



# ODDO BHF Sustainability Forum



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

Thomas Sewald, Head of Group Environmental & Climate Protection  
June 21, 2022

# 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

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

**2**

## Differentiate our portfolio

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

**3**

## Turn change into opportunity


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

# Continental's Sustainability Ambition

## Providing the Framework to Turn Change into Opportunities


### Our Key Ambitions

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

 **100% Emission-free mobility & industry**  
(no harmful emissions)

 **100% Circular Economy**

 **100% Responsible Value Chain**

 by 2050 at the latest  and together with our value chain partners



### + 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

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

# 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



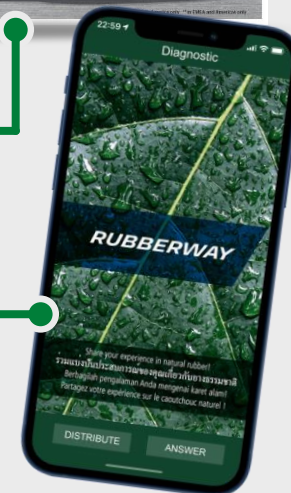
## Implementation of the Sustainability Ambitions at all Stages in the Value Chain

## Our Value Chain

	Supply Chain	Own Operations	Products & Customers
 Carbon neutrality along our entire value chain	●	●	●
 Emission-free mobility and industry	●	●	●
 Closed resource and product cycles	●	●	●
 Responsible sourcing and business partnerships	●	●	●



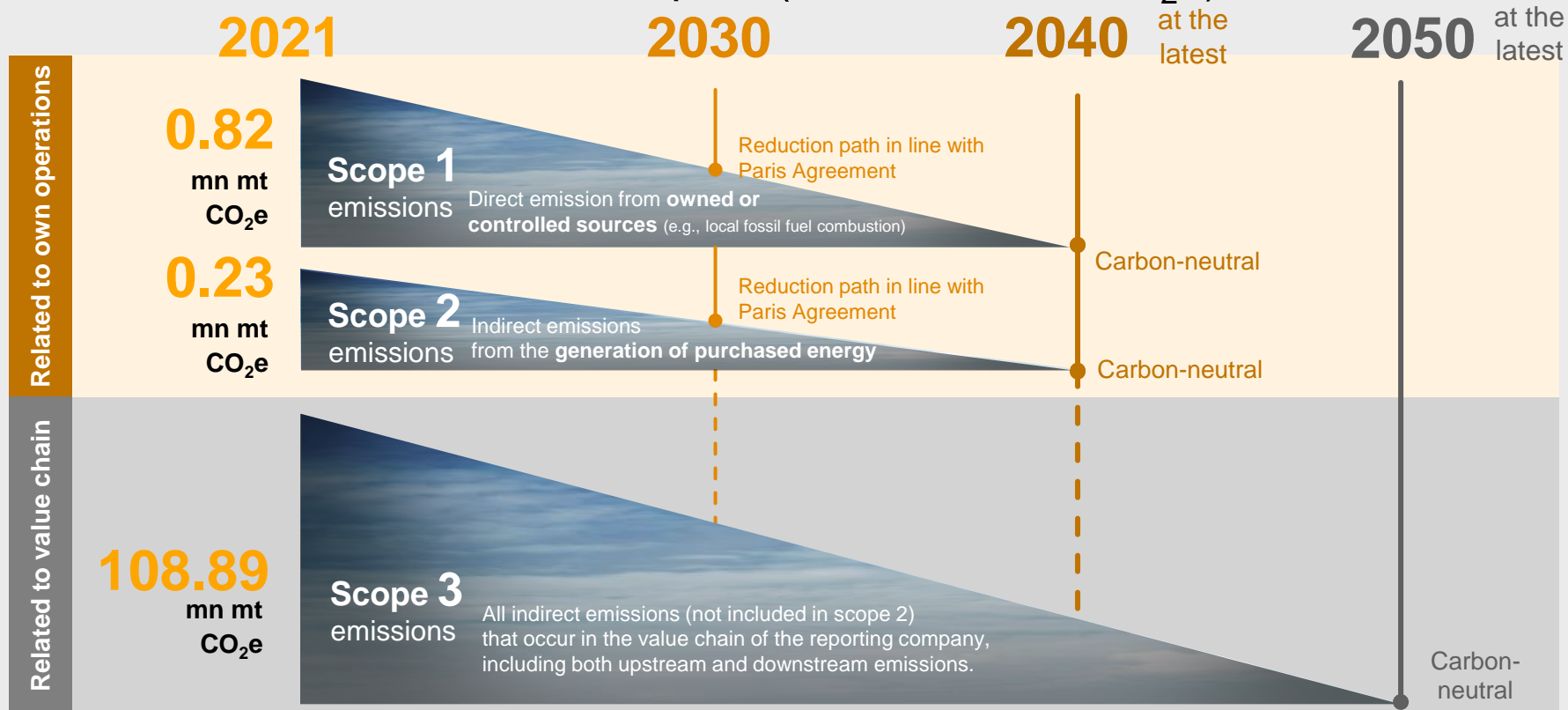
**Product example:**  
**Components for ID.4**



