



GRI Report 2013

and UN Global Compact
Communication on Progress

About This Report

In this document, Continental AG presents its sustainability report for the year 2013. It relates to fiscal year 2013 (January 1 to December 31, 2013) and is aimed at investors, analysts, customers, employees, suppliers, politicians, and public authorities, as well as all other stakeholders that have relations with the company and want to know the values and principles that define our actions.

The report aims to create transparency and therefore present – alongside our wide range of activities and achievements – all those areas in which we need to improve further. Over recent years, we have based the structure and content of this report on the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (version G3.0). We have for the first time reported on all additional indicators. Founded in the 1990s, the aim of this initiative is to establish a framework accepted around the world as a means of facilitating comparison and enhancing the credibility of the achievements reported by the respective companies and organizations. Based on our self-assessment, the 2013 report meets application level B. Our company prepares this report voluntarily to create transparency. However, it is compulsory to prepare the enclosed Communication on Progress to the Global Compact of the United Nations on an annual basis as part of our participation.

Overview of the Key Figures of the Continental Corporation

Owing to the first-time adoption of IAS 19 (revised 2011), Employee Benefits, as at January 1, 2013, all subsequent figures for the comparative period have been restated in accordance with the requirements of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

in € millions	2013	2012	Δ in %
Sales	33,331.0	32,736.2	1.8
EBITDA	5,095.0	4,967.4	2.6
in % of sales	15.3	15.2	
EBIT	3,263.7	3,186.2	2.4
in % of sales	9.8	9.7	
Net income attributable to the shareholders of the parent	1,923.1	1,905.2	0.9
Earnings per share in €	9.62	9.53	0.9
Adjusted sales ¹	33,164.3	32,684.7	1.5
Adjusted operating result (adjusted EBIT) ²	3,736.5	3,611.5	3.5
in % of adjusted sales	11.3	11.0	
Free cash flow	1,818.3	1,652.5	10.0
Net indebtedness	4,289.3	5,319.9	-19.4
Gearing ratio in %	46.0	65.2	
Total equity	9,322.2	8,156.4	14.3
Equity ratio in %	34.8	29.7	
Number of employees as at December 31 ³	177,762	169,639	4.8
Dividend per share in €	2.50 ⁴	2.25	
Share price at year-end ⁵ in €	159.40	87.59	
Share price ⁵ (high) in €	161.90	87.95	
Share price ⁵ (low) in €	80.66	48.10	

¹ Before changes in the scope of consolidation.

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

³ Excluding trainees.

⁴ Subject to the approval of the Annual Shareholders' Meeting on April 25, 2014.

⁵ Price quotations of the Continental share in the XETRA system of Deutsche Börse AG.

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1. Strategy and Analysis

1.1 Statement from the organization's most senior decision maker

Sustainable management and corporate social responsibility are among Continental's fundamental values. Both strengthen the culture of For One Another while contributing to forward-looking and value-based corporate management. As a signatory of the Global Compact of the United Nations, we support its ten principles in the areas of human rights, labor, environment, and anti-corruption.

We respect the freedom of future generations and live up to our responsibility. With our products and services, we help expand – and do not restrict – their opportunities for development.

Our goal is to increase the safety, comfort, and energy efficiency of vehicles. To this end, we focus in particular on the intelligent networking of vehicles with each other, their environment, and the Internet. And we want to make mobility affordable for everyone. We also make significant contributions of benefit to society for a number of additional key industries – such as wind turbines for energy generation or conveyor belt systems to transport materials without harming the environment. These contributions improve the protection, health, and quality of life of people.

Freedom to act and personal responsibility are the roots of Continental's growth. We strengthen our vitality and sustainability by granting the greatest possible freedom to our employees early on in their career and encouraging them to use that freedom. At every level, we motivate them to self-organize their work and take responsibility for the results.

The past fiscal year went very well for Continental. Our sustainability-oriented, responsible actions contributed to this. We consider sustainable management to be a strategic corporate development task.

It is therefore an element of our corporate strategy to combine financial and non-financial performance indicators and to take a holistic approach resulting in a contribution that impacts positively on our employees, the environment, and society.

Dr. Elmar Degenhart

Chairman of the Executive Board

1.2 Key sustainability risks, opportunities, and impacts

Careful corporate management and good corporate governance also require that the company deal with risk in a responsible manner. Continental operates a corporation-wide internal control and risk management system that helps analyze and manage the company's risk situation. We use this management system to identify and evaluate developments that could give rise to significant disadvantages and to avoid risks that would endanger the continued existence of the company.

Risk management is included in the annual audit. In terms of the system for early risk recognition, the auditor found that the Executive Board had taken the necessary measures under the German Stock Corporation Act (Section 91 AktG) to identify developments at an early stage that pose a risk to the company as a going concern.

More detailed information on this is provided in the "Risks and Opportunities" section of our Annual Report 2013.

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2. Organizational Profile

2.1 Name of the company

Continental Aktiengesellschaft.

2.2 Important brands, products, and services

Our product portfolio includes brake systems, systems and components for powertrains, chassis and instrumentation, infotainment solutions, vehicle electronics, tires, technical elastomer products, and systems for networked automobile communications.

Below are the important brands for each area:

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

2.3 Business units and corporate structure

The corporation is split into two "groups" comprising a total of five divisions.

Automotive Group

- › The Chassis & Safety division (84 locations in 20 countries) develops and produces intelligent systems for greater safety and driving dynamics. With "Vision Zero", the vision of accident-free driving, it works towards an automotive future in which life is protected even better and injuries are avoided even more effectively; share of sales in 2013: 22 percent (2012: 21 percent).

- › Under the guiding concept of "Clean Power", the Powertrain division (74 locations in 21 countries) develops innovative solutions for gasoline and diesel engines, as well as electrical drive systems. These not only make driving more environmentally friendly and affordable, they also enhance comfort and the pleasure of driving; share of sales in 2013: 19 percent (unchanged).

- › The Interior division (94 locations in 25 countries) deals with information management within vehicles. Under the motto "Always On", it works to network drivers and passengers with their own and other vehicles, the environment and mobile devices; share of sales in 2013: 20 percent (unchanged).

Rubber Group

- › Short braking distances and high grip for maximum safety, low rolling resistance to reduce fuel consumption - this is what the Tire division works on. It has the right tires for every application in its product range - from passenger cars through trucks, buses and construction site vehicles to industrial vehicles, bicycles and motorcycles; share of sales in 2013: 28 percent (2012: 29 percent).

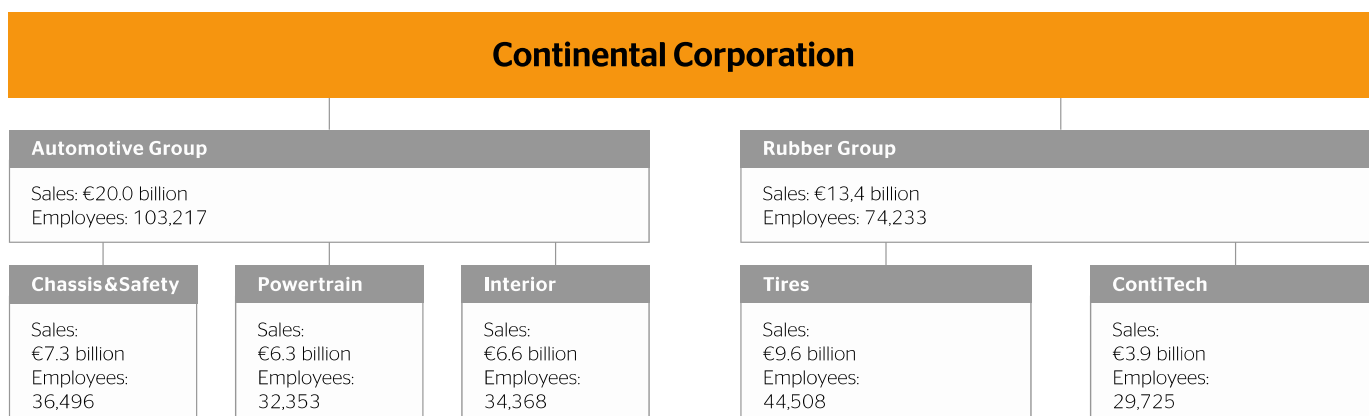
- › In line with the principle of "Engineering Green Value", the ContiTech division (99 locations in 28 countries) develops products made from rubber and plastic - products that are individually customized for a wide range of industries; share of sales in 2013: 11 percent (unchanged).

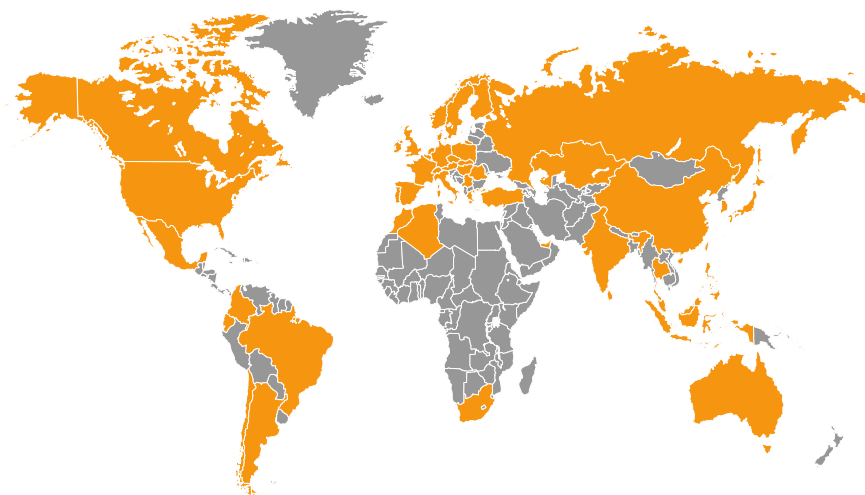
- › Several divisions are represented at some locations.

2.4 Corporate headquarters

Hanover, Germany.

Structure of the Continental Corporation



Worldwide presence: 300 locations in 49 countries**2.5 Number/name of countries with major operations**

Continental has 300 locations in 49 countries:

- › Europe (24): Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Ireland, the Netherlands, Norway, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Spain, Sweden, Switzerland, Turkey, UK
- › North America (3): Canada, Mexico, U.S.
- › South America (5): Argentina, Brazil, Chile, Columbia, Ecuador
- › Africa (3): Algeria, Morocco, South Africa
- › Asia (13): China, India, Indonesia, Japan, Kazakhstan, Malaysia, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, United Arab Emirates
- › Australia

You can find a current overview of all locations via the following link.

