which specifically includes equipment insulation, building insulation and installation and replacement of energy-efficient light sources
- 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
- 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
- 7.6 Installation, maintenance and repair of renewable energy technologies, such as photovoltaic systems

The information on capital expenditure is prepared in accordance with section 1.1.2 of Annex 1 to the delegated regulation on disclosure obligations (2021/2178) in compliance with IFRS accounting regulations. Information on the Continental Group's total capital expenditure can be found in the notes to the consolidated financial statements in the segment reporting (Note 1) of this annual report. The information refers to capital expenditure in the intangible assets (Note 14), property, plant and equipment (Note 15), leases

(Note 16) and investment property (Note 17) presented in the notes to the consolidated financial statements.

Operating expenditure is defined in accordance with section 1.1.3 of Annex 1 to the delegated regulation on disclosure obligations (2021/2178) and has been calculated on an imputed basis as described above. For the denominator of the key figure calculation for operating expenditure, Continental takes into account direct, non-capitalized costs incurred in the fiscal year as a result of research and development (net), building refurbishment measures, short-term leasing, and maintenance and repairs.

Continental notes that, from its perspective, various interpretations with respect to the requirements concerning capital expenditure and operating expenditure, particularly for category c and for operating expenditure more generally, continue to result in uncertainty when determining Taxonomy-related information.

**Taxonomy-aligned economic activities**
Continental does not currently report any economic activities as being Taxonomy-aligned.

For all economic activities that are reported under category 3.6, specific comparative life-cycle assessments are required in order to also report these as being Taxonomy-aligned. These must demonstrate substantial savings to life-cycle emissions compared with the highest-performing alternative technology or solution available on the market or the highest-performing alternative product available on the market. External verification of the life-cycle assessments must also take place in accordance with predefined standards. A simplified life-cycle consideration, as called for by the Taxonomy Regulation (2020/852) itself, is no longer sufficient in accordance with the delegated regulation for climate change mitigation (2021/2139) for category 3.6.

These specific comparative life-cycle assessments are currently not possible from Continental's perspective for a number of reasons:

- The allocated business with zero-tailpipe-emission vehicles is defined by the fact that the end products are zero-tailpipe-emission vehicles. Through the reported Taxonomy-eligible economic activities, Continental facilitates the manufacture of such vehicles as a supplier. Vehicle emissions are not reduced here, however, since by definition they are already considered to be emission-free. Even if a life-cycle assessment were feasible, it would therefore not be able to demonstrate any substantial savings. Continental has also come to the same conclusion for all components within allocated low-carbon business beyond business with zero-tailpipe-emission vehicles, provided the respective end products are not associated with direct emissions. This applies to components of renewable energy technologies, for example.

- For further allocated low-carbon business beyond business with zero-tailpipe-emission vehicles, such life-cycle assessments would theoretically be possible but, from Continental's perspective, both for practical reasons and because of unclear requirements for economic activities reported as Taxonomy-eligible, they cannot be verifiably implemented in compliance with the regulation.

- Practical reasons for this include the fact that the economic activities concerned consist of a large number of products that can be found in a wide range of applications. Assuming that individual products were a permitted functional unit for the life-cycle assessment, life-cycle assessments would theoretically be possible for individual applications of these products. For the entire scope of economic activities, however, this would be neither appropriate nor feasible within the specified time.

- According to Continental's analysis, a potentially simplified consideration at product group level or comparable aggregations has thus far been governed neither by the delegated regulation nor by the EU Commission's answers to frequently asked questions such that an external verifier has been able to verifiably ascertain the calculation in compliance with the regulation.

- In addition, the Commission provided its first and – from Continental's perspective – not very clear answers for the assessment of the "substantial saving" to be demonstrated as well as the definition of comparable technologies and their performance for the first time in its answers to frequently asked questions dated December 2022. From Continental's perspective, due to their short-term nature, the Commission's comments can no longer be taken into consideration, are not yet sufficiently binding prior to publication in the Official Journal and also still do not offer a sufficiently reliable framework for comparable life-cycle assessments.

In all cases, the Commission's statement in its answers to frequently asked questions dated December 2022 that the detailed clarification of classification for suppliers is still pending also applies. From Continental's perspective, this also includes the more reliable clarification relating to life-cycle considerations by suppliers.

Since Continental is not currently reporting any activities as Taxonomy-aligned, no Taxonomy-aligned capital expenditure or operating expenditure has been reported either. The reporting of Taxonomy-aligned capital expenditure and operating expenditure under category c is currently not possible from Continental's perspective, since sufficient proof of compliance with the technical assessment criteria and minimum protection requirements along the value chain cannot currently be provided.

**Information to be disclosed in accordance with the EU Taxonomy Regulation**
For the following overviews of Taxonomy information, it should be noted that these were prepared in accordance with the guidelines for the templates in Annex 2 to the delegated regulation on disclosure obligations (2021/2178).

