



# ODDO BHF VIRTUAL SUSTAINABILITY FORUM



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

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

# Technological and Societal Changes

## Challenges and Opportunities



# Our Objectives

What Drives Our Strategy?

**What do  
we want?**



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



**Create value for all stakeholders.**

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

# Our Strategy

Emerge as a Winner of the Transformation

1

## Strengthen operational performance

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

2

## Differentiate our portfolio

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

3

## Turn change into opportunity

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

# Our Sustainability Ambition

## Providing the Framework to Turn Change into Opportunities

### Our Key Ambitions

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



**100% Carbon Neutrality**  
along our entire value chain



**100% Emission-free mobility and industry**



**100% Circular Economy**



**100% Responsible Value Chain**



### + 8 Essentials



**Good working conditions**



**Green and safe factories**



**Innovations and digitalization**



**Benchmark in quality**



**Safe mobility**



**Long-term value creation**



**Sustainable management practices**



**Corporate citizenship**

**Foster innovation and  
phase in new business**

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

**Sustainable  
business practices**

# Management of Sustainability

## Systematic Approach Based on Ownership, Integration and KPIs

### Governance

(Group Sustainability Steering Committee)

The relevant top management involved

### Strategy Integration

Integrated in all aspects



### Rating Performance

In the upper range

### Reporting

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

### Scorecard

Basis for any kind of reporting and process integration





### Compensation & Finance

Integrated non-financial KPIs



# Implementation of the Ambitions Ranges from Products to Supply Chain

## Our Value Chain

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

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





Product example:  
Components for ID.3





Supply chain initiative  
example: Rubberway

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

**2020**  Entirely green purchased electricity <sup>achieved</sup> **RE 100** Project

**2022**  Entirely Carbon neutral business with emission-free vehicles <sup>started in 2021</sup>

**2040**  Entirely Carbon neutral own operations <sup>started in 2021</sup>

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



# What Does Carbon Neutrality Mean for Continental?

## Overview and Terminology on CO<sub>2</sub> Emissions



**0.99** mn mt  
CO<sub>2</sub>e

related to  
our own operations



**Scope 1**  
emissions

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



**108** mn mt  
CO<sub>2</sub>e

related to  
our business  
activity



**Scope 3**  
emissions

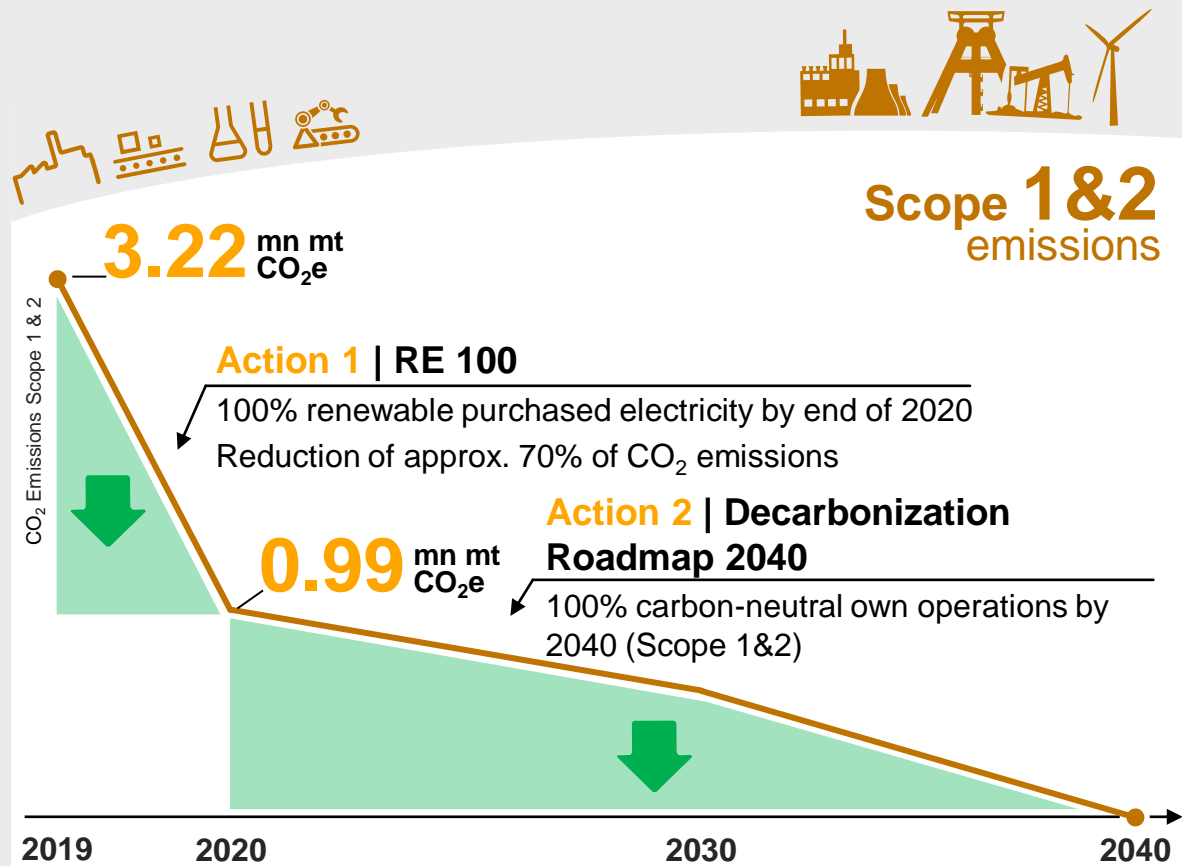
Emissions indirectly resulting from  
the **extraction of purchased materials**  
and fuels, transport-related activities such  
as business travel, outsourced activities,  
waste disposal, etc.