## Supply chain initiative example: Rubberway

# Our Pathway to Net Zero

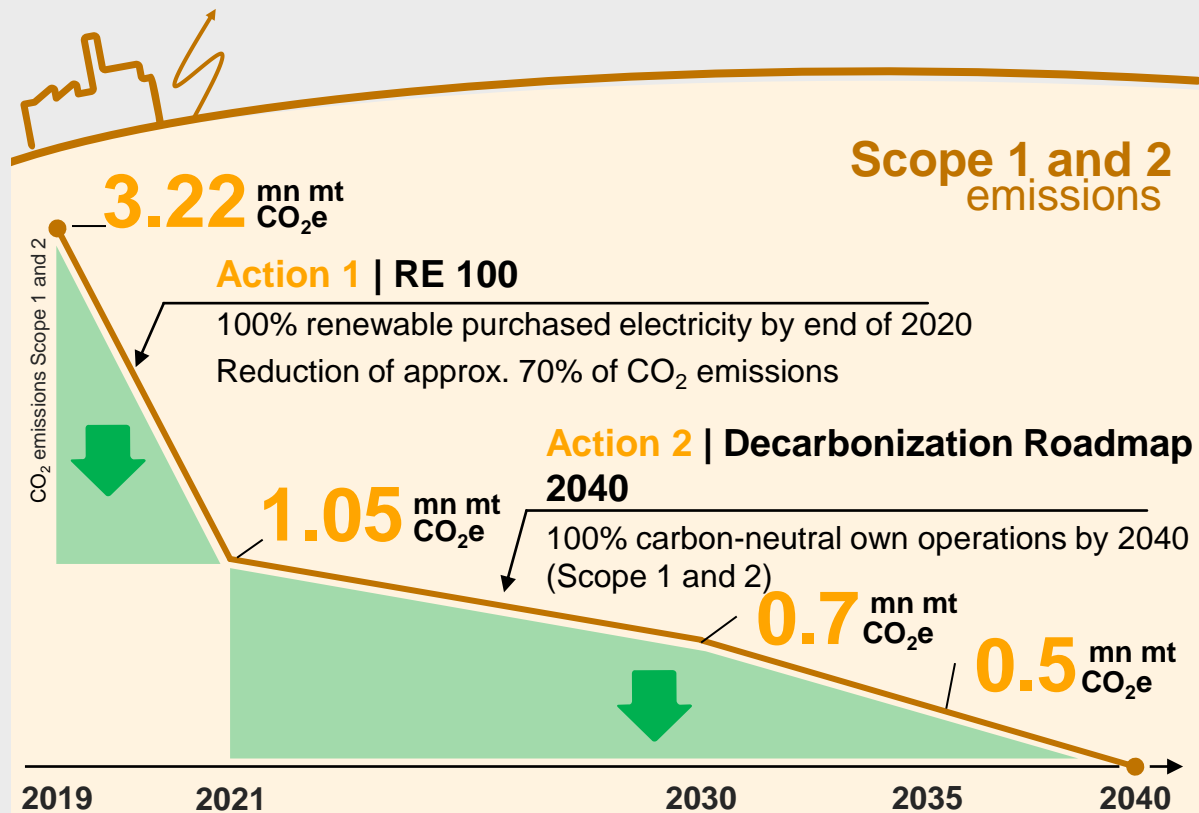
Continental's Total Carbon Footprint (109.94 mn mt CO<sub>2</sub>e)



Remark: The scopes are not shown to the exact scale for the purpose of better overview, but only indicate the relation of the scopes to each other.