Given the uncertainties and interpretations of the Taxonomy Regulation, this restriction is relevant since it means, for example, that the designations as environmentally sustainable or non-environmentally sustainable activities only relate to the assessment as per the EU Taxonomy Regulation and not more generally.

Continental has no economic activities according to the complementary delegated regulation for gas and nuclear activities (2022/1214) and therefore does not provide the specific templates.

# Templates in Accordance with the EU Taxonomy Regulation

## Proportion of turnover from products or services associated with Taxonomy-eligible and Taxonomy-aligned economic activities – disclosure covering 2022

| | | | | Substantial contribution criteria | | | | | | DNSH criteria ('Does Not Significantly Harm') | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Economic activities** | **Code(s)** | **Absolute turnover** | **Proportion of turnover** | **Climate change mitigation** | **Climate change adaptation** | **Water and marine resources** | **Circular economy** | **Pollution** | **Biodiversity and ecosystems** | **Climate change mitigation** | **Climate change adaptation** | **Water and marine resources** | **Circular economy** | **Pollution** | **Biodiversity and ecosystems** | **Minimum safeguards** | **Taxonomy-aligned proportion of turnover, 2022** | **Taxonomy-aligned proportion of turnover, 2021** | **Category (enabling activity)** | **Category (transitional activity)** |
| | | € millions | % | % | % | % | % | % | % | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | % | E | T |
| **A. Taxonomy activities** | | | | | | | | | | | | | | | | | | | | |
| A.1. Environmentally sustainable activities (Taxonomy-aligned) | | | | | | | | | | | | | | | | | | | | |
| **Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)** | | **0.0** | **0.0%** | | | | | | | | | | | | | | **0.0%** | **n. a.** | | |
| A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) | | | | | | | | | | | | | | | | | | | | |
| Manufacture of other low-carbon technologies | 3.6 | 2,804.6 | 7.1% | | | | | | | | | | | | | | | | | |
| **Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)** | | **2,804.6** | **7.1%** | | | | | | | | | | | | | | **0.0%** | **n. a.** | | |
| **Total (A.1 + A.2)** | | **2,804.6** | **7.1%** | | | | | | | | | | | | | | **0.0%** | n. a. | | |
| **B. Taxonomy activities** | | | | | | | | | | | | | | | | | | | | |
| **Turnover of Taxonomy-non-eligible activities (B)** | | **36,604.3** | **92.9%** | | | | | | | | | | | | | | | | | |
| **Total (A + B)** | | **39,408.9** | **100.0%** | | | | | | | | | | | | | | | | | |

*The tables listed here are the "templates for KPIs of non-financial undertakings" as required by Annex II of delegated regulation 2021/2178. For the sake of simplicity, Continental uses the following terms synonymously outside of these tables:*
- *"economic activities" and "business activities"*
- *"environmentally sustainable activities (Taxonomy-aligned)" and "Taxonomy-aligned economic activities"*
- *"Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)" and "Taxonomy-eligible economic activities"*

## Proportion of capital expenditure for products or services associated with Taxonomy-eligible and Taxonomy-aligned economic activities – disclosure covering 2022

| | | | | Substantial contribution criteria | | | | | | DNSH criteria (‘Does Not Significantly Harm’) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic activities | Code(s) | Absolute CapEx | Proportion of CapEx | Climate change mitigation | Climate change adaptation | Water and marine resources | Circular economy | Pollution | Biodiversity and ecosystems | Climate change mitigation | Climate change adaptation | Water and marine resources | Circular economy | Pollution | Biodiversity and ecosystems | Minimum safeguards | Taxonomy-aligned proportion of CapEx, 2022 | Taxonomy-aligned proportion of CapEx, 2021 | Category (enabling activity) | Category (transitional activity) |
| | | € millions | % | % | % | % | % | % | % | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | % | E | T |
| **A. Taxonomy activities** | | | | | | | | | | | | | | | | | | | | |
| A.1. Environmentally sustainable activities (Taxonomy-aligned) | | | | | | | | | | | | | | | | | | | | |
| **CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)** | | **0.0** | **0.0%** | | | | | | | | | | | | | | **0.0%** | n. a. | | |
| A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) | | | | | | | | | | | | | | | | | | | | |
| Manufacture of low-carbon technologies for transport | 3.3 | 0.1 | 0.0% | | | | | | | | | | | | | | | | | |
| Manufacture of other low-carbon technologies | 3.6 | 171.9 | 7.1% | | | | | | | | | | | | | | | | | |
| Installation, maintenance and repair of energy efficiency equipment | 7.3 | 1.4 | 0.1% | | | | | | | | | | | | | | | | | |
| Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) | 7.4 | 0.7 | 0.0% | | | | | | | | | | | | | | | | | |
| Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings | 7.5 | 1.5 | 0.1% | | | | | | | | | | | | | | | | | |
| Installation, maintenance and repair of renewable energy technologies | 7.6 | 7.4 | 0.3% | | | | | | | | | | | | | | | | | |
| **CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)** | | **183.1** | **7.5%** | | | | | | | | | | | | | | **0.0%** | n. a. | | |
| **Total (A.1 + A.2)** | | **183.1** | **7.5%** | | | | | | | | | | | | | | **0.0%** | n. a. | | |
| **B. Taxonomy activities** | | | | | | | | | | | | | | | | | | | | |
| **CapEx of Taxonomy-non-eligible activities (B)** | | **2,243.3** | **92.5%** | | | | | | | | | | | | | | | | | |
| **Total (A + B)** | | **2,426.4** | **100.0%** | | | | | | | | | | | | | | | | | |