The world of Continental at a glance**2.6 Ownership structure**

Continental is a stock corporation under German law. As of December 31, 2013, 46.0 percent of shares were owned by the Schaeffler Group, Herzogenaurach (Germany), and 54.0 percent were in free float (this is attributable to investors in 27 countries). Continental AG is listed on the German stock index (DAX).

2.7 Markets served

Continental operates globally; we have customers in almost every country in the world. The regional distribution of sales in 2013:

- › 30 percent Europe (excluding Germany)
- › 24 percent Germany
- › 22 percent NAFTA region
- › 19 percent Asia
- › 5 percent other countries

This distribution is virtually unchanged on the previous year.

2.8 Scale of the reporting organization

In 2013, the corporation's 177,762 employees generated sales amounting to €33.3 billion, representing an increase of 1.8 percent on 2012 (€32.7 billion). Worldwide, Continental is among the top three suppliers in the automotive supply industry. In 2013, approximately 72 percent of our sales were attributable to automotive manufacturers, and 28 percent to customers from other branches of industry and end users.

2.9 Key changes in the period under review

In the period under review, the Schaeffler Group's shareholding in Continental AG fell from 49.9 percent to 46.0 percent, while the percentage of shares in free float rose from 50.1 percent to 54.0 percent.

The number of worldwide locations increased from 291 to 300.

2.10 Awards received during the reporting period

During the reporting period, Continental received awards including the following:

- › European Transport Sustainability Prize from the HUSS publishing company for the ContiLifeCycle plant in Hanover-Stöcken (to recognize the developments and achievements of the commercial vehicle industry in the field of sustainable products).
- › Excellent Development Partner from the electric vehicle manufacturer Tesla. The manufacturer of luxury-class electric vehicles awarded the accolade in recognition of Continental's collaboration.
- › In 2013, readers of the trade journal Firmenauto chose Continental as a Best Brand (tires category) for the seventh time. Around 2,800 fleet professionals took part in the vote.
- › Continental's location in Tianjin, China, received the Teda Award for its high level of commitment to environmental protection. The location was singled out for special praise thanks to its continuous improvement in energy savings and waste management as well as regularly organized projects to boost environmental awareness.

3. Report Parameters

3.1 Reporting period

January 1, 2013, to December 31, 2013.

3.2 Date of the most recent report

December 2013 (for 2012).

3.3 Reporting cycle

Continental published a report in PDF form on the Internet for the first time for fiscal year 2011. A report has been published annually since then.

3.4 Contact person for questions regarding the report

Petra Hamich
Continental Aktiengesellschaft
Corporate Communications
Vahrenwalder Strasse 9
30165 Hanover
Germany
petra.hamich@conti.de

3.5 Process for defining report content

This report provides an overview of the sustainability targets, strategies, and activities of Continental AG. It adheres to version 3.0 of the internationally recognized Global Reporting Initiative (GRI) Guidelines. Continental regards these guidelines as an important framework to follow.

3.6 Scope of the report

Our financial and personnel data covers all companies that have been included in accordance with the definitions given in the International Financial Reporting Standards (IFRS) 10 (Consolidated Financial Statements) or that are to be classified as a joint arrangement in accordance with IFRS 11 (Joint Arrangements); any cases where this does not hold true (for some personnel data, for instance) are indicated.

Environmental indicators relate to the key production locations worldwide over which Continental has operational control. At present, there are 173 of these locations, 155 of which have a certified environmental management system (ISO 14001). The following are not included in the recording of environmental indicators:

- › Locations where it is not possible to organize data collection (e.g. greenfield sites)
- › Locations that are irrelevant to the corporation's environmental indicators (e.g. test tracks, research and development centers, distribution sites).

To determine the scope of this report, Continental abides by the principle of operational control and factors in all locations and companies where controls exist. Operational control exists if Continental has a shareholding of more than 50 percent or if Continental has full decision-making power regarding operations on the basis of other contractual regulations. Majority shareholdings are consolidated in the reported data.

3.7 Limitations/scope of the report

See 3.6.

3.8 Basis for reporting on joint ventures, subsidiaries, etc.

In addition to the parent company, the corporation's scope of consolidation includes 443 German and foreign companies in which Continental Aktiengesellschaft directly or indirectly controls more than 20 percent of voting rights.

3.9 Measurement techniques and basis of data calculations

See 3.6.

3.10 Changes compared to previous reports with regard to re-statements/new interpretations

This report also looks at all additional indicators referred to in the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (version 3.0).

3.11 Changes compared to previous reports regarding topics, scope, and measurement techniques

We work consistently to improve the quality of our environmental data. For internal purposes, this allows us to monitor environmental performance at different levels as well as compare and benchmark the individual units against competitors. To ensure the comparability of our environmental performance figures over several years, we have defined corporate regulations with regard to prospective and retrospective changes to data (an explanatory note is given in this report wherever this is necessary).

For the first time, this report uses adjusted sales in € (euros) generated in a given reporting period to calculate specific environmental performance figures. Adjusted sales are published in the consolidated financial statements of Continental AG. Compared to sales reported according to IFRS, these sales are primarily adjusted for changes in the scope of consolidation in order to portray the organic growth of Continental AG. The previous years have been adjusted retrospectively in order to ensure the comparability of specific environmental performance data.

3.12 GRI Index table

See page 4 et seq.

3.13 External audit of claims

The auditing firm KPMG AG conducted an independent limited assurance engagement for the indicators "direct CO₂ emissions in millions of metric tons", "indirect CO₂ emissions in millions of metric tons", and "specific CO₂ emissions in metric tons/adjusted sales" (see EN16) for fiscal year 2013.

Information about economic circumstances as well as facts and figures about the sections "Environmental Performance Indicators" (EN) and "Labor Practices and Decent Work" (LA) are based primarily on information from the Annual Report 2013.

4. Governance, Commitments, and Engagement

4.1 Governance structure and responsibility for sustainability

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

The Executive Board has sole responsibility for managing the company free from instructions from third parties in accordance with the German Stock Corporation Act, the company's Articles of Incorporation, its By-Laws, while taking into account the resolutions of the Annual Shareholders' Meeting. Notwithstanding the principle of joint responsibility, whereby all members of the Executive Board share equal responsibility for management of the company, the members of Executive Board are all responsible for the areas entrusted to them. The Chairman is responsible for the company's overall management and business policy; he ensures management coordination and uniformity on the Executive Board and represents the company to the public. The Executive Board had nine members (eight men, one woman) in fiscal year 2013.

The five divisions are represented by one member each on the Executive Board. With the exception of Corporate Purchasing, the central units are represented by the Chief Executive Officer, the Chief Financial Officer, and the Chief Human Resources Officer. The central units assume cross-divisional functions necessary for corporate management, including Finance and Controlling, Law and Compliance, Corporate Social Responsibility, and Environment and Quality Management in particular.

In 2013, we defined cooperation within the corporation as a "Balance of Cooperation." The aim is to establish and promote a common and uniform understanding of our cooperation across organizational levels and geographical boundaries.

To strengthen the organization in China and pave the way for profitable and sustainable growth, one member of the Executive Board has been responsible for all Continental business activities in China since August 2013.

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

A sustainability council has been in place since the end of 2010 to manage sustainability policy and corporate responsibility. It comprises two members of the Executive Board as well as representatives from Environment, Human Resources, Law and Compliance, Corporate Health and Safety, Investor Relations, Corporate Auditing, and Corporate Communications. The council is chaired by the Executive Board member for Human Resources. The sustainability council convenes four times a year as well as on other occasions as necessary.

4.2 Independence of the Chairman of the Supervisory Board

The additional mandates of the Chairman of the Supervisory Board are specified in the Annual Report (see the "Further Information" section of the Annual Report). No conflicts of interest arose during the reporting period.

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4.3 Highest governance body among companies without a supervisory board

As a German stock corporation, Continental has a supervisory board.

4.4 Mechanisms for dialogue between shareholders and employees and the Supervisory Board/Executive Board

Continental maintains systematic and ongoing dialogue with existing and potential equity and bond investors, analysts, and other capital market participants. One point of focus is personal contact with our private shareholders as well as with schools and universities. The Executive Board and Supervisory Board answer questions from shareholders at the Annual Shareholders' Meeting.

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

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

4.5 Link between compensation for members of the governance bodies and the performance of the organization

Executive Board members receive fixed annual remuneration paid in 12 monthly installments. They also receive variable remuneration (a performance bonus) linked to the attainment of certain targets relating to the year-on-year change in the

Continental value contribution (CVC) and the return on capital employed (ROCE). It is possible that variable remuneration will not be paid if certain minimum values are not achieved. Further, the Supervisory Board can determine a strategic target at the beginning of each fiscal year. For 2013, it had set a target based on attainment of a specific free cash flow.

To reflect extraordinary developments that have influenced the degree to which targets are achieved, the Supervisory Board has the right – at its due discretion – to retroactively adjust the established attainment of goals (on which the calculation of variable remuneration is based) by 20 percent upward or downward. In any event, the performance bonus is capped at 150 percent of the fixed target bonus. 40 percent of variable remuneration awarded in a fiscal year is paid out in the form of a lump sum as an annual bonus. The remaining 60 percent is converted into virtual shares of Continental AG. Following a holding period of three years after the end of the fiscal year for which variable remuneration is awarded, the value of these virtual shares is paid out together with the value of the dividends distributed over the holding period.

The conversion of the variable remuneration into virtual shares and payment of their value after the holding period are based on the average share price for the three-month period immediately preceding the Annual Shareholders' Meeting in the year of conversion or payment. However, the amount paid after the holding period may not fall below 50 percent of the value at the time of conversion or be more than three times this same value. In addition, the Supervisory Board may retroactively revise the amount calculated in such a way by 20 percent upward or downward to balance out extraordinary developments – a noticeable change in the share price, for example, due wholly or mainly to external influences. In addition to the performance bonus, a special bonus can be agreed upon for special projects in individual cases and a recognition bonus can be granted. For energy and environmental managers and operations managers, part of the variable remuneration is based on the extent to which the company's environmental targets have been attained.

4.6 Procedures of the executive committees to prevent conflicts of interest

The Supervisory Board has established by-laws that include provisions on dealing with conflicts of interest. In addition, Continental AG's Corporate Governance Principles also address this issue for Supervisory Board and Executive Board members. There were no conflicts to this effect during the year under review. In the opinion of the Supervisory Board, it always had a sufficient number of independent members during the reporting period. Furthermore, our Code of Conduct – which likewise addresses conflicts of interest – is binding for all employees.