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



SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

- Reduction of CO<sub>2</sub> emissions by energy efficiency
- Switch to renewable purchased electricity (RE100)
- Substitution of fossil fuels
- Neutralization of unavoidable CO<sub>2</sub> emissions by carbon removal

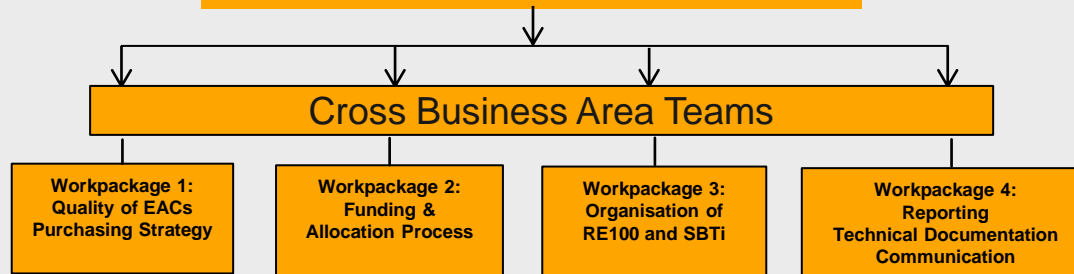
# Action 1: RE 100

## Timelines and Structure



### Group Project “RE 100”

Sponsored by E. Degenhart / A. Reinhart  
Project Lead: T. Sewald



# Project Overview: Decarbonization Roadmap 2040



Scope 1 & 2

## Group Project “Decarbonization Roadmap 2040”

Sponsored by C. Kötz and P. Nelles  
Project Lead: T. Sewald

### Cross Group Sector Teams

#### Workpackage 1:

Global regulatory monitoring & Benchmark of CO<sub>2</sub> markets and regulation

#### Workpackage 2:

Interim targets Roadmap 2040 and clear framework for CO<sub>2</sub> compensation

#### Workpackage 3:

Financial Framework for “low carbon technology”

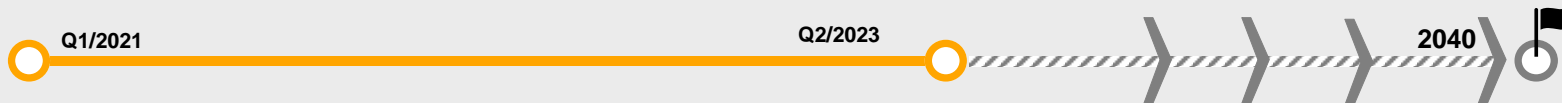
#### Workpackage 4:

Internal Project and CO<sub>2</sub> reduction monitoring platform  
“Decarbonization Dashboard”