*The tables listed here are the “templates for KPIs of non-financial undertakings” as required by Annex II of delegated regulation 2021/2178. For the sake of simplicity, Continental uses the following terms synonymously outside of these tables:*
- *“economic activities” and “business activities”*
- *“environmentally sustainable activities (Taxonomy-aligned)” and “Taxonomy-aligned economic activities”*
- *“Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)” and “Taxonomy-eligible economic activities”*

## Proportion of operating expenditure for products or services associated with Taxonomy-eligible and Taxonomy-aligned economic activities – disclosure covering 2022

| | | | | Substantial contribution criteria | | | | | | DNSH criteria ('Does Not Significantly Harm') | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic activities | Code(s) | Absolute OpEx | Proportion of OpEx | Climate change mitigation | Climate change adaptation | Water and marine resources | Circular economy | Pollution | Biodiversity and ecosystems | Climate change mitigation | Climate change adaptation | Water and marine resources | Circular economy | Pollution | Biodiversity and ecosystems | Minimum safeguards | Taxonomy-aligned proportion of OpEx, 2022 | Taxonomy-aligned proportion of OpEx, 2021 | Category (enabling activity) | Category (transitional activity) |
| | | € millions | % | % | % | % | % | % | % | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | % | E | T |
| **A. Taxonomy activities** | | | | | | | | | | | | | | | | | | | | |
| A.1. Environmentally sustainable activities (Taxonomy-aligned) | | | | | | | | | | | | | | | | | | | | |
| **OpEx of environmentally sustainable activities Taxonomy-aligned) (A.1)** | | **0.0** | **0.0%** | | | | | | | | | | | | | | **0.0%** | n. a. | | |
| A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) | | | | | | | | | | | | | | | | | | | | |
| Manufacture of low-carbon technologies for transport | 3.3 | 0.0 | 0.0% | | | | | | | | | | | | | | | | | |
| Manufacture of other low-carbon technologies | 3.6 | 219.7 | 6.1% | | | | | | | | | | | | | | | | | |
| Installation, maintenance and repair of energy efficiency equipment | 7.3 | 0.1 | 0.0% | | | | | | | | | | | | | | | | | |
| Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) | 7.4 | 0.0 | 0.0% | | | | | | | | | | | | | | | | | |
| Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings | 7.5 | 0.1 | 0.0% | | | | | | | | | | | | | | | | | |
| Installation, maintenance and repair of renewable energy technologies | 7.6 | 0.1 | 0.0% | | | | | | | | | | | | | | | | | |
| **OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)** | | **220.1** | **6.1%** | | | | | | | | | | | | | | **0.0%** | n. a. | | |
| **Total (A.1 + A.2)** | | **220.1** | **6.1%** | | | | | | | | | | | | | | **0.0%** | n. a. | | |
| **B. Taxonomy activities** | | | | | | | | | | | | | | | | | | | | |
| **OpEx of Taxonomy-non-eligible activities (B)** | | **3,362.3** | **93.9%** | | | | | | | | | | | | | | | | | |
| **Total (A + B)** | | **3,582.4** | **100.0%** | | | | | | | | | | | | | | | | | |

*The tables listed here are the "templates for KPIs of non-financial undertakings" as required by Annex II of delegated regulation 2021/2178. For the sake of simplicity, Continental uses the following terms synonymously outside of these tables:*

- *"economic activities" and "business activities"*
- *"environmentally sustainable activities (Taxonomy-aligned)" and "Taxonomy-aligned economic activities"*
- *"Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)" and "Taxonomy-eligible economic activities"*

# Performance Indicator Index

The following table summarizes the key sustainability reporting indicators listed in this Integrated Sustainability Report. A complete overview of all financial indicators has been omitted.