**Scope 2**  
emissions

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

# How Will We Reach Our CO<sub>2</sub> Targets for Own Operations?



SCIENCE  
BASED  
TARGETS

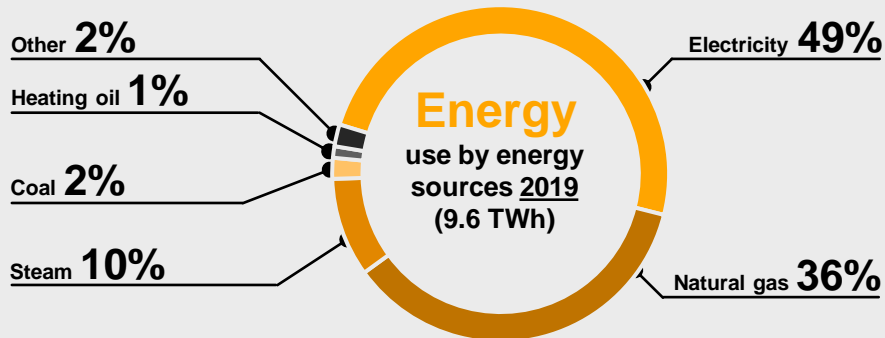
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

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

# Action 1 | RE 100

100% Emission-free from Purchased Electricity

## RE 100 Project

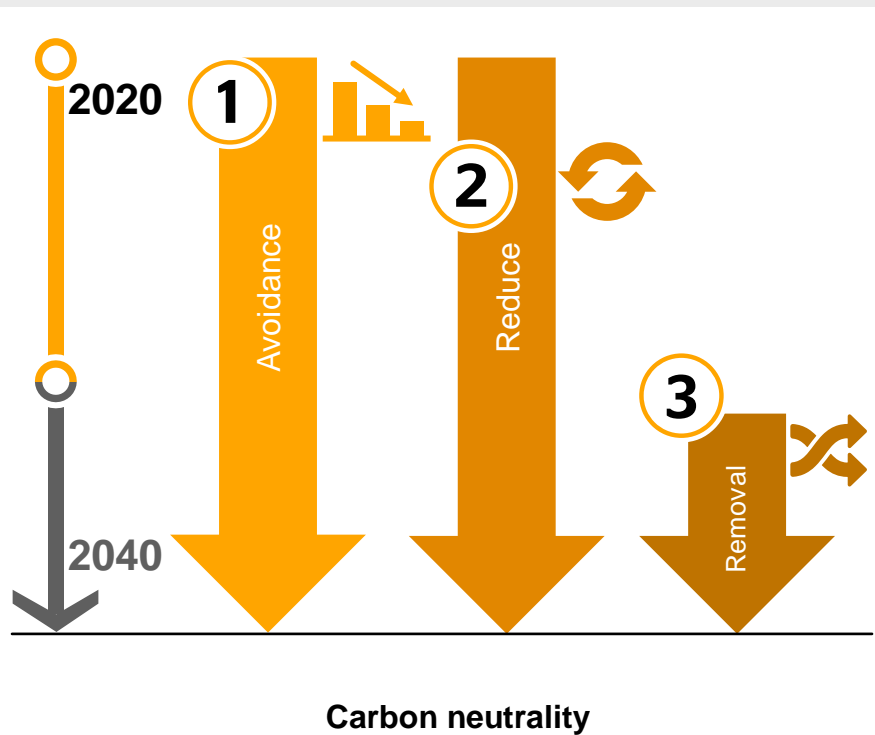


Goal of **100%** reached by end of 2020 incl. “reasonable assurance” by third party

**100% reduction** of Scope 2 emissions from purchased electricity

# Action 2 | Technology Roadmap 2040

## Our Three-Step Approach towards Decarbonization

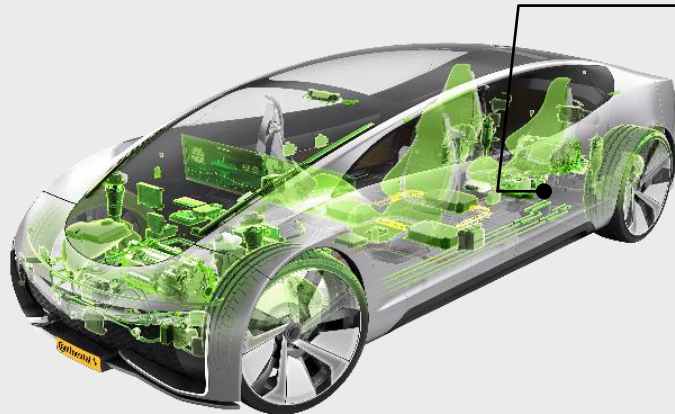


- 1 Reduction of CO<sub>2</sub> emissions**  
Effective and sustainable avoidance of CO<sub>2</sub>-emissions with energy efficiency measures (Scope 1&2), technology transformation, guidelines and the implementation of a clear roadmap to zero Scope 1 emissions
- 2 Switch to renewable energies**  
Switch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

# We Are Already a Relevant Player in Emission-Free Mobility

already **0.83** bn €

allocated ZTEV business in 2020



## Key components for emission-free mobility

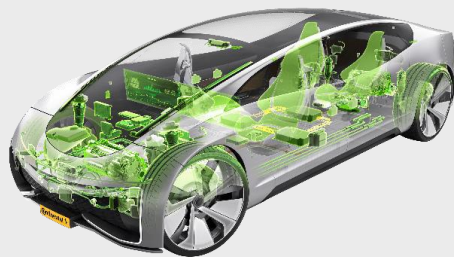
- High-performance computer
- Advanced surface materials
- Drum brakes with electromechanical parking brake function
- Sophisticated thermal management
- High performance tires
- And many more

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

# Program: “Carbon Neutral for Emission-free Vehicles”

Starting in 2022, We Will Neutralize the CO<sub>2</sub> Backpack

**“CO<sub>2</sub> backpack”**  
from raw materials,  
production, logistics and  
utilization at the end of  
product life