#### Workpackage 5:

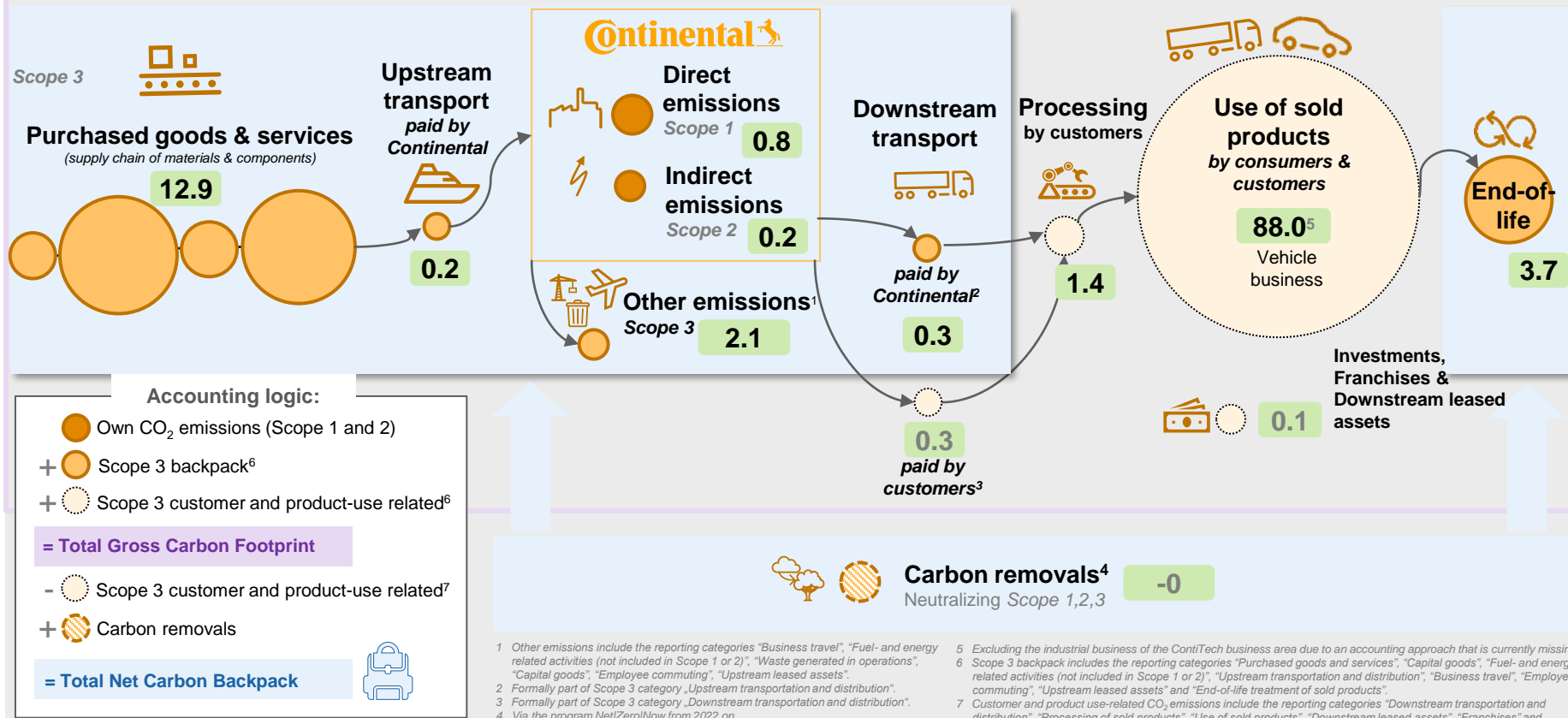
Quality Criteria for alternative fuels  
Purchasing strategy for Green Electricity

**Umbrella Program:**  
Decarbonization Roadmap



# Overview & Terminology of Carbon Neutrality for Continental

**Total Gross Carbon Footprint 2021:** ~110 mn metric tons CO<sub>2</sub>e in 2021



# Key Levers for Most Relevant Scope 3 Categories

## Purchased Goods and Services



### Key levers

- › Massive use of **renewable + recycled materials** (as substitutes)
- › Massive **reductions of material consumption**
- › Footprint-optimized **product design**
- › Massive use of renewable energy along supply chain (**tier 1-n**)

Taraxagum



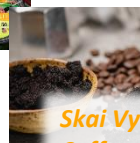
Eco lite garden hose



rPET



Skai VyP  
Coffee fabric



## Use of sold Products



### Key levers

- › Fast increase of **ZTEV portfolio**

Thermal Management



E-Highway



## End-of-life Treatment



### Key levers

- › Product **re-use and recycling**
- › Massive use of **renewable materials**  
(which are accounted carbon neutral in thermal recovery)

Pyrum



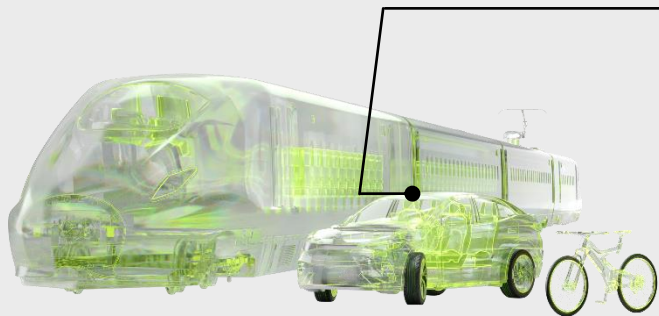
Remanufactured  
Display



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

around **1** bn €

allocated ZTEV<sup>1</sup> business in 2021



- 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**

<sup>1</sup> ZTEV = zero-tailpipe-emission vehicles (vehicles without direct drive emissions).