The performance indicators for fiscal 2021 and 2022 relate to continuing operations and therefore exclude Vitesco Technologies, which was spun off on September 15, 2021. Please note the respective footnotes for the performance indicators on the referenced pages.

| Sustainability Topic Area/Performance Indicator | **2022** | 2021 | Comment (page reference) |
|---|---|---|---|
| **Carbon Neutrality** | | | |
| Total own $CO_2$ emissions (Scope 1 and 2) in millions of metric tons of $CO_2$ | 0.99 | 1.05 | 18 |
| Direct $CO_2$ emissions (Scope 1) in millions of metric tons of $CO_2$ | 0.76 | 0.82 | 18 |
| Indirect $CO_2$ emissions (Scope 2) in millions of metric tons of $CO_2$ | 0.23 | 0.23 | 18 |
| Calculated indirect $CO_2$ emissions (Scope 3) along the value chain in millions of metric tons of $CO_2$ | 105.95 | 108.89 | 20 |
| Category 1: indirect $CO_2$ emissions (Scope 3) – Purchased goods and services | 15.01 | 12.90 | 20 |
| Category 2: indirect $CO_2$ emissions (Scope 3) – Capital goods | 0.87 | 1.23 | 20 |
| Category 3: indirect CO2 emissions (Scope 3) – Fuel- and energy related activities (not included in Scope 1 and 2) | 0.63 | 0.61 | 20 |
| Category 4: indirect $CO_2$ emissions (Scope 3) – Upstream transportation and distribution | 1.00 | 0.47 | 20 |
| Category 5: indirect $CO_2$ emissions (Scope 3) – Waste generated in operations | 0.04 | 0.04 | 20 |
| Category 6: indirect $CO_2$ emissions (Scope 3) – Business Travel | 0.05 | 0.02 | 20 |
| Category 7: indirect $CO_2$ emissions (Scope 3) – Employee commuting | 0.17 | 0.19 | 20 |
| Category 8: indirect $CO_2$ emissions (Scope 3) – Upstream leased assets | 0.07 | 0.02 | 20 |
| Category 9: indirect $CO_2$ emissions (Scope 3) – Downstream transportation and distribution | 0.45 | 0.30 | 20 |
| Category 10: indirect $CO_2$ emissions (Scope 3) – Processing of sold products[2] | 1.31 | 1.42 | 20 |
| Category 11: indirect $CO_2$ emissions (Scope 3) – Use of sold products[3] | 81.92 | 87.95 | 20 |
| Category 12: indirect $CO_2$ emissions (Scope 3) – End-of-Life treatment of sold products | 4.36 | 3.66 | 20 |
| Category 13: indirect $CO_2$ emissions (Scope 3) – Downstream leased assets | 0.01 | 0.01 | 20 |
| Category 14: indirect $CO_2$ emissions (Scope 3) – Franchises | 0.04 | 0.01 | 20 |
| Category 15: indirect $CO_2$ emissions (Scope 3) – Investments | 0.03 | 0.05 | 20 |
| Calculated carbon footprint (Scopes 1, 2 and 3) in millions of metric tons of $CO_2$ | 106.94 | 109.94 | 22 |
| Calculated customer and product use-related $CO_2$ emissions in millions of metric tons of $CO_2$ | 83.75 | 89.75 | 23 |
| Calculated gross $CO_2$-backpack of Continental businesses in millions of metric tons of $CO_2$ | 23.19 | 20.19 | 23 |
| Use of negative $CO_2$ emissions ($CO_2$ removal) in millions of metric tons of $CO_2$ | 0.03 | n. a. | 23 |
| Calculated net $CO_2$-backpack of Continental businesses in millions of metric tons of $CO_2$ | 23.17 | 20.19 | 23 |
| **Emission-free Mobility and Industries** | | | |
| Allocated business with emission-free mobility and industry in millions of euros | 1,657 | 986 | 24 |
| Allocated business with zero-tailpipe-emission vehicles (ZTEV) in millions of euros | 1,148 | 6 | 24 |
| Allocated business with low-carbon industries beyond ZTEV business in millions of euros | 2,805 | 991 | 24 |
| **Circular Economy** | | | |
| Waste for recovery quota in % | 85 | 81 | 26 |
| **Responsible Value Chain** | | | |
| Number of available, valid supplier self-assessment questionnaires (as at Dec. 31) | 1,009 | 631 | 28 |
| Completion rate for supplier self-assessments in % | 63 | 53 | 28 |
| **Innovation and Digitalization** | | | |
| Research and development expenses (net) in millions of euros | 2,871.4 | 2,586.8 | 32 |
| Research and development expenses (net) in % of sales | 7.3 | 7.7 | 32 |

