



TRANSFORMATION

2019 INTEGRATED SUSTAINABILITY REPORT

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 2019, Continental generated sales of €44.5 billion and currently employs more than 240,000 people in 59 countries and markets.

📄 www.continental.com

Development of Material Sustainability Key Performance Indicators

	2019	2018
Clean Mobility		
Percentage of products of consolidated sales that demonstrably contribute to energy efficiency or to the reduction of pollutant or carbon dioxide emissions	42	-40 ¹
Climate Protection²		
Direct CO ₂ emissions (Scope 1) in millions of metric tons of CO ₂	0.84	0.88
Indirect CO ₂ emissions (Scope 2) in millions of metric tons of CO ₂ ³	2.38	2.47 ⁴
Total own CO ₂ emissions (Scope 1 and 2) in millions of metric tons in CO ₂	3.22	3.35 ⁴
Circular Economy⁵		
Waste recycling rate in %	80	78
Sustainable Supply Chains⁶		
Number of available, valid supplier self-assessment questionnaires (as at Dec 31, 2019)	670	> 750
Innovation and Digitalization		
R&D expenses (net) in € millions	3,364.2	3,209.0
in % of sales	7.6	7.2
Green and Safe Factories		
Environmental protection management system certifications (ISO 14001 or similar)		
Employees covered in % (as at Dec 31, 2019)	82	> 80 ¹
Energy management system certifications (ISO 50001 or similar)		
Employees covered in % (as at Dec 31, 2019)	49	- 50 ¹
Occupational safety management system certifications (ISO 45001 or similar)		
Employees covered in % (as at Dec 31, 2019)	69	- 67 ¹
Number of accidents per million working hours ^{7,8,9}	3.03	3.41
Good Working Conditions		
OUR BASICS Live Sustainable Engagement in %	81	80
Sickness absence rate in % ⁷	3.37	3.27
Unforced fluctuation in % ⁷	6.00	6.25
Product Quality		
Quality management system certifications (ISO 9001 or similar)		
Employees covered in % (as at Dec 31, 2019)	86	- 90 ¹
Corporate Governance^{10,11}		
Proportion of women in management positions in % (as at Dec 31, 2019)	15.8	14.8

¹ In 2018, not reported as key figures but as indicative, rounded statement in the text.

² Based on the reporting on the environmental data collection system that includes the relevant production and research and development locations (not including fleet consumption). Definitions based on the standards of the Global Reporting Initiative (GRI) and in accordance with the Greenhouse Gas (GHG) Protocol.

³ Scope 2 emissions are calculated on the basis of reported energy use using the location-based method of the GHG Protocol and largely by applying emission factors from Defra (January 2019) and IEA (May 2018).

⁴ Figure for 2018 was recalculated due to an adjustment in the application of the location-based method of the GHG Protocol.

⁵ Based on the reporting on the environmental data collection system that includes the relevant production and research and development locations. Definitions based on the standards of the Global Reporting Initiative (GRI).

⁶ Based on the self-assessment questionnaires via EcoVadis and NQC.

⁷ Permanent staff only (own employees).

⁸ Counted from more than one lost day, i.e. with at least one lost day beyond the day of the accident.

⁹ Excluding Continental Tire Sales (approx. 2% of the total workforce).

¹⁰ Based on the employees recorded in the HR data system (approx. 97%).

¹¹ Relates to executives and senior executives.

Contents

Development of Material Sustainability Key Performance Indicators	3
To Our Stakeholders.....	5
Report Profile	6
About Continental.....	8
Structure of the Corporation	8
Corporate Strategy.....	12
Development of Material Sustainability Core Areas.....	17
Strategic Focus Areas	17
Clean Mobility	17
Climate Protection	20
Circular Economy	23
Sustainable Supply Chains.....	26
Other Topics.....	28
Innovation and Digitalization.....	28
Green and Safe Factories.....	31
Sustainable Profits.....	34
Good Working Conditions.....	44
Product Quality.....	52
Safe Mobility.....	53
Corporate Governance.....	55
Corporate Citizenship	68
Risk and Opportunities	69
Further Information	73
GRI Index	73
UN Global Compact Index.....	77
SDG Index	78
Ratings and Rankings	79
Independent Auditor's Reports.....	80
Publication Details.....	81

To Our Stakeholders



Dear Readers,

Dear Readers,

For a better, a more sustainable world, we need visions that inspire people and guide them. We need a wide range of perspectives on how we can make these visions a reality. And we need solutions that help us get a little bit closer to our goals every day in the here and now.

The year 2019 was a year of change for Continental and the entire mobility industry. The automotive industry and other sectors have initiated huge transformations in which sustainability plays an ever greater role. The future of mobility is now firmly linked to sustainability. Our goal is a healthy ecosystem for mobility in a comprehensive sense. For this reason, Continental 2019 has re-established its sustainability strategy and adapted it to these transformations. We are convinced: If you want the mobility of the future, you need Continental!

The focus of the sustainability strategy is on the four strategic focus areas - Climate Protection, Clean Mobility, Circular Economy, and Sustainable Supply Chains. They are associated with major challenges for Continental, but also with great opportunities. And they stand for the fact that we want to set a clear example. When it comes to Climate Protection, for example, we as the Executive Board have defined a trajectory toward carbon neutrality. By the year 2050, we want to achieve carbon neutrality in our entire value chain, i.e. from purchasing the raw materials to the use of our products. By the end of 2020, we will already switch to the purchase of "green" electricity for our production worldwide, and will make our own business activities carbon-neutral by 2040.

For us, a convincing sustainability strategy is part of a joint learning process with employees, customers, investors, suppliers, politicians, civil society, and within the industry to discuss the key challenges in a transparent manner, to look for the right ways and to develop new markets. We are thus relying on our four corporate values - Trust, Passion To Win, Freedom To Act, For One Another.

We are delighted to take you on this journey. And we are looking forward to your comments or questions. I would now like to offer you exciting and informative reading on behalf of the entire Executive Board and all employees.

Ariane Reinhart

Dr. Ariane Reinhart

Executive Board Member for Human Relations and Sustainability

Report Profile

This is Continental's ninth Sustainability Report prepared using the Global Reporting Initiative (GRI) reporting standards. It also represents our progress report for the UN Global Compact ("Communication on Progress").

Integrated Sustainability Reporting Concept

Continental has published a Sustainability Report each year since 2012. The company has also published an annual Combined Corporate Non-Financial Statement for each year since 2018.

Our integrated Sustainability Report represents the main medium for our sustainability reporting. This report is prepared in a modular format and incorporates information from the Combined Corporate Non-Financial Statement, Management Report, Consolidated Financial Statements and other sources, as well as additional information.

Financial Reporting Framework and Reporting Period

As with financial reporting, this Sustainability Report encompasses all fully consolidated companies within the corporation. The report covers the 2019 fiscal year from January 1 to December 31, 2019, and reports on current developments occurring until the editorial deadline on March 31, 2020. For the contents of the Annual Report presented in this report, the editorial deadline was already on March 3, 2020.

Key Topics

The key topics in our sustainability strategy, and therefore our reporting, were identified in 2019 on the basis of a stakeholder survey and further analyses. The table below provides an overview of the topics and indicates the reports in which they are covered.

Topics Covered in the Different Reporting Formats

The Sustainability Report presents the management approach and results, including key performance indicators and other key figures and examples, for each key topic. The Combined Corporate Non-Financial Statement pursuant to §§ 315b and 315c in conjunction with 289b to 289e of the German Commercial Code (HGB) focuses exclusively on data required by law.

Restatements

The figure for CO₂-emissions in 2018 (with regard to Scope 2 according to GHG Protocol) was recalculated due to an adjustment in the application of the location-based method of the GHG Protocol and restated.

Material topics of the sustainability strategy	Reports in which the individual topics are covered			
	Sustainability Report	Combined Corporate Non-Financial Statement in the Annual Report	Management Report in the Annual Report	Other Annual Report (not part of the Management Report)
1. Clean Mobility	X	X		
2. Sustainable Supply Chains	X	X		
3. Climate Protection	X	X		
4. Circular Economy	X	X		
5. Innovations and Digitalization	X		X (Research and Development section)	
6. Clean and Safe Factories	X	X		
7. Sustainable Profits	X		X (Corporate Management and Economic Report section)	
8. Good Working Conditions	X	X		
9. Product Quality	X	X		
10. Safe Mobility	X		X (Research and Development section)	
11. Corporate Governance	X	X		X (Corporate Governance Report)
12. Corporate Citizenship	X			

Text Markings and Auditing

The key content of this Sustainability Report was reviewed by an independent auditor. Content reviewed externally is color-coded as per the following overview. The applicable auditor's notes can be found in this report from page 80 onwards.

Note on Improving the Readability of the Text

Where this report has chosen to use the masculine form in order to improve readability, all information of course applies to both genders.

Significance of Color Coding and Applicable Auditor's Notes

Color Coding	Text content	Applicable auditor's note
Text audited by an independent auditor	Content from the Consolidated Financial Statements and Management Report (except for the Combined Corporate Non-Financial Statement)	Report on the Audit of the Consolidated Financial Statements and the Corporate Management Report
	Content from the Combined Corporate Non-Financial Statement	Reasonable Assurance Report of the Independent Auditor Regarding the Combined Corporate Non-financial Statement
	CO ₂ emissions scope 3	Limited Assurance Report regarding selected environmental performance disclosures in the Sustainability Report
Text not audited externally	All content other than that specified above	---

About Continental

Structure of the Corporation

Source: 2019 Annual Report > Management Report > Corporate Profile > Structure of the Corporation (starting on p. 38)

Note: The text has been adjusted for page references.

New corporate structure to ensure long-term viability and strengthen competitiveness.

Continental has had a new organizational structure since January 1, 2020. The new structure will enable us to respond even more flexibly to the requirements of various customers, markets, government agencies and companies, and make faster and more efficient use of our opportunities.

Since October 1, 2019, the legally independent Powertrain business area (until December 31, 2019: primarily the Powertrain division) has been operating under the name Vitesco Technologies. This has no effect on the financial reporting of the Powertrain business area within the Continental Corporation. Subject to the approval of the Annual Shareholders' Meeting on April 30, 2020, Vitesco Technologies will be spun off in the course of 2020.

New organizational structure

Continental has been divided into the group sectors Automotive Technologies, Rubber Technologies and Powertrain Technologies since January 1, 2020. These sectors comprise five business areas with 23 business units. A business area or business unit is classified according to technologies, product groups and services. The business areas and business units have overall responsibility for their business, including their results.

Business responsibility

Overall responsibility for managing the company is borne by the Executive Board of Continental Aktiengesellschaft (AG). Each business area is represented by one Executive Board member. An exception is the Powertrain business area, which has had its own

management since January 1, 2019, following its transformation into an independent legal entity.

To ensure a unified business strategy in the Automotive Technologies group sector, the Automotive Board was established on April 1, 2019, with a member of the Executive Board as "spokesman." The new board is intended to speed up decision-making processes and generate synergies from the closer ties between the Autonomous Mobility and Safety business area and the Vehicle Networking and Information business area.

With the exception of Corporate Purchasing, the central functions of Continental AG are represented by the chairman of the Executive Board, the chief financial officer and the Executive Board member responsible for Human Relations. They take on the functions required to manage the corporation across business areas. These include, in particular, finance, controlling, compliance, law, IT, sustainability, quality and environment.

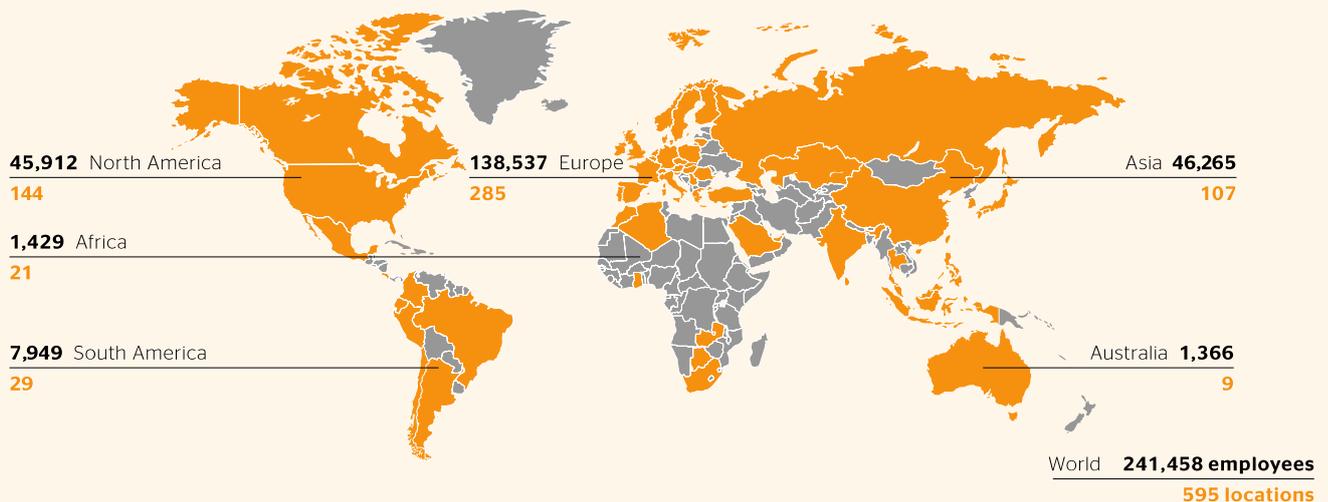
Companies and locations

Continental AG is the parent company of the Continental Corporation. In addition to Continental AG, the corporation comprises 581 companies, including non-controlled companies. The Continental team is made up of 241,458 employees at a total of 595 locations in 59 countries and markets. The postal addresses of companies under our control are defined as locations.

Customer structure

With a 71% share of consolidated sales, the automotive manufacturing business is our largest customer group. The importance of this industry is accordingly high for the growth of the Automotive Technologies and Powertrain Technologies group sectors. In the Tires business area of the Rubber Technologies group sector, sales to end customers represent the largest share of the tire business. In the ContiTech business area, other key industries in addition to the automotive industry are important customers as well, such as railway engineering, machine and plant construction, mining and the replacement business.

595 locations in 59 countries and markets



Structure of the corporation in 2020

Continental Group

Automotive Technologies		Rubber Technologies		Powertrain Technologies
Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain

Automotive Technologies (since January 1, 2020):
 The **Autonomous Mobility and Safety business area** (until December 31, 2019: primarily the Chassis & Safety division) integrates safety technologies and controls vehicle dynamics to make driving safer and easier. The goal here is to implement "Vision Zero," the vision of accident-free driving. The components and systems expertise of Autonomous Mobility and Safety are prerequisites for autonomous mobility. The business area is divided into four business units:

- › Advanced Driver Assistance Systems
- › Hydraulic Brake Systems
- › Passive Safety and Sensorics
- › Vehicle Dynamics

The **Vehicle Networking and Information business area** (until December 31, 2019: primarily the Interior division) develops components and end-to-end systems for connected mobility - hardware, software and services - across the strategic pillars of networking, information and integration. With solutions for networking, human-machine interaction, system integration and high-performance computing for passenger cars, light commercial vehicles and fleets, Vehicle Networking and Information ensures functioning networks and smooth information flows for connected mobility. The business area is divided into three business units:

- › Commercial Vehicles and Services
- › Connected Car Networking
- › Human Machine Interface

Rubber Technologies
 (until December 31, 2019: the Rubber Group):
 The **Tires business area** (until December 31, 2019: the Tire division) offers the right tires for a broad range of applications - from cars, trucks, buses and specialist vehicles to bicycles and motorcycles. Services for dealers and fleet management as well as digital tire monitoring and management systems are further areas of focus. The aim is to contribute to safe, economical and ecologically efficient mobility. In the reporting year, 26% of sales related to business with vehicle manufacturers, and 74% related to the replacement business. The business area is divided into six business units:

- › Commercial Vehicle Tires
- › Original Equipment Passenger and Light Truck Tires (PLT)
- › Replacement, APAC (Asia and Pacific region) PLT
- › Replacement, EMEA (Europe, the Middle East and Africa) PLT
- › Replacement, The Americas (North, Central and South America) PLT
- › Two-Wheel Tires

The **ContiTech business area** (until December 31, 2019: the ContiTech division) develops, manufactures and markets products, systems and intelligent components made of rubber, plastic, metal and fabric. They are used in mining, agriculture, railway engineering, machine and plant construction, the automotive industry and other important sectors of the future. In the reporting year, 50% of sales related to business with vehicle manufacturers, and 50% related to business with other industries and in the replacement market. The business area is divided into seven business units:

Structure of the corporation in 2019

Continental Corporation

Sales: €44.5 billion; Employees: 241,458

Automotive Group			Rubber Group	
Sales: €26.5 billion; Employees: 138,295			Sales: €18.0 billion; Employees: 102,685	
Chassis & Safety Sales: €9.4 billion Employees: 48,434	Powertrain Sales: €7.8 billion Employees: 41,744	Interior Sales: €9.6 billion Employees: 48,117	Tires Sales: €11.7 billion Employees: 56,884	ContiTech Sales: €6.4 billion Employees: 45,801

- › Air Spring Systems
- › Conveying Solutions
(until January 9, 2020: the Conveyor Belt Group)
- › Industrial Fluid Solutions
- › Mobile Fluid Systems
- › Power Transmission Group
- › Surface Solutions
- › Vibration Control

Powertrain Technologies (since January 1, 2020):
 The **Powertrain business area** (until December 31, 2019: the Powertrain division) offers efficient and clean vehicle drive systems. It focuses on intelligent systems and components for the electrification of vehicles, as well as on electronic control units, sensors, actuators and exhaust-gas aftertreatment solutions. The business area is divided into three business units:

- › Electronic Controls
- › Electrification Technology
- › Sensing and Actuation

Interconnected value creation

Research and development (R&D) took place at 88 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 Group and the ContiTech division. The product requirements governing tires are largely similar all around the world. They are adapted according to the specific requirements of each market. In this respect, R&D has a largely centralized structure in the Tires business area. Continental invests between

7% and 8% of sales in R&D each year. For more information, see the Research and Development section.

Continental processes a wide range of raw materials and semi-finished products. The purchasing volume in the reporting year was €29.9 billion in total, €20.1 billion of which was for production materials. The Automotive Group uses primarily steel, aluminum, precious metals, copper and plastics. Key areas when it comes to purchasing materials and semi-finished products include electronics and electromechanical components, which together make up about 43% of the corporation's purchasing volume of production materials. Furthermore, mechanical components account for nearly a quarter of production materials. Natural rubber and oil-based chemicals such as synthetic rubber and carbon black are key raw materials for the Rubber Group. The total purchasing volume for these materials amounts to around a sixth 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 Group and in the Conti-Tech division are organized across regions. Our tire production activities, in which economies of scale play a key role, are represented with major locations in the three dominant automotive markets in terms of production and vehicle numbers, namely Europe, the U.S.A. and China. Low production costs coupled with large volumes or high rates of regional growth constitute key success factors. 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 €3.4 billion in expenditure	Diverse €29.9 billion in volumes	Global 249 locations	Local €44.5 billion in sales

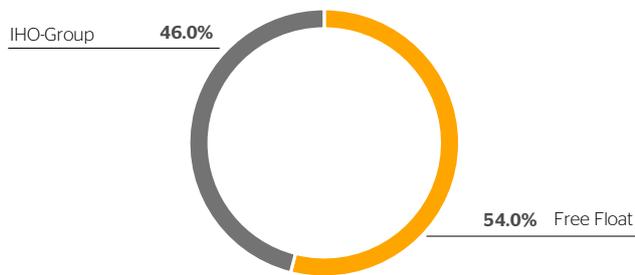
In the Spotlight

Shareholder Structure

Source: 2019 Annual Report > To Our Shareholders > Continental Shares and Bonds (p. 10); additional figures from 2019 Fact Book for investors (p. 115)

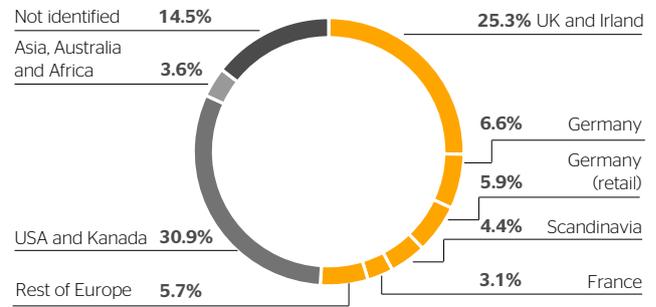
As in the previous year, free float as defined by Deutsche Börse AG amounted to 54.0% as at the end of 2019.

Shareholder Structure as at Dec. 31, 2019



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 the shareholding in Continental AG from 49.9% to 46.0%.

Regional distribution of the free float as at Dec. 31, 2019 (85.5% identified)



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%.

Corporate Strategy

Source: 2019 Annual Report > Management Report > Corporate Profile > Corporate Strategy (starting on p. 41)

Note: The text has been adjusted for page references.

Reorganization for strategic flexibility and long-term success.

Continental has had a new organizational structure since January 1, 2020, in order to actively shape the mobility of the future. This reorganization was in response to the accelerated change in powertrain technology, the growing demand for digital solutions and the increasingly digitalized working environment. For more information, see the Structure of the Corporation section.

Spin-off of the Powertrain business area

We are preparing to fully spin off the Powertrain business area with subsequent listing. This initiative will be voted on at the Annual Shareholders' Meeting on April 30, 2020. The reason for the transformation into an independent legal entity and spin-off is the change in the powertrain business, the development of which is determined chiefly by regulatory emission limit requirements, which vary in the markets that are important to us. Rapid adaptability is therefore essential in order to succeed in this business. Another reason is the increased focus on electric mobility. Considerable investments have already been made here and will continue to be necessary in the future. Furthermore, a legally independent business will be in an even better position to actively support the expected long-term consolidation process.

Transformation 2019–2029 structural program aims to strengthen the company's competitiveness over the long term

We launched the Transformation 2019–2029 structural program in response to declining global automotive production and the growing customer demand for digital solutions. The program also takes into account multiple parallel developments: an increasingly digitalized working environment, the emerging crisis in the automotive industry and the accelerated change in powertrain technology as a result of more stringent emissions legislation.

The program has two main aims: to increase efficiency and productivity through adjustments to the organization and portfolio, and to place a greater focus on key growth areas of the future. As such, we are planning to reduce gross costs by about €500 million annually from 2023. We expect the program to cost around €1.1 billion over its 10-year term. These costs will mostly be incurred between 2019 and 2022. We do not rule out additional projects if the current program does not achieve the desired impact.

Seven strategic dimensions for enhancing the value of the corporation on a sustainable basis

Our seven strategic dimensions have not changed. They complement each other and are geared toward sustainably creating value for all stakeholders.

1. Value creation – enhancing the value of the corporation on a long-term basis

For us, enhancing the value of the corporation on a long-term basis means sustainable success while taking into consideration the cost of capital. Our long-term target is at least 20% ROCE. After 17.0% in 2018, we achieved -1.0% in 2019. The negative effect in EBIT caused by special effects of €3.31 billion (mainly as a result of impairment and restructuring expenses), contributed to this result.

2. Regional sales balance – globally balanced distribution of sales

Another aim is a globally balanced distribution of regional sales, which will allow us to become less dependent on individual regional sales markets and on market and economic fluctuations. To achieve this, we can take advantage of the opportunities available to us on the promising markets in Asia and North America, while also bolstering our strong market position in Europe. We aim to gradually increase the share of our consolidated sales in the Asian markets to 30%. In China, we want to grow at an above-average rate in the next few years. The total share of our sales in the North and South American markets should be maintained at a minimum of 25%. In 2019, our share of sales in Asia was 22%, and in North and South America it totaled 29%.

3. Top market position – among the three leading suppliers in all relevant markets

We want to shape our future based on a leading position and thus play a major role in advancing technological development in individual sectors. We therefore want to be among the world's three leading suppliers with regard to customer focus, quality and market share in the long term. In terms of sales in their respective markets, the business areas in Automotive Technologies as well as ContiTech are among the leading providers with the majority of their products. In the tire business, we are number four in the world. Furthermore, we hold top positions in individual segments and markets in this area. Among suppliers with sales of more than €3 billion, we play a leading role in digitalization. The digital products include, for example, sensors, electronics and software products.

4. In the market for the market – high degree of localization

Our global business model is based on a high degree of localization. We develop and produce numerous products and solutions, which enables us to best meet the respective market conditions and requirements of our customers. The aim is for at least eight out of 10 application developments to be carried out locally, and for the percentage of local production to be just as high. Through our development and production teams worldwide, we offer solutions and products for high-quality cars and affordable vehicles, as well as customized industrial applications. At the same time, we are purchasing locally – insofar as this is possible and cost-effective – as well as marketing locally. We have production locations in 38 of the 59 countries and markets in which we are represented. In the reporting year, we expanded our production through acquisitions and the construction of new manufacturing facilities. This included opening our new tire plants for passenger tires in Thailand and for truck and bus tires in the U.S.A., increasing manufacturing capacity for agricultural tires in Portugal, laying the foundations for a motorcycle tire factory in Thailand, and beginning the expansion of drive-belt production for the agricultural industry in Germany. In total, the number of our production sites increased

in the reporting year from 233 to 249. We are still working on being able to count one of the Asian manufacturers among our five largest automotive customers. We aim to achieve this with a high degree of localization. Two Asian manufacturers are among our 10 largest customers.