**Allocated ZTEV Business**

**“Negative CO<sub>2</sub> emissions”:**

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



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

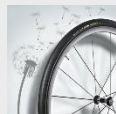


# In a Circular Economy There is No Waste – Just Material in the Wrong Place

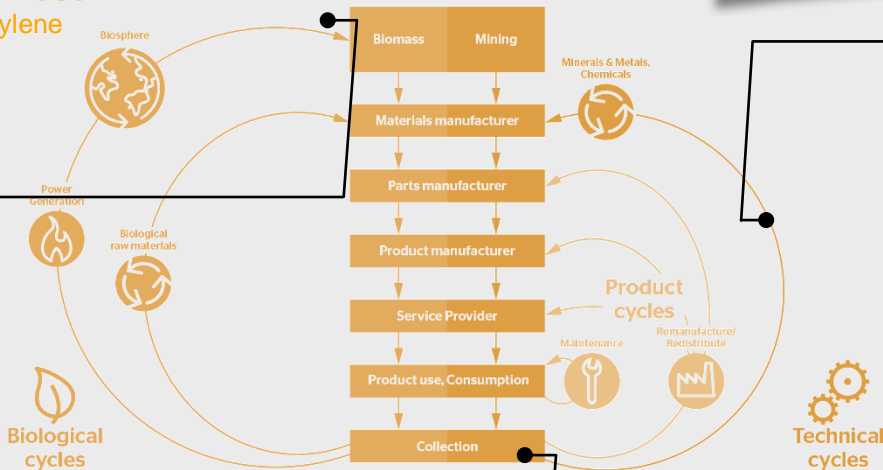
**100%** closed product and resource cycles latest by **2050**



**Eco rubber garden hose**  
made of sugar cane ethylene



**Bicycle tires**  
made of natural rubber  
from dandelions



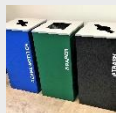
**Refurbished air springs**  
for urban trains in Hamburg



**Recycled carbon black**  
recovered from end-of-life  
tires



**Retreaded tires**  
for commercial vehicles



**95% recycling quota in own operations  
until 2030**

# Reducing Waste

## We Reach Our Targets by Striving for Closed Resource Cycles

### The Challenges

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

### Our Approach

#### The Waste Hierarchy



**2%**

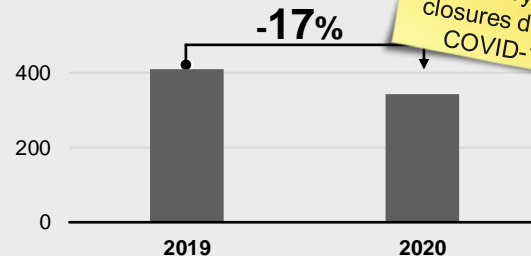
reduction of waste generation per year based on sales

**95%**

improvement of the recycling quota by 2030

### Our Results

#### Total Waste [in kilotons]



#### Recycling Quota [in %]

# Saving Water

## Reduction of Water Intensity Driven by Risk-Based Approach

### The Challenges

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

### Our Approach

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



**4%**

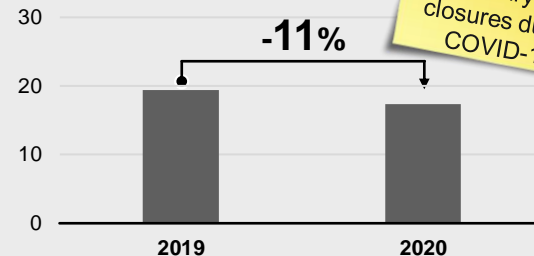
reduction of water demand per year based on sales in water stress high risk areas