| Sustainability Topic Area/Performance Indicator | 2022 | 2021 | Comment (page reference) |
|---|---|---|---|
| **Green and Safe Factories** | | | |
| Environmental management system certifications (ISO 14001) – Employee coverage (as at Dec. 31) in % | 76 | 76 | 36 |
| Energy management system certifications (ISO 50001) – Employee coverage (as at Dec. 31) in % | 40 | 40 | 36 |
| Occupational safety and health management system certifications (ISO 45001 or similar) – Employee coverage (as at Dec. 31) in % | 62 | 62 | 36 |
| Accident rate (number of accidents per million working hours) | 2.5 | 2.6 | 36 |
| Total energy consumption in TWh | 8.6 | 9.0 | 37 |
| Energy consumption – Electricity in % | 48.9 | 46.5 | 37 |
| Energy consumption – Natural gas in % | 36.2 | 38.3 | 37 |
| Energy consumption – Steam in % | 10.0 | 10.2 | 37 |
| Energy consumption – Coal in % | 1.8 | 2.2 | 37 |
| Energy consumption – Heating oil in % | 0.9 | 0.8 | 37 |
| Energy consumption – Other energy sources in % | 2.2 | 2.0 | 37 |
| Energy consumption – Non-renewable in TWh | 4.5 | 4.8 | 37 |
| Energy consumption – Renewable in TWh | 4.1 | 4.2 | 37 |
| Energy consumption in MWh/Group sales in millions of euros | 218.5 | 265.6 | 37 |
| Water withdrawal in $m^3$ | 15.7 | 16.7 | 37 |
| Water withdrawal – Drinking water in % | 47.9 | 47.2 | 37 |
| Water withdrawal – Groundwater in % | 33.3 | 34.5 | 37 |
| Water withdrawal – Surface water in % | 16.7 | 16.6 | 37 |
| Water withdrawal – Industrial water in % | 2.1 | 1.7 | 37 |
| Water withdrawal in m3/Group sales in millions of euros | 397.6 | 494.6 | 37 |
| Waste generation in metric tons | 401,316 | 405,249 | 37 |
| Waste – Non-hazardous in % | 91.3 | 91.8 | 37 |
| Waste – Hazardous in % | 8.7 | 8.2 | 37 |
| Waste generation in metric tons /Group sales in millions of euros | 10.2 | 12.0 | 37 |
| **Good Working Conditions** | | | |
| Total employees – Headcount | 199,038 | 190,875 | 52 |
| Employees – Germany in % | 23 | 24 | 52 |
| Employees – Europe excl. Germany in % | 34 | 34 | 52 |
| Employees – North America in % | 19 | 18 | 52 |
| Employees – Asia-Pacific in % | 20 | 20 | 52 |
| Employees – Other countries in % | 4 | 4 | 52 |
| OUR BASICS Live Sustainable Engagement index in % | 80 | 80 | 60 |
| Sickness rate in % | 3.7 | 3.7 | 60 |
| Unforced fluctuation rate in % | 7.8 | 7.0 | 60, 77 |
| Unforced fluctuation rate – Germany in % | 3.8 | 3.0 | 77 |
| Unforced fluctuation rate – Europe excl. Germany in % | 8.4 | 6.9 | 77 |
| Unforced fluctuation rate – North America in % | 11.2 | 10.5 | 77 |
| Unforced fluctuation rate – Asia-Pacific in % | 9.2 | 9.5 | 77 |
| Unforced fluctuation rate – Other countries in % | 4.4 | 4.7 | 77 |
| Employees with part-time contracts in % | 3.0 | 2.9 | 78 |

| **Sustainability Topic Area/Performance Indicator** | **2022** | 2021 | Comment (page reference) |
|---|---|---|---|
| Employees with full-time contracts in % | 97.0 | 97.1 | 78 |
| Employees with part-time contracts – Female in % | 6.2 | 7.0 | 78 |
| Employees with part-time contracts – Male in % | 1.8 | 1.7 | 78 |
| Employees with permanent contracts in % | 86.3 | 87.7 | 78 |
| Employees with fixed-term contracts in % | 13.7 | 12.3 | 78 |
| Employees with fixed-term contracts – Female in % | 14.4 | 12.4 | 78 |
| Employees with fixed-term contracts – Male in % | 10.9 | 10.0 | 78 |
| Employees with fixed-term contracts – Germany in % | 8.7 | 7.1 | 78 |
| Employees with fixed-term contracts – Europe excl. Germany in % | 13.0 | 10.1 | 78 |
| Employees with fixed-term contracts – North America in % | 4.2 | 3.3 | 78 |
| Employees with fixed-term contracts – Asia-Pacific in % | 29.2 | 31.4 | 78 |
| Employees with fixed-term contracts – Other countries in % | 15.2 | 8.5 | 78 |
| Employees with leasing contract | 10,311 | 8,565 | 78 |
| **Benchmark in Quality** | | | |
| New Field Quality Events (as at Dec. 31) | 83 | 84 | 79 |
| Quality management system certifications (ISO 9001 or similar) – Employee coverage (as at Dec. 31) in % | 30 | 36 | 79 |
| **Sustainable Management Practice** | | | |
| Gender diversity – Share of female executives and senior executives (as at Dec. 31) in % | 19.1 | 17.8 | 81 |
| of which share of female executives and senior executives excluding the USA (as at Dec 31) in % | 18.8 | n. a. | 81 |
| Employees who completed e-learning on Code of Conduct (number) | 11,716 | 6,378 | 90 |
| Participants in e-learning on anti-corruption, antitrust and Vitesco spin-off (number) | 23,780 | ~ 117,000 | 90 |
| Participants in classroom training on anti-corruption, anti money laundering and antitrust (number) | 5,069 | ~ 13,000 | 90 |
| **Information in Accordance with the EU Taxonomy Regulation** | | | |
| Proportion of Taxonomy-eligible turnover in % | 7.1 | 2.9 | 120 |
| Proportion of Taxonomy non-eligible turnover in % | 92.9 | 97.1 | 120 |
| Proportion of Taxonomy-eligible capex in % | 7.5 | 3.0 | 121 |
| Proportion of Taxonomy non-eligible capex in % | 92.5 | 97.0 | 121 |
| Proportion of Taxonomy-eligible opex in % | 6.1 | 2.9 | 122 |
| Proportion of Taxonomy non-eligible opex in % | 93.9 | 97.1 | 122 |