5. Balanced customer portfolio - balance between automotive and other industries

We aim to reduce our dependence on the automotive industry by creating a balanced customer portfolio. To that end, we want to increase our business at an above-average rate in industries outside of the automotive industry, while at the same time achieving further growth with carmakers. In the medium to long term, we want to lift the share of sales with end users and industrial customers outside of the automotive original equipment sector toward a figure of 40%. This will be based on our Tires and ContiTech business areas. Our activities relating to software products for the end-user market and industries outside the automotive industry will have an increasing effect on our customer portfolio. Examples include advanced traffic management, digital tire monitoring, intelligent solutions for the agricultural sector and for conveyor belts, as well as new technologies that go beyond the vehicle. The share of sales with end users and industrial customers outside of the automotive original equipment sector remained stable at 29% in 2019.

6. Technological balance - combination of established and pioneering technologies

Our product portfolio should consist of a profitable and viable mix of established and pioneering technologies. We set and follow new trends and standards in high-growth markets and market segments. In established core markets, we continuously enhance our position as one of the leading product and system suppliers. We manage and structure our product and technology portfolio with the goal of being represented and competitive in all phases of the respective product life cycles. At the same time, we systematically promote product innovations and technologies. If an attractive opportunity arises, we purchase future-oriented technological expertise or enter into partnerships with other companies.

7. Great people culture - a culture of inspiration

An inspiring management culture, in which employees can enjoy demonstrating their full commitment and achieving top performance, is a requirement for a successful business. We promote a culture of trust and personal responsibility. Our working conditions are intended to make it easy for our employees to focus on what is important and to strike the right work-life balance. We keep in regular contact with our employees, for example through our worldwide survey, OUR BASICS Live, which is carried out annually with a representative sample of the workforce. This gives our employees the chance to tell us about how satisfied they are in general, the quality of management in the company and their attitude toward Continental. Participation is voluntary and anonymous. Around 57,000 employees in 52 countries took part in the survey in the reporting year. It revealed, for example, that agreement with our four company values remains high at 86%. The results also showed that clarity about the company's strategic focus and trust in the decisions taken by top management have declined (by three and two percentage points respectively). In addition, clear differences exist between the individual business

areas. Modest improvements of two percentage points were recorded in the areas of stress management and work-life balance. Our employees' feedback reflects our strengths and simultaneously highlights the areas we must address in order to continuously enhance our organization and our culture.

Our Approach to Sustainability Management

Source: 2019 Annual Report > Management Report > Corporate Profile Sustainability and Combined Corporate Non-Financial Statement (starting on p. 48)

Note: The text has been adjusted for page references.

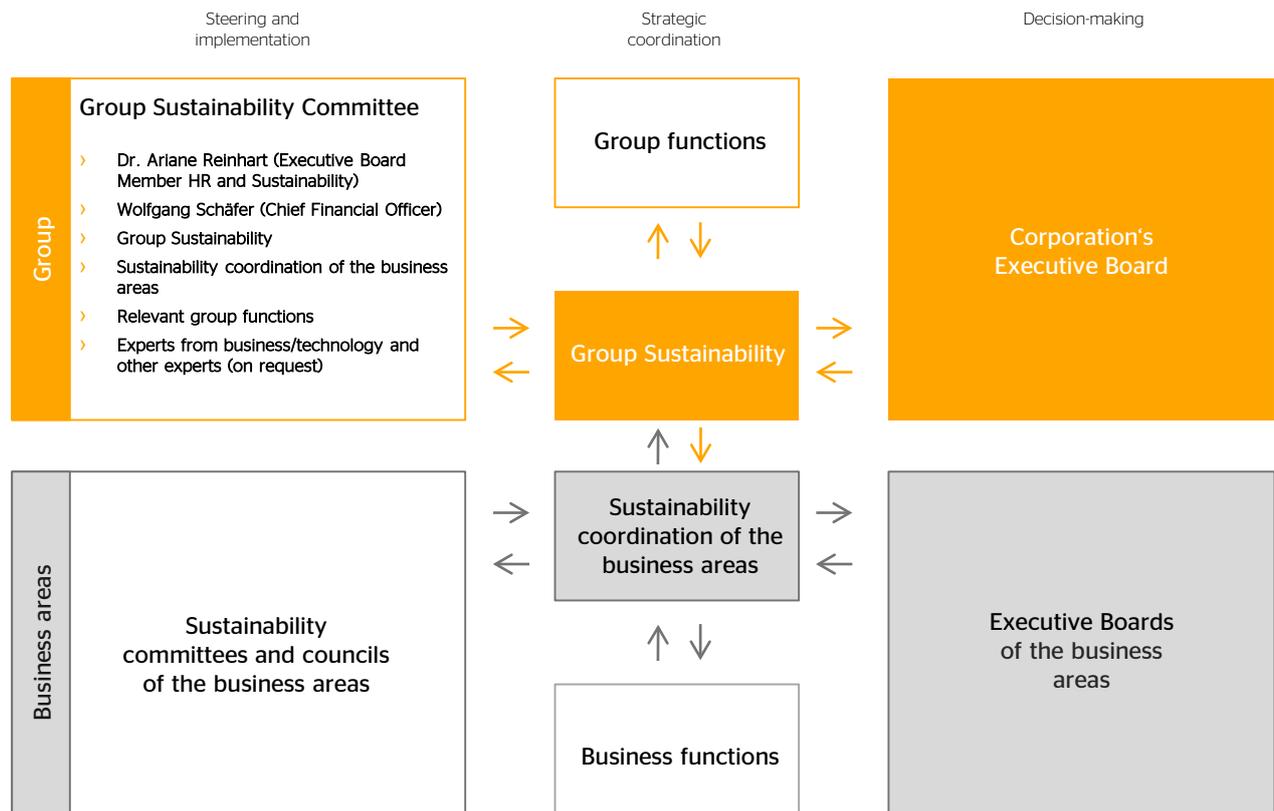
For Continental, sustainability means having a positive impact on society and reducing the negative impact of business operations. Sustainability is an integral part of the corporate strategy at Continental and is based on the four company values of Trust, Passion To Win, Freedom To Act and For One Another.

The Sustainability group function overseen by the board member for Human Relations and Sustainability is responsible for sustainability management, including management of an interdepartmental committee. Sustainability organization is further supplemented by dedicated coordinators in the business areas. Some of the business areas also have their own interdepartmental sustainability committees.

In fiscal 2019, the Executive Board approved a sustainability strategy. The key topics were identified on the basis of a survey of stakeholder groups. The sustainability strategy incorporates the four strategic focus areas of clean mobility, climate protection, circular economy and sustainable supply chains, for which the respective challenges have been defined. The corresponding concepts, goals and key performance indicators are being developed successively. A sustainability scorecard covers not only the four strategic focus areas but also all other sustainability topics, such as green and safe factories, good working conditions, product quality, corporate governance, innovation and digitalization, safe mobility, sustainable profits and corporate citizenship. The sustainability scorecard represents the formal basis for integrating sustainability into other processes. Sustainability criteria were incorporated into the corporation's new revolving credit line at the end of 2019, for example, the result of this being that the amount of interest payments for use of the credit line is also linked to improved sustainability performance. Information about this can be found in the Corporate Management section under "Financing strategy. The sustainability strategy is subject to regular review and is continuously developed. The entire corporate Executive Board is involved in this process.

In the Spotlight

Management of Sustainability in the Continental Corporation



In the Spotlight

Overview of the Material Core Areas of the Continental Sustainability Strategy



In the Spotlight

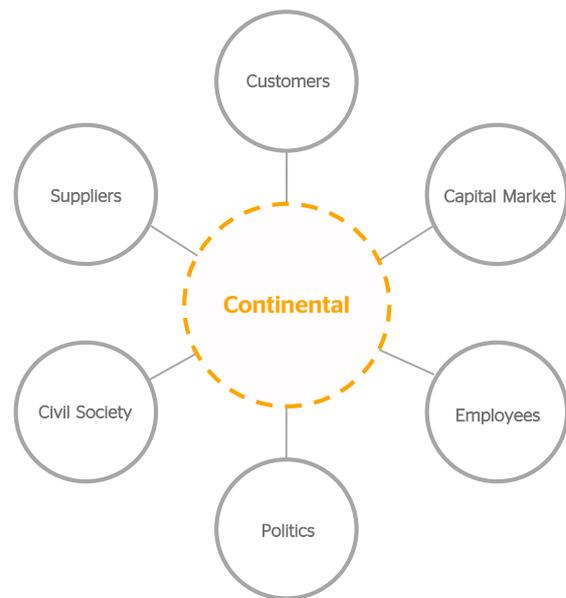
Inclusion of Stakeholders

Our key stakeholders and interest groups are our employees and customers, the capital market, politics, players in civil society and suppliers.

In our corporate governance principles, we have pledged to provide our stakeholders with transparent and timely communications about the company. In addition, we maintain a regular dialog with all key stakeholders on relevant issues for the company and society via various channels. Our goal in this is to bring together different perspectives, to discuss different points of view where applicable, and to learn from each other. Here are some examples of the channels we use:

- › Customers: e.g. via sales department or key account management, cooperation initiatives, trade fairs
- › Investors and shareholders: e.g. via the Annual Shareholders' Meeting, webcasts, roadshows
- › Employees: e.g. via town hall meetings, employee surveys, webcasts, employee representatives
- › General public: e.g. via surveys, trade fairs, engagement projects, open houses / days

To start a dialog on the key sustainability issues for Continental and further develop our sustainability strategy, we conducted a global stakeholder survey in the first quarter of 2019. More than 1,700 stakeholders across all groups responded to this survey. In particular, our stakeholders identified the topics of clean mobility, sustainable supply



chains, climate protection and circular economy as key priorities for the corporation. Other topics including innovation, digitalization, road safety, and fair working conditions were also determined as relevant. The results of this survey, along with further analyses and new ideas, will be continuously incorporated into the sustainability strategy and our reporting.

In the Spotlight

Memberships in Associations and Involvement in Initiatives

Continental is a member of over 2,000 associations. The key memberships and involvement in initiatives and principles relating to sustainability that Continental has committed itself to include, most notably, the UN Global Compact, econsense, World Business Council for Sustainable Development (WBCSD) and other initiatives, which are listed in the following table.

	Name of initiative	Joined
	World Business Council for Sustainable Development (WBCSD)	2005
	European Road Safety Charter	2007
	Diversity Charter	2008
	Luxembourg Declaration on Workplace Health Promotion in the European Union	2010
	United Nations Global Compact	2012
In support of		
	Women's Empowerment Principles	2015
	econsense - Sustainable Development Forum for the German Economy	2015
	Global Platform for Sustainable Natural Rubber	2018

Development of Material Sustainability Core Areas

Strategic Focus Areas

Clean Mobility

Source: 2019 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Corporate Non-Financial Statement (starting on p. 48)

Note: The text has been adjusted for page references.

Our concept

Zero-emission driving is vital to the current transformation in the mobility industry and is directly related to sustainability. At the same time, this transformation presents opportunities and risks for Continental. On the one hand, Continental develops and produces pioneering technological solutions that pave the way for zero-emission driving. These include, for example, electrified drive systems, lightweight design solutions, solutions for automated driving, new transport concepts and rolling-resistance-optimized tires, as well as bridging technologies in the form of solutions for clean gasoline and diesel vehicles. In doing so, we rely both on new product developments and on the further development of the existing product portfolio. On the other hand, the speed of the transformation poses enormous challenges, which we are actively addressing with various measures as part of the Transformation 2019-2029 structural program.

In fiscal 2019, Continental decided to pursue the spin-off of its powertrain business (renamed Vitesco Technologies) as a separate company, thus enabling it to operate more independently, flexibly and efficiently and shape the transition from combustion drives to electric mobility and the associated growth opportunities.

As an indicator for our product range that contributes to clean mobility, we consider the percentage of products in consolidated sales that demonstrably contribute to energy efficiency or to the reduction of pollutant or carbon dioxide emissions.

Results of the concept

In fiscal 2019, products that demonstrably contribute to energy efficiency or to the reduction of pollutant or carbon dioxide emissions accounted for 42% (PY: around 40%) of consolidated sales, according to our own modeling.

Key figures for clean mobility	2019	2018
Percentage of products that demonstrably contribute to energy efficiency or to the reduction of pollutant or carbon dioxide emissions	42	-40 ¹

¹ In 2018, not reported as key figures but as indicative, rounded statement in the text.

In the Spotlight

Electric Drive Systems Are Changing Mobility

Source: Continental-website: www.continental.com in the section Product & Innovation > Innovation > Electric Mobility (text has been shortened; Mar 31, 2020)

The electrification of power transmission technology has undergone significant development in recent years. Innovative solutions for both gasoline and diesel engines as well as electrified drive systems form the basis for increasingly efficient and low-emission vehicles.

What does electrification mean? With its comprehensive technology toolkit, Continental offers vehicle manufacturers the components and systems they need to gradually bring tailor-made electrification to the roads, from start/stop technologies as well as 48-volt and hybrid components to systems for purely electric vehicles.

Environmentally friendly vehicles: In the long term, the electrification of cars will make an indispensable contribution to more efficient driving with lower emissions. This is because CO₂ emissions and exhaust gases can be significantly reduced through the further development of innovative power

transmission technologies. The connectivity of the various vehicle systems, together with a mix of materials optimized for lightweight design, helps to reduce energy consumption in the long term - whether on country roads, the freeway, or in the megacities of the future.

The industry is using various approaches to combat car drivers' range anxiety, with lightweight design playing an important role. One example is the development of a lightweight brake booster that is 50% lighter than the preceding generation, thereby significantly reducing CO₂ emissions. Another example, related to the vehicle body, is a polyamide support bearing, which reduces the weight of the vehicle. At the same time, plastics processing also offers more ride comfort.

Efficiency is closely related to sustainability. Efficient, environmentally friendly cars consume less energy and produce considerably fewer CO₂ emissions. Therefore, through the electrification of a diesel or gasoline engine (hybrid drive), CO₂ emissions and exhaust gases can be significantly reduced.

In the Spotlight

Simply Switch to the Robo-Taxi

Source: Continental-website: www.continental.com in the section Product & Innovation > Innovation > Our Vision for Tomorrow (text has been shortened; Mar 31, 2020)

The relaxed journey into the city continues – also in the city center. On the outskirts of the city, the driver can switch from a private car to a driverless shuttle with electric drive. The shuttle is already waiting because the time of arrival of the car driver was determined via data connection. The private vehicle searches for a parking space in driverless mode. Together with other passengers who have a similar destination uptown, the shuttle drives smoothly to the destination in a fast lane.

To develop technologies for this type of shuttle, Continental is using the CUBE (Continental Urban Mobility Experience) development platform. For this purpose, multiple systems, components and software solutions are continuously being developed and integrated into the vehicle – from sensors, control units, software, algorithms and brake systems, through to drive technologies. The potential market for robo-taxis is huge – they're environmentally friendly, flexible, safe, and therefore suitable for a wide range of transport tasks. These autonomous shuttles represent an opportunity to ensure mobility in big cities in sustainable manner – for everyone. Testing is currently underway worldwide, including in Auburn Hills in the U.S., in Yokohama, Japan, and also at Continental company sites in Frankfurt and China.

Although the robo-taxis drive autonomously, a safety operator on board monitors the driving systems – for the time being. Over the coming years, use will initially be concentrated at locations such as large industrial parks, airports, exhibition complexes or amusement parks. In particular smart cities with a connected infrastructure will be predestined for their use. Because these vehicles are continuously on the road, far fewer parking spaces, public transport stops and access and exit points will be required. The areas thus freed-up could be used for playgrounds, wider sidewalks, parks and much-needed living space, for example. Vehicles of this kind can also make a contribution in the countryside – as a kind of shuttle-on-demand (bus-on-call) for senior citizens and people with disabilities who can be taken directly to their destination from shuttle stops or from their own doorstep. This is particularly important in light of the current demographic trends.

The smartphone is taking on the role of an interface with this new form of personal mobility. At the CES in Las Vegas, Continental recently demonstrated how users can conveniently book a shuttle and even reserve a preferred seat using an app. While waiting for their ride, the position of the shuttle can be continuously tracked on the app. Here, smartphone users benefit from a highly connected traffic system.

In the Spotlight

Tires Optimized for Electricity

Source: Continental-tires website: www.continental-tires.com in the section Stories > Future Mobility (text has been shortened; Mar 31, 2020)

Electric vehicles cause a whole new set of challenges for tire makers in ensuring maximum quality and performance on the road. Because electric batteries make EV's heavier than gasoline-powered vehicles, tires for electric vehicles require extra load carrying capacity, robustness and grip. Furthermore, electric engines also provide higher torque, which places more stress on tires, meaning they are worn out faster than conventional vehicles. To increase the challenge, tires for EVs

should also have less rolling resistance as well as being quiet and efficient.

Continental is committed to building new tires that are optimized for e-mobility. One example is the development of a new Conti tire built specifically for electric buses in city traffic. This tire can carry up to eight tons per axle, features robust casing with high wire density and a high proportion of natural rubber to increase resistance to cuts or cracks and generally enhance service life.

In the Spotlight

Automated Driving – the Future is Now

Source: Continental-website: www.continental.com in the section Product & Innovation › Innovation › Automated Driving (Mar 31, 2020)

From lane departure warning systems to brake assist (BAS), today's advanced driver assistance systems provide the basis for the automated driving of the future. Continental is using its full innovative power to drive forward this trend and is developing intelligent technologies that take over more and more driving functions – as long as the driver wants them to. The advantage: increased safety, more comfort, more convenience, and more efficiency.

Drivers can sit back and relax – automation is coming

Automation will bring radical changes to some aspects of driving. In the future, increasing traffic density will give drivers time for other activities in the car that are still impossible today. Stop/start traffic and parking in tight parking spaces will no longer be daunting prospects. Advanced driver assistance systems already allow the owner to hand over vehicle guidance to the vehicle in certain situations. There will be a clear progression from partially automated to fully automated driving. Drivers will never lose the dynamism, passion, and enjoyment of driving – at the press of a button, they can turn the systems on or off as desired.

Comprehensive tests and continuous enhancement

Continental's specialists from various disciplines are driving forward the trend of automated driving. As a supplier for automotive manufacturers worldwide, Continental is taking on the challenges of automated driving. For example, it is developing new sensor technologies and high-performance computer systems for the coming tasks. The human-machine dialogue involved in automated driving requires new components and solutions. Cluster intelligence, formed from the vehicle fleet on the road, will allow highly and fully automated vehicles to literally see around corners. Large quantities of data must be transmitted extremely reliably inside and outside the vehicles. The basis for this development – the advanced driver assistance systems – is already providing important services facing automated driving: its gradual acceptance by society.

The challenges of fully automated driving

Sensor technology: Zero accidents are no longer a utopia. Advanced driver assistance systems with sensors can record the area around the vehicle just as well as humans, if not better. Rear-view mirrors can be replaced by camera systems and not only increase safety, but also reduce CO₂ emissions from cars and trucks. For sensor fusion, and ultimately for

evaluating the sensor data, Continental is researching the use of artificial intelligence and bringing its broad knowledge of sensor technology and electronic control units to the development process.

Cluster connectivity: The Internet will become the car's sixth sense. Continental is working on a powerful backend that will provide highly accurate traffic information. The basis for this will be the sensor data shared by road users coupled with the traffic backend computer. This increases the sensors' range and enables the vehicle to "see around corners."

Human-machine dialogue: What is the strategy if the vehicle arrives at the freeway exit in fully automated mode and the driver is supposed to take control again? Continental is developing the necessary components for future interaction between vehicles and drivers and testing new solutions to the changing demands on the human-machine dialogue.

System architecture: Future system architectures for automated driving will have to securely manage the huge amount of data that is to be processed in the car. One gigabyte of sensor data per minute has to be processed in real time. Increasing sensor output and the resultant increase in the volume of data require a powerful and reliable electronics architecture.

Reliability: At present, advanced driver assistance systems function as a fallback mode for the driver. With automated driving, in the event of a malfunction, the vehicle must be able to continue safely on its way or to come to a controlled, safe stop. Specially configured brake systems are already being tested in fleets. Protection against attempts at manipulation must also be considered. Continental is working with other partners from the IT and automotive industries on processes that identify such attempts and protect the vehicle systems accordingly. This kind of security requires ongoing updates to the vehicle software to ensure that the latest technology is used throughout the vehicle's lifespan.

Acceptance: As Continental sees it, automated driving will be accepted if people trust the technology being used. Trust evolves from the intelligent dialogue between the driver and the vehicle. The developers of today's advanced driver assistance and driver information systems are taking this into account and, with the systems' ever increasing prevalence, laying the groundwork for the acceptance of future automated driving functions.

Climate Protection

Source: 2019 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Corporate Non-Financial Statement (starting on p. 48)

Note: The text has been adjusted for page references.

Our concept

Continental is fully committed to the Paris climate agreement. We have therefore set ourselves the target of becoming completely carbon-neutral in our operational processes and value chains by 2050. We see the achievement of this target as a key requirement for the corporation's future viability.

In a first step, we will switch all externally sourced electricity in global production to renewable energy by the end of 2020, including through energy attribute certificates. The aim then is to also make all of Continental's production processes carbon-neutral by 2040, as well as the entire value chain by 2050. The value chain covers in particular our supply chains, logistics and the use of our products. The most important levers for these targets are the use of renewable energies, the development of new technologies and increases in efficiency.

Results of the concept

In fiscal 2019, electricity from renewable energy sources accounted for around 5.3% of all electricity purchased. Our own CO₂ emissions (Scope 1 and 2 of the Greenhouse Gas (GHG) Protocol) decreased to 3.22 million metric tons (PY: 3.35 million metric tons). These include direct CO₂ emissions from fossil fuels (Scope 1 of the GHG Protocol) and indirect CO₂ emissions from the generation of purchased electricity, steam and heat (Scope 2 of the GHG Protocol). The reduction in 2019 was the result of a decline in energy consumption due mainly to the current economic situation.

Key figures for climate protection ¹	2019	2018
Direct CO ₂ emissions (Scope 1) in millions of metric tons of CO ₂	0.84	0.88
Indirect CO ₂ emissions (Scope 2) in millions of metric tons of CO ₂ ²	2.38	2.47 ³
Total own CO₂ emissions (Scope 1 and 2) in millions of metric tons in CO₂	3.22	3.35³

¹ Based on the reporting on the environmental data collection system that includes the relevant production and research and development locations (not including fleet consumption). Definitions based on the standards of the Global Reporting Initiative (GRI) and in accordance with the Greenhouse Gas (GHG) Protocol.

² Scope 2 emissions are calculated on the basis of reported energy use using the location-based method of the GHG Protocol and largely by applying emission factors from Defra (January 2019) and IEA (May 2018).

³ Figure for 2018 was recalculated due to an adjustment in the application of the location-based method of the GHG Protocol.

In the Spotlight

RE100 - Continental To Switch Entirely to Green Electricity by the End of 2020

RE 100 is a global company initiative that is committed to using 100% renewable electricity.

The goal of the initiative, headed up by The Climate Group in partnership with the Carbon Disclosure Project (both non-profit organizations), is to promote zero CO₂ emissions from electricity on a global level and to switch entirely to renewable electricity by 2050 at the latest.

To date, more than 220 companies worldwide have joined the RE100 initiative. Continental will also be joining the initiative in the 2020 fiscal year. We have decided to switch all external electricity used in global production to renewable energy sources by the end of 2020. Initially, this will take place using measures such as energy attribute certificates. This objective is currently being implemented on a corporate-wide basis by the environmental protection and purchasing organizations. In the 2019 fiscal year, the proportion of electricity obtained from renewable energy sources was around 5.3% of the total amount of electricity purchased.

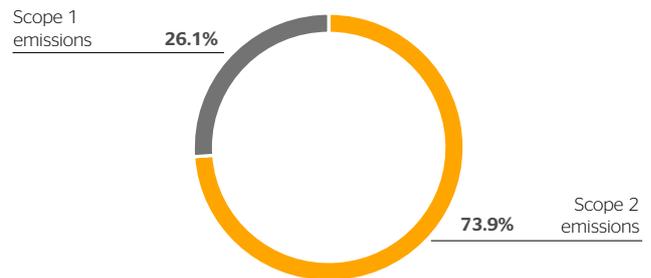
In the Spotlight

Own CO₂ Emissions

In 2019, we reduced our CO₂ emissions (scope 1 and 2 of the Greenhouse Gas Protocol) to 3.22 million metric tons (PY: 3.35 million metric tons). This reduction was primarily due to a decline in energy consumption as a result of the economic situation.

Of the company's CO₂ emissions, direct CO₂ emissions from fossil fuels (scope 1) amounted to 0.84 million metric tons (PY: 0.88 million metric tons). These were primarily generated from the use of natural gas, heating oil, and coal. Indirect CO₂ emissions from the purchase of electricity, steam, and heat (scope 2) amounted to 2.38 million metric tons (PY: 2.47 million metric tons). These were primarily generated from purchased electricity and steam.

Own CO₂ emissions (scope 1 and 2) 2019 (3.22 million metric t)^{1,2}



¹ Based on the reporting on the environmental data collection system that includes the relevant production and research and development locations (not including fleet consumption). Definitions based on the standards of the Global Reporting Initiative (GRI) and in accordance with the Greenhouse Gas (GHG) Protocol.

² Scope 2 emissions are calculated on the basis of reported energy use using the location-based method of the GHG Protocol and largely by applying emission factors from Defra (January 2019) and IEA (May 2018).

In the Spotlight

CO₂ Emissions Along the Value Chain

The entire CO₂ footprint of the Continental Group not only includes the company's own CO₂ emissions, generated by our operating processes (referred to as Scope 1 and 2 of the GHG protocol), but also the indirect CO₂ emissions generated by our business activities along the value chain. We take account of Scope 3 emissions in accordance with the GHG protocol. Depending on the industry and business model, Scope 3 CO₂ emissions can be much higher than a company's own CO₂ emissions. The CO₂ emissions attributable to Continental from its entire value chain add up to around 0.2%-0.3% of global manmade emissions.