4.7 Qualifications and expertise of the executive committees in the area of sustainability

The sustainability council founded in 2010 offers expert advice to the Executive Board on issues of sustainability and corporate responsibility (see 4.1).

4.8 Statement of mission, company values, and codes of conduct

The most important documents at corporation level are:

- › Corporate guidelines. Since 1989, our BASICS have been conveying the corporation's vision, values, and self-image. They were reformulated at the beginning of 2012.
- › Code of conduct. We published a new version of the "Continental Code of Conduct" in 17 languages in September 2012.
- › Principles of our corporate social responsibility. These provide an overview of our CSR principles.
- › Corporate Governance Principles. Based on applicable legal provisions, the German Corporate Governance Code, and the corporate guidelines, these principles provide a detailed description of the corporation's managerial and supervisory tasks and processes. These were last updated in December 2013.

Overview of Continental's CSR documents

4.9 Procedures of the Executive Board and Supervisory Board to control and monitor sustainability performance

See 4.1.

4.10 Processes for evaluating the Executive Board's sustainability performance

Information for evaluating the Executive Board's performance is shown in section 4.5 as well as in the Annual Report 2013 (see the remuneration report of the Annual Report).

4.11 Implementation of the precautionary approach

A uniform, corporation-wide risk management system is in place for early detection, cause analysis, assessment, and avoidance – or at least minimization of – risks. It regulates the recording, assessment, documentation, and reporting of risks and is integrated in the company's strategy, planning, and budgeting processes. The risk management system, which fully complies with the Corporate Governance Principles of the Continental Corporation and with statutory requirements, is included in the annual audit.

4.12 Involvement in and support of external standards, agreements, and initiatives

The Continental Corporation is committed to and has signed the following initiatives and declarations of commitment:

- › Global Compact of the United Nations (October 2012). This demonstrates our clear commitment to the Global Compact's ten principles in the areas of human rights, labor, environment, and anti-corruption.
- › The Luxembourg Declaration on Workplace Health Promotion in the European Union (May 2010). Goal: to promote company health management.

- › “Charta der Vielfalt” (German Diversity Charter) (December 2008). Goal: to promote equal opportunities and diversity in the workforce.
- › The European Road Safety Charter (November 2007). Goal: to increase road safety.

In addition, companies of the corporation have signed further (country-)specific codes or declarations of commitment. For example, Continental Reifen Deutschland GmbH has signed the “Gemeinsame Erklärung Erfolgsfaktor Familie” [joint declaration of the success factor family].

4.13 Memberships in associations and interest groups

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

- › Association Connecting Electronics Industries (IPC)
- › Cyber-Sicherheitsrat Deutschland e.V.
[Cyber-Security Council Germany]
- › Deutsche Gesellschaft für Personalführung (DGFP)
[German Association for Personnel Management]
- › Deutsche Kautschukgesellschaft [German Rubber Society]
- › Deutsche Vereinigung für internationales Steuerrecht
[German Association for International Tax Law]
- › Deutscher Verkehrssicherheitsrat (DVR)
[German Road Safety Council]
- › Deutsches Institut für Kautschuktechnologie (DIK)
[German Institute of Rubber Technology]
- › European Tyre & Rubber Manufacturers' Association (ETRMA)
- › Forschungsvereinigung Automobiltechnik (FAT)
[Research Association of Automotive Technology]
- › Organisation Werbungtreibende im Markenverband (OWM)
[German Advertisers' Association]
- › Schmalenbach-Gesellschaft für Betriebswirtschaft
[Schmalenbach Society for Business Administration]
- › Stifterverband für die Deutsche Wissenschaft
[Donors' Association for German Science]
- › Verband der Automobilindustrie (VDA)
[German Association of the Automotive Industry]

- › Verband deutscher Sicherheitsingenieure (VDSI)
[Association of German Safety Engineers]
- › Verein Deutscher Ingenieure (VDI)
[Association of German Engineers]
- › Verein zur Förderung des Betrieblichen Brandschutzes Niedersachsen (vfbb) [German Association to Promote Operational Fire Protection in Lower Saxony]
- › Wirtschaftsverband der deutschen Kautschukindustrie (WdK)
[Trade Association of the German Rubber Industry]
- › Wissensfabrik – Unternehmen für Deutschland
[Knowledge Factory – Companies for Germany]
- › World Business Council for Sustainable Development (WBCSD)
- › Zentrale zur Bekämpfung unlauteren Wettbewerbs
[German Center for Combating Unfair Competition]

4.14 List of stakeholder groups engaged by the company

Our stakeholders are our customers, shareholders and employees, the community, our partners, and our suppliers. We work together with them in a wide range of areas and treat everyone with sincerity and fairness.

4.15 Basis for identification of stakeholders

See 4.14.

4.16 Approaches to stakeholder engagement

Our shareholders and employees are at the center of our stakeholder engagement. See 4.4 for further information. Continental also maintains ongoing dialogue with customers (development partnerships) as well as scientists (research projects). To respond as effectively as possible to the needs of junior employees in its role as an employer, Continental has been surveying graduates every year since 2004 in Germany, every two years since 2005 in Romania, and for the first time in 2011 in China and in 2013 in Brazil. In addition, Continental regularly conducts vehicle user surveys covering aspects such as driving behavior, hybrid technology, and road traffic safety. The representative Continental Mobility Study 2013 highlighted the acceptance of driver assistance systems and automated driving among car drivers in Germany, Japan, China, and the U.S.A. The corporation's locations share information and opinions with the general public through a wide range of intensive activities.

4.17 Statement on key topics and concerns of the stakeholders

See 4.16.

Economic Performance Indicators

Corporate Policy and Management Approach

With our know-how, our technologies, systems, and products, we play an important role when it comes to the megatrends in the automotive industry – safety, the environment, information, and affordable cars. We are working to make accident- and injury-free motoring, earth-friendly, resource-thrifty mobility, as well as intelligent and networked road traffic a reality. With our products, we make significant contributions of benefit to society for a number of additional key industries – such as wind turbines for efficient energy generation or conveyor belt systems to transport raw materials without harming the environment. We are an innovation powerhouse for new paths to industrial progress.

Our BASICS are fundamental for Continental's lasting success. These corporate guidelines describe the vision, mission, and values that guide our corporate activities and how we interact with one another and with all other stakeholders. We are convinced that our values create value. After all, we have been supplying our customers for more than 140 years with not only high-performance products but also forward-looking solutions.

EC1 Data on Financial Income

In fiscal year 2013, sales of the Continental Corporation rose by 1.8 percent to €33.3 billion (previous year: €32.7 billion). Earnings before interest and taxes (EBIT) increased to €3.3 billion (previous year: €3.1 billion). Investments for research and development rose to €1.9 billion (previous year: €1.7 billion).

EC2 Risks, Opportunities, and Consequences of Climate Change

Potential risks:

- › Additional regulations that restrict or limit car traffic as measures aimed at combating global warming. This could lead to a significant decrease in car sales – and consequently adversely affect demand for Continental's products and services.
- › Production cutbacks at the locations due to changing (regional) climatic conditions.
- › Bottlenecks in the availability of raw materials.

Potential opportunities:

- › Additional legal regulations to reduce CO₂ emissions. We already generate around a third of our sales with products that are designed to reduce CO₂ emissions.
- › New legal regulations to reduce air pollution. For example, the Powertrain division develops and produces efficient injection systems and cooling water pumps that reduce fuel consumption (and therefore emissions).
- › Rising energy taxes are increasing the demand for fuel-efficient products. Our Powertrain, Tire, and ContiTech divisions focus on this goal in their research and development activities.

- › Introduction of eco-labels for products. With these labels, Continental could advertise its ecologically beneficial products more effectively, thereby setting itself apart from competitors.
- › Hybrid vehicle technology. If this technology gains ground on the market, the demand for the relevant components would rise – Continental is already well-positioned in this future market.

EC3 The Company's Social Benefits and Pension Obligations

The Continental Corporation offers its employees pension plans in the form of defined benefits and defined contributions, either as general or individual plans. The provisions cover the obligations from defined benefit plans, in particular in Germany, the U.S.A., Canada, the U.K., Austria, France, Mexico, Italy, and Ireland. For many of the plans, separate pension funds are available to fully or partially finance the company's pension obligations. These pension fund assets can only be used to settle pension obligations. The principal funds are in the U.S.A., the U.K., and Germany in the form of contractual trust arrangements (CTAs).

Our international pension strategy focuses 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. Continental promotes private contributions made by employees by adding corporate subsidies to the money they invest. Continental also encourages employees to pay into a "deferred compensation scheme." Almost all employees in Germany receive an employer-funded pension plan; at the end of 2013, almost half of all employees were paying into a deferred compensation scheme.

Further information on pensions and similar obligations can be found in the "Notes to the Consolidated Financial Statements" of the Annual Report 2013 as well as in section LA3.

Continental – Annual Report 2013

EC4 Financial Assistance Received from Government

Government subsidies in 2013, amounting to a total of €7.9 million (previous year: €7.3 million), that were not intended for investments in fixed assets are shown in the "Other" and function costs sections of the income statement. Government investment grants amounting to €20.1 million (previous year: €29.4 million) were deducted directly from the acquisition costs. Continental received about €4 million as part of the compensation scheme of Germany's Renewable Energies Act (EEG). Provisions were set up in the same amount for 2013.

EC5 Ratio of Standard Entry Level Wage Compared with Local Minimum Wage (Addition)

As yet, we have not recorded any data on this.

EC6 Spending on Locally Based Suppliers

Develop locally, purchase locally (insofar as this makes sense and is possible from the perspective of global sourcing). Our business approach is to produce and market locally. Quality, material, and costs are our key purchase criteria. We use local suppliers if they satisfy these three requirements.

EC7 Hiring Local Staff

As a corporation with international operations and locations in 49 countries, we make every effort to ensure that we are a good local employer. We offer attractive jobs, training opportunities, and career paths. Wherever possible, we entrust the task of managing the locations to managers that come from the region and are familiar with the local culture.

EC8 Investments for the Welfare of the Local Community

As an international corporation, Continental has a decentralized organization with strong local responsibility. This also applies for its social commitment. As far as possible, charitable projects, donations, and other activities are the responsibility of the decentralized locations and their committed employees. Exceptions to this include national challenges such as our commitment in the event of (humanitarian) disasters. In such matters, the corporation practices its corporate social responsibility as a whole. In 2013, for example, the corporation provided \$200,000 to support reconstruction following the Philippines typhoon as well as €250,000 to support the reconstruction of areas destroyed by floods in Germany.