# GRI Index

| | |
|---|---|
| Statement of use | Continental AG has reported the information cited in this GRI content index for this reporting period with reference to the GRI Standards. |
| GRI 1 used | GRI 1: Foundation 2021 |

| GRI STANDARD | DISCLOSURE | LOCATION (page reference) |
|---|---|---|
| **GRI 2: General Disclosures 2021** | 2-1 Organizational details | 8 |
| | 2-2 Entities included in the organization's sustainability reporting | 6 |
| | 2-3 Reporting period, frequency and contact point | 6 |
| | 2-4 Restatements of information | 6 |
| | 2-5 External assurance | 6 |
| | 2-6 Activities, value chain and other business relationships | 8 |
| | 2-7 Employees | 8 |
| | 2-8 Workers who are not employees | 78 |
| | 2-9 Governance structure and composition | 15, 82 |
| | 2-10 Nomination and selection of the highest governance body | 82 |
| | 2-14 Role of the highest governance body in sustainability reporting | 82 |
| | 2-19 Remuneration policies | 94 |
| | 2-20 Process to determine remuneration | 94 |
| | 2-21 Annual total compensation ratio | 94 |
| | 2-22 Statement on sustainable development strategy | 5, 15 |
| | 2-23 Policy commitments | 15 |
| | 2-24 Embedding policy commitments | 28, 90 |
| | 2-26 Mechanisms for seeking advice and raising concerns | 28, 106 |
| | 2-27 Compliance with laws and regulations | 91 |
| | 2-28 Membership associations | 132 |
| | 2-29 Approach to stakeholder engagement | 15 |
| | 2-30 Collective bargaining agreements | 77 |
| **GRI 3: Material Topics 2021** | 3-1 Process to determine material topics | |
| | 3-2 List of material topics | |
| | 3-3 Management of material topics | |
| **GRI 201: Economic Performance 2016** | 201-1 Direct economic value generated and distributed | 39 |
| | 201-2 Financial implications and other risks and opportunities due to climate change | 5, 12, 15, 18 |
| | 201-3 Defined benefit plan obligations and other retirement plans | 61 |
| | 201-4 Financial assistance received from government | 59 |

| GRI STANDARD | DISCLOSURE | LOCATION (page reference) |
|---|---|---|
| **GRI 203: Indirect Economic Impacts 2016** | 203-1 Infrastructure investments and services supported | 104 |
| **GRI 205: Anti-corruption 2016** | 205-1 Operations assessed for risks related to corruption | 90 |
| | 205-2 Communication and training about anti-corruption policies and procedures | 90 |
| **GRI 206: Anti-competitive Behavior 2016** | 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | 91 |
| **GRI 207: Tax 2019** | 207-1 Approach to tax | 51, 91 |
| | 207-2 Tax governance, control, and risk management | 51, 91 |
| | 207-4 Country-by-country reporting | 91 |
| **GRI 301: Materials 2016** | 301-1 Materials used by weight or volume | 10 |
| **GRI 302: Energy 2016** | 302-1 Energy consumption within the organization | 37 |
| | 302-4 Reduction of energy consumption | 37 |
| | 302-5 Reductions in energy requirements of products and services | 18, 24 |
| **GRI 303: Water and Effluents 2018** | 303-1 Interactions with water as a shared resource | 37 |
| | 303-3 Water withdrawal | 37 |
| **GRI 305: Emissions 2016** | 305-1 Direct (Scope 1) GHG emissions | 18 |
| | 305-2 Energy indirect (Scope 2) GHG emissions | 18 |
| | 305-3 Other indirect (Scope 3) GHG emissions | 18 |
| | 305-5 Reduction of GHG emissions | 18 |
| **GRI 306: Waste 2020** | 306-1 Waste generation and significant waste-related impacts | 37 |
| | 306-2 Management of significant waste-related impacts | 37 |
| | 306-3 Waste generated | 37 |
| **GRI 308: Supplier Environmental Assessment 2016** | 308-1 New suppliers that were screened using environmental criteria | 28 |
| | 308-2 Negative environmental impacts in the supply chain and actions taken | 28 |
| **GRI 401: Employment 2016** | 401-1 New employee hires and employee turnover | 60, 77 |
| | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | 60, 61 |
| **GRI 402: Labor/Management Relations 2016** | 402-1 Minimum notice periods regarding operational changes | 77 |
| **GRI 403: Occupational Health and Safety 2018** | 403-1 Occupational health and safety management system | 77 |
| | 403-2 Hazard identification, risk assessment, and incident investigation | 36, 60 |
| | 403-4 Worker participation, consultation, and communication on occupational health and safety | 77 |
| | 403-8 Workers covered by an occupational health and safety management system | 36 |
| **GRI 404: Training and Education 2016** | 404-2 Programs for upgrading employee skills and transition assistance programs | 60 |
| **GRI 405: Diversity and Equal Opportunity 2016** | 405-1 Diversity of governance bodies and employees | 82, 89 |
| **GRI 407: Freedom of Association and Collective Bargaining 2016** | 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | 28 |
| **GRI 408: Child Labor 2016** | 408-1 Operations and suppliers at significant risk for incidents of child labor | 28 |
| **GRI 409: Forced or Compulsory Labor 2016** | 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor | 28 |
| **GRI 414: Supplier Social Assessment 2016** | 414-1 New suppliers that were screened using social criteria | 28 |
| | 414-2 Negative social impacts in the supply chain and actions taken | 28 |
| **GRI 415: Public Policy 2016** | 415-1 Political contributions | 104 |
| **GRI 416: Customer Health and Safety 2016** | 416-1 Assessment of the health and safety impacts of product and service categories | 79 |
| | 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services | 91 |