At Continental, the majority of our Scope 3 emissions relate to the use phase of our products (especially for tires and components in cars and trucks), and the purchasing of materials and services. These account for more than 90% of the total CO₂ emissions reported for Scopes 1, 2 and 3.

The GHG protocol defines various categories from the purchase of goods and services right through to disposal or recycling of the products at the end of the life cycle. Depending on the business activities of a given fiscal year, they therefore comprise emissions for the year in question (e.g. from business trips), those incurred in previous years (e.g. from the purchase of goods) and also future emissions (e.g. those relating to the use of products manufactured during the year under review). Continental currently reports eight of the 15 categories listed in the GHG protocol as Scope 3 emissions.

Due to the high complexity and the fact some emissions relate to future use, we use simplified models to calculate Scope 3 emissions. These models are based on various performance indicators, such as product, production and purchasing figures, and therefore correlate significantly with the company's business development, and also contain a large number of assumptions. The modeling primarily serves to identify "hot spots" throughout the entire value chain, enabling us to develop specific areas for improvement and implement the relevant measures within the Continental Corporation.

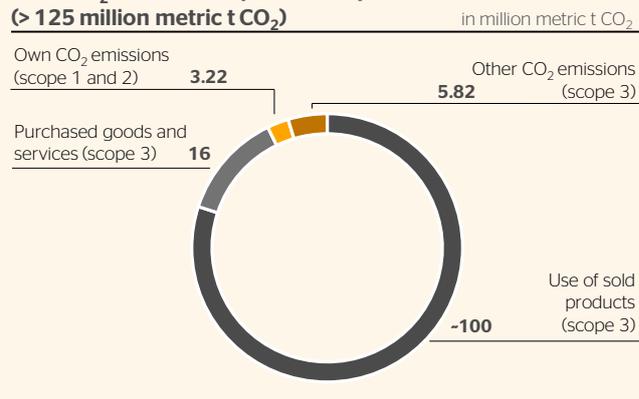
We continue to develop our modeling on an ongoing basis. For this reason, figures from previous years only provide a limited comparison. This applies in particular to the category "goods and services purchased". When comparing against other figures within the industry, it should be noted that, while still adhering to the GHG protocol, models, methods and assumptions can differ considerably.

Modelled CO₂ emissions along the value chain (Scope 3) in million metric tons of CO₂

Categories of GHG protocol	2019	Data basis ¹
Use phase of products	-100	Effective proportion (tires), weight component (remainder) on average vehicles ²
Purchased goods and services	16	Purchased weights
Recycling and disposal of products at the end of their life cycle	4	Product weights with standard disposal, simplified cycle
Inbound logistics	0,6	Logistics expenditure
Outbound logistics	0,6	Logistics expenditure
Fuels and energy-related activities not included in Scope 1 and 2 ²	0,5	Energy consumption
Business travel	0,1	Extrapolation based on model location
Waste disposal	0,02	Waste by type of disposal
Processing of products, employee commutes, leased assets (in the upstream and downstream value chain), franchising, investments, capital goods	Not reported	---

1 Depending on the model, various emission and conversion factors were used, including in particular EU data, DEFRA and recognized commercial databases. 2 Modeled for products used in motor vehicles (cars, trucks).

Total CO₂ emissions reported (scope 1, 2 and 3) 2019 (> 125 million metric t CO₂)



Circular Economy

Source: 2019 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Corporate Non-Financial Statement (starting on p. 48)

Note: The text has been adjusted for page references.

Our concept

At Continental, there are a number of different initiatives and projects for implementing a circular economy that are managed at various levels within the corporation. They implement a circular economy with varying degrees of circularity for the demand and use of materials. Examples include the use of recycled materials, the retreading of tires, the reduced use of plastics and operational waste management.

Thinking in terms of resource cycles represents a long-term transformation of resource management and requires environmental awareness and knowledge of interdependencies within the company on the part of employees.

For this purpose, a corporate-wide awareness and participation campaign on resource conservation and waste prevention has been developed and will be rolled out in fiscal 2020.

We use the waste recycling rate as an indicator for the circular economy at Continental. It measures the proportion of waste that has been recycled or thermally recovered by external service providers. We have set ourselves the target of increasing the waste recycling rate to 95% by 2030.

Results of the concept

The waste recycling rate in fiscal 2019 rose to 80% (PY: 78%).

Key figures for circular economy ¹	2019	2018
Waste recycling rate in %	80	78

¹ Based on the reporting on the environmental data collection system that includes the relevant production and research and development locations. Definitions based on the standards of the Global Reporting Initiative (GRI).

In the Spotlight

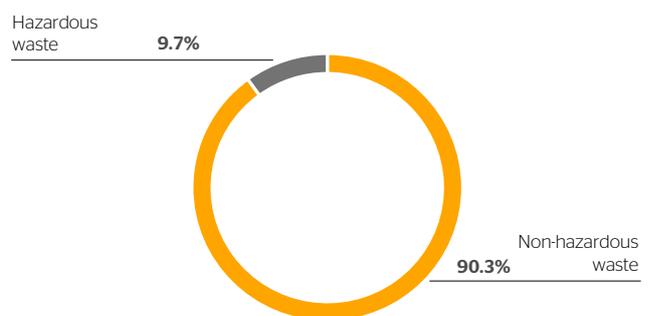
Material Usage and Waste Generation

In the 2019 fiscal year, we used more than 4 million metric tons of materials and components across the Group. This included elastomers, thermoplastic rubber, natural rubber, metals, fillers, electronic components as well as other chemicals and components.

Waste generation amounted to 409,280 metric tons (PY: 419,426 metric tons) in 2019. The share of hazardous waste, by local definitions, was 9.7% (PY: 10.4%). We use agency-approved and certified disposal companies to dispose of our waste in a proper manner.

More information on our corporate goals in the area of waste is also available in the section on the new strategy for operational environmental protection at page 31.

Waste generation 2019 (409,280 metric t)¹



¹ Based on the reporting on the environmental data collection system that includes the relevant production and research and development locations. Definitions based on the standards of the Global Reporting Initiative (GRI).

In the Spotlight

Conti LifeCycle™: Our Tires with Multiple Lives

Truck and bus tires from Continental are distinguished by optimum quality, high mileage and low fuel consumption. The product, system and service are subject to the highest standards, and the tires form part of a comprehensive concept for more efficiency in fleet management. The benefits go beyond an individual tire life, thanks to Continental's innovative and expert retread solutions, you can now breathe a second life into commercial tires. And this helps reduce the overall costs of vehicle fleets down to the lowest levels.

The idea behind the ContiLifeCycle concept is that we reuse valuable, natural raw materials multiple times, and this is especially true of the main component in our tires: natural rubber. In what is known as "hot retreading," the entire truck or bus tire, including tread and sidewalls, is recreated in a vulcanization process at our modern and unique ContiLifeCycle plant in Hanover-Stöcken, Germany. Tire parts are also recycled there. With "cold retreading," a new tread is attached to an intact casing - a process carried out by a network of certified partners all over the world. In addition, we also manage casings for fleet customers, taking care of the complete process from pickup to delivery of the retreaded tires back to the customer, in a complete logistics package.

The tires are durable and fuel-efficient and can be regrooved and retreaded using both the hot and cold processes. The tires are designed to last longer than an individual tire life thanks to our particularly long-lasting casing. Every year, Continental invests millions in research and development. The result is new and extremely high-performing tires, and new standards in excellence and efficiency. Our focus is on the profile of every tire line and optimal overall performance. With Continental retreads, tires receive the same technology as new tires.

Continental's premium brands for retreaded tires, ContiRe™ and ContiTread™, offer high quality at competitive prices and help protect the environment:

- › ContiRe™ is our solution for hot retreading. When retreading tires, we use exactly the same technology as for new Continental tires.
- › ContiTread™ is our solution for cold retreading with premium treads and is delivered in collaboration with certified partners from the ContiTread network.

In the Spotlight

Waste Management and Recycling at ContiTech

Our corporate target is to reduce the amount of waste generated by 2% per year by 2030 based on sales. To help us achieve this objective, we need to avoid generating waste or at least recycle it.

While systematic prevention and reduction measures have already been implemented for production-related waste at ContiTech, this does not yet exist for non-production-related waste resulting from auxiliary processes (e.g. machine oils, washing water etc.) or from packaging. Some ContiTech locations also have a comparatively low waste recycling rate to date.

For this reason, the ContiTech environmental organization conducted various analyses during the 2019 fiscal year. This revealed that non-production-related waste resulting from auxiliary processes (e.g. machine oils, washing water etc.) or packaging waste has a high degree of relevance in terms of quantity, as they contribute to around two thirds of total waste generation. However, they vary greatly depending on location.

In addition, the analyses showed that detailed evaluations of the waste recycling rate and thus the derivation of measures

based on current reporting of the environmental data system are not possible.

Due to the heterogeneity of non-production-related waste resulting from auxiliary processes (e.g. machine oils, washing water etc.) or packaging waste, central waste prevention or reduction procedures do not make sense. Instead, location-specific solutions are to be taken to prevent and reduce this waste. The local ESH managers are responsible for this.

In order to improve the data situation to refine the central management of the waste recycling rate, we have expanded the reporting on the environmental data system. Which types of waste are currently being disposed of? Has recycling capability been tested for these types of waste? The reporting showed that there is a strong dependence on the regional market for recycled materials. We have therefore included the exchange of good examples of waste recycling in our environmental protection measures plan. The information now available enables the process of increasing the waste recycling rate to be better supported centrally.

In the Spotlight

Global "Sustainability Heroes" Employee Engagement Campaign

In 2019, we developed a worldwide employee engagement campaign. The aim is to raise awareness of sustainability issues at Continental and to promote the commitment to them - whether at work or in private life. The message is simple: Every action for sustainability, however small, counts, as smaller actions can also have a large impact.

The employee engagement campaign, named "Sustainability Heroes", was launched in January 2020 with a focus on circular economy.

Under the motto "4R - "Reduce, Reuse, Repair, Recycle", our employees are called upon to develop and implement activities across the Group to prevent waste, recycling materials and reuse products. The projects are documented so that they can serve as good examples and to stimulate new projects.

Each commitment is honored with an internal "Sustainability Hero" certificate. The campaign is accompanied by various communication measures.

Sustainable Supply Chains

Source: 2019 Annual Report › Management Report › Corporate Profile › Sustainability and Combined Corporate Non-Financial Statement (starting on p. 48)

Note: The text has been adjusted for page references.

Our concept

In our Business Partner Code of Conduct, we define the fundamental sustainability requirements for our supply chains, including with regard to human rights, working conditions, environmental protection and anti-corruption.

Before even establishing a business relationship, we check potential new suppliers and service providers by means of self-assessment and sometimes on-site audits, which may also include sustainability topics (such as fire protection and occupational safety).

By signing the Business Partner Code of Conduct, suppliers and service providers are also expected to promote the implementation of the sustainability requirements mentioned therein in their own supply chains. Furthermore, we have drafted a special sourcing policy for the purchase of natural rubber to improve conditions in rubber cultivation, which we likewise hand over to the relevant suppliers and with which we require compliance.

We assess compliance with the sustainability requirements of the Business Partner Code of Conduct in particular with the help of self-assessment questionnaires via sustainability platforms EcoVadis and NQC, which represent a generally accepted standard for sustainability assessments of suppliers in our industries. In the event of violations of the Code of Conduct, Continental reserves the right to demand improvements or to terminate the business relationship. Violations can also be reported via the Compliance & Anti-Corruption Hotline, which is available around the clock and worldwide.

Sustainability in the supply chains is coordinated by the relevant purchasing organizations, which are established at Continental by business area and product group with teams in the various countries.

Results of the concept

As at December 31, 2019, valid self-assessment questionnaires from 670 suppliers (PY: more than 750) were available via the two sustainability platforms EcoVadis and NQC. This corresponds to a completion rate of 57% of suppliers selected for this process (PY: more than 60%).

Key figures for sustainable supply chains ¹	Dec. 31, 2019	Dec. 31, 2018
Number of available, valid supplier self-assessment questionnaires	670	>750

¹ Based on the self-assessment questionnaires via EcoVadis and NQC.

In the Spotlight

Conflict Minerals

As a supplier to the automotive industry, we are fully aware of the role we play when it comes to the sustainable procurement of key raw materials.

With our customers' help, we have embarked on a process to achieve greater transparency with regard to the origins of critical raw materials used in our products. These critical raw materials include not only natural rubber, but also so-called conflict minerals such as tin, tantalum, tungsten and gold, some of which are mined in conflict-ridden regions and used to finance armed conflicts.

With focus on the business sector Automotive Technologies, we are asking direct suppliers to fill out the Conflict Minerals Reporting Template (CMRT) developed by the Responsible Minerals Initiative with detailed information on the smelting and mining operations in the countries where the minerals we use originate. Our Code of Conduct for business partners encourages our direct suppliers to act responsibly and not procure their minerals from regions where these are used to directly or indirectly finance armed groups or human rights violations.

In the Spotlight

Rubberway: Michelin, Continental and Smag Create a Joint Venture

Source:  Press release dated September 12, 2019

Michelin, a world leader in tires and sustainable mobility; Continental AG, a technology company and world leader in tire manufacturing; and Smag, a leading software developer for agriculture, have announced the creation of a joint venture specializing in the development and deployment of technological solution for mapping sustainability practices in the supply chain of natural rubber: Rubberway®.

Rubberway® is designed in compliance with the objectives of the Global Platform for Sustainable Natural Rubber (GPSNR).

The joint venture is due to begin business before the end of 2019 (subject to validation by the relevant antitrust authorities). (Editorial note: The joint venture was established in the meantime.)

Rubberway® is a technological solution that maps and assesses practices and risks regarding environmental issues, social affairs, and Corporate Social Responsibility governance throughout the natural rubber industry, from rubber-processing plants downstream to plantations upstream. Rubberway® will provide its users (tire manufactures) with the collected data and enable them to identify and improve sustainability in the natural rubber chain.

Indeed, the natural rubber supply chain—which includes around six million farmers, 100,000 intermediaries and over 500 processing plants—is highly complex. The technological solution Rubberway®—produced in collaboration with the software developer Smag—has been operational since 2017 and is already used in some main production countries (including Thailand, Indonesia, Ivory Coast, Nigeria, Ghana and Brazil).

In this joint venture, Michelin is bringing the rights of use and exploitation, as well as its user experience of it on the ground. Continental demonstrates its interest in this solution through its investment in the joint venture and, in doing so, is opening up the path to wider use of the application by other tire-makers and car-parts manufacturers, therefore helping accelerate the rise of responsible practices in the natural rubber industry.

Smag is sharing all its technological and sector-specific expertise in digital solutions for agriculture.

Through this joint venture, the partners are seeking to make Rubberway® an independent solution that can be easily used by all the other natural rubber players and working towards making the supply chain more transparent.

Other Topics

Innovation and Digitalization

Research and Development

Source: 2019 Annual Report > Management Report > Corporate Profile > Research and Development (🔗 starting on p. 46)

Note: The text has been shortened. The text has been adjusted for page references.

As part of our new organizational structure, the Holistic Engineering and Technologies - or he[alt] - area was set up for research and development within **Automotive Technologies** in January 2020. The unit is responsible for central development activities in the Autonomous Mobility and Safety (AMS) and Vehicle Networking and Information (VNI) business areas. he[alt] will focus on future-oriented topics such as artificial intelligence, central architectures, software and high-performance computer (HPC) platforms, and will ensure global engineering as part of a network. Basic standards will be defined, coordinated and developed centrally so that they can be adapted to customers' needs efficiently and as quickly as possible on a decentralized basis. he[alt] will strengthen our cross-organizational collaboration, shorten innovation cycles and further enhance the flexibility of our innovation processes. In the **Rubber Technologies** group sector, the organization of R&D will remain varied, with a mostly centralized structure in the Tires business area due to the high similarity of tire requirements worldwide and a largely decentralized structure in the ContiTech business area by virtue of the different product segments. In the **Powertrain Technologies** group sector, R&D is consolidated into the Technology and Innovation central function.

Communication in real time

Connected vehicles serve as a basis for real-time traffic reports, road hazard information and future driver assistance features due to their ability to communicate with other vehicles or infrastructure

directly. In this way, they ensure greater driving safety and efficiency as well as reduced fuel consumption.

One of Continental's focal points for development in the year under review was the flexible 5G hybrid platform for V2X communication. V2X (vehicle to everything) describes the communication between a vehicle and, for example, other vehicles, traffic infrastructure, people and networks. What makes the platform special is that it facilitates both communication over mobile networks and fast and reliable direct data exchange.

Unlike with communication over mobile networks, the technology used to establish direct V2X communication differs worldwide. With Continental's new hybrid V2X solution, the same hardware and software platform can be used to support either communication standard, reducing not only costs but also complexity for the global application of V2X communication. This enables vehicle manufacturers to overcome the challenges involved when deploying V2X on a global scale.

To test driverless mobility, we are transforming ordinary traffic intersections into highly intelligent test fields equipped with smart sensor technology. Traffic lights and streetlights fitted with sensors exchange data with vehicles in the vicinity to protect pedestrians and cyclists in particular. This technology can, for instance, warn a driver of obscured pedestrians or cyclists when turning. Traffic data from streetlights can also help to reduce emissions, with signal changes at traffic lights being controlled in such a way as to optimize traffic flow and minimize stationary time at intersections.

Server replaces control units

In the future, high-performance servers will take on the processing power of up to 100 of the control units seen in current cars. The high-performance computer (HPC) that we developed enables a high degree of vehicle connectivity and can be used, for example,

Research and development expenses (net)	2019		2018	
	€ millions	% of sales	€ millions	% of sales
Chassis & Safety	1,048.7	11.2	1,023.2	10.7
Powertrain	664.1	8.5	672.6	8.7
Interior	1,189.2	12.4	1,064.7	11.0
Tires	299.4	2.6	299.4	2.6
ContiTech	162.8	2.5	149.1	2.3
Continental Corporation	3,364.2	7.6	3,209.0	7.2
Capitalization of research and development expenses	232.4		158.0	
in % of research and development expenses	6.5		4.7	
Depreciation on research and development expenses	120.4		90.0	

to install new functions as well as safety updates in the vehicle via a wireless connection. Vehicles will thus be kept up to date more easily and more quickly than they are today. The HPC is to go into production in Volkswagen's ID. electric models.

Human-machine interaction

With the development platform CUBE (Continental Urban Mobility Experience), we are researching and testing the driverless transportation of people and goods and the enhanced interconnectivity of all road users. CUBE is equipped with a number of Continental products and systems, including sensors, brakes, electronic control units, driver assistance systems, surface materials and tires. Our autonomous driving technologies used in CUBE are already being deployed in the U.S.A., Japan, China, Singapore and Germany, with a number of pilot projects being carried out on predetermined public routes, university and exhibition grounds, as well as at our locations. Autonomous shuttle buses and driverless taxis will be a key addition to public transport in the future.

Digital tire management

In-tire sensors deliver information that helps ensure greater safety and fuel efficiency. Conti C.A.R.E. (Connected. Autonomous. Reliable. Electrified.) is the name of our solution that combines wheel and tire technology. Conti C.A.R.E. tires feature sensors that are built into the structure of the tire. The sensors generate and continuously evaluate data on tread depth, possible damage, tire temperature and tire pressure. The data is transmitted to ContiConnect, our online digital platform for passenger cars and commercial vehicles, and then analyzed. If the data deviates from the norm, the fleet manager is automatically informed by e-mail or SMS. Conti C.A.R.E. helps reduce CO₂ emissions, improve tire life and prevent breakdowns. The application is continuously being developed to make driving even safer, easier and more economical. ContiConnect has been awarded the 2020 European Transport Prize for Sustainability (*Europäische Transportpreis für Nachhaltigkeit 2020*) by German magazine Transport.

High performance despite low voltage

Up to now, a full-hybrid vehicle with 48-volt technology was thought to be impossible. For a hybrid vehicle to drive using just electricity, the electric part of the drive system normally requires voltages of up to 800 volts. Now, however, we have developed a 48-volt hybrid system that boasts features similar to those of a high-voltage electric drive system, namely 48-volt high-power technology. The key component here is a new, highly efficient water-cooled electric motor, the peak output of which has been

doubled to 30 kW in comparison with that used previously. All-electric driving is therefore possible at speeds of up to 80 to 90 km/h.

The new system, comprising an electric motor complete with integrated power electronics and a battery, reduces fuel consumption and thereby also CO₂ emissions by around 20% compared with similar vehicles fitted with combustion engines. At the same time, the new 48-volt technology is also considerably cheaper than the high-voltage systems used up to now.

Center for functional printing technologies

At the Freiburg location, we are setting up a technical center in order to develop and bring to market functional printing such as printed electronics together with collaboration partners from science and industry. The opportunities for cost-efficient, fast and sustainable production of intelligent surfaces are wide-ranging and serve as a basis for Industry 4.0. Printed electronics include electronic applications manufactured through printing processes. Instead of common printing inks, this process prints electrically conductive inks on surfaces, and these then act as conducting paths and components. Today, this method is already used to manufacture sensors and solar cells, for example. The result is further business potential in the packaging industry. Functional and personalized packaging will be a key element used to support sales in the future.

Eco-friendly adhesion system for textile reinforcing materials

Continental and Kordsa have developed COKOON™, an eco-friendly adhesive system for bonding textile reinforcing materials with rubber compounds, which are used, for example, in the tire industry as well as in the production of mechanical rubber goods such as hoses and conveyor belts. The new technology enables the bonding activation of textile reinforcing materials without the use of resorcinol and formaldehyde, two chemicals that are classified as harmful to health. The first production tires using this technology are already on the market. The two partners aim to establish COKOON™ as a new standard for adhesive systems, thus replacing those currently in use. For this purpose, an open-source licensing solution has been developed and made available to interested companies for examination. Continental and Kordsa waive any claims to developer or licensing fees. In return, participating companies undertake to make their patents available to other partners free of charge for the further development of the technology.

In the Spotlight

Intelligent Connectivity Makes Innovative Vehicle Technology Even More Attractive

Source: Continental-website: www.continental.com in the section Products & Innovation > Innovation > Connectivity (Mar 31, 2020)

Intelligent solutions for information management, new mobility solutions, technologies for increased road safety, more-fuel-efficient drive systems: Continental is using the continuously growing possibilities of digitalization and holistic connectivity to help vehicle manufacturers, industries, and new market participants make mobility as enjoyable as possible. We demand and promote technologies that improve comfort and convenience while driving – in combination with topics such as vehicle safety and sustainability.

Technical enhancement for the entire vehicle

As car drivers, we take many things for granted: electronic immobilizers, keyless entry and ignition systems, and user-friendly vehicle computers are now the minimum level of comfort and convenience expected in many vehicles. For years, we have been enhancing comfort and convenience in cars using the latest vehicle technology and are continually developing new solutions to make driving even more comfortable and convenient. The digitalization of our everyday living space now also allows the increasing integration of mobility as well. Future vehicles will not skimp on “perceived intelligence.”

Making driving even more enjoyable

In addition to safety and efficiency, comfort is an increasingly important factor when it comes to customized mobility. Continental is supporting vehicle manufacturers worldwide in equipping a wide range of vehicle classes with intelligent and attractive functions. Whether for new drivers in small cars or professional drivers in commercial vehicles, Continental develops and provides complete systems that control interior comfort, such as intelligent climate control systems or individually climate-controlled car seats. Continental is available as a development partner for vehicle manufacturers. New possibilities are also emerging from the development of intelligent transportation systems. In the future, cloud-based software solutions from Continental will offer not only more convenience for drivers and passengers, but also for the transport industry.

Intelligent Connectivity in the car industry

Holistic connectivity offers Continental plenty of scope for development. From intelligent transportation systems to software and electronics in the vehicle, all this – closely interconnected – offers the opportunity for new functions and more efficiency as well as makes the cars of tomorrow even more attractive in the mobility mix. Holistic connectivity seamlessly networks vehicles worldwide in multiple ways: To the driver, other vehicles, mobile devices, the Internet and to the infrastructure.

Green and Safe Factories

Source: 2019 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Corporate Non-Financial Statement (starting on p. 48)

Note: The text has been adjusted for page references.

Our concept

Our corporate policy for environment, safety and health protection (ESH) defines guidelines for green and safe factories. The Environment and Safety & Health group functions are responsible for the related management process, and are supplemented by corresponding ESH functions at various levels of the corporation. At the locations, local ESH managers coordinate operational environmental protection and occupational safety and health on site under the responsibility of location management. Both the concrete organizational and technical guidelines for the locations are defined in the ESH management manuals.

All persons in our company are to be protected against accidents and work-related illnesses. New targets were defined in 2019 for operational environmental protection. In addition to reducing CO₂ emissions at our locations and increasing the waste recycling rate, these include reducing energy use and increasing energy efficiency, as well as reducing water consumption and waste generation.

Local management systems are designed to support the implementation of environmental protection, energy efficiency and occupational safety on site.

Results of the concept

In 2019, the majority of our employees were covered by local management system certifications in the areas of environmental protection (according to ISO 14001 or similar standards), energy efficiency (according to ISO 50001 or similar standards) or occupational safety (according to ISO 45001 or similar standards).

The accident rate – i.e. the number of accidents per million working hours – improved to 3.03 accidents (PY: 3.41).