# Speeding up our Emission-free Business with Net|Zero|Now

A unique offer in the automotive supplier industry

WE OFFER OUR CUSTOMERS TO  
NEUTRALIZE THE CARBON BACKPACK



## Net|Zero|Now

... provides the **necessary speed for our customers** to reach their ambitious decarbonization targets.



... meets the requirements of the **Paris Agreement** by **extending the global carbon budget**.



With Net|Zero|Now we offer our customers the neutralization of our business carbon backpack through negative emissions. The offer focuses on business with zero-tailpipe-emission vehicles, but can now also be used for other business.

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

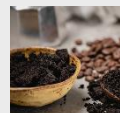
**100%** closed product and resource cycles latest by **2050**



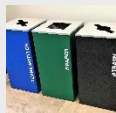
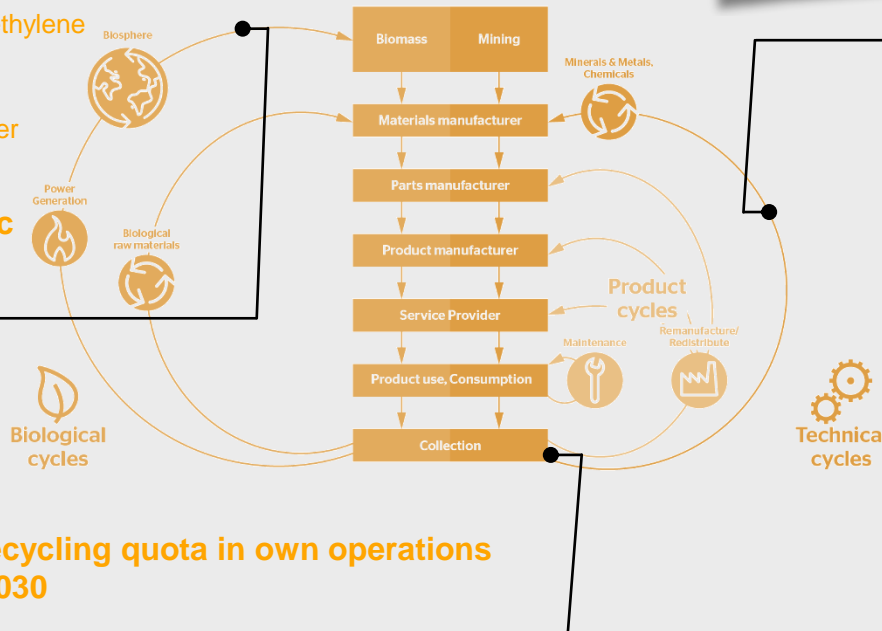
**Eco rubber garden hose**  
made of sugar cane ethylene



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



**Upholstery fabric**  
made from coffee grounds



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



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



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



**Retreaded tires**  
for commercial vehicles



**Remanufactured displays**  
for longer use of the components

# Reducing Waste in Our Own Operations

## 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 %**

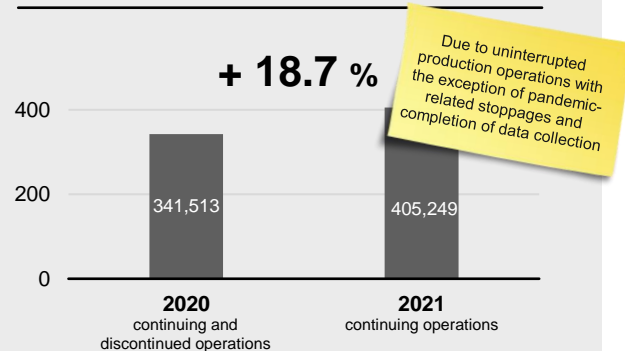
reduction of waste generation per year based on sales