# UN Global Compact Index

The following index serves as a reference regarding the principles of the UN Global Compact.

| Topic area | Principle | Page reference |
|---|---|---|
| Human Rights | 1. Businesses should support and respect the protection of internationally proclaimed human rights. | 17-23, 24-25, 26-27, 28-31, 36-38, 60, 77 |
| | 2. Make sure that they are not complicit in human rights abuses. | 17-23, 24-25, 26-27, 28-31, 36-38, 60, 78 |
| Labor | 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. | 28-31, 60, 77-78 |
| | 4. The elimination of all forms of forced and compulsory labor. | 28-31, 60, 77-78 |
| | 5. The effective abolition of child labor. | 28-31, 60, 77-78 |
| | 6. The elimination of discrimination in respect of employment and occupation. | 28-31, 60, 77-78 |
| Environment | 7. Businesses should support a precautionary approach to environmental challenges. | 17-23, 24-25, 26-27, 28-31, 36-38, |
| | 8. Undertake initiatives to promote greater environmental responsibility. | 17-23, 24-25, 26-27, 28-31, 36-38, |
| | 9. Encourage the development and diffusion of environmentally friendly technologies. | 17-23, 24-25, 26-27, 28-31, 36-38, |
| Anti-Corruption | 10. Businesses should work against corruption in all its forms, including extortion and bribery. | 28-31, 90-91 |

# SDG Index

The following index shows the Continental Group's sustainability activities described in the context of the UN Sustainable Develop-mentGoals (SDGs).

| SDG | Page Reference | SDG | Page Reference |
|---|---|---|---|
| 1 NO POVERTY | 104 | 10 REDUCED INEQUALITIES | 60, 89-90 |
| 2 ZERO HUNGER | 104 | 11 SUSTAINABLE CITIES AND COMMUNITIES | 17-23, 24-25, 26-27, 32-35, 39-59, 80, 104 |
| 3 GOOD HEALTH AND WELL-BEING | 29-31, 36-38, 77-78 | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 17-23, 24-25, 26-27, 32-35, 36-38, 39-59, 80, 104 |
| 4 QUALITY EDUCATION | 61-76, 89-90, 104 | 13 CLIMATE ACTION | 17-23, 24-25, 36-38 |
| 5 GENDER EQUALITY | 81, 89-90 | 14 LIFE BELOW WATER | 36-38 |
| 6 CLEAN WATER AND SANITATION | 36-38 | 15 LIFE ON LAND | 17-23, 24-25, 26-27, 32-35, 36-38, 39-59, 80, 104 |
| 7 AFFORDABLE AND CLEAN ENERGY | 17-23, 24-25, 36-38 | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 28-31, 89-90, 104 |
| 8 DECENT WORK AND ECONOMIC GROWTH | 39-59, 60 | 17 PARTNERSHIPS FOR THE GOALS | 15, 28-31, 133 |
| 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 17-23, 24-25, 26-27, 32-35, 39-59, 80, 104 | | |

# TCFD Index

The following index shows the Continental Group's sustainability activities described in the context of the disclosure recommendations for climate reporting by the Task Force on Climate-Related Financial Disclosures (TCFD).

