Continental
The Future in Motion

TURN CHANGE INTO OPPORTUNITY – EMBRACE SUSTAINABILITY

2020 INTEGRATED SUSTAINABILITY REPORT

Continental AG

Continental develops pioneering technologies and services for sustainable and connected mobility of people and their goods. Founded in 1871, the technology company offers safe, efficient, intelligent and affordable solutions for vehicles, machines, traffic and transportation. Continental generated sales of €37.7 billion in 2020 and currently employs more than 235,000 people in 58 countries and markets

www.continental.com

Development of Key Performance Indicators (Sustainability Scorecard)

	2020	2019
Carbon neutrality		
Direct CO_2 emissions (Scope 1) in millions of metric tons of CO_2[1, 2, 3]	0.78	0.84
Indirect CO_2 emissions (Scope 2) in millions of metric tons of CO_2[1, 2]	0.21[4]	2.38[5]
Total own CO_2 emissions (Scope 1 and 2) in millions of metric tons of CO_2[1, 2]	0.99[6]	3.22[6]
Emission-free mobility and industries		
Allocated business with zero-tailpipe-emission vehicles in € billions[7, 8]	0.83	n.a.
Circular economy		
Waste recycling quota in % [2, 9]	81	80
Responsible value chain		
Number of available, valid supplier self-assessment questionnaires (as at Dec. 31)[10]	696	670[11]
Good working conditions		
OUR BASICS Live Sustainable Engagement index in %	82	81
Sickness rate in %[12, 13]	3.5	3.4
Unforced fluctuation rate in %[13, 14, 15]	4.6	6.0
Green and safe factories		
Environmental protection management system certifications (ISO 14001) Employee coverage quota (as at Dec. 31) in %	82	82
Energy management system certifications (ISO 50001) Employee coverage quota (as at Dec. 31) in %	51	49
Occupational safety and health management system certifications (ISO 45001 or similar) Employee coverage quota (as at Dec. 31) in %	69	69
Accident rate (number of accidents per million working hours)[13, 16, 17]	2.9	3.0[18]
Benchmark in quality		
Quality management system certifications (ISO 9001 or similar) Employee coverage quota (as at Dec. 31) in %	91	86
New field quality events (as at Dec. 31)[19]	18	n.a.
Sustainable management practice		
Gender diversity – share of female executives and senior executives (as at Dec. 31) in %[20]	16.1	15.8
Innovation and digitalization		
Research and development expenses (net) in € millions	3,381.8	3,364.2
in % of sales	9.0	7.6

1 Definitions in accordance with the GHG Protocol. CO_2 emission factors correspond to CO_2 equivalents (CO_2e).
2 Includes the relevant production and research and development locations.
3 CO_2 emissions from fleet consumption are only partially and not systematically included.
4 Calculated using the market-based calculation method of the GHG Protocol. Where contract-specific emission factors were not available, the standard emission factors from Defra (November 2019) were used.
5 Calculated using the location-based calculation method of the GHG Protocol.
6 Figures for 2020 and 2019 not comparable due to the implementation of the RE100 project and the associated change in the method for calculating Scope 2 emissions from a location-based method to a market-based method in accordance with the GHG Protocol.
7 Definition: allocated business with zero-tailpipe-emission vehicles measures both pure business and attributable business, e.g. in the case of combined vehicle platforms. The figure includes the entire business with products for vehicles transporting goods and people.
8 The calculation was also based on external data sources and internal planning data. In the tire trade organization business (e.g. Vergölst) and business with car dealerships, there is no allocation at the individual customer level.
9 Definition: proportion of waste that has been sent for material recycling, thermal recovery or any other form of recycling or reuse.
10 Based on the self-assessment questionnaires completed by suppliers via the sustainability platforms EcoVadis and NQC. In fiscal 2020, a change was made to the definition of validity with regard to supplier self-assessment questionnaires by Continental. This will always last for two years, irrespective of the platform used.
11 Figures for 2020 and 2019 only comparable to a limited extent due to a change in definition.
12 Definition: sickness-related absence relative to contractually agreed working times.
13 Excluding temporary staff (i.e. permanent staff only).
14 Definition: voluntary departure of employees from the company relative to the average number of employees.
15 In fiscal 2020, the key performance indicator was renamed. This was previously called "unforced fluctuation."
16 Definition: number of accidents during working hours per million paid working hours. Counted from more than one lost day, i.e. with at least one lost day beyond the day of the accident.
17 Excluding way-to-work accidents.
18 Excluding Continental Tire Sales (approx. 2% of the total workforce).
19 Definition: a field quality event is a risk-minimizing measure for a product manufactured and/or sold by Continental based on a safety-related defect and/or non-compliance with regulations that was initiated by Continental, a customer and/or an authority.
20 In fiscal 2020, the key performance indicator was renamed. This was previously called "proportion of women in management positions."