**95 %**

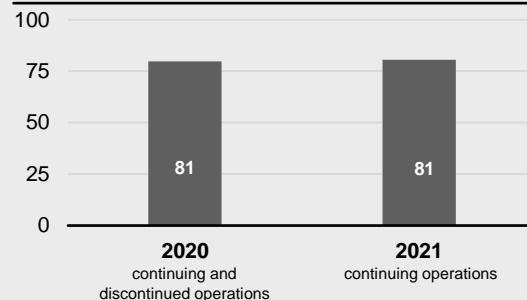
waste recycling quota by 2030

### Our Results

#### Total waste generation [in metric tons]



#### Waste recycling quota [in %]



# Saving Water in Our Own Operations

## 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 %**

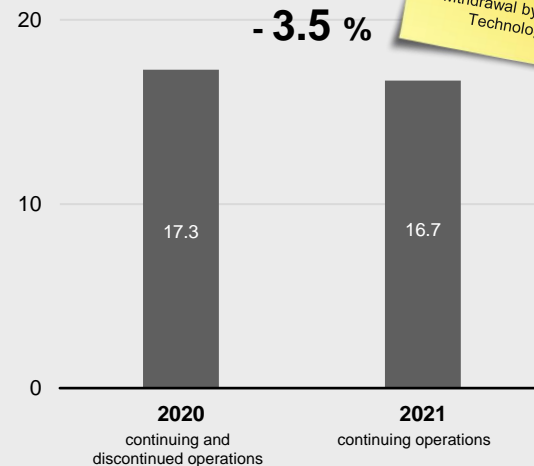
reduction of water demand per year based on sales in water stress high risk areas

**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>]



Due to discontinued reporting of water withdrawal by Vitesco Technologies

# Sustainability

## Memberships and Initiatives

**UN Global Compact**



**econsense**

Forum Nachhaltige Entwicklung  
der Deutschen Wirtschaft

**RBA**



**RE 100**

THE CLIMATE GROUP CDP  
ENVIRONMENTAL LEADERSHIP



**LUXEMBURGER  
DEKLARATION**

ZUR BETRIEBLICHEN  
GESUNDHEITSFÖRDERUNG



In support of

**WOMEN'S  
EMPOWERMENT  
PRINCIPLES**

Established by UN Women and the  
UN Global Compact Office

Please click on the logos for more information.

# Sustainability

## Ratings and Indexes

- › Continental is listed in the following indexes:



**DAX® 50 ESG**

- › Ratings:



February 2022:  
› Prime (C+)



December 2021:  
› Climate: Score B  
› Water: Score B  
› Supply chain: Score A  
› Supplier engagement leader board



December 2021:  
› Score: 73/100  
› 98th percentile



February 2022:  
› BBB



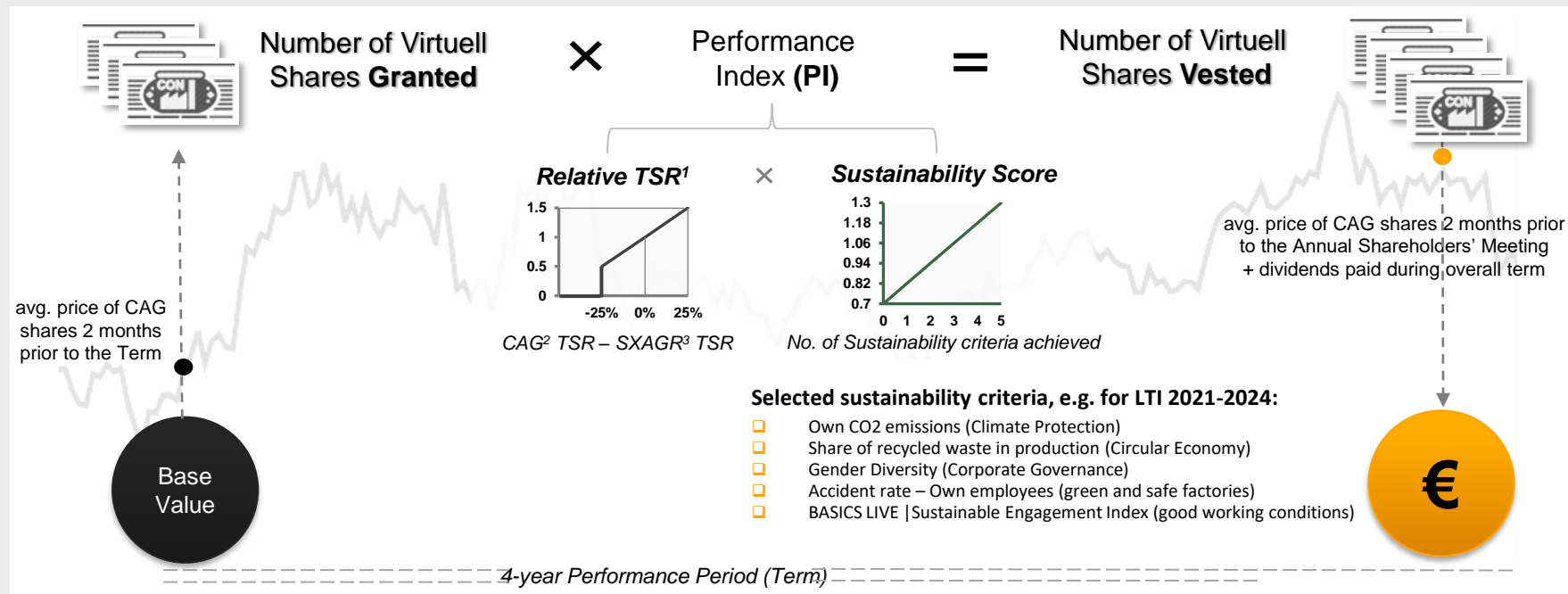
December 2021:  
› 13.2 (low risk)  
› Auto Components: Rank 10/210  
› Auto Parts: Rank 6/181