EC9 Indirect Economic Impacts

The Continental Corporation is a comparatively large employer at its locations and contributes to development of the region and infrastructure by providing jobs and training opportunities, tax payments, and contracts with local suppliers and service providers.

Income tax expense for the 2013 fiscal year amounted to €449.6 million (previous year: €697.8 million), which corresponds to a tax rate of 18.3 percent compared with 26.0 percent the previous year. Tax payments in the 2013 fiscal year amounted to €805.4 million (previous year: €683.5 million), which corresponds to a rate of 32.7 percent (previous year: 25.4 percent).

Environmental Performance Indicators

Environmental Policy and Management Approach

We are facing up to the ecological challenges. Environmental protection is a key management responsibility for us. We began developing environmental management systems around 30 years ago. For example, at the beginning of the 1990s, we at Continental enunciated our responsibility for protecting the environment in our corporate guidelines, the BASICS, and specified this responsibility as an objective in the corporation's ESH (Environment, Safety, Health) policy. By doing so, we acknowledged early on that the global expansion of our corporate activities is also reflected in the increasing use of natural resources, rising energy consumption, and the release of substances into the environment. At the heart of our ESH policy is a systematic approach to reducing any negative environmental impact, accompanied by an improvement in economic and social conditions.

In 2013, we decided on a new environmental strategy that is coordinated with Continental's overall strategy. It bears a clearer relation to key global challenges (climate change, shortage of resources) as well as the opportunities and competitive advantages arising from these challenges for our company. Measures that are key to the successful implementation of the strategy are assigned to each strategic dimension. The new environmental strategy includes action plans for the different requirements in both our groups.

At the end of 2013, 155 production locations worldwide were certified in accordance with the international environmental management standard ISO 14001. This translates into about 90 percent of all environmentally relevant production locations. At the same time, we are making sure that our suppliers also operate in line with key environmental principles. Before new suppliers are commissioned, for example, a supplier assessment is conducted using a questionnaire focusing on criteria such as

energy consumption, product packaging, plant tidiness and cleanliness, product safety data sheets, environmental certification, and contingency management in the plant. The information is checked as part of the supplier audit. Continental regularly requests valid environment certificates from the large majority of suppliers with which it already has contracts. At the end of 2013, we had 2,481 suppliers with quality certification on our records, around 67 percent of whom had an environmental management system certified to ISO 14001.

EN1 Materials Used

The plants operated by the Rubber Group mainly process natural and synthetic rubber, silica, carbon black, vulcanization and aging protection chemicals, and steel whereas the Automotive Group mainly processes aluminum alloys, steel, electronic components, and plastics.

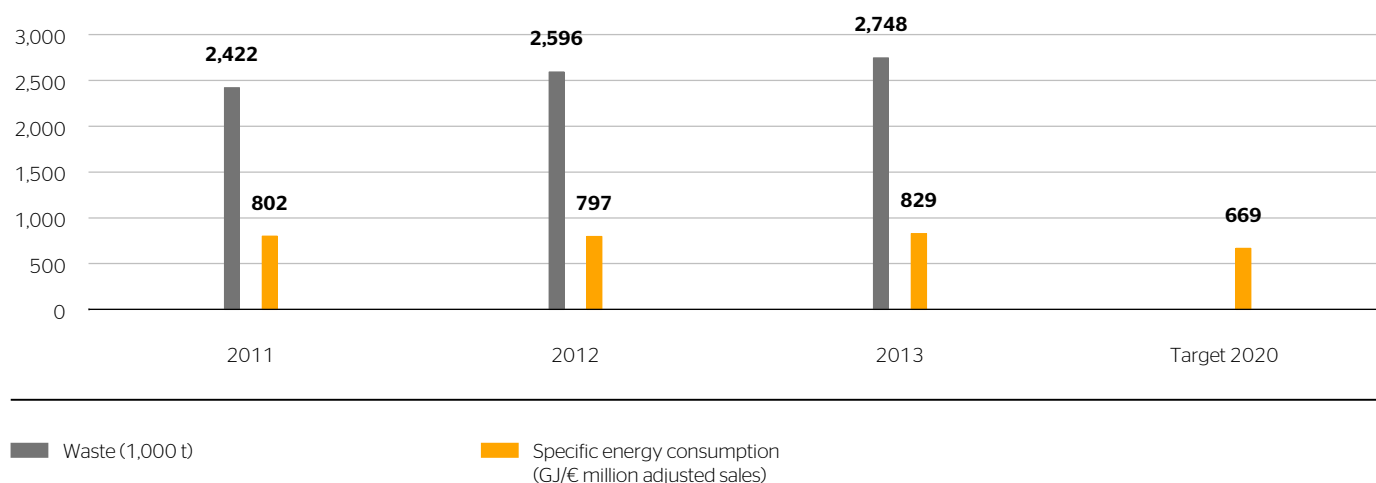
EN2 Percentage of Recycling Material

In the Rubber Group, prepared components (reclaimed material) and belt steel with a high volume of recycled material are used. In the Automotive Group, the aluminum alloys and steels contain a high volume of recycled material. We also process recycled plastics. The share of reclaimed materials is currently around 3 percent of the rubber mass and the volume of recycled material in steel and aluminum is at least 70 percent.

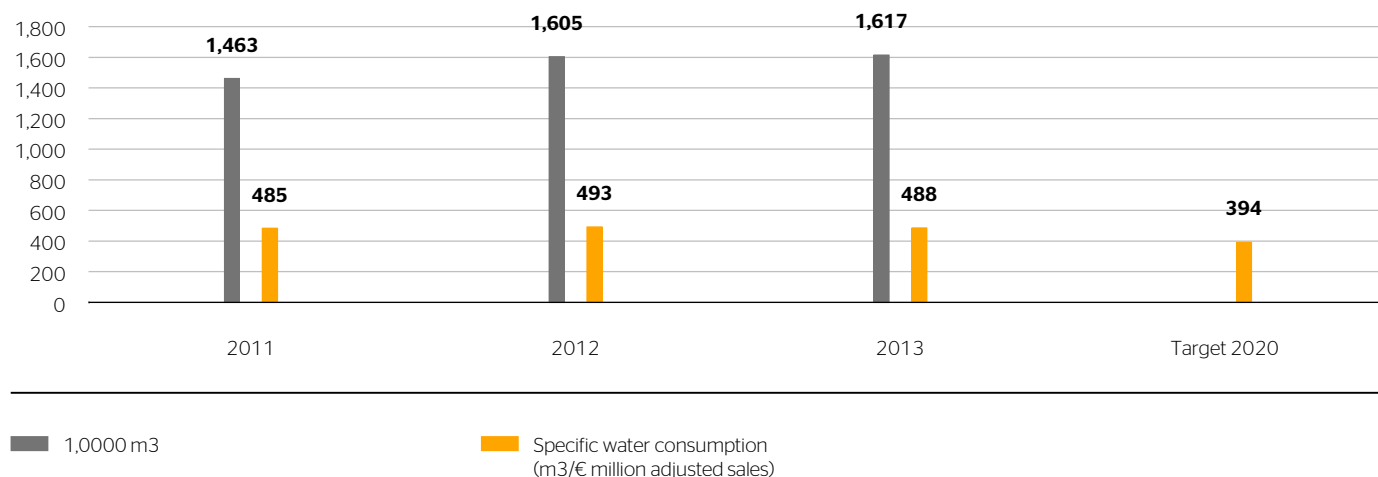
EN3 Direct Energy Consumption

Total energy consumption of the environmentally-relevant 173 locations, 155 of which have ISO 14001 certification, included for the environmental performance indicators rose by 5.9 percent to 27.5 million gigajoules (previous year: 26.0 million gigajoules) due to the increased demand for our products as well as new product launches and start of production in new factories (greenfield sites). Electricity accounted for 13.9 million gigajoules and fossil fuels for 13.6 million gigajoules.

Energy consumption



Water consumption



This data comes from our global, central reporting system and has been checked by auditing firm KPMG AG in accordance with the International Standard on Assurance Engagements (ISAE) 3000.

Energy intensity increased compared with 2012, rising from 797 to 829 gigajoules per million euros of sales. Our objective is to reduce specific energy consumption to 669 gigajoules per million euros of adjusted sales by 2020.

EN4 Indirect Energy Consumption

The scope 2 CO₂ emissions from the consumption of energy can be described primarily by the consumption of electric energy and purchased steam. In 2013, electric consumption totaled 13.9 million gigajoules (previous year: 13.1 million gigajoules).

EN5 Energy-Saving Measures (Additional Indicator)

The increase in energy consumption over the past few years (due to increased production) gave rise to a significant increase in specific energy consumption - from 797 to 829 gigajoules per million euros of adjusted sales. This 4 percent increase is due to the 3.3 percent increase in production as well as to changes in accounting (see 3.11). By 2016, we aim to reduce this figure to 669 gigajoules per million euros of adjusted sales. One of the corporation's environmental objectives is to reduce energy consumption by 3 percent each year from 2012 to 2020.

EN6 Energy-Saving Measures in Products (Additional Indicator)

In light of increasingly scarce resources, we believe it is our duty to develop sustainable solutions for tire production in order to reduce the demand for natural resources and therefore also lower the energy requirement of products. In the year

under review, we completed and commissioned the new ContiLifeCycle plant in Hanover-Stöcken for retreaded truck and bus tires (including a recycling plant for rubber from used tires). More than 100 new jobs have been created here. Unique in this combination throughout the sector worldwide, the plant concludes the tire production cycle and will leverage the synergies from retreading and rubber recycling. Thanks to the recycling process developed by Continental, the volume of recycled materials in new tires can be doubled (from 3 percent at present to 6 percent or more). In 2013, the company received the "European Transport Sustainability Prize" in the "Tire and Tire Services" category for the ContiLifeCycle plant (see 2.10).

In the European Union, currently 38 percent of old tires (either whole or shredded) are used to generate energy in the cement industry. Another 41 percent of the annual volume of old tires is processed further to create technically high-quality secondary raw materials. They are used to produce materials for the construction of sports facilities and roads, for example.

See also PR1 on this.

EN7 Reduction of Indirect Energy Consumption (Additional Indicator)

See EN5 and EN6.

EN8 Water Consumption

In 2013, water consumption rose slightly to 16.2 million cubic meters (previous year: 16.0 million cubic meters). Here too, the reason for the rise was increased production. In contrast, specific consumption (per million euros of adjusted sales) reduced slightly compared with 2012, falling from 493 to 488 cubic meters per million euros of sales. By 2020, we want to reduce specific water consumption to 394 cubic meters per million euros of adjusted sales.