Key figures for green and safe factories	Dec. 31, 2019	Dec. 31, 2018
Environmental protection management system certifications (ISO 14001 or similar)		
Employees covered (%)	82	>80 ¹
Energy management system certifications (ISO 50001 or similar)		
Employees covered (%)	49	-50 ¹
Occupational safety management system certifications (ISO 45001 or similar)		
Employees covered (%)	69	-67 ¹
Number of accidents per million working hours ^{2, 3, 4}	3.03	3.41

¹ In 2018, not reported as key figures but as indicative, rounded statement in the text.

² Permanent staff only (own employees).

³ Counted from more than one lost day, i.e. with at least one lost day beyond the day of the accident.

⁴ Excluding Continental Tire Sales (approx. 2% of the total workforce).

In the Spotlight

Six Targets for Corporate Environmental Protection by 2030

In 2019, Continental formulated a new strategy for operational environmental protection. In addition to climate protection, (see p. 20), this strategy covers the topics of energy, water and waste.

› **Energy:** By 2030, we plan to reduce our energy use by 20% compared to 2018 in relation to sales. We also plan to save 1 TWh of energy compared to 2020 by energy efficiency projects. This equates to around 10% of Continental's current annual corporate-wide energy use. In the coming years, our focus will therefore be on implementing energy efficiency projects. Our employees in energy and engineering roles work closely together. This ensures the continuous transfer of knowledge and enables highly efficient technologies to be implemented in all areas.

› **Water:** By 2030, we plan to reduce our water demand in areas with a high water risk by 4% year-on-year in relation to sales and in areas with a moderate water risk by 2% in relation to sales. By adopting this risk-based approach, we are focusing specifically on the regions in the world that are experiencing an ever-increasing shortage of water. Our focus

here is on implementing efficiency projects that avoid water consumption and promote reuse of water. All of our locations and our supply chain will be consistently evaluated in accordance with the regularly updated risk assessment tools provided by the World Resource Institute and Aqueduct. This will enable us to use the available resources in a targeted and efficient manner.

› **Waste:** By 2030, we plan to reduce the annual volume of waste generated by 2% in relation to sales. To help us achieve this objective, we need to avoid generating waste or at least recycle it. The same applies to our use of plastics: We have integrated last year's "Zero Plastics" campaign into the new environmental strategy. All the results from the pilot projects carried out as part of the Zero Plastics campaign have been incorporated into new waste guidelines and gradually rolled out across all factories. Consistent and systematic waste management is now an integral part of our waste logistics. We also plan to increase our recycling rate to 95% by 2030 (for more information on this topic, see the Circular Economy section on page 23).

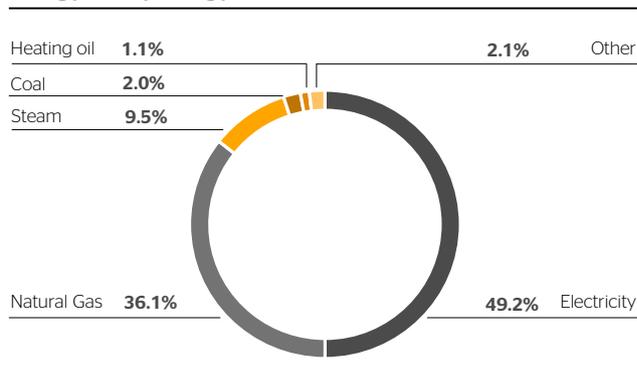
In the Spotlight

Energy Use

In the 2019 fiscal year, our total energy use was 9.6 TWh (PY: 9.9 TWh), primarily accounted for by purchased electricity and natural gas. Purchased certified green electricity and self-generated solar power from photovoltaics made up 2.7% of our total energy consumption (PY: 2.1%). In the reporting year, 653 MWh (PY: 600 MWh of energy) were sold to external parties.

In the year under review, several energy efficiency projects were implemented to save energy and avoid CO₂ emissions. These focused primarily on the areas of infrastructure and production. Our employees in energy and engineering roles work closely together. This ensures the continuous transfer of knowledge and enables highly efficient technologies to be implemented in all areas.

Energy use by energy sources 2019 (9.6 TWh)¹



¹ Based on the reporting on the environmental data collection system that includes the relevant production and research and development locations (not including fleet consumption). Definitions based on the standards of the Global Reporting Initiative (GRI).

In the Spotlight

Regensburg Example - A Location Undertaking a Pioneering Role in Climate Change Mitigation and Environmental Protection

In March 2019, Regensburg became the first Continental location to receive a Gold "Green Plant Label Award," a sustainability certification awarded within Continental Automotive business. The Green Plant Label evaluates criteria such as energy efficiency, water consumption, emissions released into air and water, waste management and recycling rate, taking into account the requirements of the ISO14001 and ISO50001 standards. This award underpins the location's pioneering role in climate change mitigation and environmental protection.

The location has reduced its energy requirements per unit by 30% between 2013 and 2019. Moreover, its CO₂ emissions per unit have fallen by an impressive 94% over the same period. The location has also achieved significant savings in the areas of water, waste, and plastics. In 2019, Regensburg switched entirely to certified green electricity.

The energy data management system forms an integral part of energy management in Regensburg. The system supplies all relevant energy figures, from compressed air and cooling units to gas systems. Approximately 850 counting points are used for this purpose. Automated monitoring provides transparent information on energy requirements at all times, thereby facilitating continuous optimization of processes and systems.

Building control technology and network analysis also play an important role. The three systems work together to measure and monitor almost every individual piece of equipment.

Regensburg's success is therefore inextricably linked to the high degree of digitalization. Other examples of best practices include automatic leakage monitoring to reduce water consumption and fitting highly efficient filters to ventilation systems. Predictive maintenance sensors have also been installed in the latter to monitor pressure differences. The filters are replaced based on the values recorded by the sensors. This has resulted in increased energy efficiency and lower maintenance costs for the ventilation systems.

These measures generated savings of around 2.3% of the total energy requirements at the Regensburg location in 2019. More than 25 energy efficiency projects have contributed to this achievement.

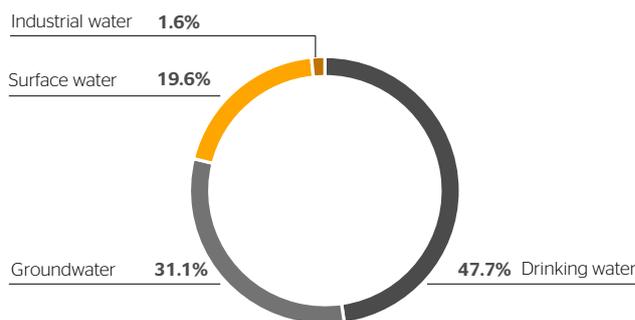
In the Spotlight

Water demand

In the 2019 fiscal year, the total water demand was 19.5 million m³ (PY: 20.6 million m³). This mainly includes drinking water from public water suppliers, as well as the withdrawal of groundwater and surface water. The withdrawals of groundwater and surface water are approved by the authorities in relation to maximum withdrawal amounts. Some of these sources are at the edges of groundwater protection zones. No negative influences on biodiversity or on local communities have been found either internally or by authorities during regular inspections.

Across the various locations, 1.1 million m³ (PY: 0.5 million m³) of water from production processes were recycled and reused for a range of purposes such as irrigation of green areas and use in sanitary facilities.

Water demand by sources 2019 (19.5 million m³)¹



¹ Based on the reporting on the environmental data collection system that includes the relevant production and research and development locations. Definitions based on the standards of the Global Reporting Initiative (GRI).

In the Spotlight

Healthy to the Core - Occupational Safety & Health

Occupational safety and health are essential elements of our responsibility and our business activities. We aim to protect all those who work at our company from accidents and work-related illnesses and to actively promote employee health and well-being.

The basis for this is set out in the global ESH Policy, which was enhanced in collaboration with employee representatives at the start of 2019.

Corporate-wide occupational health and safety activities are coordinated by the Corporate Safety & Health unit within the executive department of Human Relations and Sustainability. This unit performs regular risk analyses and uses these as a basis to formulate group-wide requirements for occupational safety, occupational medicine, health management, ergonomics, and hazardous substance management. Every member of the management team and every employee has operational responsibility for occupational safety and health – and is supported in their on-site efforts by the local Safety & Health managers.

The experts share information regularly via the various internal company networks and build on the existing measures and programs. This network of experts comprises not only Safety & Health managers, but also more than 80

ergonomics teams worldwide whose responsibilities include making age-inclusive workplace design adjustments.

The global ESH management handbook contains a binding set of rules on how the regulations and work instructions are to be implemented. It is also the basis for the certified occupational safety management systems. In the 2019 fiscal year, the certified occupational safety management systems covered 69% of the total workforce (PY: ~ 67%). Compliance with the specifications in the handbook and the management system requirements is checked by measures such as internal audits with changing areas of focus. This also encourages the continuous exchange of information and identifies potential for improvement.

In the 2019 fiscal year, we designed the corporate-wide “Healthy to the Core” campaign. This campaign consists of a special workshop held locally at the location, the primary goal of which is to promote the local health and safety culture, improve employee health and reduce absenteeism over the medium term. By the end of 2019, we had piloted three workshops at German locations. In the long term, we want to hold these workshops at all locations. We hope that these workshops will help us achieve our overall HR objective of becoming one of the most attractive and progressive employers by 2030.

Sustainable Profits

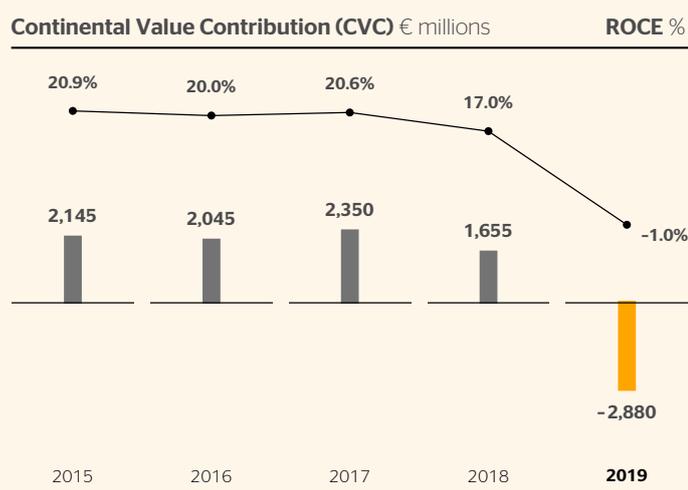
Corporate Management

Source: 2019 Annual Report > Management Report > Corporate Profile > Corporate Management (🔗 starting on p. 43)

Note: The text has been shortened. The text has been adjusted for page references.

Value management

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



EBIT is calculated from the ongoing sales process. The figure 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, consolidated EBIT amounted to -€0.3 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 2019, average operating assets amounted to €26.2 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. ROCE amounted to -1.0% in 2019.

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 only if ROCE exceeds the weighted average cost of capital (WACC). We call this value added, produced by subtracting WACC from ROCE multiplied by average operating assets, the Continental Value Contribution (CVC). In 2019, the CVC amounted to -€2,879.6 million.

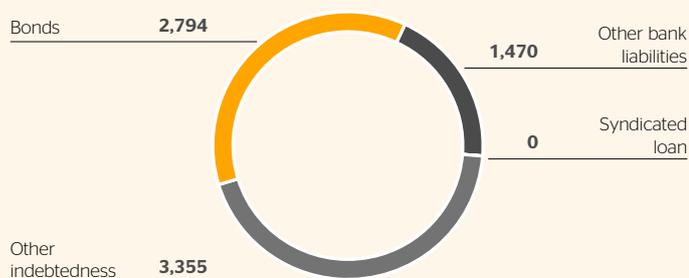
ROCE by division (in %)	2019	2018
Chassis & Safety	-2.3	16.0
Powertrain	-16.9	3.3
Interior	-23.0	17.6
Tires	21.2	29.1
ContiTech	8.7	12.6
Continental Corporation	-1.0	17.0

Financing strategy

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

The corporate function Finance & Treasury provides the necessary financial framework to finance corporate growth and secure the long-term existence of the company. The company's annual investment requirements are likely to be between 7% and 8% of sales in the coming years.

Composition of gross indebtedness (€7,619 million)



Our goal is to finance ongoing investment requirements from the operating cash flow. Other investment projects, for example acquisitions, should be financed from a balanced mix of equity and debt depending on the ratio of net indebtedness to equity (gearing ratio) and the liquidity situation to achieve constant improvement in the respective capital market environment. In general, the gearing ratio should be below 20% in the coming years and not exceed 60% in general. If justified by extraordinary financing grounds or specific market circumstances, we can rise above this maximum level under certain conditions. The equity ratio should exceed 35%. In the reporting year, it was 37.3% and the gearing ratio 25.6%.

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 2019, this mix consisted of bonds (37%), syndicated loan (0%), other bank liabilities (19%) and other indebtedness (44%) based on the gross indebtedness of €7,619.0 million. The committed volume of the syndicated loan, which consists of a revolving tranche, now amounts to €4.0 billion since its renewal in December 2019. It previously amounted to €3.0 billion. The new syndicated loan will run until December 2024, and the interest-rate margin will now also depend on the corporation's sustainability performance. In accordance with the new standard IFRS 16, *Leases*, the application of which has been mandatory since January 1, 2019, all leases must be recognized in the statement of financial position. As a result, lease liabilities included in other indebtedness increased significantly to €1.7 billion as at December 31, 2019. The financing mix is not likely to change significantly.

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 €3,114.3 million as at December 31, 2019. There were also committed and unutilized credit lines of €4,702.2 million.

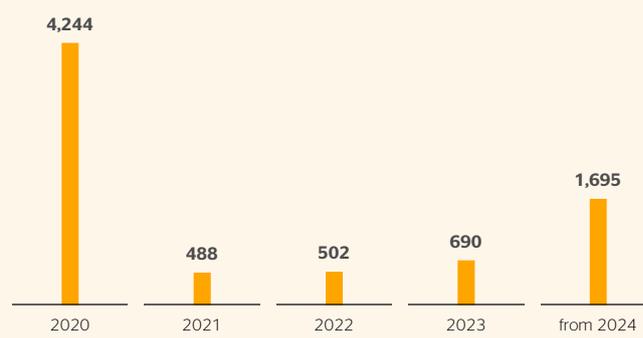
Gross indebtedness amounted to €7,619.0 million as at December 31, 2019. Key financing instruments are the syndicated loan with a revolving credit line of €4.0 billion that has been granted until December 2024 and bonds issued on the capital market.

As at December 31, 2019, this revolving credit line had not been utilized. Around 37% of gross indebtedness is financed on the capital market in the form of bonds. The interest coupons vary between 0.0% and 3.9%. The issue of new bonds in the third and fourth quarters of 2019 with maturities between 2021 and 2025 led to a balanced overall maturity profile of 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 €2,210.2 million as at December 31, 2019. Continental's corporate financing instruments currently also include sale-of-receivables programs and commercial paper programs. In 2019, the Continental Corporation had two commercial paper programs in Germany and the U.S.A.

Maturity profile

Continental always 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. Other than short-term maturities, which are usually rolled on to the next year, the repayment of the €600.0-million and €750.0-million bonds maturing in February and September 2020 is also particularly high on the agenda for 2020. The bonds issued in the third and fourth quarters of 2019 require repayments of €200.0 million in 2021, €500.0 million in 2023, €100.0 million in 2024 and €600.0 million in 2025.

Maturities of gross indebtedness (€7,619 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 credit ratings during 2019. In August 2019, Moody's modified its outlook from stable to negative. Our goal remains a credit rating of BBB/BBB+.

Credit rating for Continental AG

	December 31, 2019	December 31, 2018
Standard & Poor's¹		
Long-term	BBB+	BBB+
Short-term	A-2	A-2
Outlook	stabile	stabile
Fitch²		
Long-term	BBB+	BBB+
Short-term	F2	F2
Outlook	stabile	stabile
Moody's³		
Long-term	Baa1	Baa1
Short-term	no rating	no rating
Outlook	negative	stabile

¹ Contracted rating since May 19, 2000.

² Contracted rating since November 7, 2013.

³ Contracted rating since January 1, 2019.

Economic Report

Source: 2019 Annual Report > Management Report > Economic Report (starting on p. 55)

Note: The text has been shortened and only presents the earnings, financial and net assets position of the corporation. The text has been adjusted for page references.

Earnings Position

Sales up 0.2%

Sales down 2.6% before changes in the scope of consolidation and exchange-rate effects

Consolidated sales climbed by €74.0 million or 0.2% year-on-year in 2019 to €44,478.4 million (PY: €44,404.4 million). Before changes in the scope of consolidation and exchange-rate effects, sales declined by 2.6%. In a declining market, the Rubber Group was able to achieve a slight increase in sales, which was almost offset, however, by the sales decrease in the Automotive Group. Changes in the scope of exchange-rate effects and consolidation contributed to the increase in sales by almost the same amount.

Adjusted EBIT down 21.5%

The corporation's adjusted EBIT declined by €883.1 million or 21.5% year-on-year in 2019 to €3,233.9 million (PY: €4,117.0 million), equivalent to 7.4% (PY: 9.3%) of adjusted sales.

The corporation's adjusted EBIT for the fourth quarter of 2019 decreased by €260.3 million or 23.1% compared with the same quarter of the previous year to €867.1 million (PY: €1,127.4 million), equivalent to 8.0% (PY: 10.0%) of adjusted sales.

Sales by region in %	2019	2018
Germany	19	20
Europe excluding Germany	30	29
North America	26	25
Asia	22	22
Other countries	3	4

EBIT down 106.7%

EBIT was down by €4,296.0 million year-on-year in 2019 to -€268.3 million (PY: €4,027.7 million), a decrease of 106.7%. The return on sales fell to -0.6% (PY: 9.1%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €182.5 million (PY: €173.0 million) in the year under review.

ROCE amounted to -1.0% (PY: 17.0%).

Special effects in 2019

The transformation of the Powertrain division into an independent legal entity and the organizational realignment of the Automotive Group resulted in expense totaling €47.4 million (Chassis & Safety €3.0 million; Powertrain €30.9 million; Interior €3.0 million; holding €10.5 million).

Within the context of the annual planning process, global production of passenger cars and light commercial vehicles was not expected to improve substantially in the coming years (2020-2024). 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, the discount rate and its parameters, and the long-term growth rate - goodwill was impaired by €2,293.5 million. The Interior division accounted for €1,347.9 million of this, the Chassis & Safety division for €719.8 million, and the Powertrain division for €223.5 million. There was also impairment of goodwill of €2.3 million in the ContiTech division.

Overall, impairment on property, plant and equipment resulted in expense totaling €111.7 million (Chassis & Safety €29.1 million; Powertrain €48.9 million; Interior €25.3 million; Tires €3.5 million; ContiTech €4.9 million).

In addition, restructuring expenses and the reversal of restructuring provisions that were no longer required resulted in a total negative special effect of €697.2 million (Chassis & Safety €42.7 million; Powertrain €402.6 million; Interior €172.9 million; Tires €32.5 million; ContiTech €46.5 million). This included impairment on property, plant and equipment in the amount of €104.8 million (Chassis & Safety €1.2 million; Powertrain €79.6 million; Tires €19.0 million; ContiTech €5.0 million).

This additionally resulted in restructuring-related expenses of €3.3 million (Chassis & Safety €1.5 million; Powertrain €1.0 million; ContiTech €0.8 million).

Moreover, closure of the location in Dearborn, Michigan, U.S.A., resulted in an expense of €1.5 million in the Powertrain division.

In the Interior division, an expense of €1.9 million resulted from a subsequent purchase price adjustment to the acquisition of shares in associate OSRAM CONTINENTAL GmbH, Munich, Germany. The carrying amount for this associate was also impaired. This resulted in expense of €157.9 million in the Interior division.

A business combination resulted in a gain of €2.2 million in the Tire division.

Total consolidated expense from special effects in 2019 amounted to €3,312.2 million. Chassis & Safety accounted for €796.1 million of this, Powertrain for €708.4 million, Interior for €1,708.9 million, Tires for €33.8 million, ContiTech for €54.5 million and the holding for €10.5 million.

Special effects in 2018

Overall, impairment on property, plant and equipment resulted in expense of €20.0 million (Chassis & Safety €1.5 million; Powertrain €16.0 million; Interior €1.2 million; Tires €1.2 million; ContiTech €0.1 million).

In addition, restructuring expenses and the reversal of restructuring provisions no longer required resulted in a negative special effect of €20.0 million overall (Powertrain €22.8 million; Interior income of €3.0 million; ContiTech €0.2 million). This included impairment on property, plant and equipment in the amount of €3.5 million (Powertrain €3.3 million, ContiTech €0.2 million) and a reversal of impairment losses in the Interior division in the amount of €2.8 million.

Following the conclusion of all negotiations and the granting of the required merger control authorizations, OSRAM CONTINENTAL GmbH, Munich, Germany, commenced global operations on July 2, 2018. The contribution of net assets, including intangible assets, resulted in income of €183.7 million for the Interior division.

In addition, disposals of companies and business operations resulted in an expense totaling €25.5 million (Chassis & Safety income of €3.0 million; Interior €28.9 million; ContiTech income of €0.4 million).

The transformation of the Powertrain division into an independent legal entity resulted in expense totaling €40.9 million (Chassis & Safety €4.3 million; Powertrain €32.3 million; Interior €4.3 million).

In addition, an asset deal in the Interior division resulted in income of €2.9 million.

Total consolidated income from special effects in 2018 amounted to €80.2 million. Interior accounted for €155.2 million of this and ContiTech for €0.1 million. Total expense from special effects amounted to €2.8 million for Chassis & Safety, €71.1 million for Powertrain and €1.2 million for Tires.

Procurement

The purchasing volume remained constant year-on-year at €29.9 billion in 2019, of which approximately €20.1 billion was attributable to production materials. Prices for the Automotive Group's production materials were lower than in the previous year. The prices of key input materials and many raw materials for the Rubber Group peaked in the first half of 2019. As a result, the price level continuously declined in most material groups. Average prices for the Tire division's raw materials during the year were above the previous year's level, in particular because of exchange-rate effects and the time lag between procurement, delivery and deployment. For the ContiTech division, raw material prices also increased year-on-year.

Research and development

Research and development expenses (net) rose by €155.2 million or 4.8% year-on-year to €3,364.2 million (PY: €3,209.0 million), corresponding to 7.6% (PY: 7.2%) of sales.

In the Automotive Group, 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 Continental's opinion, the assumed useful life reflects the period for which an economic benefit is likely to be derived from the corresponding development projects. €232.4 million (PY: €158.0 million) of the development costs incurred in 2019 qualified for recognition as an asset.

The requirements for the capitalization of development activities were not met in the Tire and ContiTech divisions in the year under review or the previous year.

This results in a capitalization ratio of 6.5% (PY: 4.7%) for the corporation.

Depreciation and amortization

Depreciation and amortization increased by €3,037.5 million to €5,245.5 million (PY: €2,208.0 million), equivalent to 11.8% of sales. This included impairment totaling €2,509.9 million (PY: €20.7 million).

Financial result

The negative financial result increased by €142.5 million year-on-year to €320.3 million (PY: €177.8 million) in 2019. This was primarily attributable to other valuation effects.

Interest income increased by €24.3 million year-on-year to €147.2 million (PY: €122.9 million) in 2019. Expected income from long-term employee benefits and pension funds totaled €80.7 million in this period (PY: €64.6 million). This did not include the interest income from the plan assets of the pension contribution funds.

Interest expense totaled €317.3 million in 2019 and was thus €41.1 million higher than the previous year's figure of €276.2 million. The interest expense from long-term employee benefits totaled €161.4 million (PY: €145.9 million) in this period. This did not include the interest expense from the defined benefit obligations of the pension contribution funds. At €155.9 million, interest expense resulting mainly from bank borrowings, capital market transactions and other financing instruments was higher than the prior-year figure of €130.3 million. An increase in expenses resulted in particular from the new standard IFRS 16, *Leases*, the application of which has been mandatory since January 1, 2019. The recognition of all leases in the statement of financial position accordingly resulted in increased expenses from interest on lease liabilities. In 2019, this interest expense amounted to €32.1 million (PY: €0.8 million). The bonds issued by Continental AG and Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., resulted in expenses of €32.4 million (PY: €54.6 million). The year-on-year decline is attributable to the repayment of two bonds. Firstly, the €750.0-million euro bond from Continental AG was repaid on July 16, 2018. This five-year bond bore interest at a rate of 3.0% p.a. Secondly, the €500.0-million euro bond from Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., was repaid on February 19, 2019. This bond was issued with a fixed interest rate of 0.5% p.a., which was exchanged via cross-currency interest-rate swaps for a U.S.-dollar-based fixed interest rate averaging 2.365%.

Effects from currency translation resulted in a negative contribution to earnings of €30.5 million (PY: €30.4 million) in the reporting year. Effects from changes in the fair value of derivative instruments, and other valuation effects, also resulted in an expense in 2019. This expense amounted to €119.7 million (PY: income of €5.9 million). The reasons for this are in particular allowances for doubtful accounts on loans to associates as well as expenses from the creation of a provision for loan commitments to these companies in the amount of €108.2 million, which are included in the other valuation effects of €107.0 million (PY: income of €0.0 million). Taking into account the sum of the effects

from currency translation and changes in the fair value of derivative instruments, earnings in 2019 were negatively impacted by €43.2 million (PY: €24.5 million).

Income tax expense

Income tax expense for fiscal 2019 amounted to €582.4 million (PY: €891.6 million). The tax rate adjusted for the permanent effects of the goodwill impairment was 55.8%, compared to 23.2% in the previous year.

As in the previous year, foreign tax rate differences, 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 €117.4 million (PY: €79.6 million), of which €3.9 million (PY: €16.4 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 tax.