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

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- › 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

# Back-up

# Indirect CO<sub>2</sub> Emissions Along the Value Chain (Scope 3)

In millions of metric tons of CO<sub>2</sub><sup>1</sup>

	2020 (continuing and discontinued operations)	2021 (continuing operations)
Category 1: indirect CO <sub>2</sub> emissions (Scope 3) – Purchased goods and services	14.65	12.90
Category 2: indirect CO <sub>2</sub> emissions (Scope 3) – Capital goods	n. a.	1.23
Category 3: indirect CO <sub>2</sub> emissions (Scope 3) – Fuel- and energy related activities (not included in Scope 1 and 2)	0.41	0.61
Category 4: indirect CO <sub>2</sub> emissions (Scope 3) – Upstream transportation and distribution	0.70	0.47
Category 5: indirect CO <sub>2</sub> emissions (Scope 3) – Waste generated in operations	0.04	0.04
Category 6: indirect CO <sub>2</sub> emissions (Scope 3) – Business travel	0.02	0.02
Category 7: indirect CO <sub>2</sub> emissions (Scope 3) – Employee commuting	n. a.	0.19
Category 8: indirect CO <sub>2</sub> emissions (Scope 3) – Upstream leased assets	n. a.	0.02
Category 9: indirect CO <sub>2</sub> emissions (Scope 3) – Downstream transportation and distribution	0.50	0.30
Category 10: indirect CO <sub>2</sub> emissions (Scope 3) – Processing of sold products <sup>2</sup>	1.42	1.42
Category 11: indirect CO <sub>2</sub> emissions (Scope 3) – Use of sold products <sup>3</sup>	86.88	87.95
Category 12: indirect CO <sub>2</sub> emissions (Scope 3) – End-of-life treatment of sold products	3.42	3.66
Category 13: indirect CO <sub>2</sub> emissions (Scope 3) – Downstream leased assets	n. a.	0.01
Category 14: indirect CO <sub>2</sub> emissions (Scope 3) – Franchises	n. a.	0.01
Category 15: indirect CO <sub>2</sub> emissions (Scope 3) – Investments	n. a.	0.05
<b>Total indirect CO<sub>2</sub> emissions along the value chain (Scope 3)</b>	<b>n. a.</b>	<b>108.89</b>

<sup>1</sup> 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). Optional reporting aspects for Scope 3 are currently not taken into account.

<sup>2</sup> Excluding the industrial business of the ContiTech business area due to an accounting approach that is currently missing.

<sup>3</sup> Excluding the industrial business of the ContiTech business area due to an accounting approach that is currently missing, as well as single business operations insignificant in terms of CO<sub>2</sub> of the Automotive Technologies group sector (two-wheel business) and the Tires business area (e.g. ContiTrade business, parts of the Speciality Tires business unit).