EN9 Water Sources (Additional Indicator)

In total, 24 percent of water consumed in 2013 originated from surface water, 37 percent from the public drinking water network, and 39 percent from our own wells.

EN10 Percentage of Reclaimed and Reused Water (Additional Indicator)

As yet, we have not recorded any data on this.

EN11 Protected Areas

Adrspach, Czech Republic: This location is situated in the "Broumovsko" nature reserve.

Babenhausen (Germany): The "Magersandrasen" nature reserve (FFH, flora-fauna-habitat) is located within the site premises in front of the administrative building. This area is inspected annually in the presence of the nature conservation authority.

Hanover-Stöcken, Germany: This location is situated on the edge of an FFH area.

Nuremberg, Germany: A water protection area is situated 500 meters from the location and an FFH / bird sanctuary is situated one kilometer away.

EN12 Impact on Protected Areas

Continental is not aware of any negative impact.

EN13 Habitats Protected or Restored (Additional Indicator)

The majority of our plants are located in industrial and commercial areas. If protected or restored habitats are located in close proximity, we minimize any potential negative impact on these areas.

EN14 Measures and Plans to Promote Biodiversity (Additional Indicator)

Many of our components – piezo injection valves for conventional gasoline and diesel engines, for example – can be easily

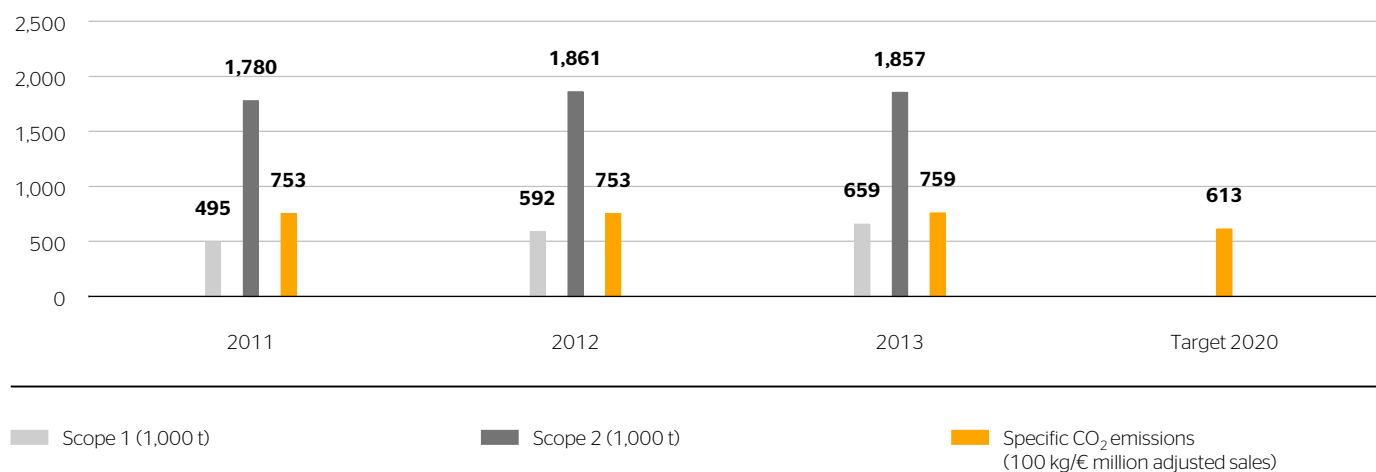
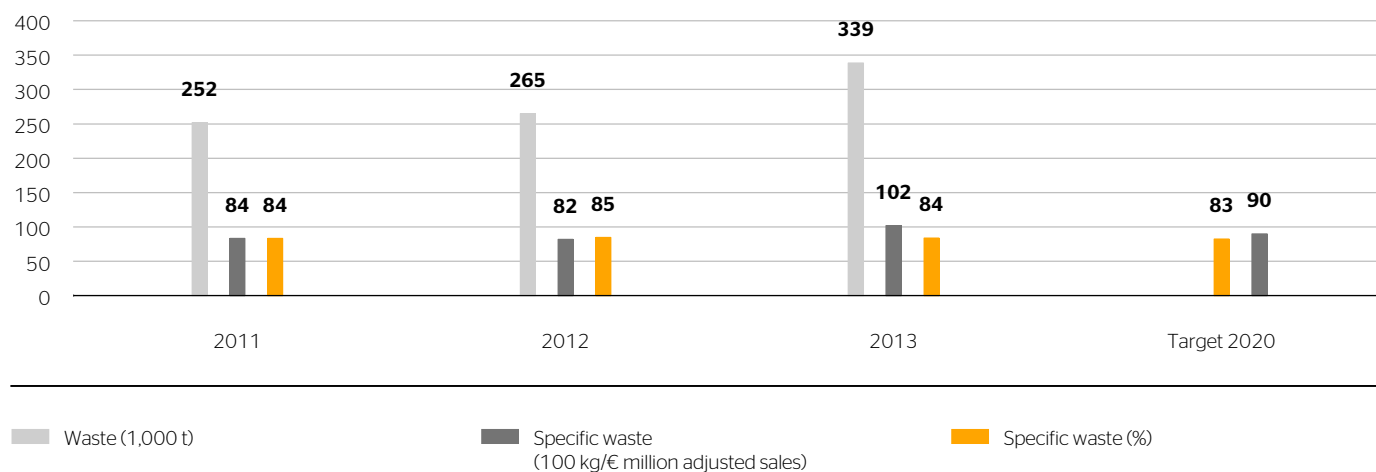
powered using biofuels. A wide range of components suitable for conventional fuels and bioethanol are available. While this helps to conserve resources and, in turn, contributes to climate protection, it can negatively impact biodiversity if the raw materials come from monocultures. We are aware of this problem. In addition, Continental is driving forward the use of renewable raw materials such as natural rubber and vegetable oils. Together with the Fraunhofer Institute for Molecular Biology and Applied Ecology (IME) at the University of Münster, we are working on developing new approaches in the "RUBIN – Industrial Emergence of Natural Rubber from Dandelion" project. This is because we are expecting a considerable rise in demand for natural rubber over the long term. The use of rubber from dandelion roots has many benefits: Unlike the traditional rubber plant, the Russian dandelion plant – which is particularly rich in rubber – does not depend on a tropical climate and can be grown in temperate latitudes. As a result, transport routes can be shortened and valuable areas of rainforest conserved.

EN15 Number of Red List Species Affected (Addition)

Continental is not aware of any endangered species with a habitat in our production areas.

EN16 Greenhouse Gas Emissions

Total CO₂ emissions of the included locations amounted to 2.52 million metric tons in 2013 (previous year: 2.45 million metric tons). This constitutes a slight increase by 2.6 percent as a result of the 3.3 percent increase in production. Direct CO₂ emissions (Scope 1 according to the Greenhouse Gas Protocol) amounted to 659,000 metric tons in 2013 (previous year: 592,000 metric tons), while indirect emissions from external energy sources (Scope 2) remained more or less constant at 1.86 million metric tons. These values yield a specific figure of 75.9 metric tons of CO₂ emissions per million euros of adjusted sales in 2013 (previous year: 75.3 metric tons). By 2020, we want to reduce this figure to 61.3 metric tons per million euros of adjusted sales.

CO₂ emissions**Waste generation and recovery**

The data we have recorded relates to all environmentally-relevant manufacturing facilities over which Continental AG has operational control (173 of the 216 corporate locations). The emission factors come from the GHG Protocol.

EN17 Other Greenhouse Gas Emissions

Only marginal amounts of methane, nitrous oxide, and fluorocarbons are released in production and these emissions are falling continuously.

EN18 Initiatives to Reduce Greenhouse Gases (Additional Indicator)

Climate protection is at the heart of our environmental management and corporate strategy. We develop products and systems that reduce the emissions of polluting gases. We do this, on the one hand, by reducing the weight of our products (reduced fuel consumption) and, on the other, making continuous improvements in product properties in terms of rolling and friction resistance of tires, engines, and transmissions. We help to protect the climate by increasing our use of renewable raw materials as well.

We have been responding to the CDP's extensive catalog of questions on our commitment to climate protection every year since 2009. The process is linked to a public ranking of our company. In 2012, we moved up in the Climate Disclosure Leadership Index (CDLI). In the most recent assessment published in October 2013, Continental yet again achieved a record high with 82 points in the automotive supply industry group. Further information can be found in our response to the CDP (see link).

CDP

EN19 Emissions of Ozone-Depleting Substances

A few of our locations outside Europe produce minimal, unforeseen emissions (leaks) of ozone-depleting substances from air conditioning systems. Continental of course complies with legal requirements in these countries to discharge such substances.

EN20 Other Air Emissions

The locations with on-site boiler houses emit low levels of nitrogen oxide, dust, and sulfur dioxide. In rubber processing, we use volatile organic compounds (VOCs) for surface treatment. We are working on a project concerning the development of alternatives to VOCs.

EN21 Waste Water

As yet, we do not record the quantity of discharged waste water, but it is less than the total water consumption (due to evaporation in the use of cooling water). Furthermore, waste water treatment plants ensure that surface water pollution is minimized. Waste water from sanitary facilities is discharged directly into public sewage systems.

EN22 Waste

In 2013, the corporation produced 339,000 metric tons of waste (previous year: 265,000 metric tons). This considerable increase results primarily from the consolidation of waste collection and, to a much lesser extent, from the increased production volume. The specific waste volume per million euros of adjusted sales thus increased to 10.2 metric tons (previous year: 8.2 metric tons). In 2013, we recycled (or sent for recycling) around 84 percent of waste. We are striving for a specific waste volume of 8.3 metric tons per million euros of adjusted sales and a recycling rate of 90 percent by 2020.

EN23 Spills of Hazardous Substances

There may be minor emissions of fuels/oils in the event of plant malfunctions.

EN24 Transported Waste Shipped Internationally (Addition)

Continental does not export any waste. We have contracts with certified, professional waste recyclers who collect our waste and correctly recycle or dispose of it. Since no uniform international definition of the term "hazardous waste" exists, it is not yet possible for us to report on this. However, the possibility of Continental importing or exporting hazardous waste can be ruled out.

EN25 Water Bodies Affected by Discharges of Water and Runoff

Continental is not aware of any water bodies affected by discharges of water and runoff.