Net income attributable to the shareholders of the parent

Net income attributable to the shareholders of the parent declined by €4,122.3 million in 2019 to -€1,225.0 million (PY: €2,897.3 million). Basic earnings per share amounted to -€6.13 (PY: €14.49), the same amount as diluted earnings per share.

Employees

The number of employees in the Continental Corporation fell by 1,768 from 243,226 in 2018 to 241,458. Counter to the acquisition of Kathrein Automotive, lower production volumes in the Automotive Group led to a reduction in the overall number of employees by 1,721. The number of employees in the Rubber Group was almost unchanged year-on-year.

Employees by region in %	2019	2018
Germany	25	26
Europe excluding Germany	32	32
North America	19	18
Asia	20	20
Other countries	4	4

Continental Corporation in € millions	2019	2018	Δ in %
Sales	44,478.4	44,404.4	0.2
EBITDA	4,977.2	6,235.7	-20.2
in % of sales	11.2	14.0	
EBIT	-268.3	4,027.7	-106.7
in % of sales	-0.6	9.1	
Net income attributable to the shareholders of the parent	-1,225.0	2,897.3	-142.3
Basic earnings per share in €	-6.13	14.49	-142.3
Diluted earnings per share in €	-6.13	14.49	-142.3
Research and development expenses (net)	3,364.2	3,209.0	4.8
in % of sales	7.6	7.2	
Depreciation and amortization ¹	5,245.5	2,208.0	137.6
thereof impairment ²	2,509.9	20.7	
Operating assets as at December 31	23,991.0	23,753.7	1.0
Operating assets (average)	26,178.5	23,640.5	10.7
ROCE	-1.0	17.0	
Capital expenditure ³	3,308.6	3,124.4	5.9
in % of sales	7.4	7.0	
Number of employees as at December 31 ⁴	241,458	243,226	-0.7
Adjusted sales ⁵	43,867.7	44,374.2	-1.1
Adjusted operating result (adjusted EBIT) ⁶	3,233.9	4,117.0	-21.5
in % of adjusted sales	7.4	9.3	

¹ Excluding impairment on financial investments.

² Impairment also includes necessary reversal of impairment losses.

³ Capital expenditure on property, plant and equipment, and software.

⁴ Excluding trainees.

⁵ Before changes in the scope of consolidation.

⁶ Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Financial Position

Reconciliation of cash flow

EBIT declined by €4,296.0 million to -€268.3 million after €4,027.7 million in 2018.

Interest payments resulting in particular from bonds increased by €27.5 million to €157.9 million (PY: €130.4 million).

Income tax payments rose by €17.9 million to €866.0 million (PY: €848.1 million).

The cash-effective increase in working capital led to a cash outflow of €256.0 million (PY: cash inflow of €60.2 million). This resulted from the €49.1 million increase in inventories (PY: €358.4 million). The decline in operating receivables of €337.8 million (PY: increase of €11.5 million) was more than offset by the decline in operating liabilities of €544.7 million (PY: increase of €430.1 million).

Cash flow from operating activities fell by €562.8 million year-on-year to €4,414.4 million (PY: €4,977.2 million) in 2019, corresponding to 9.9% (PY: 11.2%) of sales.

Cash flow arising from investing activities amounted to an outflow of €3,652.7 million (PY: €3,626.2 million). Capital expenditure on property, plant and equipment, and software was down €146.9 million from €3,124.4 million to €2,977.5 million before the capitalization of borrowing costs. The net amount from the acquisition and disposal of companies and business operations resulted in a total cash outflow of €486.3 million (PY: €404.8 million) in 2019. This cash outflow was mainly attributable to the acquisition of the anti-vibration systems business of Cooper-Standard Automotive Inc., Novi, Michigan, U.S.A., and of Kathrein Automotive GmbH, Hildesheim, Germany.

Free cash flow for fiscal 2019 amounted to €761.7 million (PY: €1,351.0 million). This corresponds to a decrease of €589.3 million compared with the previous year. The recognition of depreciation on the reportable right-of-use assets in cash flow from operating activities, as part of the first-time adoption of IFRS 16, *Leases*, resulted in a corresponding improvement in free cash flow of €345.5 million compared to the previous year.

Capital expenditure (additions)

Capital expenditure for property, plant and equipment, and software amounted to €3,308.6 million in 2019 (PY: €3,124.4 million). €331.0 million of the year-on-year increase of €184.2 million resulted from the adoption of IFRS 16, *Leases*. Capital expenditure amounted to 7.4% (PY: 7.0%) of sales.

Financing and indebtedness

As at the end of 2019, gross indebtedness amounted to €7,619.0 million (PY: €4,606.9 million), up €3,012.1 million on the previous year's level.

Based on quarter-end values, 66.5% (PY: 54.7%) of gross indebtedness after hedging measures had fixed interest rates on average over the year.

The carrying amount of the bonds increased by €898.6 million from €1,895.2 million in the previous year to €2,793.8 million as

at the end of fiscal 2019. This build-up is attributable to several euro bond issues totaling €1,400.0 million by Continental AG in the second half of 2019 under Continental's Debt Issuance Programme (DIP). Continental utilized the favorable market and interest rate environment to successfully issue two listed euro bonds in September 2019 and make two private placements with investors in Germany and abroad in October 2019. The issue price of the €500.0-million bond issued on September 12, 2019, amounted to 99.804%. This bond has a term of four years and an interest rate of 0.000% p.a. The issue price of the €600.0-million bond issued on September 27, 2019, amounted to 99.802%. This bond has a term of five years and nine months and an interest rate of 0.375% p.a. One of the two private placements has a nominal volume of €100.0 million, a term of five years and a fixed interest rate of 0.231% p.a. The second private placement, which has an 18-month term, has a nominal volume of €200.0 million and a variable interest rate. The only bond that matured in 2019, the €500.0-million euro bond from Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., was redeemed on February 19, 2019, at a rate of 100.000%. This bond bore interest at a rate of 0.500% p.a. and had a term of three years and three months.

Bank loans and overdrafts amounted to €1,470.4 million (PY: €1,239.0 million) as at December 31, 2019, and were therefore up €231.4 million on the previous year's level.

The previous syndicated loan, which was due in April 2021, was renewed ahead of schedule in December 2019. In doing so, the previous volume of the revolving tranche was increased from €3,000.0 million to €4,000.0 million. This credit line is now available to Continental until December 2024. In addition to improved conditions, sustainability components are included in the calculation of interest for the credit line for the first time. If the corporation achieves the performance improvements in sustainability as set out in detail in the loan agreement, this will reduce the interest rate; non-achievement will result in interest rate increases. The revolving loan had not been utilized as at December 31, 2019. In the previous year, it had been utilized by Continental Rubber of America, Corp., Wilmington, Delaware, U.S.A., in the amount of €157.2 million.

On March 20, 2019, Continental AG commissioned four banks to market promissory note bank loans. The transaction was successfully completed as planned at the end of April 2019. The four promissory note bank loans issued have a total volume of €500.0 million and terms of three or five years. Fixed coupons were agreed upon for 76% of the volume.

Other indebtedness increased by €1,882.1 million to €3,354.8 million (PY: €1,472.7 million) as at the end of 2019. This increase was primarily attributable to the rise in lease liabilities. The new IFRS 16 standard, *Leases*, the application of which has been mandatory since January 1, 2019, resulted in the recognition of all leases in the statement of financial position and thus an increase in lease liabilities. These amounted to €1,715.0 million on December 31, 2019 (PY: €12.3 million).

Commercial paper issuances resulted in a carrying amount of €938.4 million (PY: €814.5 million). As at the end of 2019, the utilization of sale-of-receivables programs, at €468.6 million (PY: €469.2 million), was on a par with the previous year. As at the end of 2019, four (PY: four) sale-of-receivables programs with a total financing volume of €665.0 million were used within the Continental Corporation.

Cash and cash equivalents, derivative instruments and interest-bearing investments were up by €601.7 million at €3,547.3 million (PY: €2,945.6 million).

Net indebtedness increased by a considerable €2,410.4 million as compared to the end of 2018 to €4,071.7 million (PY: €1,661.3 million). The gearing ratio rose year-on-year to 25.6% (PY: 9.1%).

As at December 31, 2019, Continental had liquidity reserves totaling €8,044.0 million (PY: €6,265.5 million), consisting of cash and cash equivalents of €3,341.8 million (PY: €2,761.4 million) and committed, unutilized credit lines totaling €4,702.2 million (PY: €3,504.1 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 Corporation, 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. 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, 2019, unrestricted cash and cash equivalents totaled €3,114.3 million (PY: €2,587.7 million).

Net Assets Position

Total assets

At €42,568.2 million (PY: €40,445.4 million), total assets as at December 31, 2019, were €2,122.8 million higher than on the same date in the previous year. Goodwill, at €5,113.5 million, was down by €2,119.9 million compared to the previous year's figure of €7,233.4 million. Other intangible assets climbed by €125.5 million to €1,691.8 million (PY: €1,566.3 million). Property, plant and equipment increased by €2,557.2 million to €14,932.7 million (PY: €12,375.5 million). A sum of €1,684.3 million of this resulted from the adoption of IFRS 16, *Leases*. Deferred tax assets were up €710.0 million at €2,174.4 million (PY: €1,464.4 million). Inventories rose by €173.3 million to €4,694.4 million (PY: €4,521.1 million), while trade accounts receivable fell by €146.6 million to €7,711.6 million (PY: €7,858.2 million). Short-term other assets increased by €282.5 million to €1,406.7 million (PY: €1,124.2 million). At €3,341.8 million, cash and cash equivalents were up €580.4 million from €2,761.4 million on the same date in the previous year.

Non-current assets

Non-current assets rose by €1,065.8 million year-on-year to €24,724.5 million (PY: €23,658.7 million). In relation to the individual items of the statement of financial position, this was primarily due to the rise in property, plant and equipment of €2,557.2 million to €14,932.7 million (PY: €12,375.5 million), the

€710.0 million increase in deferred tax assets to €2,174.4 million (PY: €1,464.4 million), the €125.5 million rise in other intangible assets to €1,691.8 million (PY: €1,566.3 million), the €2,119.9 million reduction in goodwill to €5,113.5 million (PY: €7,233.4 million) and the €247.2 million decrease in investments in equity-accounted investees to €397.7 million (PY: €644.9 million).

Current assets

Short-term assets increased by €1,057.0 million to €17,843.7 million (PY: €16,786.7 million). In the year under review, inventories rose by €173.3 million to €4,694.4 million (PY: €4,521.1 million), while trade accounts receivable fell by €146.6 million to €7,711.6 million (PY: €7,858.2 million). Cash and cash equivalents increased by €580.4 million to €3,341.8 million (PY: €2,761.4 million).

Equity

Equity was €2,457.6 million lower than in the previous year at €15,875.7 million (PY: €18,333.3 million). This was due primarily to the decline in retained earnings of €2,175.1 million. The gearing ratio worsened from 9.1% to 25.6%. The equity ratio fell to 37.3% (PY: 45.3%). The adoption of IFRS 16, *Leases*, contributed significantly to the decline.

Non-current liabilities

At €9,821.4 million, non-current liabilities were up €3,423.2 million from €6,398.2 million in the previous year. This was mainly attributable to the €1,926.2 million increase in long-term indebtedness to €3,375.2 million (PY: €1,449.0 million), the €999.3 million rise in long-term employee benefits to €5,406.3 million (PY: 4,407.0 million) and the €502.4 million increase in long-term provisions for other risks and obligations to €666.1 million (PY: €163.7 million). The change in long-term indebtedness was due to various effects. As a result, the IFRS 16 standard, *Leases*, the application of which has been mandatory since January 1, 2019, resulted in the recognition of all leases in the statement of financial position and thus an increase in lease liabilities. The long-term share amounted to €1,396.7 million on December 31, 2019 (PY: €9.9 million). Long-term indebtedness was also increased by the issuance of the promissory note bank loans at the end of April 2019 with a total volume of €500.0 million and terms of three or five years.

Current liabilities

At €16,871.1 million, current liabilities were up €1,157.2 million from €15,713.9 million in the previous year. Short-term indebtedness increased by €1,085.9 million to €4,243.8 million (PY: €3,157.9 million) and short-term provisions for other risks and obligations by €195.5 million to €1,261.6 million (PY: €1,066.1 million). By contrast, trade accounts payable decreased by €414.6 million to €7,111.0 million (PY: €7,525.6 million) and short-term employee benefits by €85.5 million to €1,368.7 million (PY: €1,454.2 million).

Operating assets

Operating assets increased by €237.3 million year-on-year to €23,991.0 million (PY: €23,753.7 million) as at December 31, 2019.

Total working capital was up €435.6 million at €5,513.2 million (PY: €5,077.6 million). This development was due to the €414.6 million decrease in operating liabilities to €7,111.0 million (PY: €7,525.6 million) and the €152.3 million decline in operating receivables to €7,929.8 million (PY: €8,082.1 million). Inventories also increased by €173.3 million to €4,694.4 million (PY: €4,521.1 million).

Non-current operating assets were up €313.1 million year-on-year at €22,445.1 million (PY: €22,132.0 million). Goodwill decreased by €2,119.9 million to €5,113.5 million (PY: €7,233.4 million). This change resulted primarily from impairment losses of €2,293.5 million, which were countered by additions of €137.1 million and exchange-rate effects of €36.4 million. Property, plant and equipment increased by €2,557.2 million to €14,932.7 million (PY: €12,375.5 million) due to investing activities. A sum of €1,684.3 million of this resulted from the adoption of IFRS 16, *Leases*. Other intangible assets climbed by €125.5 million to €1,691.8 million (PY: €1,566.3 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €182.5 million (PY: €173.0 million) reduced the value of intangible assets.

The acquisition of 100% of the shares in Kathrein Automotive GmbH, Hildesheim, Germany, contributed €172.8 million to the increase in the Interior division's operating assets.

Operating assets rose in the Tire division by a total of €20.6 million, with €20.4 million of this coming from several asset deals, two share deals and one purchase price adjustment, and €0.2 million from a reversal of a purchase price liability.

Two asset deals and two share deals contributed €337.8 million to an increase in the ContiTech division's operating assets.

The increase mainly resulted from the acquisition of the anti-vibration systems business of Cooper-Standard Automotive Inc., Novi, Michigan, U.S.A., and the acquisition of Merlett Tecnoelastic S.p.A., Daverio, Italy.

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

Exchange-rate effects increased the corporation's total operating assets by €284.2 million (PY: €61.7 million).

Average operating assets rose by €2,538.0 million to €26,178.5 million as compared to the previous year (€23,640.5 million).

In the Spotlight

Financial Assistance from the Government

Source: 2019 Annual Report > Consolidated Financial Statements Notes to the Consolidated Financial Statements > 8. Other Income and Expenses (↗ p. 146) and > 14. Property, Plant and Equipment (↗ p. 154)

Note: The texts have been shortened.

In addition, government grants amounting to €12.9 million (PY: €8.7 million) that were not intended for investments in non-current assets were received and recognized in profit or loss in the "Miscellaneous" item.

Government investment grants of €38.4 million (PY: €84.6 million) were deducted directly from cost, primarily for the plant in Clinton, Mississippi, U.S.A.

In the Spotlight

Continental Value Sharing Bonus - Financial Recognition for All Employees Worldwide

Source:  Press release dated March 19, 2020

Continental is rewarding the exceptional commitment of its employees around the world in the past year with an extraordinary bonus. Continental is one of the few companies that distribute such a bonus to all its eligible employees worldwide. Employees in Germany will each receive €436.

According to the works agreement, the negative net income for fiscal 2019 would have meant no value-sharing bonus. "We are obviously not satisfied with the results for 2019. For everyone at Continental, if there is no profit, there is no value-sharing bonus," explained Dr. Ariane Reinhart, Continental's Executive Board member for Human Relations. At the same time, she stressed: "Last year, the global Continental team responded to the many challenges with outstanding commitment and mutual respect, in a spirit of 'For One Another.' The hard work of our employees deserved better business results than we had in 2019. Together with the employee representatives, we have thus agreed to honor the impressive and exceptionally high level of commitment of all employees worldwide in the form of an extraordinary financial recognition."

In this connection, Reinhart pointed out the diverse challenges for Continental in the past year, such as the transformation in the automotive industry, Continental's "Transformation 2019-2029" structural program, as well as the rapidly deteriorating economic environment.

"Continental in Motion" shapes the transformation in a socially acceptable manner

The DAX company also announced today that the Executive Board and the social partners signed collective agreements this week for the "Continental in Motion - an Alliance for the Future" concluded in 2018. The agreement, which applies to Germany, focuses on two issues: enhancing the employability of employees with more training and better qualifications, and expanding the employment security of those employees who are affected by the spin-off.

"With 'Continental in Motion,' we and the social partners at Continental have already assumed responsibility at an early stage. We are actively shaping the transformation rather than simply letting it happen, and are thus safeguarding Continental's future viability," said Reinhart, adding: "We are maintaining the employability of our staff for the internal and

external job market across the globe, based on our current additional agreement. This is an extremely important initiative, especially at a time of severe skills shortages and in view of our future growth in new digital areas." At the same time, the willingness of employees to change and to invest time outside of work for their own training is also required, according to Reinhart. The agreement provides the framework for an extensive training offensive in order to strengthen the competitiveness of the company and to open up long-term career prospects for employees while expanding their chances for employment. This initiative comprises three key elements: the Continental Institute of Technology and Transformation (CITT), which was founded last year, a corporate-wide training process - which includes contributions on the part of the employees - and the expansion of the company's internal job market. The program will be continuously updated with modules for specific employee groups.

The chairman of Continental's corporate works council, Hasan Allak, was satisfied with the agreements that have been negotiated: "The extraordinary bonus for the employees is a good sign in difficult times. After all their hard work last year, the colleagues should not be left empty handed." With regards to the alliance for the future, he added: "With these agreements, the demands of the corporate works council have been met with regards to the consequences of the Vitesco Technologies spin-off. We have thus opened up prospects for the colleagues at Continental as well as at Vitesco Technologies. The corona crisis and its unforeseeable effects show that such a massive project like the transformation of the Continental corporation including the Vitesco Technologies spin-off can be successful only when everyone works together on a basis of trust.

Comment about extraordinary bonus:

When calculating the extraordinary bonus, both the legal and contractual regulations of the individual countries are taken into account, in addition to economic performance. On this basis - as was usual in past years - the bonus is divided into two categories, for which the amounts distributed come to either €436 or €218 per employee. To be eligible for the bonus, employees must have worked for the company for the whole of 2019 and not have terminated their employment contract as at March 31, 2020. The bonus for 2018 was about €750 per employee in Germany.

Good Working Conditions

Source: 2019 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Corporate Non-Financial Statement (starting on p. 48)

Note: The text has been adjusted for page references.

Our concept

Our vision is to become one of the most attractive and progressive employers in order to meet our future staffing requirements in terms of both quality and quantity.

Continental's Code of Conduct sets out the cornerstones for good working conditions as the basis of our global collaboration. It was expanded at the start of 2019 to include the topics of human rights and fair working conditions.

The strategic goals of HR work are focused on efficiently and effectively bringing together the right people and positions ("Industrialize Best Fit") and at the same time shaping the transition to digitalization, new technologies and new forms of collaboration ("Enable Transformation & Leadership"). Strategic workforce planning, talent selection and development (in particular in the areas of software and IT) on the basis of comprehensive diagnostics, the promotion of employee diversity and lifelong learning, the further development of the management culture and the flexibilization of working hours are therefore essential strategic HR activities. On the topic of human rights and fair working conditions, several pilot projects and training sessions have already taken place within the corporation.

Those responsible for the projects' implementation are the HR functions at the company and business area level, which work together in a global network.

Results of the concept

To evaluate employee satisfaction and therefore also our HR work, for example, we use the results of our employee survey OUR BASICS Live 2019. The "Sustainable engagement" category, which measures the level of motivation and sense of belonging among our corporation's employees, rose to 81% (PY: 80%), which was once again a very good result in spite of the economic situation.

The corporate-wide sickness absence rate was on a par with the previous year at 3.37% (PY: 3.27%). Unforced fluctuation, which measures the voluntary departure of employees from the Continental Corporation, amounted to 6.00% and was likewise similar to the previous year (PY: 6.25%).

According to a preliminary analysis, up to 20,000 jobs worldwide are expected to be affected by changes under the Transformation 2019-2029 structural program over the next 10 years. We are preparing the employees affected for the technological changes and associated professional and personal challenges that they will face through structured retraining measures that are conducive to employment. In addition, we will meet our social commitments based on our company values by offering employees – where necessary and feasible – prospects in other companies within the corporate network, including through an internal job market, within the scope of the general legal framework.

Key figures for good working conditions	2019	2018
OUR BASICS Live Sustainable Engagement in %	81	80
Sickness absence rate in % ¹	3.37	3.27
Unforced fluctuation in % ¹	6.00	6.25

¹ Permanent staff only (own employees).

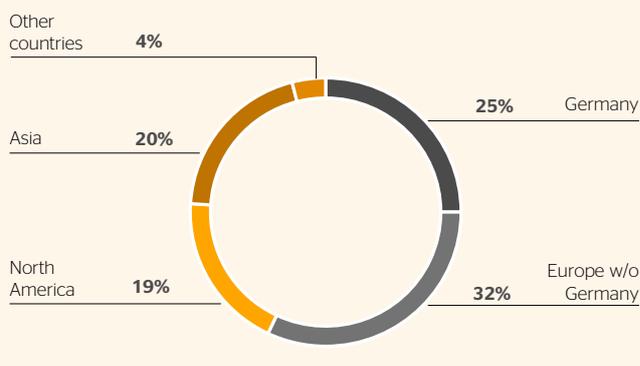
In the Spotlight

Employees by Regions

Source: 2019 Annual Report > Management Report > Economic Report (S. 65)

The number of employees in the Continental Corporation fell by 1,768 from 243,226 in 2018 to 241,458. Counter to the acquisition of Kathrein Automotive, lower production volumes in the Automotive Group led to a reduction in the overall number of employees by 1,721. The number of employees in the Rubber Group was almost unchanged year-on-year.

Employees by regions 2019 (241,458)



Personnel Expenses

Source: 2019 Annual Report > Consolidated Financial Statements Notes to the Consolidated Financial Statements > 9. Personnel Expenses (↗ p. 148)

Note: The text has been adjusted for page references.

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

€ millions	2019	2018
Wages and salaries	9,532.9	9,074.4
Social security contributions	1,838.4	1,704.5
Pension and post-employment benefit costs	378.7	346.4
Personnel expenses	11,750.0	11,125.3

Compared to the 2018 reporting year, personnel expenses rose by €624.7 million to €11,750.0 million (PY: €11,125.3 million). This increase is due primarily to the rise in the average number of employees.

The average number of employees in 2019 was 244,137 (PY: 242,797). As at the end of the year, there were 241,458 (PY: 243,226) employees in the Continental Corporation.

Employee Benefits

Source: 2019 Annual Report > Consolidated Financial Statements > Notes to the Consolidated Financial Statements > 27. Employee Benefits (↗ starting on p. 168)

Note: The text has been shortened. The text has been adjusted for page references.

The following table outlines the employee benefits:

€ millions	December 31, 2019		December 31, 2018	
	Short-term	Long-term	Short-term	Long-term
Pension provisions (unfunded obligations and net liabilities from obligations and related funds)	–	4,851.7	–	3,896.0
Provisions for other post-employment benefits	–	215.9	–	194.9
Provisions for similar obligations	3.4	60.0	2.4	49.4
Other employee benefits	–	255.3	–	240.8
Liabilities for workers' compensation	35.8	23.4	40.9	25.9
Liabilities for payroll and personnel-related costs	882.7	–	967.7	–
Termination benefits	46.8	–	50.5	–
Liabilities for social security	179.6	–	183.2	–
Liabilities for vacation	220.4	–	209.5	–
Employee benefits	1,368.7	5,406.3	1,454.2	4,407.0
Defined benefit assets (difference between pension obligations and related funds)		7.8		27.8

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 167,038 beneficiaries, including 123,646 active employees, 17,168 former employees with vested benefits, and 26,224 retirees and surviving dependents. The pension obligations are concentrated in four countries: Germany, the U.S.A., the U.K. and Canada, which account for more than 90% of total pension obligations.

The weighted average term of the defined benefit pension obligations is around 20 years. This term is based on the present value of the obligations.

In the Spotlight

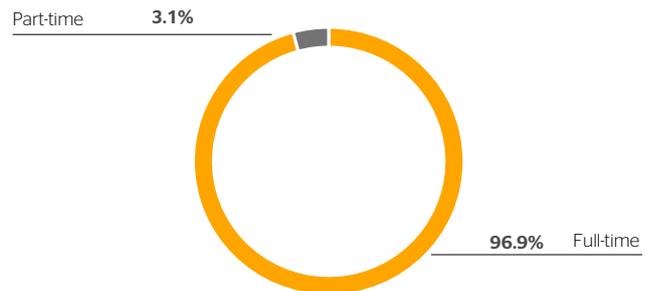
Employee Level of Employment

In 2019, a total of 3.1% of employees worked part-time (PY: 3.0%).

In total, 6.6% (PY: 6.5%) of women and 1.8% (PY: 1.6%) of men worked part-time.

We are continually increasing our efforts to make working hours more flexible, including in the production environment. Employees can organize their working hours more flexibly, e.g. by working part-time or flextime, or by taking advantage of remote working or sabbaticals. The scope of these opportunities is determined by the specific operational options available at the employee's workplace.