**2%**

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

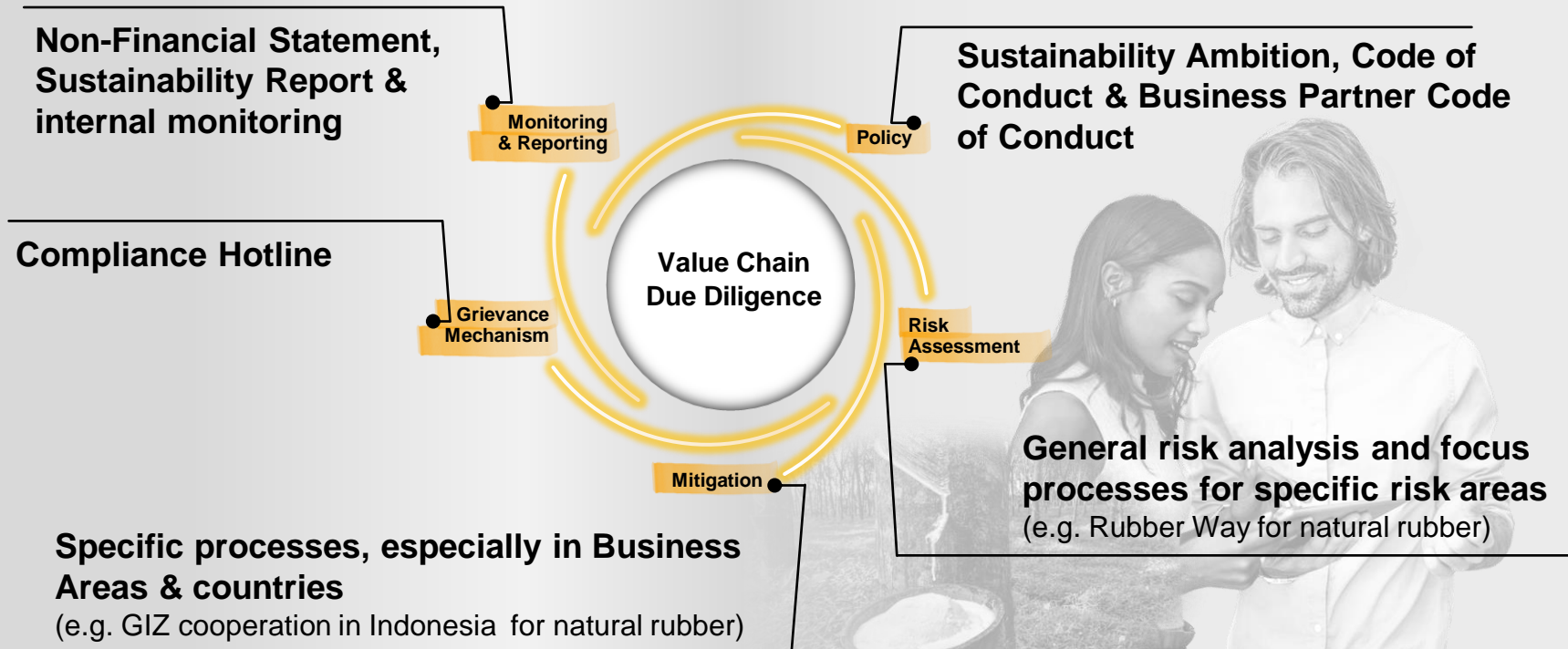
### Our Results

Water withdrawal [in million m<sup>3</sup>]



Effected by temporary plant closures due to COVID-19

# Our Approach on Responsible Value Chains Follows the Due Diligence Cycle



# The Sustainability Scorecard Monitors Our Performance

## Key Performance Indicators (Reasonable Assurance)

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

# The Sustainability Scorecard Frames Our Monitoring

## Key Performance Indicators – Footnotes

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



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



Download Non-financial Statement and Sustainability Report:

[www.continental-sustainability.com/downloads](http://www.continental-sustainability.com/downloads)



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

# Sustainability

## Memberships and Initiatives



econsense

Forum Nachhaltige Entwicklung  
der Deutschen Wirtschaft

TCFD

Fask Force on  
Climate-Related  
Financial Disclosure



RE 100

THE CLIMATE GROUP CDP  
UNCLIMATE INITIATIVE

Please click on the  
logos for more  
Information.



LUXEMBURGER  
DEKLARATION

ZUR BETRIEBLICHEN  
GESUNDHEITSFÖRDERUNG



In support of

**WOMEN'S  
EMPOWERMENT  
PRINCIPLES**

Established by UN Women and the  
UN Global Compact Office

# Sustainability

## Ratings and Indexes

### › Continental is listed in the following indexes:



## DAX® 50 ESG

### › Ratings:



› Prime (C+) (2020)