EN26 Initiatives to Mitigate the Environmental Impact of Products and Services

In 2013, around one-third of our sales – around €11 billion – were for products that are exceptionally energy-efficient or demonstrably lead to reduced emissions of pollutants or CO₂. In the past few years, for example, we have managed to substantially reduce the weight of our brake components while at the same time enhancing braking performance. In addition, we are continuously improving the average rolling resistance of our tires – without compromising on safety. Our piezo injection valves for conventional gasoline and diesel engines reduce CO₂ emissions by up to 20 percent. What is more, our telematics systems and optimized hose lines reduce climate-relevant emissions. Our products for the automotive industry shall continue to help reduce CO₂ emissions from cars and trucks. Hybrid drives for cars can lower CO₂ emissions by 10 to 25 percent, depending on the hybrid type and application conditions.

Our products also contribute to climate protection in non-automotive applications. For example, our conveyor belts with optimized rolling resistance (energy-optimized conveyor belts) significantly reduce the energy required in open-cast coal mining. In addition, the new ContiThermo-Protect insulation protects industrial equipment from heat loss even in inaccessible places and thereby reduces the amount of fossil raw materials required to produce heat energy.

EN27 Reclaimed Products and Packaging

Continental has no take-back obligation for original equipment components, as the law assigns responsibility for this to the vehicle manufacturers. In many European countries, we do reclaim old tires in accordance with national laws. However, we are not able to specify quantities due to differing legal regulations. The average recycling rate for old tires (from all manufacturers) in Europe is currently around 96 percent. Continental played a role in achieving this notable success as a corporate member of the European Tire and Rubber Manufacturers' Association (ERTMA).

EN28 Fines

Financial penalties, legal disputes, and claims for damages are disclosed in the Annual Report 2013 (see "Other Disclosures" of the Annual Report, page 229).

EN29 Environmental Impacts of Transportation (Additional Indicator)

As yet, we have not recorded any data on this.

EN30 Environmental Protection Expenditures and Investments (Additional Indicator)

As yet, we have not recorded any data on this.

Social Performance Indicators

Labor Practices and Decent Work

Corporate Policy and Management Approach

Continental's workforce has grown rapidly over the past few years. The company has tapped into new business areas and international markets and integrated these in the corporation. On the global labor markets, the competition for specialist and managerial staff is growing due to a reduction in the working population. We are continually developing our human resources (HR) strategy to enable our company to take on the growing internal and external challenges involved in HR work.

Employee development and training enjoy high priority at Continental since they form the basis for the long-term success of our company. Responsibility for our employees is therefore a central component of the corporation's commitment. We afford our employees the best possible advancement and training opportunities. Our HR work is based on the following six strategic areas:

- › Creating competitive working conditions
- › Positioning Continental on the market as an attractive employer
- › Supporting organizational development
- › Ensuring first-class HR work by developing skills and improving processes
- › Securing executive talent for future years at an early stage through the talent management program and continuous human resources development
- › Promoting a values-based leadership and performance culture

All divisions and locations implement the appropriate measures.

LA1 Information on the Total Workforce

At the end of 2013, Continental employed 177,762 women and men in 49 countries, almost two-thirds of them in Europe (and half of them in Germany). The number of employees rose by 8,123 over the previous year. In 2013, Continental employed 11,460 temporary workers. The percentage of women as a proportion of the global workforce* was 27.6 percent (in Germany: 21.1 percent) and the percentage of women in management positions was 9 percent.

The number of trainees at the German locations rose slightly. At the end of 2013, 2,025 young people were undergoing training with us (previous year: 1,987). The percentage of trainees in Germany remained stable at 4.3 percent. In 2012, we concluded an agreement specifying that, in the future, young trainees will receive employment contracts of indefinite duration following completion of their training with us.

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

In 2013, the percentages that the age groups held in our workforce were as follows*:

- › Up to 25 years: 13 percent (previous year 14 percent)
- › 26-35 years: 33 percent (32 percent)
- › 36-45 years: 27 percent (27 percent)
- › 46-55 years: 20 percent (20 percent)
- › 56-65 years: 7 percent (7 percent)

LA2 Employee Fluctuation*

As at December 31, 2013, corporation-wide fluctuation was 3.7 percent (previous year: 3.9 percent). The average job tenure worldwide was 9.5 years (Germany: 14.7 years). Around 94 percent of employees form the core workforce.

Employee fluctuation differs by country and region:

- › Asia: 8.3 percent (previous year: 7.0 percent)
- › NAFTA: 5.7 percent (6.3 percent)
- › Europe (excluding Germany): 2.8 percent (3.3 percent)
- › South America: 2.4 percent (4.8 percent)
- › Germany: 1.1 percent (1.2 percent)
- › Rest: 1.6 percent (3.1 percent)

LA3 Company Benefits for Full-Time Employees (Additional Indicator)

In 2011, the Continental Executive Board decided to introduce an annual value sharing bonus for all employees worldwide. A corporation-wide agreement to this effect was concluded with the corporate Works Council in Germany. The program allows employees of the corporation to participate directly in the success of the company by receiving a bonus. The amount they receive depends on the absolute value contribution of the Continental Corporation in the fiscal year in question. The total volume of profits distributed for 2013 was around €100 million (virtually the same as in 2012).

**The recording scope does not yet cover all employees worldwide. At the end of 2013, 155,500 employees were included (previous year: 138,000), which equates to a coverage of 87 percent. The worldwide standardization of the HR systems is currently being implemented in a project, which is slated for completion sometime in 2014.*

Our international pension strategy focuses 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. Continental promotes private contributions made by employees by adding corporate subsidies to the money they invest. Continental also encourages employees to pay into a deferred compensation scheme, whereby employees relinquish part of their earned income. Continental then invests this in the company pension scheme.

See also EC3.

LA4 Percentage of Employees Covered by Collective Bargaining Agreements

Continental observes the "Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy" of the International Labour Organization (ILO) in its HR policy. This declaration includes the employees' right to freedom of association. At Continental, 70 percent of employees work in countries that are members of the Organisation for Economic Co-operation and Development (OECD) and are expected to comply with the aforementioned principle. In Germany, collective bargaining agreements have been reached for almost 85 percent of the core workforce. These are collective agreements and other regulations negotiated between employer and employee representatives.

LA5 Notice Periods Regarding Operational Changes

The Executive Board reports to the Supervisory Board on matters regarding (upcoming) operational changes in the corporation, informing the employee representatives at the same time. Continental ensures that employees are informed about major operational changes early on. There were no such major changes in 2013. At the locations and in the business units of Continental AG, employee representatives are elected on the basis of the respective legislation. These representatives likewise inform Continental about changes at an early stage. We comply with all legal regulations relating to notice periods as well as those governed separately by collective bargaining agreements.

LA6 Percentage of Employees Represented in Occupational Health and Safety Committees (Additional Indicator)

All Continental AG employees in Germany are represented in the legally required occupational health and safety committees through Works Councils and Safety Officers.

LA7 Accident Statistics

Absence and accident rates reflect the success of preventative occupational health and safety measures in the corporation. With regard to illness-related absences, the encouraging trend in the past few years stabilized in 2013: Each employee was absent for an average of just 3.5 percent of his/her contractually agreed working time; the figure last year was likewise 3.5 percent (see table). The number of industrial accidents per million hours worked has fallen considerably in the past few years, from 5.7 (2008) to 3.3 (2013). As a result, the number of hours lost per million hours worked reduced from 942 to 472 hours during the same period. Two fatal industrial accidents in 2013 in Ecuador and India overshadow this positive result.

LA8 Company Health Management Programs

Our corporation-wide "Company Health Management Guidelines" define the overarching standards regarding company health management. The management team at the respective locations is responsible for local health protection and must fulfill the relevant national requirements regarding, for example, occupational health checkups. Some programs are global in scope (e.g. flu vaccinations), while others are only regional (e.g. preventative checkups for bowel cancer). Due to the decentralized corporate structure, corporation-wide data regarding global expenditure on health protection is not available.

Continental is among the signatories of the Luxembourg Declaration on Workplace Health Promotion in the European Union. It was adopted by all members of the European Network for Workplace Health Promotion (ENWHP) in 1997 to promote health and occupational safety in the companies of member states and to encourage member states to attach greater importance to workplace health promotion (WHP). In keeping with the Luxembourg Declaration, we intensively promote the introduction of a holistic, systematic, and integrated company health management system at all of our locations worldwide.

At many of our locations, employees can not only use the company medical services, but also get involved in a variety of measures relating to workplace health promotion covering areas such as physical activity, diet, and relaxation. They can also take part in health screening. In the year under review, we introduced our "Healthy Leadership" programs to give managers health skills and provide "Stress Control" techniques in other countries to improve employees' abilities to deal with stress.

Accident statistics

	2008	2009	2010	2011	2012	2013
Absences due to sickness ¹	4.0	4.0	3.8	3.5	3.5	3.5
Accident rate ²	5.7	5.0	4.6	4.2	3.6	3.3
Hours lost ³	942	845	729	638	574	472

¹ Absences = paid and unpaid absences due to sickness in relation to the contractual working hours in percent.

² Accident rate = number of work-related accidents worldwide with one or more days lost per million hours worked.

³ Hours lost = number of accident-related hours lost worldwide per million hours worked

Thanks to the "Employee Assistance Program" implemented by an external service provider, we help employees with work-related or personal problems while ensuring their anonymity. Our aim was to make 30 percent of our production workplaces suitable for workers of all ages by 2015 – but we achieved this goal ahead of schedule in 2013. The process is being rolled out further in view of the ever-rising number of older employees. The aim is for half of all workplaces in the German production locations to be age-stable by 2020. We design new workplaces in accordance with the latest ergonomic findings.

LA9 Company Agreements on Occupational Safety (Additional Indicator)

The "Safety and Health" (SH) department is responsible for occupational safety at the corporate level and reports directly to the Executive Board member for HR. Our goal is zero incidents ("we go for zero incidents"). In the year under review, 25 locations worldwide were certified in accordance with OHSAS 18001 – the international standard for occupational health and safety management – and comparable systems. Company agreements on occupational safety are concluded at the locations in Germany.

LA10 Training Statistics

As yet, we have not created any statistics on this. See also LA12.

LA11 Lifelong Learning and Knowledge Management (Additional Indicator)

Lifelong learning is particularly challenging in times of demographic change. In the words of our corporate guidelines: "We promote lifelong learning along with personal and professional development. We make knowledge available to everyone in our company as quickly as possible and offer mutual support for enabling swift adjustment to changes within our environment." Continental supports this by providing a comprehensive range of further training programs and a company suggestions management system. "Continental Ideas Management" encourages and calls for the commitment and motivation of our employees and gives them a proactive role in improving their own working environment. Their commitment is rewarded with bonuses and special campaigns.