Employees by level of employment 2019^{1,2}



¹ Based on the employees recorded in the HR data system (approx. 97%).
² Part-time is defined as < 90% of full-time working hours.

In the Spotlight

Employee Contract Types

Fixed-term contracts accounted for a total of 14.2% (PY: 15.8%) of all employment contracts in the 2019 fiscal year.

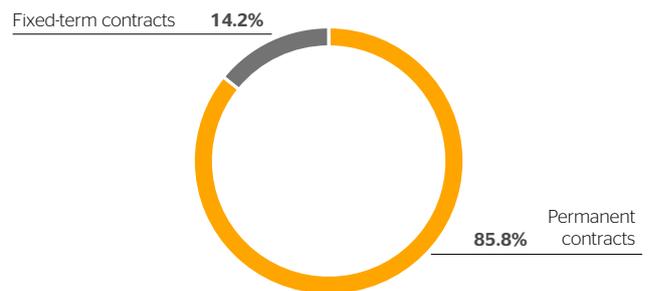
In Europe (excluding Germany), fixed-term contracts accounted for 13.0% (PY: 15.0%), in Germany 8.6% (PY: 11.6%), in North America 4.6% (PY: 3.9%), in Asia 34.5% (PY: 36.3%), and in the remaining countries 4.8% (PY: 2.8%).

Overall, 13.7% (PY: 16.7%) of women and 11.4% (PY: 13.2%) of men were on a fixed-term contract. The total proportion of fixed-term contracts includes temporary worker contracts.

As of December 31, 2019, we employed a total of 12,638 (PY: 14,303) temporary workers, who are included in the aforementioned figures.

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

Employees by contract types 2019¹



¹ Based on the employees recorded in the HR data system (approx. 97%).

In the Spotlight

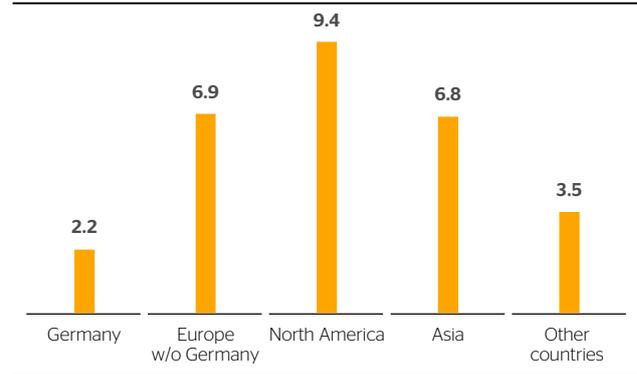
Fluctuation

Total unforced fluctuation in the 2019 fiscal year was 6.0% (PY: 6.3%).

In Germany, unforced fluctuation was at 2.2% (PY: 2.0%), in Europe (excluding Germany) at 6.9% (PY: 6.6%), in the North America region at 9.4% (PY: 10.1%) and in Asia at 6.8% (PY: 8.4%). In the remaining countries, we recorded unforced fluctuation of 3.5% (PY: 2.3%).

Fluctuation rates should be interpreted based on factors pertaining to the specific country.

Unforced fluctuation by regions 2019 in %¹



¹ Permanent staff only (own employees).

In the Spotlight

SWP - Strategic Workforce Planning

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 and also 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 on the basis of drivers, e.g. predicted developments in sales and/or production volume.

SWP is used to align the company's HR measures more closely with actual business requirements. When doing this, it is important to bring together the various parties involved in the business and the corresponding group roles, including HR staff, and to discuss the effects on future business development together. This gives HR staff a better understanding of the strategic alignment of the business units while allowing them to contribute their own knowledge, for example, regarding the availability of talent in the business strategy development process. In this respect, the HR staff acts as a sparring partner for business strategy development.

In the Spotlight

CITT - Continental launches qualification initiative

Source:  Press release dated July 16, 2019

In 2019, Continental has founded an institute for technology and transformation. The primary task of the new institute is the qualification of all employees in Germany. Initially, the focus is on the group of untrained and semi-skilled workers, who Continental is giving access to further education and training programs certified by the Chamber of Industry and Commerce. The institute's services cover Industry 4.0, new drive concepts and digitalization.

"As electrification and digitalization become more widespread, simple tasks are being replaced by more complex tasks that require training. These changes are far-reaching and affect the entire industry. Qualification is therefore only possible through a sensible sharing of the burden: lawmakers, trade unions and companies must all work together," explains Dr. Ariane Reinhart, Executive Board member for Human Relations. "Above all, the employees also need to play their part. Our institute provides the framework for self-development and maintaining their employability."

The company uses the Continental Institute of Technology and Transformation (CITT) to actively manage the transformation process currently taking place across the entire automotive industry. The institute was designed in collaboration with the Continental Corporate Works Council, IG Metall and IG Bergbau, Chemie, Energie (Metal, Mining, Chemical and Energy Industries Unions) to secure the long-term employability of employees.

Qualification only works if employees invest their own time

The projected costs for needs-based qualification are huge. They include both training costs and costs for lost working hours. "The qualification of employees is a task of historic proportions. As a company, we bear overall responsibility but

cannot implement needs-based qualification alone. To train only 20 percent of our employees in Germany for nine months would cost us €1 billion," explains Reinhart. Continental is accordingly calling on lawmakers, companies and, above all, employees to share the costs of the necessary qualifications. "The Qualification Opportunity Act is the first step. But we also need our employees to be willing to change and invest time outside working hours in their own qualification."

CITT offers certified further vocational education and training courses

Continental is implementing a transparent, selective approach to strategic workforce planning to determine the future qualification requirements of different employee groups. Validated diagnostic procedures are used to compare the individual skills and abilities of employees with their future field of activity. Further training is provided wherever qualification is required. The institute is initially focusing on further training programs for production employees. The first measures start in September. The qualification opportunities for Industry 4.0, new drive concepts and digitalization will be gradually extended for the selective further education and training of all employees in Germany. In order to achieve this objective, the institute is devising an appropriate qualification strategy, establishing the required program structure, managing the different training options and ensuring standardized implementation at the various locations. The quality of the training will also be assured by ICC certifications and vocational qualifications. "It was very important to us to assume responsibility at an early stage. The purpose of founding the CITT was in the interests of all our employees, to define the framework and measures that will secure their future employability," explains Hasan Allak, chairman of Continental's corporate works council. "Now it's important for our employees to show a high degree of willingness to learn, and proactively and independently join in shaping their future."

In the Spotlight

Labor Relations, Co-Determination and Collective Bargaining Agreements

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

The forms of direct and indirect employee co-determination vary from country to country and from location to location. In our Code of Conduct, which we updated at the start of 2019, we grant our employees fundamental rights of co-determination. Co-determination in the workplace is governed by law in Germany and Europe. In Germany, the workforce is represented by the Corporate Works Council at corporation level. In Europe, employee co-determination is upheld by a transnational body of employee representatives (EuroForum).

As provided for in the German Co-Determination Act (Mitbestimmungsgesetz - MitbestG), employees also account for half the members of the Supervisory Board of Continental AG. Collective bargaining agreements are an essential component of the collaboration between social partners. They range from location-level agreements on specific workplace design right through to company-level association agreements on collective pay and industry-level collective bargaining 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.

In the Spotlight

Equal Pay and Transparency of Pay

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

Since January 6, 2018, employees working in Germany in businesses with, as a rule, more than 200 employees have had an individual right to information to verify compliance with the equal pay requirement pursuant to Section 10 of the Transparency of Pay Act (Entgelttransparenzgesetz - EntgTranspG). By March 28, 2019, a total of 23 requests for information had been submitted at our German locations. Of these, 17 were submitted by women and six by men. A total of 15 requests for information were granted, while eight were rejected for various reasons including the lack of a sufficiently large comparison group or the withdrawal of the request by the person making the request.

In the Spotlight

Integrating Human Rights into Business Practices - Our Approach

Policies and guidelines

Continental is committed to the corporate-wide codes of conduct on respect for 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. The internal Code of Conduct was extended by the topic of human rights and fair working conditions at the beginning of 2019. The Code of Conduct for direct business partners was revised accordingly already in 2017. We expect our suppliers, service providers and partners to promote the implementation of the requirements specified in the Code of Conduct in their respective supply chains as well. In 2018, Continental also published a purchasing policy for sustainable natural rubber in order to drive improvements in the rubber cultivation, e.g. with regard to land rights, forced labor, child labor, or the rights of migrant workers along the supply chain.

Risk analysis, mitigation and monitoring

In the corporation, we are pursuing a two-pronged and integrative management approach with regard to respect for human rights, which covers both our own 595 locations in 59 countries worldwide as well as the supply chain. The Group Sustainability department coordinates the continuous expansion and improvement of this management approach.

All Continental staff are in principle informed of the Code of Conduct. Continental conducts mandatory online and classroom training for this purpose. With the update of the Code of Conduct in 2019, a special, separate module on human rights and fair working conditions was added to the training documents. In addition, human rights-specific training is carried out with relevant functions in the corporation to promote the integration of the topic into the relevant management processes and business decisions.

At group-level, a process for the continuous and systematic identification, assessment and minimization of human rights related country risks, was launched in 2019 and will be further developed in 2020. For our own sites, risks are assessed and minimized, among others by our ESH managers at the sites (e.g. with regard to occupational safety) and our network of national industrial relations coordinators, which currently covers more than 75% of total workforce. This includes, for example, carrying out analyses, targeted training courses as well as monitoring progress. The activities take place in close collaboration with the two group functions for labor relations and sustainability.

We are reviewing potential new suppliers and service providers already before starting a business relationship by means of self-assessments and, in some cases, on-site audits,



which may also include topics with relevance to human rights (e.g. fire protection and occupational safety). We assess compliance with the sustainability requirements set by the Business Partner Code of Conduct for, in particular by means of self-assessments using EcoVadis and NQC. To increase transparency and sustainability along our supply chains, Continental is actively collaborating with competitors and stakeholders in various cooperative industry approaches. (See page 16 in this sustainability report).

Grievance mechanism

Every member of staff is encouraged to report violations. Continental has set up a Compliance & Anti-Corruption Hotline to give staff and third parties outside the corporation the opportunity to report violations of the Code of Conduct or suspected violations of the same. Information can also be communicated anonymously via the hotline, if permitted by law. The Corporate Audit and Compliance departments review and track the information. Justified violations of our Codes of Conduct will be sanctioned. In the event of violations of our business partners against our human rights regulations, Continental explicitly reserves the right to demand improvement action or to terminate the business relationship.

Reporting

In addition to the sustainability report, you will find the latest "Modern Slavery Statement" online at www.continental-sustainability.com in the Downloads section.

Product Quality

Source: 2019 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Corporate Non-Financial Statement (starting on p. 48)

Note: The text has been adjusted for page references.

Our concept

We strive to be recognized by our customers as a benchmark in quality. Product recalls, product liability claims and proceedings as a result of quality defects must be avoided in order to prevent losses of sales and of customer and market acceptance. Warranty and product liability claims pose risks to the business. Detailed reporting in this respect is included in the report on risks and opportunities.

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. The Quality and Environment group function as well as the quality functions at various levels in the corporation, which work together in a global network, are responsible for the quality policy and its implementation.

The achievement of a quality-oriented company culture is supported by the establishment and certification of quality management systems in accordance with recognized standards such as ISO 9001 or IATF 16949 at our production locations.

Results of the concept

In 2019, the majority of our employees were covered by a local management system certification in the area of quality according to ISO 9001 or similar standards.

Information about the scope of warranty and product liability claims in fiscal 2019 can be found in Note 35 (Litigation and Compensation Claims) of the notes to the consolidated financial statements.

Key figures for product quality	Dec. 31, 2019	Dec. 31, 2018
Quality management system certifications (ISO 9001 or similar)		
Employees covered in %	86	-90 ¹

¹ In 2018, not reported as key figures but as indicative, rounded statement in the text.

In the Spotlight

Ownership Project: Everyone is Responsible for Quality

Every day, millions of people around the world trust in the quality of Continental's products. That's why Continental does not make any compromises on quality.

The "Quality First" initiative is intended to raise awareness in this area. It motivates employees to conduct themselves well and take on responsibility, thereby helping to shape the future of the company. In day-to-day work, this means addressing areas openly that can be improved, sharing experience, and learning from others.

Since 2019, Continental has been investing heavily in a quality-oriented culture. As part of this focus, the Group Quality & Environment and Corporate Human Relations functions have initiated a project on the topic of "ownership"

("taking responsibility"). Workshops and events are being held under the slogan "Everyone is responsible for quality!" to increase awareness and understanding of this common objective. The project is underpinned by a comprehensive training and internal communication campaign.

The campaign kicked off at the end of March 2019 with the appointment of ownership champions. In the first "Global Ownership Champions" event employees from all over the world participated. In their role as multipliers, they will run workshops under the "ownership" motto. The series of events will continue. By the end of 2019, there were already more than 400 ownership champions at Continental, and this number is increasing every day.

Safe Mobility

Source: Continental-website: www.continental.com in the section **Products & Innovation > Innovation > Safety Technologies** (Mar 31, 2020)

More than one billion vehicles worldwide are responsible for not only increased traffic volumes, but also a rising number of accidents. To reduce the number of road deaths and amount of material damage as much as possible, Continental is always working on new systems that improve vehicle safety in all vehicle classes. Our aim: zero accidents – “Vision Zero.”

Active and passive vehicle safety

Assisted driving provides the foundation for achieving the vision of “zero accidents.” As Continental sees it, automated driving will be successful if people trust the technology. With intelligent vehicle technology, Continental helps vehicle manufacturers to significantly improve safety on the roads. A distinction is made here between

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

Safety and automated driving

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

In the Spotlight

Turn assist system from Continental protects cyclists and pedestrians

Source: Continental-website: www.continental.com in the section **Products & Innovation > Innovation > Safety Technologies** (Mar 31, 2020)

Among the innovations that support drivers and increase safety is a new generation of short-range radar with 77 gigahertz technology that captures the vehicle's surroundings at a much higher resolution than before. This makes it possible to implement a right-turn assist that supports the driver in confusing situations. If scooters, cyclists, or pedestrians approach from the rear right, the short-range radar detects the danger. If the driver fails to respond to a warning, the radar forwards a corresponding signal to the brake and the car stops before an accident occurs. The system is already doing what Euro NCAP scenarios from 2022 require: further improving protection for pedestrians, scooters, and cyclists.

According to an analysis of Continental's accident research, a Right-Turn Assist system for passenger cars could help prevent five percent of all accidents in which cyclists are killed or seriously injured in Germany and seven percent in Japan (8.5 percent of all accidents involving cyclist fatalities in the US) and a further six percent of accidents in which cyclists suffer minor injuries.

The installation of cornering assistance systems in trucks will be mandatory across the EU for all new vehicle types from 2020 onwards. The figures clearly show just how urgent this regulation is. In Germany alone, 36 percent of all accidents in which a cyclist is killed could be prevented by installing Right-Turn Assist systems in trucks.

In the Spotlight

BlackChili - Tire Compound Technology has never been hotter

Source: Continental-tires website: www.continental-tires.com in the section Stories > Cycling (text has been shortened; Mar 31, 2020)

BlackChili compound is exclusively manufactured at the Continental factory in Korbach, Germany, combining the very latest polymers with specially developed carbon black particles and filler materials. And both cars and bikes benefit from this technology. Fitted to a bicycle, tires with BlackChili give riders supreme confidence whether they're tumbling downhill on a mountain bike or time-trialing on a road bike. Fitted to a car, drivers can expect maximum grip during acceleration, cornering, and braking on wet or dry roads.

The improvement is dramatic. But don't just take our word for it. The professional cycling elite has long relied on this exceptional tire compound. Geraint Thomas and Team Sky have won the world's biggest bike race, the Tour de France, using Competition Pro LTD tires made from BlackChili. And for this year's edition of Vuelta a España, seven out of the 22 teams taking part in the three-week race around Spain are using BlackChili compound in their hand-made tires.

It's all about how you mix it

So how did this legendary compound come into being? At the Continental R&D labs in Korbach, our heroic team of engineers grapple with one of the fundamental problems of tire construction. Essentially, the running properties of a rubber compound of a tire are determined by three co-dependent factors: Grip, Rolling Resistance, Mileage.

The challenge is that when you make improvements in one area, there's a performance penalty in at least one other area. A compound which offers maximum levels of grip, for example, will wear out faster and roll slower. Conversely, a compound optimized for higher speeds or greater durability has a reduced ability to grip.

The BlackChili compound is different because it takes advantage of the latest innovations in polymer and other raw material research. For the first step, we refine proven natural rubber with special synthetic rubbers into a high-performance tread mixture. Next, the mixture is combined with special nanometric carbon soot particles. Finally, the surface and shape properties are optimized for the best use case of the tire.

The result is that BlackChili compound provides a truly unprecedented level of performance. Compared to Activated

Silica Compound - our previous best performer - BlackChili tires have 30% higher grip, 26% less rolling resistance, and 5% increase in mileage. The speed and grip advantages are readily apparent, applied to either a bike or a car tire.

Furthermore, the science behind BlackChili is in constant development; we can adjust the formulation of the compound to match individual requirements of new Continental tires rolling out of the factory in Korbach. In other words, it's possible to tailor the tire to the specific needs of the vehicle. The compound technology is so sensitive and complex, however, that BlackChili cannot be manufactured anywhere else in the world.

Maximum grip for cyclists and motorists

You can personally experience the innovations of BlackChili on either two wheels or four, as high-performance tires for both bicycles and cars. Here's a sample of the custom formulations available in our premium tires.

Car / SportContact 6: For the SportContact 6, we developed a new Micro Flexibility Compound to ensure optimal contact between the tire and the road surface. The compound provides shorter braking distances and better acceleration at low and high temperatures - in dry or wet conditions.

Bike / Continental Grand Prix 4000 SII: For athletes demanding the ideal combination of comfort, speed, and low rolling resistance, the Grand Prix 4000 SII is the best all-rounder. The BlackChili compound provides excellent grip, high mileage, and efficient rolling, plus a Vectran puncture protection insert for added security.

Car / WinterContact TS 860: The Cool Chili compound is a variation on BlackChili specially made for the WinterContact TS 860; a Maximum Traction Silica Compound which stays flexible in all winter conditions, substantially improves braking performance, and provides excellent grip in the wet.

Bike / Mountain King: With superior grip and fast rolling, the Mountain King is the perfect companion for exploring trails and hilly terrain. The continuous central tread and grippy outer lugs are made with BlackChili, and the ProTecton technology - three plies in the sidewalls and four under the tread - mean the whole tire has greater resilience and is less vulnerable to damage.

Corporate Governance

Source: 2019 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Corporate Non-Financial Statement (starting on p. 48)

Note: The text has been adjusted for page references.

Our concept

Good, responsible corporate governance geared toward sustainable, long-term value creation and in the interests of all stakeholder groups is the measure that governs the actions of the Executive Board and Supervisory Board of Continental AG. Further information on corporate governance can be found in the corporate governance report and in the corporate governance declaration pursuant to Section 161 AktG.

Employee diversity, in particular with regard to internationality and a balanced gender ratio, is a key aspect of our corporate governance. We have set ourselves the target of increasing the proportion of women in management positions at the executive and senior executive level to 16% by 2020, and to 25% by 2025. Further information on our diversity strategy can be found in the corporate governance report.

To prevent corruption and antitrust violations in particular, the Executive Board has established the global compliance organization together with the Compliance group function and regional subfunctions. This structure is supplemented by compliance coordinators in the countries and at the locations. The fundamental principles of compliance management are set out in the central compliance handbook. Continental has a compliance management system, which is based on a comprehensive analysis of potential compliance risks for the core areas of antitrust law and corruption prevention. Further information on compliance can be found in the detailed compliance report.

Results of the concept

In 2019, Continental increased its proportion of women in management positions to 15.8% (PY: 14.8%).

The effectiveness of the compliance management system was confirmed in 2016 in accordance with the IDW PS 980 audit standard.

Key figures for corporate governance ^{1,2}	Dec. 31, 2019	Dec. 31, 2018
Proportion of women in management positions in %	15.8	14.8

¹ Based on the employees recorded in the HR data system (approx. 97%).

² Relates to executives and senior executives.

In the Spotlight

Remuneration

In 2019, the average personnel expenses per employee amounted to €48,128 (PY €45,821). The fixed salary of the chairman of the Executive Board was 30.6 times (PY: 32.4 times) the arithmetic average of the personnel expenses.

As of 2020, a new compensation scheme was introduced for Continental, which aims to achieve the highest possible value creation on the basis of the four corporate values and safeguards the company's long-term future viability. The compensation scheme is based in principle for all employees - from employees to the Executive Board. For the Executive Board and management personnel worldwide, key sustainability indicators have been included in the long-term

incentive components (LTI). On the basis of the sustainability strategy, particularly the strategic focus areas, the Supervisory Board and the Executive Board determine performance criteria and goals for a sustainability factor of the respective long-term plan, e.g. with regard to CO₂ emissions, waste recycling rate, sustainable engagement, diversity as well as sickness absence and accident frequency rate for the plans starting in 2020. This also complies with the German Corporate Governance Code (DGCK) and the Law on the Implementation of the 2nd EU Shareholder Rights Directive (ARUG II), according to which the compensation scheme is to be geared toward sustainable and long-term development.

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

Source: 2019 Annual Report › To Our Shareholders › Corporate Governance › Corporate Governance Declaration Pursuant to Section 289f of the German Commercial Code (HGB) (📄 starting on p. 16)

Note: The text has been adjusted for page references.

Good, responsible corporate governance geared toward sustainable, long-term value creation and in the interests of all stakeholder groups is the measure that governs the actions of the Executive Board and Supervisory Board of Continental AG. The following report presents the corporate governance at Continental. This corporate governance declaration pursuant to Section 289f of the German Commercial Code (*Handelsgesetzbuch - HGB*) is supplemented by the remuneration report of Continental AG and is a part of the company's management report.

Declaration pursuant to Section 161 AktG and deviations from the German Corporate Governance Code

In December 2019, the Executive Board and the Supervisory Board issued the following annual declaration in accordance with Section 161 of the German Stock Corporation Act (*Aktiengesetz - AktG*):

"In accordance with Section 161 AktG, the Executive Board and the Supervisory Board of Continental AG declare that the Company has complied with and will comply with the recommendations issued by the Government Commission on the German Corporate Governance Code (as amended on February 7, 2017; published by the German Federal Ministry of Justice in the official section of the electronic Federal Gazette (*Bundesanzeiger*) on April 24, 2017), subject to the qualifications set forth below. Reference is made to the declaration of the Executive Board and the Supervisory Board of December 2018, as well as to the previous declarations pursuant to Section 161 AktG and the qualifications regarding the recommendations of the German Corporate Governance Code explained therein.

- › Pursuant to Section 5.4.1 (2) of the Code, the Supervisory Board shall specify concrete objectives regarding its composition, which take into account, inter alia, an age limit to be established for members of the Supervisory Board. The Supervisory Board has specified such objectives. However, the Supervisory Board did not establish an age limit because it is of the opinion that such a general criterion is not suitable for evaluating the qualifications of an individual candidate for membership on the Supervisory Board.

Hanover, December 2019

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

Dr. Elmar Degenhart
Chairman of the Executive Board

The declaration is published in the Company/Corporate Governance section of Continental's website [📄](#). Earlier declarations in accordance with Section 161 AktG can also be found there. Out-of-date corporate governance declarations can also be found there for a period of at

least five years. Continental AG also complies with all suggestions of the Code with the following exception:

- › Section 3.7 (3) (suggestion A.5 of the new version) of the Code suggests that the Executive Board should convene an extraordinary Shareholders' Meeting in all cases of takeover bids. The Executive Board and the Supervisory Board consider it more expedient to decide in each specific situation whether it is advisable to convene a Shareholders' Meeting.

Key corporate governance practices

To date, corporate governance at Continental has been fundamentally based on Continental AG's Corporate Governance Principles, which are closely modeled on the German Corporate Governance Code and are published in the Company/Corporate Governance section of Continental's website [📄](#). The Executive Board and the Supervisory Board are examining whether Continental AG's own Corporate Governance Principles are still required under the new version of the Code and the principles of corporate governance contained therein.

In addition to the Corporate Governance Principles, the following principles are also key to our sustainable and responsible corporate governance:

- › OUR BASICS - Continental AG's corporate guidelines. OUR BASICS have reflected the vision, values, desired behavior and self-image of the corporation since 1989, and are available in the Company/Corporate Strategy section of Continental's website [📄](#).
- › The Corporate Social Responsibility Principles; available in the Sustainability/Downloads section of Continental's website [📄](#).
- › Compliance with the binding Code of Conduct for all Continental employees. For more information, see the Compliance section on page 22 or the Sustainability/Downloads section of Continental's website [📄](#).