# Group Sustainability Scorecard (I)

## Performance Indicators for sustainability strategy controlling

	2020 (continuing and discontinued operations)	2021 (continuing operations)
<b>Carbon neutrality</b>		
Direct CO <sub>2</sub> emissions (Scope 1) in millions of metric tons of CO <sub>2</sub>	0.78 <sup>4, 5</sup>	0.82 <sup>2</sup>
Indirect CO <sub>2</sub> emissions (Scope 2) in millions of metric tons of CO <sub>2</sub> <sup>3</sup>	0.21 <sup>4</sup>	0.23 <sup>2</sup>
Total own CO <sub>2</sub> emissions (Scope 1 and 2) in millions of metric tons of CO <sub>2</sub>	0.99 <sup>4</sup>	1.05 <sup>2</sup>
<b>Emission-free mobility and industries</b>		
Allocated zero-tailpipe-emission vehicles business in € millions <sup>6, 7</sup>	826	986
Allocated low-carbon business beyond zero-tailpipe-emission vehicles business in € millions <sup>8</sup>	n. a.	6
Allocated business with emission-free mobility and industry in € millions	n. a.	991
<b>Circular economy</b>		
Waste recycling quota in % <sup>9</sup>	81 <sup>4</sup>	81 <sup>2</sup>
<b>Responsible value chain</b>		
Number of available, valid supplier self-assessment questionnaires (as at Dec. 31) <sup>10</sup>	696	631
<b>Good working conditions</b>		
OUR BASICS Live Sustainable Engagement index in % <sup>11, 12</sup>	82	80
Sickness rate in % <sup>13, 14</sup>	3.5	3.7
Unforced fluctuation rate in % <sup>14, 15</sup>	4.6	7



# Group Sustainability Scorecard (II)

## Performance Indicators for sustainability strategy controlling

	2020 (continuing and discontinued operations)	2021 (continuing operations)
<b>Green and safe factories</b>		
Environmental protection management system certifications (ISO 14001), Employee coverage quota (as at Dec. 31) in % <sup>16</sup>	82	76
Energy management system certifications (ISO 50001), Employee coverage quota (as at Dec. 31) in % <sup>16</sup>	51	40
Occupational safety and health management system certifications (ISO 45001 or similar), Employee coverage quota (as at Dec. 31) in % <sup>16</sup>	69	62
Accident rate (number of accidents per million working hours) <sup>17, 18</sup>	2.9	2.6
<b>Benchmark in quality</b>		
Quality management system certifications (ISO 9001 or similar), Employee coverage quota (as at Dec. 31) in % <sup>16</sup>	91	84
New field quality events (as at Dec. 31) <sup>19</sup>	18	36
<b>Sustainable management practice</b>		
Gender diversity – share of female executives and senior executives (as at Dec. 31) in %	16.1	17.8
<b>Innovation and digitalization</b>		
Research and development expenses (net) in € millions	3,381.8	2,586.8
in % of sales	9.0	7.7

# Group Sustainability Scorecard

## Footnotes

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<sub>2</sub> emission factors correspond to CO<sub>2</sub> equivalents (CO<sub>2</sub>e).

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

3 Calculated using the market-based calculation method of the GHG Protocol. Where contract-specific emission factors were not available, the standard emission factors from Defra (September 2020) were used.

4 Includes the relevant production and research and development locations.

5 CO<sub>2</sub> emissions from fleet consumption for company cars (leased vehicles) are only partially and not systematically included.

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

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

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

9 Definition: proportion of waste that has been sent for material recycling, thermal recovery or any other form of recycling or reuse.

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

11 Definition: employee agreement on topics relating to sustainable engagement in the employee survey OUR BASICS Live.

12 This is based on the responses of 47,472 participants (PY: 4,918 participants) as a representative random sample of Continental's group sectors and countries.

13 Definition: sickness-related absence relative to contractual worktime.

14 Excluding leasing personnel (i.e. permanent staff only).

15 Definition: voluntary departure of employees from the company relative to the average number of employees.

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

17 Definition: number of accidents during working hours per million paid working hours. Counted from more than one lost day, i.e. with at least one lost day beyond the day of the accident.

18 Excluding leasing personnel (i.e. permanent staff only) and way-to-work accidents.

19 Definition: a field quality event is a risk-minimizing measure for a product manufactured and/or sold by Continental based on a safety-related defect and/or non-compliance with regulations that was initiated by Continental, a customer and/or an authority.

# We Build on a Systematic Sustainability Governance