In 2013, more than 500,000 ideas were submitted, of which around 440,000 were put into effect. These led to savings of more than €160 million. See also LA12.

LA12 Percentage of Employees Receiving Performance Reviews and Development Programs (Additional Indicator)

Development plans are envisaged for around 100,00 employees. Our personal development programs offer employees the ideal basis for their successful professional and personal development.

- › Corporate Entry Program: a tailored package for new employees with university degrees offering them a profound insight into the corporation and helping them to hone their qualifications profile.
- › Assessment and Development Center: for the identification and fostering of highly talented employees with the potential to become future managers in preparation for management positions.
- › Leadership Entry Program: preparation of new managers for their duties with regard to social skills, leadership, and management culture.
- › International Management Program: experienced managers handle challenging corporate projects at a high academic level.
- › BIG SIX Radar: 360° feedback process to help managers identify strengths and development potential.

We offer our industrial employees specific training courses at all production locations. We perform regular checks to determine the effectiveness and sustainability of these measures.

"BASICS live" is the name of our regular global employee survey, which is an important tool for improving corporate culture and cooperation within the corporation. Here, the employees assess their level of satisfaction with Continental and the quality of management in the corporation. Our divisions and locations have the opportunity to add their own questions.

LA13 Composition of Governance Bodies Regarding Diversity and Equal Opportunities

Continental is committed to treating all employees equally, regardless of age, gender, nationality, religion, skin color, or sexual orientation. For us, it is the abilities and potential within people themselves that count. This is expressed in our corporate guidelines as well as through our signing of the German "Diversity Charter."

In accordance with the recommendations of the German Corporate Governance Code, the Supervisory Board of Continental AG has specified a number of targets for its composition. Among other things, the aim is to increase the percentage of women in the Supervisory Board to 20 percent over the medium term (this had already been achieved by the scheduled election in 2014). The Supervisory Board is keen to ensure that women are afforded appropriate consideration when it comes to appointments to the Executive Board. In 2013, one woman was on the Executive Board (responsible for the area of HR and also director of labor relations).

Around 3,000 employees worldwide occupy a management position (executive or senior executive position). The proportion of women occupying these positions was 9 percent in 2013

(previous year: 8 percent). Continental wants to double this figure by 2020.

Around 70 percent of our employees work outside Germany and 40 percent outside Europe. The many different nationalities of the employees working at the locations also contributes to this highly international nature. An important aim is to achieve a balanced ratio of local to international managers. This is in line with market requirements as well as the current global understanding. The proportion of local and international managers fluctuates according to the region; in 2013, the percentage of foreign managers in the corporation was 40 percent.

LA14 Ratio of Basic Salary of Men to Women

Continental's remuneration models relate to roles, knowledge, and experience – irrespective of gender. In Germany, this is binding in collective agreements with the IG Metall and IG BCE trade unions. No such differentiation is made for non-pay-scale employees either.

Social Performance Indicators

Human Rights

Corporate Policy and Management Approach

Continental supports compliance with human rights wherever and whenever it can. However, we believe that a company can only contribute toward compliance with human rights as a complement to politics, not as a replacement of it. We ensure that no human rights are infringed upon within our sphere of influence, particularly with regard to forced or child labor. This is firmly embedded in our principles of corporate social responsibility and our Supplier Code of Conduct and is reinforced by our participation in the UN Global Compact.

HR1 Investment Agreements with Human Rights Clauses

Since 2011, we have obligated all of our suppliers and service providers to uphold our "Supplier Code of Conduct." This code of conduct comprises ten points, one of which is human rights. Our suppliers promise to observe these principles. When investing in the construction of new locations, we ensure that we uphold the principles of the United Nations Global Compact.

HR2 Percentage of Contractors/Suppliers Subjected to Human Rights Screening

Continental maintains a network of around 5,000 suppliers for production materials (around 3,700 in the Automotive Group and around 1,300 in the Rubber Group). In 2013, we purchased 64 percent of production materials and 69 percent of the total purchasing volume obtained from companies headquartered in states belonging to the Organisation for Economic Co-operation and Development (OECD), where human rights violations are not expected to occur.

In addition to the self-commitment of suppliers to adhere to the Code of Conduct, raw material suppliers are inspected before the delivery relationship is entered into. The aim here is to examine, using various criteria, the supplier's suitability to supply over the long term. The criteria include technological and financial criteria as well as general corporate aspects. The plant visits conducted as part of the inspection also provide an insight into the general working conditions. This insight is taken into account accordingly in the evaluation should any problems become apparent. If the defined countermeasures do not achieve the desired success, a delivery relationship may in extreme cases be ruled out.

Continental Supplier Code of Conduct

HR3 Human Rights Training for Employees (Additional Indicator)

In the year under review, approximately 35,000 employees (98 percent of those invited) from 35 countries took part in an e-learning course on our Code of Conduct, which also covers the issue of human rights.

HR4 Incidents of Discrimination and Action Taken

The following is included in our Code of Conduct, which applies to all employees: "We are proud of the diversity the worldwide business of Continental offers. We will treat our fellow employees, potential employees, suppliers, customers, and any other persons with whom we conduct business with fairness and respect, refraining from any discrimination, harassment, and other improper behavior with respect to gender, age, race, skin color, ethnicity or national origin, citizenship, religion or religious beliefs, physical or mental disability, veteran status, sexual orientation, or any other characteristics protected by applicable law."

All employees or stakeholders who become aware of illegal or dubious activities can report any information they have to our compliance and anti-corruption hotline. In the year under review, 28 of the 134 incidents reported via the hotline related to HR issues (including discrimination and harassment).

HR5 Operations Entailing a Significant Risk for the Employees' Freedom of Association

As a company conducting operations and procuring goods at an international level, we cannot exclude this risk. We can assume, however, that 69 percent of our purchasing volume for materials is with suppliers based in OECD countries who therefore respect and enable their employees' freedom of association.

Our Code of Conduct points out that Continental adheres to existing laws and requirements – which includes ensuring freedom of association and assembly. Our Law and Compliance departments deal with reports of potential violations and also conduct step-by-step investigations. Our Supplier Code of Conduct obligates all suppliers and service providers to respect human rights, which include freedom of association. See also HR2.

HR6 Operations Entailing a Significant Risk of Child Labor

See HR5.

HR7 Operations Entailing a Significant Risk of Forced Labor

See HR5.

**HR8 Human Rights Training for Security Personnel
(Additional Indicator)**

Just like all other employees, our security personnel is likewise obligated to respect human rights and behave in accordance with local laws and requirements. However, as yet, there are no special training sessions on this.

**HR9 Violations Involving Rights of Indigenous People
(Additional Indicator)**

Continental is not aware of any incidents connected with our business activities in which the rights of indigenous people were violated.

Social Performance Indicators

Society

Corporate Policy and Management Approach

One of our basic values is Trust. Trust assumes integrity, honesty, and incorruptibility. Management and employee compliance with all the legal requirements that apply to Continental AG and its subsidiaries as well as all internal regulations has therefore long been our goal and is part of our corporate culture.

This is reflected not only in our corporate guidelines, the BASICS, and the Corporate Governance Principles, but also in the corporate social responsibility principles and the Code of Conduct. In accordance with the respective legal conditions of each country, all employees must agree to the Code of Conduct. National teams led by the local compliance coordinators are in charge of implementation. The 2012 revised version of the Code of Conduct is to be signed by all employees by the end of 2014. We also adopted an anti-corruption guideline in 2012. It is intended to increase awareness of compliance with the relevant regulations at all levels and provide guidance in dealing with the issue of gifts and benefits.

Continental faces up to its social responsibilities and respects the laws and cultures of every country. Thanks to our profitable performance, we provide secure jobs in many regions of the world. In addition, we want to create value for those who live and work near our facilities as well. Our voluntary engagement focuses on three areas where we position ourselves on the basis of our business model, our challenges, or our self-image and where we aim to promote sustainable development: social well-being and traffic safety, education and science, and sport.

Continental fully supports commitment to charitable causes. In 2012, we also adopted a new donations policy intended to help employees exercise their commitment even more effectively and with greater visibility.

SO1 Impact of Operations on Local Communities

Continental is a comparatively large employer at many locations and makes a significant contribution to the development of the region by providing jobs and training opportunities, tax payments, and contracts with local suppliers and service providers. See also EC8 and EC9.

SO2 Percentage of Business Units Analyzed for Corruption Risks

The Executive Board is fully committed to a "zero tolerance" policy with regard to corruption and antitrust. A comprehensive analysis forms the basis of our Compliance Management System (CMS): The company and its business activities are examined in terms of potential compliance risks that can arise from its structures and processes, a specific market situation, or region. During this analysis, we take into account, among other things, the results of a regular corporation-wide risk inventory

as well as external sources (such as the Transparency International Corruption Perception Index).

The CMS comprises three pillars:

- › Prevention: risk analysis and employee training.
- › Exposure: scheduled and ad hoc reviews.
- › Response: consequences of compliance violations.

In 2011, 2012, and 2013, Continental AG arranged for auditing firm Ernst & Young (EY) to audit the design of its CMS for the areas of anti-corruption, competition/antitrust law, fraud, and other property offenses. The audit was carried out in accordance with standard PS 980 of the Institut der Wirtschaftsprüfer (IDW). EY issued an unqualified audit opinion in each case. Employees and third parties can report potentially suspicious cases via the compliance and anti-corruption hotline, which are dealt with by the Corporate Auditing and Compliance departments. In 2013, 134 incidents were reported via the hotline – 21 (16 percent) of which were related to the issues of bribery or corruption.

Messages to the Anti-Corruption Hotline	134
Contacts, of which in %:	
HR topics (incl. discrimination and harassment)	21
Anti-corruption/bribery	16
Concerns regarding fraudulent activities, money laundering, export control, forging of documents, etc.	11
Fair business practice/conflict of interests	11
Theft, misuse of property, sabotage, vandalism	5
Accounting	2
Anti-trust and competition law	1
Miscellaneous	33

Compliance and anti-corruption hotline

SO3 Percentage of Employees Trained in the Identification of Corruption Risks

In the year under review, we launched an electronic learning program, available in ten languages, on compliance and the Code of Conduct. All employees around the world with computer-based workplaces are obliged to take part. By the end of 2013, more than 50,000 of our employees had taken part – which translates to around 28 percent of the corporation's workforce.

SO4 Action Taken in Response to Incidents of Corruption

In the period under review, individual instances of corrupt behavior occurred in the company. As punishment for these incidents, we implemented disciplinary measures, made extraordinary dismissals, and imposed criminal charges.