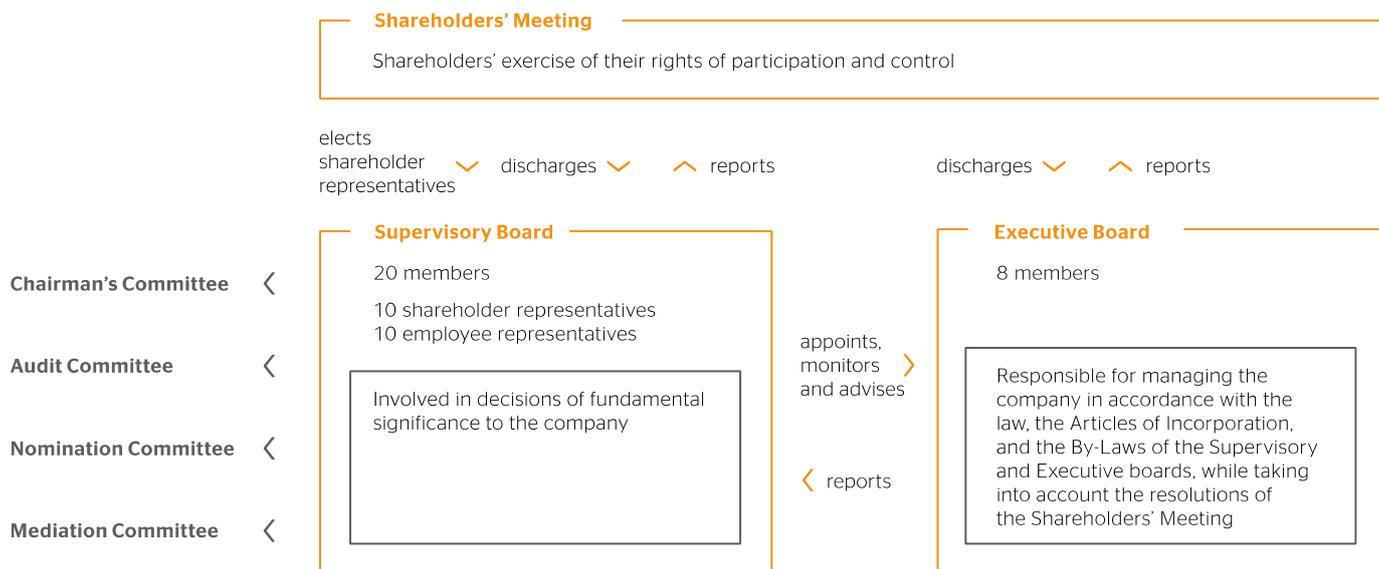
Corporate bodies

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.

Corporate bodies of the company



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 develops the company's strategy, agrees it with the Supervisory Board and ensures its implementation.

The Executive Board currently has eight members. The first time a person is appointed to the Executive Board, his or her term is three years only. As a rule, a member of the Executive Board is not appointed beyond the statutory retirement age. More information on the members of the Executive Board can be found on page 207 and in the Company/Corporate Governance section of Continental's website [📄](#).

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 in the Company/Corporate Governance section of Continental's website [📄](#). 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.

As of April 1, 2019, the Executive Board established the Automotive Board, which aims to foster the increased decentralization of responsibility that the global reorganization of the company seeks to achieve, relieve the burden on the corporate Executive Board and significantly shape the ongoing transformation process in the automotive sector. To this end, the Executive Board also delegated decision-making powers to the Automotive Board for certain matters that affect only the

Automotive Technologies group sector. In addition to its spokesman Nikolai Setzer, the members of the Automotive Board include the Executive Board members Frank Jourdan, Autonomous Mobility and Safety business area, and Helmut Matschi, Vehicle Networking and Information business area; as well as Dr. Dirk Abendroth, chief technology officer for Automotive; Dr. Thomas Eller, Automotive Sales; Katharina Rath, Human Relations for Automotive; and Harald Stuhlmann, head of Finance and Controlling for Automotive.

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 successor candidates, the Supervisory Board, in consultation with the Executive Board, offers them the opportunity to deliver presentations to the Supervisory Board.

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

Composition of the Supervisory Board

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

The Supervisory Board was newly constituted on April 26, 2019, after the election of the employee representatives on March 20, 2019, and the shareholder representatives by the Shareholders' Meeting on April 26, 2019. The term of office of the Supervisory Board members lasts until the end of the 2024 Annual Shareholders' Meeting.

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. This program was conducted in summer 2019.

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 in the Company/Corporate Governance section of Continental's website [📄](#). The Supervisory Board consults, in the absence of the Executive Board, on a regular basis. 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.

Every two to three years, the Supervisory Board reviews how effectively the overall Supervisory Board and its committees have fulfilled their responsibilities. The Supervisory Board recently carried out such a review in 2016 with the help of an external consultant. This once again confirmed the positive development of the Supervisory Board's work in the past years. The Supervisory Board has adopted the recommendations that resulted from the 2016 efficiency review. The next self-assessment is scheduled to take place in 2020.

Profile of skills and expertise for the Supervisory Board

In accordance with Section 5.4.1 (recommendation C.1 of the new version) of the German Corporate Governance Code, the Supervisory Board has prepared a profile of skills and expertise and specified targets for its composition.

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

- › **Internationality:** Due to Continental AG's global activities, its Supervisory Board requires international professional or business experience. This means professional training or work abroad or with a strong connection to foreign markets. International professional and business experience with regard to Asian markets is also desirable.
- › **Industry experience:** The Supervisory Board should have professional experience in the automotive industry or other industries in which the company operates. In particular, the Supervisory Board wants to increase its expertise in the new business areas that are important parts of the company's strategy. Therefore, professional knowledge or experience of digitalization, information technology, telecommunications, mobility services, electric mobility, or related areas should be available.
- › **Management experience:** The Supervisory Board should include members with management experience. In particular, this includes experience in corporate management or as a senior manager of a business, or experience in a managerial role at other large organizations or associations.
- › **Financial experience:** The Supervisory Board should possess financial knowledge and experience, namely in the areas of accounting, control and risk management systems, and the audit of financial statements. The chairman of the Audit Committee must have in-depth knowledge in these areas.
- › **Corporate governance and board experience:** Members of the Supervisory Board should have experience as a member of the supervisory board or executive board of a German listed company or as a member of such a body of a foreign listed company.

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

- › The number of members of the Supervisory Board who have the required international experience should at a minimum remain constant. At least seven members currently have international skills and experience.
- › An appropriate number of members with industry experience should be maintained. Far more than half of the Supervisory Board members cover this area of expertise.

- › The Supervisory Board should have an appropriate number of members who are deemed independent by the Supervisory Board as defined in the German Corporate Governance Code. At least five shareholder representatives should be independent as defined in the Code. The independent shareholder representatives are:
 - › Prof. Dr.-Ing. Wolfgang Reitzle
 - › Dr. Gunter Dunkel
 - › Satish Khatu
 - › Isabel Corinna Knauf
 - › Sabine Neuß
 - › Prof. Dr. Rolf Nonnenmacher
 - › Prof. KR Ing. Siegfried Wolf
- › 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 Section 5.4.1 (recommendation C.2 of the new version) of the Code. It does not consider such a general criterion to be suitable for deciding whether a candidate is eligible to be a member of the Supervisory Board.

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

The Supervisory Board's proposals to the Annual Shareholders' Meeting on April 26, 2019 took into account the requirements of the profile of skills and expertise for the board as a whole as well as the aforementioned targets. In particular, with the election of Isabel Corinna Knauf and Satish Khatu, the Supervisory Board gained additional international professional and business experience with regard to Asian markets as well as experience in digitalization and information technology.

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

Committees of the Supervisory Board

The Supervisory Board currently has four committees: the Chairman's Committee, the Audit Committee, the Nomination Committee and the committee formed in accordance with Section 27 (3) *MitbestG* (Mediation Committee). After the Supervisory Board was constituted following the Annual Shareholders' Meeting on April 26, 2019, its committees were also elected. There were no changes in their composition.

The members of the **Mediation Committee** also form the Chairman's Committee, which comprises the chairman of the Supervisory Board, Prof. Dr.-Ing. Wolfgang Reitzle (chairman); his vice chairperson, Christiane Benner; Georg F. W. Schaeffler; and Jörg Schönfelder. Key responsibilities of the **Chairman's Committee**

are preparing the appointment of Executive Board members and concluding, terminating and amending their employment contracts and other agreements with them. However, the plenum of the Supervisory Board alone is responsible for establishing the total remuneration of the Executive Board members. Another key responsibility of the Chairman's Committee is deciding on the approval of certain transactions and measures by the company as specified in the Supervisory Board By-Laws. The Supervisory Board has conferred some of these participation rights on the Chairman's Committee, each member of which may however, in individual cases, demand that a matter again be submitted to the plenary session for decision.

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

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

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

More information on the members of the Supervisory Board and its committees can be found on pages 208 and 209. Current resumes, which are updated annually, are available in the Company/Corporate Governance section of Continental's website [📄](#). They also contain information on how long each member has held their position on the Supervisory Board.

Shareholders and the Shareholders' Meeting

The company's shareholders exercise their rights of participation and control in the 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 amendments to the company's Articles of Incorporation. 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 Shareholders' Meeting, including the annual report, are published on the company's website [📄](#) in German and English. Moreover, the entire Annual Shareholders' Meeting can also be watched on the company's website. 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 themselves the opportunity to vote at the Shareholders' Meeting via a proxy who is bound by instructions. The required voting instructions can also be issued to the proxy via an internet service 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 Corporation's accounting is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (E.U.). The annual financial

statements of Continental AG are prepared in accordance with the accounting regulations of the German Commercial Code (*Handelsgesetzbuch - HGB*). The Annual Shareholders' Meeting on April 26, 2019, elected KPMG AG Wirtschaftsprüfungsgesellschaft, Hanover (KPMG) to audit the consolidated financial statements for fiscal 2019 as well as the interim financial reports of the company. KPMG has audited the consolidated financial statements and the separate financial statements for more than 30 years. Andreas Modder has assumed the role of responsible auditor at KPMG as of the consolidated financial statements for fiscal 2019.

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 corporation-wide internal control and risk management system, especially in terms of the accounting process, that helps analyze and manage the company's risk situation. The risk management system serves to identify and evaluate developments that could result in significant disadvantages and to avoid risks that would jeopardize the continued existence of the company. We report on this in detail in the report on risks and opportunities, which forms part of the management report for the consolidated financial statements.

Transparent and prompt reporting

As part of our investor relations and corporate communications, we regularly report to shareholders, analysts, shareholders' associations, the media and interested members of the public in equal measure on significant developments in the corporation 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 and interim reports) and events as well as of the Annual Shareholders' Meeting and the annual financial press conference are announced well in advance in a financial calendar on the website [📄](#) of Continental AG. For the scheduled dates for 2020 and 2021, see the Investors/Events section [📄](#).

Report pursuant to Section 289f (2) No. 4 to 6 HGB

Pursuant to Section 96 (2) *AktG*, the Supervisory Board of Continental AG as a listed stock corporation subject to the German Co-determination Act consists of at least 30% women and at least 30% men. This minimum quota must always be fulfilled by the Supervisory Board as a whole. Due to an objection by the employee representatives against the overall fulfillment in accordance with Section 96 (2) Sentence 3 *AktG* before the election of the Supervisory Board in spring 2019, the minimum quota must be fulfilled separately by the shareholder representatives and the employee representatives. Women made up 30% of both the shareholder and employee representatives of the Supervisory Board of Continental AG as at December 31, 2019.

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. Based on the current composition of the Executive Board, the Supervisory Board does not anticipate any significant personnel changes in the coming years. In December 2016, the Supervisory Board therefore set a target for the ratio of women on the Executive Board of Continental AG of at least 11% for the period up until December 31, 2021. At the same time, the Supervisory Board resolved to review the defined target as at December 31, 2019, to determine whether a target of higher than 11% can be set in view of the measures resolved. After performing its review, the Supervisory Board decided in December 2019 not to change the target. Women made up 12.5% of the Executive Board of Continental AG as at December 31, 2019, and at the time this report was prepared.

In accordance with Section 76 (4) *AktG*, the Executive Board of Continental AG is required to set targets for the ratio of women in the first two management levels below the Executive Board and a deadline for achieving these targets. In November 2016, the Executive Board set the following target quotas for women in the first two management levels below the Executive Board at Continental AG for the period up until December 31, 2021: 26% for the first management level and 33% for the second management level. As at December 31, 2019, the ratio of women was 35% at the first management level and 31% at 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 corporation, 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 2019, a total of about 46% of the corporation's managers came from other countries.

Continental AG is also working on increasing the proportion of women in management positions. The proportion is to be increased to at least 16% by 2020 and 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 and female candidates 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.

Compliance

Source: 2019 Annual Report > To Our Shareholders > Corporate Governance > Compliance (🔗 starting on p. 22)

Note: The text has been adjusted for page references.

One of our four values is trust. Trust requires integrity, honesty and incorruptibility. Compliance with all the legal requirements that apply to Continental AG and its subsidiaries and its internal regulations by management and employees has therefore long been a goal of the company and an integral part of its corporate culture. In addition to our corporate guidelines, OUR BASICS, and the Corporate Governance Principles, this is reflected in particular in our Corporate Social Responsibility Principles and the Code of Conduct that is binding for all employees. The Executive Board is firmly committed to these principles and that of "zero tolerance," particularly with regard to corruption and antitrust violations.

The basis of our Compliance Management System (CMS) is a comprehensive analysis of the compliance risks to which the company is exposed. The company and its business activities are examined in terms of potential compliance risks that can arise, for instance, from its structures and processes, a specific market situation or even operations in certain geographic regions. This takes into account, for example, the results of regular corporation-wide reporting on compliance risks in the governance, risk and compliance (GRC) system, the findings of investigations by the Corporate Audit department, and external sources such as Transparency International's Corruption Perception Index. This analysis is substantiated and expanded primarily by a series of discussions with management and employees at all levels and at our training events. The risk analysis is not a one-off procedure, but is constantly reviewed and updated.

The head of the Compliance department manages the compliance organization in operational terms. The person holding this position is subordinate to the corporate compliance officer, who reports directly to the chief financial officer. The focal area of the work of the Compliance department is preventing violations of antitrust and competition law, corruption, fraud and other property offenses, and infringements of regulations for the prevention of money laundering. For other areas in which there is a risk of compliance violations, responsibility for compliance management lies with the respective functions that have performed these duties competently for a long time and are supported in these tasks by the Compliance department.

The CMS consists of the three pillars of prevention, detection and response:

› The first pillar of CMS – **prevention** – includes employee training, in particular, in addition to the risk analysis. Here, we attach great importance to in-person events at which we can address employees personally and directly and discuss their questions. We use e-learning programs as well. Prevention is also fostered by consultation on specific matters with the Compliance department and by the internal publication of guidelines on topics such as antitrust law and contact with competitors, giving and receiving

gifts, and sponsoring. Continental introduced a Business Partner Code of Conduct to prevent compliance violations by suppliers, service providers or similar third parties that could have negative repercussions for Continental, or that could be attributed to the company under laws such as the U.K. Bribery Act. This must be recognized as a basic requirement for doing business with Continental. If necessary, third-party due diligence can be performed with regard to compliance issues. Another key element of preventive compliance is communication measures, which are carried out on a regular basis. These include video tutorials on compliance, as well as Compliance Days and Compliance Games that are organized by the individual locations with the support of the compliance organization.

› The second pillar of CMS – **detection** – comprises regular and ad hoc audits. In addition, compliance is always a subject of audits carried out by Corporate Audit. Continental has set up a Compliance & Anti-Corruption Hotline to give employees and third parties outside the corporation the opportunity to report violations of legal regulations, its fundamental values and ethical standards. Information on any kind of potential violations, such as bribery or antitrust behavior, but also other offenses or accounting manipulation, can be reported anonymously via the hotline where permissible by law. Corporate Audit and the Compliance department investigate and pursue all tips received by this hotline. The hotline is available worldwide in many different languages. The number of tips received by the hotline has risen steadily over the past few years. We see this as a sign of increased awareness of compliance topics and as a success in our compliance work.

› The third pillar of CMS – **response** – deals with the consequences of compliance violations that have been identified. The Compliance department is involved in decisions on measures that may be required, including any individual sanctions. Furthermore, the Compliance department conducts a thorough analysis of such events to ensure that isolated incidents are not symptoms of failings in the system and to close any gaps in prevention.

The design, implementation and effectiveness of Continental AG's CMS for the areas of anti-corruption, competition/antitrust law, fraud and other property offenses are audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY) in accordance with Audit Standard 980 of the Institut der Wirtschaftsprüfer e. V. (IDW). In 2016, EY issued an unqualified review opinion.

Material compliance-related matters and risks are described in more detail in the report on risks and opportunities starting on page 90, and in the notes to the consolidated financial statements (Note 35).

In the Spotlight

New Code of Conduct for Employees and Compliance Training

In 2019, we revised the Continental Code of Conduct. The new version describes Continental's alliance for creating top value from values more clearly. Our Code of Conduct is based on our shared vision and mission, our four corporate values of Trust, Passion To Win, Freedom To Act, and For One Another, as well as on the sustainability of our actions.

The Continental Code of Conduct is an integral part of our global corporate culture. It applies throughout the organization and supports our actions in accordance with laws, regulations and internal directives. This gives each employee greater clarity, safety and freedom to act with regard to their conduct.

In addition to compliance with the Continental Code of Conduct and responsibility for our actions and behavior, 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 the revised version of the Code of Conduct, we have explicitly pledged to respect human rights, ensure fair working conditions and comply with tax regulations.

In the 2019 fiscal year, all employees across the corporation were informed of the new Code of Conduct on the intranet and via various newsletters. Employees are also required to take an eLearning course being held in several different stages. As of December 31, 2019, a total of 90,527 employees had already completed an eLearning course in this area. This equates to a completion rate of just under 91% in relation to the number of employees invited. In addition, specific training sessions on preventing corruption and antitrust law will be offered via a risk-based and target-group oriented classroom training schedule. As of December 31, 2019, 324 classroom training sessions have already been held. In addition, 15,587 employees had completed an eLearning training course as of December 31, 2019 (newcomers and refreshers). Therefore, more than 90,000 compliance training sessions on the Code of Conduct and corruption and antitrust law took place in the 2019 fiscal year in total. With eLearning, we generally aim to achieve a completion rate of at least 95%. At 91%, we fell slightly short of this target at the end of the year as not all training initiatives had yet been completed by this point.

Compliance training sessions	2019	2018
Online training sessions conducted	- 90,000	-85,000
Classroom training sessions conducted	324	-360
Online training session completion rate	> 90%	> 95%

In the Spotlight

Compliance & Anti-Corruption Hotline

Both employees and external third parties have the possibility to report all kinds of compliance-related incidents via the Compliance & Anti-Corruption Hotline, which can be reached around the clock by telephone or e-mail, anonymously and in the respective national language.

The hotline is designed to help track down any improper behavior more effectively. The hotline can be used to report information on violations in the following areas:

- › Theft, kickbacks and bribery
- › Fraud, embezzlement
- › Conflicts of interest
- › Insider trading

- › Antitrust issues (violation of competition law)
- › Money laundering
- › Manipulation of accounting
- › Environment problems
- › Health, work safety and security

Information received by the hotline are passed on to Corporate Audit and Corporate Compliance for investigation. We take all information seriously and ensure that they are treated confidentially to the extent permitted by law. We can assure you that no-one is ever discriminated against for acting with integrity.

In the Spotlight

Tax Compliance

We are aware of our social responsibility in meeting our tax obligations. In our internal Code of Conduct, we expressly pledge to comply with national and international tax regulations. The corporate tax policy sets out a framework for organizing the management of tax risks across the corporation to enable monitoring of tax compliance. We take steps to ensure that there are no illegal tax reductions or infringements of our obligations to cooperate with the tax authorities. We do not undertake any aggressive tax planning measures and pay taxes in the areas where our business operations create value. Our corporate-wide tax departments maintain a professional relationship with the tax authorities,

while never losing sight of the legitimate interest of the Continental Corporation to keep taxes as low as possible.

Continental AG discloses tax information for all corporate entities on an annual basis, including income tax payments and income tax expenses, within the framework of its legal obligations to the German Federal Central Tax Office (country-by-country reporting). The tax information disclosed as part of country-by-country reporting is based primarily on the Consolidated Financial Statements, which are audited by an independent auditor.

In the Spotlight

Workforce Diversity

We firmly believe that workforce diversity enhances our agility and innovative capacity as a company because different perspectives give rise to new ideas. In these times of digital change, in particular, 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 "Talent Management and Organizational Development" role, 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 digital transformation. This includes a concept to harness the opportunities offered by digitalization to the greatest extent possible at Continental. In this context, our company's strategy to promote workforce diversity helps identify the potential of digitalization and promote new, cross-divisional ways of thinking.

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 manage workforce diversity

The "Global Diversity Network" serves as a platform for cultural development. There are currently a total of 28 workforce diversity networks within this umbrella organization, which provides a forum for members around the world to share their thoughts and experiences in this area.

The "Diversity Summit" is a key cultural development event where selected managers from various roles and business units come together and gain an insight into the pioneering culture of start-up companies. 2019 also saw the launch of two new event formats:

- › "Transformation Summit": This event focuses specifically on the challenges of transformative and organizational change and aims to empower employees to deal with such changes.
- › "Women Senior Executive Event": In a first-of-its-kind initiative, this event brought together women with business

responsibility from the different business areas and regions to provide a platform for networking and sharing thoughts and ideas on various topics.

A global key performance indicator measuring the proportion of women in the top two management levels has been introduced to further increase diversity. 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 16% by 2020 and 25% by 2025. In 2019, the proportion of females in our top two management levels increased to 15.8% (PY: 14.8%).

In 2016, we rolled out the Women@Work program around the world to nurture women in the early stages of their careers and to network them with female employees at the executive and senior executive levels. To date, more than 600 women in North America and Europe have participated in this program, and many of them are still in regular contact with each other today.

In addition to supporting their career development, improving the balance of work and family life is another important tool 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 flextime as well as remote working and sabbaticals.

Our success in increasing workforce diversity in the company depends to a great extent on the attitudes of management personnel. To ensure a variety of viewpoints and perspectives are incorporated into our corporate culture, "cross moves," i.e. a move to a different business unit or role, as well as international experience, are now essential criteria for promotion to executive and senior executive level. Diagnostic procedures also help to ensure that staffing decisions are made as objectively as possible. Diversity is also a core element of many further training courses. The "Differences Add Value" training course helps managers to deepen their understanding of diversity by sharing and discussing practical experiences and business situations relating to diversity at Continental. The "Train the Trainer" principle lays the foundation for this training course to reach as many Continental employees around the world as possible, giving them a greater understanding of the added value generated when people with different perspectives work together.

In the Spotlight

Litigation and Compensation Claims

Source: 2019 Annual Report > Consolidated Financial Statements > Notes to the Consolidated Financial Statements > Other Disclosures > 35. Litigation and Compensation Claims (🔗 starting on p. 197)

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 U.S.A. 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 being 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 U.S.A. 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.

Proceedings relating to ContiTech AG

The actions of rescission and nullification by shareholders of ContiTech AG, Hanover, Germany, against resolutions adopted by the Annual Shareholders' Meeting of the company on August 22, 2007, regarding the approval of the conclusion of a management and profit and loss transfer agreement between this company as the controlled company and ContiTech-Universe Verwaltungs-GmbH, Hanover, Germany, as the controlling company and regarding the squeeze-out of minority shareholders were concluded in 2009 by a dismissal, which is final. In 2012, partial settlement agreements were entered in the records of the Hanover Regional Court (*Landgericht*) in the judicial review proceedings regarding the appropriateness of the settlement and compensation payment under the management and profit and loss transfer agreement and the settlement for the squeeze-out.

Under these settlements, a payment of €3.50 plus interest per share on top of the exit compensation under the management and profit and loss transfer agreement and on account of the squeeze-out was agreed upon, as was a - merely declaratory - higher compensatory payment under the management and profit and loss transfer agreement. The compensation consequently increased to €28.33 per share. In October 2012, the Hanover Regional Court awarded additional payments of the same amount. Upon appeals by some petitioners, the Celle Higher Regional Court (*Oberlandesgericht*) revoked the rulings on July 17, 2013, and remanded the matter to the Regional Court for a new hearing and ruling. On September 19, 2018, the Hanover Regional Court adjusted the compensation under the management and profit and loss transfer agreement and on account of the squeeze-out to €26.70 per share and also adjusted the compensatory payment under the management and profit and loss transfer agreement on a merely declaratory basis. On March 22, 2019, the Celle Higher Regional Court dismissed as inadmissible and rejected the appeals filed by some petitioners against these decisions by the Hanover Regional Court. These rulings by the higher regional court are final. The proceedings have therefore come to an end.

Regulatory proceedings

In May 2005, the Brazilian competition authorities opened investigations against Continental's Brazilian subsidiary Continental Brasil Indústria 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 €2.7 million) on CBIA, which was then reduced to BRL 10.8 million (around €2.4 million). CBIA denies the accusation that it has infringed Brazilian antitrust law. The court of first instance appealed to by CBIA upheld the decision. However, 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 (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.

In October 2012, Continental Automotive Systems US, Inc., Auburn Hills, Michigan, U.S.A., and two of Continental's South Korean subsidiaries became aware of investigations by the U.S. Department of Justice (DOJ) and the Korean Fair Trade Commission (KFTC) in connection with the suspected involvement in violations of U.S. and South Korean antitrust law in instrument cluster business. CAE successfully appealed against the fine of KRW 45,992 million (around €36 million) that the KFTC had originally imposed on Continental Automotive Electronics LLC, Bugang-myeon, South Korea (CAE), in this case on December 23, 2013. On May 21, 2018, the KFTC subsequently adjusted the fine to KRW 32,101 million (around €25 million). This decision is final. On November 24, 2014, CAE and Continental Automotive Korea Ltd., Seongnam-si, South Korea, entered into an agreement with the DOJ that was confirmed by the competent U.S. court on April 1, 2015. Under this agreement, the two companies admitted to charges of violating U.S. antitrust law and agreed to pay a fine of U.S. \$4.0 million (around €3.6 million). In the proceedings relating to class action lawsuits filed in the U.S.A. for alleged damages resulting from the antitrust violations, settlements totaling U.S. \$5.0 million (around €4.5 million) were concluded in 2018. The risk of investigations into this matter by other antitrust authorities and claims for damages by further alleged victims remains unaffected by the fines imposed.