| Disclosure | Page reference |
|---|---|
| **Governance: Disclose the organization's governance around climate related risks and opportunities.** | |
| a) Describe the board's oversight of climate-related risks and opportunities.<br>b) Describe management's role in assessing and managing climate-related risks and opportunities. | 5, 14, 15, 81, 94 f. |
| **Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.** | |
| a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and longterm.<br>b) Describe the impact of climaterelated risks and opportunities on the organization's businesses, strategy, and financial planning.<br>c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. | 5, 14, 15, 17-23, 24-25 |
| **Risk Management: Disclose how the organization identifies, assesses, and manages climate-related risks.** | |
| a) Describe the organization's processes for identifying and assessing climate-related risks.<br>b) Describe the organization's processes for managing climate-related risks.<br>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management. | 5, 14, 15, 17-23, 24-25, 105-116 |
| **Metrics and Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.** | |
| a) Disclose the metrics used by the organization to assess climaterelated risks and opportunities in line with its strategy and risk management process.<br>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.<br>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets. | 17-23, 24-25 |

# SASB Index

The following index shows the Continental Group's sustainability activities described in the context of the industry-specific reporting standards of the Sustainability Accounting Standards Board (SASB) for automotive suppliers (Automotive Parts).

| Diclosure | Description | Page reference |
|---|---|---|
| **Energy Management** | | |
| TR-AP-130a.1 | (1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable | 17-23, 36-38 |
| **Waste Management** | | |
| TR-AP-150a.1 | (1) Total amount of waste from manufacturing, (2) percentage hazardous, (3) percentage recycled | 26, 36-38 |
| **Product Safety** | | |
| TR-AP-250a.1 | Number of recalls issued, total units recalled | 79 |
| **Design for Fuel Efficiency** | | |
| TR-AP-410a.1 | Revenue from products designed to increase fuel efficiency and/or reduce emissions | 24-25 |
| **Materials Sourcing** | | |
| TR-AP-440a.1 | Description of the management of risks associated with the use of critical materials | 27, 29-31, 37-38 |
| **Materials Efficiency** | | |
| TR-AP-440b.1 | Percentage of products sold that are recyclable | 25 (examples) |
| TR-AP-440b.2 | Percentage of input materials from recycled or remanufactured content | 25 (examples) |
| **Competitive Behaviour** | | |
| TR-AP-520a.1 | Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations | 91-93 |
| **Activity Metrics** | | |
| TR-AP-000.A | Number of parts produced | n. a. |
| TR-AP-000.B | Weight of parts produced | n. a. |
| TR-AP-000.C | Area of manufacturing plants | 8 |

# Key Memberships and Participations

| | Organisation | Joined |
|---|---|---|
| | World Business Council for Sustainable Development (WBCSD) | 2005 |
| | Diversity Charter | 2008 |
| | Luxembourg Declaration on Workplace Health Promotion in the European Union | 2010 |
| | United Nations Global Compact | 2012 |
| | Women's Empowerment Principles | 2015 |
| | econsense – Forum for Sustainable Development of German Business | 2015 |
| | Global Platform for Sustainable Natural Rubber | 2018 |
| | RE100 | 2020 |
| | CEO Water Mandate | 2020 |
| | Development and Climate Alliance | 2021 |
| RBA | Responsible Business Alliance | 2022 |

# Ratings and Rankings

Continental features in various sustainability indices:

| Index | Description |
| --- | --- |
| ECPI Sense in sustainability | Continental is listed in various ECPI sustainability indices. |
| FTSE4Good | Continental is represented in the FTSE4Good Index series. |
| **DAX® 50 ESG** | Continental is listed in the DAX 50 ESG. |

Continental also performed as follows in the rankings indicated below:

| Index | Year | Description |
| --- | --- | --- |
| Corporate ESG Performance Prime rated by ISS ESG | March 2023 | Prime (C+) |
| MSCI [1] | Septmeber 2022 | BBB |
| Sustainalytics a Morningstar company | January 2022 | 16.4 (low risk)<br>Auto Components: Rank 50/237<br>Auto Parts: Rank 42/208 |
| CDP Disclosure Insight Action | December 2022 | Climate: Score A-<br>Water: Score B<br>Supply chain: Score A (March 2023)<br>Supplier Engagement Leader Board |
| ecovadis | February 2023 | Score: 67/100<br>91st percentile |

*1 Disclaimer MSCI: The use by Continental of any MSCI ESG Research LLC data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, or promotion of Continental by MSCI or any of its affiliates. MSCI services and data are the property or MSCI or its information providers. MSCI and MSCI ESG Research names and logos are trademarks or service marks of MSCI or its affiliates.*

# Independent Auditor’s Reports

The following table shows the audit opinions of the independent auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hanover (PwC) for the audited contents of this report.

| Name of auditor’s report | Date of the auditor's report[2] | Available in the internet at |
|---|---|---|
| Report on the Audit of the Consolidated Financial Statements and the Consolidated Management Report | March 6, 2023 | www.continental-sustainability.com/downloads |
| Auditor’s Report on the Remuneration Report | March 15, 2023 | |
| Independent Practitioner’s Report on a Limited Assurance Engagement on selected Sustainability Information in the Integrated Sustainability Report of Continental AG | April 19, 2023 | |

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