SO5 Participation in the Forming of Political Will

Our standpoints on economic policy are expressed, for example, in our annual reports; our interests are represented in the specialist work of the associations and institutions to which we belong (see 4.13).

SO6 Contributions to Political Parties and Politicians (Additional Indicator)

Continental acts in a politically neutral manner and does not give any donations or other monetary contributions to political parties, politicians, or related associations (e.g. voting associations). This restriction is firmly embedded in the corporation's donations policy.

SO7 Legal Action Against the Company for Anti-Competitive Behavior (Additional Indicator)

Information on this is provided in the Annual Report 2013 (see "Other Disclosures" of the Annual Report) and, if necessary, our interim financial reports.

SO8 Fines or Sanctions Against the Company Due to Non-Compliance with Laws and Regulations

See SO7.

Product Responsibility

Corporate Policy and Management Approach

Our responsibility extends over the entire life cycle of our products – starting with the raw materials used, product development, and manufacture, to their use and subsequent recycling. Continental conducts development and production to the highest possible standards in order to minimize the impact on health and the environment. It is up to customers to ensure that products are used for their intended purpose.

Our ISO 9001-certified quality management system, which is in place at all of our locations worldwide and is subject to regular recertification, contains detailed specifications regarding product safety and quality. After all, they form the basis on which we fulfill the diverse range of requirements placed on us by for instance our customers (such as reducing the fuel consumption of vehicles).

Thanks to our products and technology, we not only enable this to happen, but also constantly seek new ways to bring about further optimization. As a result, we make a valuable contribution to sustainable mobility. We consider the creation of products that significantly improve road safety to be yet another major benefit of our work to society; it is one that we pursue – like environmental protection – in our research and development.

PR1 Product Responsibility for Humans and the Environment Across the Entire Life Cycle

In development and production, we work to the highest standards in order to minimize the impact of our production activities and products on health and the environment to the greatest possible extent. When using raw materials, we endeavor to utilize natural resources in a conscientious manner. Our 14 product life cycle assessments (11 in the Rubber Group, 3 in the Automotive Group) provide important information here. In production, we plan to reduce energy and water consumption, CO₂ emissions, and waste by 2020 (basis year: 2012). At the same time, we are endeavoring to increase the recycling rate of industrial waste year on year by 2 percent. See also EN 3, 8, 16, 22.

Special attention is paid to creating energy-efficient, safe, and recyclable products (see also EN6). With the “Safety for all” concept, the Chassis & Safety division is focusing not only on providing safety technologies in line with the various customer and market requirements but also on enabling these technologies to be installed in all vehicle classes. We provide our customers with all relevant information to make it easier for them to recycle our products. In the Automotive Group, this is achieved by means of a recycling passport, which includes component drawings and material data and explains dismantling steps.

On the subject of noise emissions, Continental is involved in initiatives for reducing tire and road noise, including the SILENCE research project of the European Union, as well as the “Quiet Traffic” and “Quiet Road Traffic” projects in Germany.

PR2 Non-Compliance with Requirements Regarding Product Responsibility (Additional Indicator)

Continental is subject to product liability lawsuits and other proceedings in which customers and third parties accuse the company of alleged infringement of its duty of care, non-compliance with warranty obligations, or material defects. From 2006 to the end of 2013, the total costs for dealing with such claims and proceedings amounted to less than €50 million annually.

PR3 Legally Required Obligations to Provide Information Regarding Product Responsibility

A standardized labeling obligation for motor vehicle tires has been applied within the European Union (EU) since November 2012. This is aimed at enhancing road safety while reducing fuel consumption: the EU tire label uses three criteria to indicate a tire's environmental and safety-relevant characteristics. Continental provides the relevant information, which can also be accessed online by our customers.

The New EU Tire Label

The EU's REACH directive (Registration, Evaluation, and Authorization of Chemicals) is relevant for both groups within the corporation. This directive stipulates detailed obligations to provide the European Chemicals Agency (ECHA) with information relating to specific substances. A substantial portion of the substances delivered to Continental had to be registered by the manufacturers by the end of May 2013. To do this, comprehensive data on issues such as toxicity to humans, danger to the environment, and the safe use of the substance had to be gathered and collectively presented in reports for submission to ECHA. The data for safe use was determined jointly by the industries manufacturing and using them, such as Continental.

PR4 Non-Compliance with Regulations Concerning Information and Labeling (Additional Indicator)

There were no known cases of non-compliance in the 2013 fiscal year.

PR5 Practices to Measure Customer Satisfaction (Additional Indicator)

In the 2013 fiscal year, Continental did not conduct any customer surveys.

PR6 Laws and Standards Relating to Product Advertising

Compliance with all the laws and regulations that apply to Continental AG and its subsidiaries, including the relevant laws regarding the prevention of unfair competition, is part of our corporate culture.

PR 7 Non-Compliance with Advertising Requirements (Additional Indicator)

No instances of non-compliance in this regard arose during the period under review. As a member of the German Advertisers' Association (OWM), we adhere to the OWM's Code of Conduct. This contains recommendations regarding conduct during

collaboration between brand companies and the advertising industry.

OWM – Code of Conduct

PR8 Complaints Regarding Breaches of Customer Data Privacy

Data protection at Continental is regulated in a corporate guideline designed to ensure that personal data is handled correctly in the corporation as a whole. In 2013, no major complaints regarding breaches of customer data privacy were received.

PR 9 Fines for Non-Compliance with Legal Requirements Regarding Product Usage (Additional Indicator)

See PR2.

Communication on Progress to the UN Global Compact

Continental AG has since 2012 participated in the UN Global Compact, which defines ten basic principles of corporate social responsibility for companies (human rights, labor, environment, and anti-corruption). The table displays the guidelines and management systems we use to support the implementation of these principles. It also summarizes the progress made in their implementation in 2013.

Prinzip	Guidelines & systems	Measures	Results in 2013
Human rights			
Principle 1: Support of human rights	<ul style="list-style-type: none"> › BASICS corporate guidelines › Principles of corporate social responsibility 	<ul style="list-style-type: none"> › Participation in the events and discussions of the German Global Compact Network 	<ul style="list-style-type: none"> › Around 35,000 employees (98% of those invited) from 35 countries took part in an e-learning course on our Code of Conduct, which also covered the topic of human rights.
Principle 2: Elimination of human rights violations	<ul style="list-style-type: none"> › Supplier Code of Conduct 		
Labor			
Principle 3: Upholding of freedom of association and right to collective bargaining	<ul style="list-style-type: none"> › BASICS corporate guidelines › Principles of corporate social responsibility 	<ul style="list-style-type: none"> › Continental follows the "Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy" of the International Labor Organization (ILO) and the values outlined therein for its HR policy. 	<ul style="list-style-type: none"> › Around 70% of Continental's employees are employed in member states of the Organization for Economic Co-operation and Development (OECD).
Principle 4: Elimination of all forms of forced and compulsory labor	<ul style="list-style-type: none"> › Supplier Code of Conduct 		<ul style="list-style-type: none"> › We can assume that 69 percent of our purchasing volume is with suppliers based in OECD countries who respect and enable their employees' freedom of association.
Principle 5: Abolition of child labor			
Principle 6: Elimination of discrimination	<ul style="list-style-type: none"> › BASICS corporate guidelines › Principles of corporate social responsibility › Code of Conduct › Supplier Code of Conduct › Member of the "Charta der Vielfalt" (German Diversity Charter) 	<ul style="list-style-type: none"> › Core areas: promotion of gender and international diversity › Medium-term goal: 20 percent women on the Supervisory Board › Goal for 2020: 16 percent women in management positions (2013: 9%) 	<ul style="list-style-type: none"> › The percentage of international managers in the corporation in 2013 stood at 40 percent (2012: 33%). › 30 percent of our production workplaces are now age-stable (ergonomic).

Prinzip	Guidelines & systems	Measures	Results in 2013
Environment			
Principle 7: Precautionary environmental protection	<ul style="list-style-type: none"> › Continental environmental policy › Environmental management systems certified to ISO 14001 at all environmentally relevant locations › Principles of corporate social responsibility › Continental mission 	<ul style="list-style-type: none"> › Extensive investment in research and technology to reduce energy consumption and CO₂ emissions › Fourteen product life cycle assessments prepared so far in order to gain detailed information about environmental impact › Energy- and resource-efficient production processes 	<ul style="list-style-type: none"> › A recycling process developed by us has made it possible to almost double the volume of recycled material in new tires (from 3% to 6% percent). › We received the European Transport Sustainability Prize for our new ContiLifeCycle plant in Hanover.
Principle 8: Promotion of greater environmental responsibility	<ul style="list-style-type: none"> › Continental environmental policy › Environmental management systems certified to ISO 14001 at all environmentally relevant locations › Principles of corporate social responsibility › Code of Conduct 	<ul style="list-style-type: none"> › Participation in CDP questionnaire. The process is linked to a public ranking of the company by the CDP (Climate Disclosure Leadership Index) › Continental regularly assesses the level of certification to ISO 14001 of the majority of the suppliers with which it already has contracts › New suppliers are surveyed and assessed using a questionnaire on environmental aspects 	<ul style="list-style-type: none"> › The Executive Board adopted a new environmental strategy in 2013 › 69 percent of suppliers had a certified environmental management system in 2013 (ISO 14001)

Prinzip	Guidelines & systems	Measures	Results in 2013
Principle 9: Diffusion of environmentally friendly technologies	<ul style="list-style-type: none"> › Continental environmental policy › Continental mission 	<ul style="list-style-type: none"> › Extensive investment in research and technology to reduce energy consumption and CO₂ emissions › Increase in energy efficiency across all phases of the product life cycle › Promotion of the use of renewable raw materials such as natural rubber and vegetable oils › Continental is a member of the Sustainable Natural Rubber Project working group of the International Rubber Study Group and is involved in research projects on the topic of quiet traffic. 	<ul style="list-style-type: none"> › In 2013, we generated one-third of our sales (approximately €11 billion) with products that are exceptionally energy-efficient or lead to demonstrably reduced emissions of pollutants or CO₂ emissions.
Anti-corruption			
Principle 10: Measures against corruption	<ul style="list-style-type: none"> › Code of conduct › Anti-corruption guideline 	<ul style="list-style-type: none"> › Compliance department › Training programs for employees › E-learning program on anti-corruption and antitrust law (compulsory for all employees with a PC workstation) › Compliance hotline for employees and external persons 	<ul style="list-style-type: none"> › By the end of 2013, around 35,000 employees (98% percent of those invited) from 35 countries had taken part an e-Learning course on Compliance and our Code of Conduct.

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