In September 2014, the European Commission conducted a search at a subsidiary of Continental. On February 21, 2018, the 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; for the unlawful exchange of information. This involved specific brake components. Continental has set aside provisions that cover this fine. Continental cannot rule out the possibility that customers will claim for damages with reference to the commission's decision. At this point in time, it is not possible to say whether such claims will be submitted and, if they are, how much the damages will be - irrespective of whether or not the claims are justified. As a result, it cannot be ruled out that the resulting expenses will exceed the provisions that have been set aside for this purpose. In accordance with IAS 37.92, *Provisions, Contingent Liabilities and Contingent Assets*, 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.

Corporate Citizenship

As a company, we are a part of society. For this reason, we are committed to being a good citizen within the local community at our locations around the world and actively promote and support social initiatives, activities, and projects.

Our corporate citizenship is underpinned by our four corporate values of Trust, Passion To Win, Freedom To Act and For One Another, as well as internal policies and local laws.

Our corporate-wide donations policy defines the main content and processes for financial donations and donations in kind. We only make donations to charitable, non-profit organizations. We do not make donations either directly or indirectly to political parties, political organizations, or politicians. The option for our US-based employees to personally make political donations through a "political action committee" does not contradict this policy.

We also encourage our employees to participate in volunteering activities.

In the Spotlight

Volunteering Activities Undertaken by our Employees - First "Continental Community Week" in North America

In 2019, a "Volunteer Paid Time Policy" was adopted at more than ten Continental manufacturing locations in Canada and the U.S.A. This policy enables full-time employees to apply for and contribute up to 16 hours of paid voluntary work per calendar year.

In this context, the first "Continental Community Week" was held in July 2019. The goal of this event was to clock up 1,000 volunteer hours for charitable activities in local communities. Employees were encouraged to use their paid volunteer hours during this week. Some employees even volunteered after the end of their regular workday.

Employees were able to help out at selected non-profit partner organizations or even implement their own project ideas with friends and family. Picking up garbage from public areas, helping to build a house for people in need, and sorting food at the local food bank are just some examples of how Continental employees made a real impact in their local communities.

The employees at these locations exceeded their goal of 1,000 volunteer hours by a clear margin: In total, around 400 employees contributed more than 1,250 volunteer hours during the "Continental Community Week."

In the Spotlight

Plogging in India: Jogging for Cleaner Streets

In 2019, our employees in India waged war on the garbage in the streets surrounding our locations in the country. The department responsible for Continental's social responsibility throughout India organized two "plogging" events, which combine jogging with picking up garbage.

The first event took place in January in Bangalore. A total of 82 employees volunteered their time, some of them accompanied by their families. In four hours, they collected an impressive 1.28 metric tons of garbage and bulky goods along the five-kilometer route. In cooperation with a local non-governmental organization (NGO) and a recycling company, 93% of the waste was then recycled or further processed.

Building on the success of this first event, a nationwide plogging event was held in June in Bangalore, Pune, Gurgaon and Modipuram in collaboration with three local NGOs and recycling companies. This time, around 1,000 people from eight locations and factories participated in the event - an impressive figure that is testament to the social responsibility and environmental awareness of the employees at these locations. Over the course of two hours, the employees and their families collected approximately 2.5 metric tons of waste, filling almost 500 garbage bags. This event was a shining example of how we can live our corporate value of "For One Another": Administrative and production employees worked together with members of the management team to help the local community.

Risk and Opportunities

Source: 2019 Annual Report > Management Report > Report on Risks and Opportunities (🔗 starting on p. 90)

Note: The text has been shortened. The text has been adjusted for page references.

The overall situation is analyzed and managed corporation-wide using the risk and opportunity management system.

The management of Continental is geared toward creating added value. For us, this means sustainably increasing the value of each individual business unit and the corporation as a whole. We evaluate risks and opportunities responsibly and on an ongoing basis in order to achieve our goal of adding value.

We define risk as the possibility of internal or external events occurring that can have a negative influence on the attainment of our strategic and operational targets. As a global corporation, Continental is exposed to a number of different risks that could impair business and, in extreme cases, endanger the company's existence. We accept manageable risks if the resulting opportunities are expected to result in sustainable growth in value. We consider growth in value in terms of the Continental Value Contribution (CVC) system described in the Corporate Management section.

Risk and Opportunity Management and Internal Control System

In order to operate successfully as a company in a complex business environment and to ensure the effectiveness, efficiency and propriety of accounting and compliance with the relevant legal and sub-legislative regulations, Continental has created a governance system that encompasses all relevant business processes. The governance system comprises the internal control system, the risk management system and the compliance management system, which is described in detail in the corporate governance declaration on page 22. The risk management system in turn also includes the early risk identification system in accordance with Section 91 (2) of the German Stock Corporation Act (*Aktiengesetz - AktG*).

The Executive Board is responsible for the governance system, which includes all subsidiaries. The Supervisory Board and its Audit Committee monitor its effectiveness.

Pursuant to Sections 289 (4) and 315 (4) of the German Commercial Code (*Handelsgesetzbuch - HGB*), the main characteristics of the internal control and risk management system with respect to the accounting process must be described. All parts of the risk management system and internal control system that could have a material effect on the annual and consolidated financial statements must be included in the reporting.

Key elements of the corporation-wide control systems are the clear allocation of responsibilities and controls inherent in the system when preparing the financial statements. The two-person rule and separation of functions are fundamental principles of this organization. In addition, Continental's management ensures accounting that complies with the requirements of law via guidelines on the preparation of financial statements and on accounting, access authorizations for IT systems and regulations on the involvement of internal and external specialists.

The effectiveness of the financial reporting internal control system (Financial Reporting ICS) is evaluated in major areas by testing the effectiveness of the reporting units on a quarterly basis. If any weaknesses are identified, the corporation's management initiates the necessary measures.

As part of our opportunity management activities, we assess market and economic analyses and changes in legal requirements (e.g. with regard to fuel consumption and emission standards as well as safety regulations). In addition, we deal with the corresponding effects on the automotive sector and other relevant markets, our production factors and the composition and further development of our product portfolio.

Governance, risk and compliance (GRC)

In the GRC policy adopted by the Executive Board, Continental defines the general conditions for integrated GRC as a key element of the risk management system, which regulates the identification, assessment, reporting and documentation of risks. In addition, this also further increases corporate-wide risk awareness and establishes the framework for a uniform risk culture. The GRC Committee ensures that this policy is adhered to and implemented.

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, Compliance, Law and IT - include identifying material risks for the corporation. 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 of the corporation is required to report to the Audit Committee of the Supervisory Board regarding any material weaknesses in the Financial Reporting ICS which the auditor identified as part of their audit activities.

Risk reporting



Risk assessment and reporting

A period under consideration of one year is always applied when evaluating risks and opportunities. The risks and their effects are assessed primarily according to quantitative criteria and assigned to different categories in line with the net principle, i.e. after risk mitigation measures. If a risk cannot be assessed quantitatively, then it is assessed qualitatively based on the potential negative effects its occurrence would have on achieving strategic corporate goals and based on other qualitative criteria such as the impact on Continental's reputation. Material individual risks for the corporation are identified from all the reported risks based on the probability of occurrence and the amount of damage that would be caused in the period under consideration. 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 EBIT 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 strategic corporate goals.

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, a

centrally developed function-specific questionnaire 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 and the financial statement closing process) are thus tested with respect to their effectiveness.

All major subsidiaries carry out a semiannual assessment of business-related risks and an annual assessment of compliance risks in the GRC system's IT-aided risk management application. Any quality, legal and compliance cases that have actually occurred are also taken into account when assessing these risks. The quarterly Financial Reporting ICS completes regular GRC reporting. Furthermore, the GRC Committee identifies and assesses strategic risks, for example as part of a SWOT analysis. Any new material risks arising unexpectedly between regular reporting dates have to be reported immediately and considered by the GRC Committee. This also includes risks identified in the audits by corporate functions.

In addition to the risk analyses carried out by the reporting units as part of integrated GRC, audits are also performed by the Corporate Audit department. Furthermore, the central controlling function analyzes the key figures provided as part of this reporting process at corporation and division level in order to assess the effects of potential risks.

Continental has set up a Compliance & Anti-Corruption Hotline to give employees and third parties outside the corporation the opportunity to report violations of legal regulations, its fundamental values and ethical standards. Information on any kind of potential violations, such as bribery or antitrust behavior, but also accounting manipulations, can be reported anonymously, where permissible by law, via the hotline. Tips received by the hotline are examined, pursued and dealt with fully by Corporate Audit and the Compliance department, as required, with the assistance of other departments.

Risk management

The responsible management initiates suitable countermeasures that are also documented in the GRC system for each risk identified and assessed as material. The GRC Committee monitors and consolidates the identified risks and suitable countermeasures at the corporation 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. Corporate Audit regularly audits the risk management process, thereby continually monitoring its effectiveness and further development.

Material Risks

The order of the risk categories and individual risks presented within the four risk groups reflects the current assessment of the relative risk exposure for Continental and thus provides an indication of the current significance of these risks. If no quantitative information on the amount of damage is provided, the assessment is carried out on the basis of qualitative criteria. Unless the emphasis is placed on a specific division, the risks apply to all divisions.

Risk category	Material individual risks
Financial risks	<ul style="list-style-type: none"> › Continental is exposed to risks in connection with its financing agreements and the syndicated loan. › Continental is exposed to risks associated with changes in currency exchange rates and hedging.
Market risks	<ul style="list-style-type: none"> › Continental could be exposed to material risks in connection with a global financial and economic crisis. › Continental operates in a cyclical industry. › Continental is reliant on certain markets. › Continental is exposed to risks associated with the market trends and developments that may greatly affect the demand for Continental's products and systems. › Continental could be affected by the consequences of the outbreak of the new coronavirus (SARS-CoV-2). › Continental is exposed to risks associated with additional or higher tariffs. › Continental is exposed to fluctuations in the prices of raw materials and electronic components.
Operational risks	<ul style="list-style-type: none"> › Continental is exposed to risks in connection with its pension commitments. › Continental is exposed to warranty and product liability claims. › Continental depends on a limited number of key suppliers for certain products. › Continental could be adversely affected by property loss and business interruption. › Continental is exposed to information-technology risks. › Continental is exposed to risks in connection with its interest in MC Projects B.V.
Legal and environmental risks	<ul style="list-style-type: none"> › Continental could become subject to additional burdensome environmental or safety regulations, and new regulations could adversely affect demand for the corporation's products and services. › Continental could be unsuccessful in adequately protecting its intellectual property and technical expertise. › There is a risk that Continental could infringe on the industrial property rights of third parties. › Continental could be threatened with fines and claims for damages for alleged or actual antitrust behavior. › Continental is exposed to risks from legal disputes.

Note: This version has been shortened. For a complete picture of all the risks, including explanatory notes, consult the Annual Report.

Material Opportunities

Unless the emphasis is placed on a specific division, the opportunities apply to all divisions.

Material Opportunities

- › There are opportunities for Continental if the economy performs better than anticipated.
 - › There are opportunities for Continental if the sales markets develop better than anticipated.
 - › There are opportunities for Continental if there is a stable price level on the raw materials markets relevant to us.
 - › There are opportunities for Continental from changes in the legal framework.
 - › There are opportunities for Continental from digitalization and particularly from the intelligent interconnection of vehicles with each other and with the internet.
 - › The trend toward automated driving presents Continental with opportunities.
 - › Urbanization presents Continental with opportunities.
-

Note: This version has been shortened. For a complete picture of all the risks, including explanatory notes, consult the Annual Report.

Statement on Overall Risk and Opportunities Situation

In the opinion of the Executive Board, the risk situation of the Continental Corporation has not changed significantly in the past fiscal year, but has generally become more volatile.

The duration of the current market weakness and the extent to which the automotive industry is drawn into ongoing trade disputes in the future remain to be seen, as does the extent to which the effects of the coronavirus impact our business in the current year.

However, despite the changes in individual risks, the analysis in the corporation-wide risk management system for the year under review did not reveal any risks that, individually or collectively, pose a threat to the company or the corporation as a going concern. In the opinion of the Executive Board, there are also no discernible risks to the corporation as a going concern in the foreseeable future.

Considering the material opportunities, the overall risk assessment for the Continental Corporation presents a reasonable risk and opportunities situation to which our strategic goals have been aligned accordingly.

Further Information

GRI Index

This report was prepared using the GRI standards (option “core”). The basis was the consolidated GRI sustainability reporting standards in the 2019 compilation (“Consolidated set of GRI Sustainability Reporting Standards 2019”). The following index presents the page references for required information and provides information on completeness.

Universal disclosure obligations

GRI 102: General Disclosures

The general standards give a general and strategic overview of sustainability within the organization. Continental gives its comments on all core indicators in the table below.

Required disclosure	Description	Continental comments/page reference	Response to the obligatory GRI disclosures (self-assessment)
1. Organizational Profile			
102-1	Name of the organization	P. 8 f.	completely reported
102-2	Activities, brands, products, and services	P. 8 f.	completely reported
102-3	Location of headquarters	P. 8 f.	completely reported
102-4	Location of operations	P. 8 f.	completely reported
102-5	Ownership and legal form	P. 8 f.	completely reported
102-6	Markets served	P. 8 f.	completely reported
102-7	Scale of the organization	P. 8 f.	completely reported
102-8	Information on employees and other workers	P. 44, 47	completely reported
102-9	Supply chain	P. 8 f.	completely reported
102-10	Significant changes to the organization and its supply chain	P. 8 f.	completely reported
102-11	Precautionary principle or approach	P. 13	completely reported
102-12	External initiatives	P. 16	completely reported
102-13	Membership of associations	P. 16	completely reported
2. Strategy			
102-14	Statement from senior decision-maker	P. 5, 12 f.	completely reported
3. Ethics and Integrity			
102-16	Values, principles, standards, and norms of behavior	P. 55 f., 63	completely reported
4. Governance			
102-18	Governance structure	P. 13, 14, 56 f.	completely reported
5. Stakeholder Engagement			
102-40	List of stakeholder groups	P. 15	completely reported
102-41	Collective bargaining agreements	P. 50	completely reported
102-42	Identifying and selecting stakeholders	P. 15	completely reported
102-43	Approach to stakeholder engagement	P. 15	completely reported
102-44	Key topics and concerns raised	P. 13, 15	completely reported
6. Reporting Practice			
102-45	Entities included in the consolidated financial statements	P. 6	completely reported
102-46	Defining report content and topic boundaries	P. 6	completely reported
102-47	List of material topics	P. 6	completely reported
102-48	Restatements of information	P. 6	completely reported
102-49	Changes in reporting	P. 6	completely reported
102-50	Reporting period	P. 6	completely reported
102-51	Date of most recent report	P. 6	completely reported
102-52	Reporting cycle	P. 6	completely reported
102-53	Contact point for questions regarding the report	P. 81	completely reported
102-54	Claims of reporting in accordance with the GRI Standards	P. 6, 73	completely reported
102-55	GRI content index	P. 73 f.	completely reported
102-56	External assurance	P. 6 f., 80	completely reported

Topic-specific disclosure obligations (by materiality)

The GRI topic-specific disclosure obligations are based on materiality. In the table below, Continental gives its comments on all the topic-specific GRI standards in the Economic, Environmental, and Social categories that are regarded as material.

GRI 200: Economic

Required disclosure	Description	Continental comments/page reference	Response to the obligatory GRI disclosures (self-assessment)
201	Economic Performance		
103	Management approach	P. 34 f.	completely reported
201-1	Direct economic value generated and distributed	P. 36 f.	partially reported
201-2	Financial implications and other risks and opportunities due to climate change	P. 8 f., 17 f., 20 f., 71, 72	partially reported
201-3	Defined benefit plan obligations and other retirement plans	P. 43, 45, 55	completely reported
201-4	Financial assistance received from government	P. 42	completely reported
202	Market Presence		
103	Management approach	P. 43, 50, 55	partially reported
202-1	Ratios of standard entry level wage by gender compared to local minimum wage		not reported
202-2	Proportion of senior management hired from the local community		not reported
203	Indirect Economic Performance		
103	Management approach	P. 68	partially reported
203-1	Infrastructure investments and services supported	P. 68	partially reported
203-2	Significant indirect economic impacts		not reported
205	Anti-Corruption		
103	Management approach	P. 55, 62, 63, 64, 68	completely reported
205-1	Operations assessed for risks related to corruption	P. 62	partially reported
205-2	Communication and training about anti-corruption policies and procedures	P. 62, 63	completely reported
205-3	Confirmed incidents of corruption and actions taken		not reported
206	Anti-competitive Behavior		
103	Management approach	P. 62	completely reported
206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices	P. 66 f.	completely reported
207	Tax		
103	Management approach	P. 64	completely reported
207-1	Approach to tax	P. 64	completely reported
207-2	Tax governance, control, and risk management	P. 64	partially reported
207-3	Stakeholder engagement and management of concerns related to tax	P. 64	not reported
207-4	Country-by-country reporting	P. 38, 64	partially reported

GRI 300: Environment

Required disclosure	Description	Continental comments/page reference	Response to the obligatory GRI disclosures (self-assessment)
301	Materials		
103	Management approach	P. 23	completely reported
301-1	Materials used by weight or volume	P. 23	partially reported
301-2	Recycled input materials used		not reported
301-3	Reclaimed products and their packaging materials		not reported
302	Energy		
103	Management approach	P. 20, 31	completely reported
302-1	Energy consumption within the organization	P. 32	completely reported
302-2	Energy consumption outside of the organization		not reported
302-3	Energy intensity		not reported
302-4	Reduction of energy consumption	P. 31, 32	partially reported
302-5	Reductions in energy requirements of products and services	P. 17 f.	partially reported
303	Water		
103	Management approach	P. 31	completely reported
303-1	Water withdrawal by source	P. 33	completely reported
303-2	Water sources significantly affected by withdrawal of water	P. 33	completely reported
303-3	Water recycled and reused	P. 33	completely reported
305	Emissions		
103	Management approach	P. 20	completely reported
305-1	Direct (Scope 1) GHG emissions	P. 20, 21	completely reported
305-2	Energy indirect (Scope 2) GHG emissions	P. 20, 21	completely reported
305-3	Other indirect (Scope 3) GHG emissions	P. 22	partially reported
305-4	GHG emissions intensity		not reported
305-5	Reduction of GHG emissions	P. 20, 21, 22, 32	partially reported
305-6	Emissions of ozone-depleting substances (ODS)		not reported
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX) and other significant air emissions		not reported
306	Effluents and Waste		
103	Management approach	P. 23, 31	completely reported
306-1	Water discharge by quality and destination		not reported
306-2	Waste by type and disposal method	P. 23	partially reported
306-3	Significant spills		not reported
306-4	Transport of hazardous waste		not reported
306-5	Water bodies affected by water discharges and/or runoff		not reported
307	Environmental Compliance		
103	Management approach	P. 20, 23, 31	completely reported
307-1	Non-compliance with environmental laws and regulations	P. 66 f.	completely reported
308	Supplier Environmental Assessment		
103	Management approach	P. 26	partially reported
308-1	New suppliers that were screened using environmental criteria	P. 26	partially reported
308-2	Negative environmental impacts in the supply chain and actions taken	P. 26	partially reported

GRI 400: Social

Required disclosure	Description	Continental comments/page reference	Response to the obligatory GRI disclosures (self-assessment)
401	Employment		
103	Management approach	P. 44	completely reported
401-1	New employee hires and employee turnover	P. 48	partially reported
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	P. 43, 45, 55	partially reported
401-3	Parental leave	P. 44	not reported
402	Labor/Management Relations		
103	Management approach	P. 50, 51	partially reported
402-1	Minimum notice periods regarding operational changes	P. 15, 50, 60	not reported
403	Occupational Health and Safety		
103	Management approach	P. 31, 33, 51	completely reported
403-1	Workers representation in formal joint management-worker health and safety committees	P. 50	not reported
403-2	Types of injury and rates of injury, occupational diseases, lost days, absenteeism, and the number of work-related fatalities	P. 31	partially reported
403-3	Workers with high incidence or high risk of diseases related to their occupation		not reported
403-4	Health and safety topics covered in formal agreements with trade unions	P. 33	completely reported
404	Training and Education		
103	Management approach	P. 44, 48, 49	completely reported
404-1	Average hours of training per year per employee	P. 44	not reported
404-2	Programs for upgrading employee skills and transition assistance programs	P. 49	partially reported
404-3	Percentage of employees receiving regular performance and career development reviews	P. 44	not reported
405	Diversity and Equal Opportunity		
103	Management approach	P. 41, 55, 61, 65	completely reported
405-1	Diversity of governance bodies and employees	P. 55, 61	partially reported
405-2	Ratio of basic salary and remuneration of women to men	P. 50	not reported
406	Non-discrimination		
103	Management approach	P. 44, 51, 63	partially reported
406-1	Incidents of discrimination and corrective actions taken	P. 44, 51, 63, 64, 65	not reported
407	Freedom of Association and Collective Bargaining		
103	Management approach	P. 26, 44, 40, 51, 63	partially reported
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	P. 26, 44, 50, 51, 63	partially reported
408	Child Labor		
103	Management approach	P. 26, 44, 51, 63	partially reported
408-1	Operations and suppliers at significant risk for incidents of child labor	P. 26, 44, 51, 63	partially reported
409	Forced or Compulsory Labor		
103	Management approach	P. 26, 44, 51, 63	partially reported
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	P. 26, 44, 51, 63	partially reported

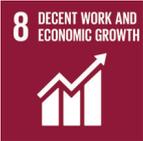
UN Global Compact Index

The following index serves as the Continental Corporation's 2019 "Communication on Progress" on the status of implementation for 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.	P. 26, 44, 51, 63
	2. Make sure that they are not complicit in human rights abuses.	P. 26, 44, 51, 64
Labor	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	P. 26, 44, 51, 65
	4. The elimination of all forms of forced and compulsory labor.	P. 26, 44, 51, 66
	5. The effective abolition of child labor.	P. 26, 44, 51, 67
	6. The elimination of discrimination in respect of employment and occupation.	P. 44, 51, 63, 64, 65
Environment	7. Businesses should support a precautionary approach to environmental challenges.	P. 17, 20, 23, 26, 31
	8. Undertake initiatives to promote greater environmental responsibility.	P. 17, 20, 23, 26, 31
	9. Encourage the development and diffusion of environmentally friendly technologies.	P. 17, 20, 23, 26
Anti-Corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	P. 26, 55, 62, 63, 64

SDG Index

The following index presents the Continental Corporation's reported sustainability activities in the context of the UN Sustainable Development Goals (SDGs).

SDG	Adressed in this sustainability report	SDG	Adressed in this sustainability report
	P. 68		P. 26 f., 43, 51, 63, 68
	P. 68		P. 17 f., 28 f., 31 f., 53, 68
	P. 26, 31, 33, 51		P. 6, 23, 31f.
	P. 43, 68		P. 17 f., 20 f., 31 f.
	P. 51, 61, 63, 65		P. 31, 33
	P. 31, 33		P. 26 f., 31 f.
	P. 20, 31 f.		P. 26, 51, 55, 62 f.
	P. 26 f., 28, 31, 36, 43, 50, 51, 63, 68		P. 16, 26 f., 43, 68
	P. 17, 20, 23, 28, 53		

Ratings and Rankings

Continental features in various sustainability indices:

Index	Description
	Continental is listed in various ECPI sustainability indices.
	Continental is represented in the FTSE4Good Index series.
DAX 50 ESG	Continental is listed in the DAX 50 ESG.

Continental also performed as follows in the rankings indicated below:

Index	Year	Description
	2020	BBB
	2020	Prime (C+)
	2019	Climate: Score B Water: Score B Supply Chain: Score A; Supplier Engagement Leader Board
	2019	Outperformer (73 / 100 points)
	2019	Gold status 65 /100 points Among the top 5% companies

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 of 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 audit opinions of the independent auditor from KPMG for the audited contents of this report are available online at www.continental-sustainability.com in the Sustainability/Downloads section.

Name of auditor's report	Valid for	Date of the auditor's report ¹
Report on the Audit of the Consolidated Financial Statements and the Corporate Management Report	Content from the Consolidated Financial Statements and Management Report (except for the Combined Corporate Non-Financial Statement)	Mar. 3., 2020
Reasonable Assurance Report of the Independent Auditor Regarding the Combined Corporate Non-financial Statement	Content from the Combined Corporate Non-Financial Statement	Mar. 3., 2020
Limited Assurance Report regarding selected environmental performance disclosures in the Sustainability Report	CO ₂ emissions scope 3	Mar. 27, 2020

¹ Disclaimer: KPMG would like to point out that neither the Sustainability Report as a whole nor other information were the subject of the audit activities. No further audit activities have been performed since the conclusions of the audit were issued. It is therefore possible that facts that have come to light since the appointed time may not have been taken into account.

Publication Details

Publisher:

Continental AG
Vahrenwalder Strasse 9
30165 Hanover

Concept, editing and concept:

Continental AG, Group Sustainability
Steffen Schwartz-Hoefler, Head of Sustainability
Andrea Lukas, Sustainability Reporting Specialist

If you have questions or comments, please send us an e-mail to the address: [✉ sustainability@continental.com](mailto:sustainability@continental.com).

Further information on sustainability at Continental can be found in the internet at: [✉ www.continental-sustainability.com](http://www.continental-sustainability.com).

Continental Aktiengesellschaft

P.O. Box 1 69, 30001 Hanover, Germany

Vahrenwalder Strasse 9, 30165 Hanover, Germany

Phone: +49 511 938 - 01, Fax: +49 511 938 - 81770

mailservice@conti.de

www.continental.com