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

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

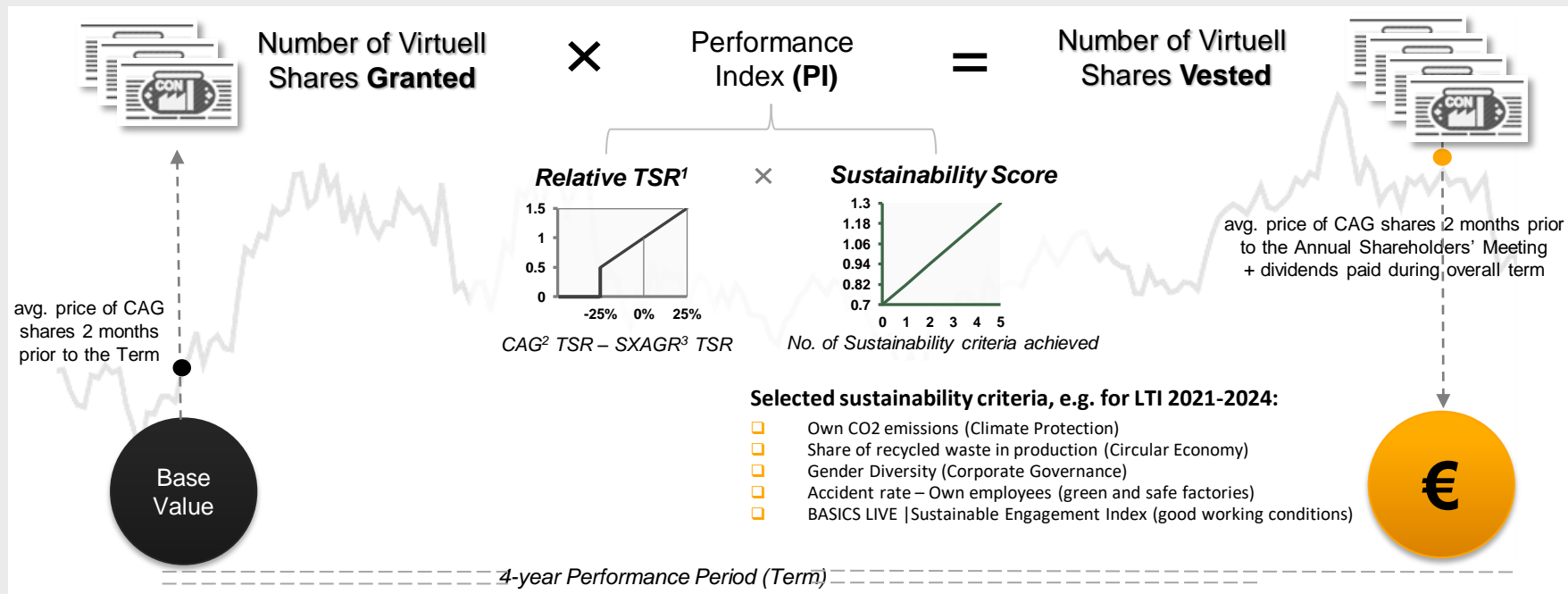
› BBB (2021)

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

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

# Corporate Governance

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



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

# Disclaimer

- › This presentation has been prepared by Continental Aktiengesellschaft solely in connection with the J.P.Morgan Global ESG Conference on March 24, 2021. It has not been independently verified. It does not constitute an offer, invitation or recommendation to purchase or subscribe for any shares or other securities issued by Continental AG or any subsidiary and neither shall any part of it form the basis of, or be relied upon in connection with, any contract or commitment concerning the purchase or sale of such shares or other securities whatsoever.
- › Neither Continental Aktiengesellschaft nor any of its affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss that may arise from any use of this presentation or its contents or otherwise arising in connection with this presentation.
- › This presentation includes assumptions, estimates, forecasts and other forward-looking statements, including statements about our beliefs and expectations regarding future developments as well as their effect on the results of Continental. These statements are based on plans, estimates and projections as they are currently available to the management of Continental. Therefore, these statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events. Furthermore, although the management is of the opinion that these statements, and their underlying beliefs and expectations, are realistic as of the date they are made, no guarantee can be given that the expected developments and effects will actually occur. Many factors may cause the actual development to be materially different from the expectations expressed here. Such factors include, for example and without limitation, changes in general economic and business conditions, fluctuations in currency exchange rates or interest rates, the introduction of competing products, the lack of acceptance for new products or services and changes in business strategy.
- › All statements with regard to markets or market position(s) of Continental or any of its competitors are estimates of Continental based on data available to Continental. Such data are neither comprehensive nor independently verified. Consequently, the data used are not adequate for and the statements based on such data are not meant to be an accurate or proper definition of regional and/or product markets or market shares of Continental and any of the participants in any market.
- › Unless otherwise stated, all amounts are shown in millions of euro. Please note that differences may arise as a result of the use of rounded amounts and percentages.

**Continental**



The Future in Motion