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To Our Stakeholders

Dear Readers,

We look back on a year in which many things have changed for us – both professionally and personally. The world is not the same as it was at the beginning of 2020. At the same time, the entire mobility industry is undergoing a profound transformation. Continental is also facing fundamental changes. Despite all the uncertainties, we firmly believe that future business also means sustainable business.

With our ambitious sustainability roadmap, we are systematically following the path of transformation to a sustainable economy. This is the critical yardstick for us and for the entire mobility industry. We do not yet have all the solutions, but the markers have been put down for ourselves and for our partners. Sustainability has long been one of the key drivers of innovation at Continental. However, we are going a big step further and have embedded it comprehensively into our group strategy. With our roadmap, we are setting a course for sustainability more consistently than almost any other company in the supplier industry to date. In this way, we are developing additional profitable growth and competitive advantages.

With its “Carbon-neutral for emission-free vehicles” program, Continental is reinforcing its strong position in the growth market of emission-free mobility. The initiative for carbon-neutral vehicles is just one of the first sections of Continental’s comprehensive overall roadmap for sustainable management, with its price targets of 100 percent carbon neutrality, 100 percent emission-free mobility and industry, 100 percent circular economy, and 100 percent responsible value chains. They will be implemented by 2050 at the latest. The associated milestones are already firmly anchored in the long-term remuneration system for the Executive Board and management.

At the same time, our ambitions are an expression of our inner attitude and of a forward-looking way of thinking. We are working on the transformation with our highly-motivated global team. And as part of a joint learning process with customers, investors, suppliers, politicians, civil society and within sectors, we discuss the major challenges transparently, look for the right paths and develop new markets. In doing so, we rely at all times on our four corporate values – Trust, Passion To Win, Freedom To Act, and For One Another.

Together, we will turn the changes that sustainability opens up into opportunities and emerge as a winner from the transformation. We are delighted to take you on this journey. And we are looking forward to your comments or questions. I would now like to offer you exciting and informative reading on behalf of the entire Executive Board and all staff.

Ariane Reinhart

Dr. Ariane Reinhart

Executive Board Member for Human Relations and Sustainability

Report Profile

This is Continental's 10th sustainability report. It also represents our progress report for the UN Global Compact ("Communication on Progress").

Integrated sustainability reporting concept
Continental has published a sustainability report since 2012 and, since 2018, a combined non-financial statement for the past fiscal year each year. The main medium of our sustainability reporting is the integrated sustainability report. This report brings together information from the consolidated non-financial statement, management report, consolidated financial statement and other sources, as well as additional information, in a modular format.

Financial reporting framework and reporting period
As with financial reporting, this sustainability report encompasses all fully consolidated companies (see Annual Report on page 152). within the group. The report covers the fiscal year 2020 from January 1 to December 31, 2020, and reports on current developments occurring up to the editorial deadline on April 16, 2021. The editorial deadline for content from the Annual Report presented in this report was March 2, 2021.

Reporting is based on GRI, UN Global Compact, SDGs, TCFD and SASB. The relevant indices can be found starting on page 109.

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

Topics covered in the different reporting formats
The sustainability report presents the management approach and results, including key performance indicators and other key figures and examples, for each key topic of the sustainability strategy. The combined non-financial statement pursuant to §§ 315b and 315c in conjunction with 289b to 289e of the German Commercial Code (HGB) focuses exclusively on data required by law.

Restatements
The 2020 Sustainability Report does not contain any restatements.

		Reports in which the individual topics are covered			
			Statutory reporting		
	Material topics in the sustainability strategy	Sustainability Report	Combined Non-financial Statement in the Annual Report	Management Report in the Annual Report	Other Annual Report (not part of the Management Report)
1.	Carbon neutrality (previously: climate protection)	X	X		
2.	Emission-free mobility and industries (previously: clean mobility)	X	X		
3	Circular economy	X	X		
4.	Responsible value chain (previously: sustainable supply chains)	X	X		
5.	Good working conditions	X	X		
6.	Green and safe factories	X	X		
7.	Innovation and digitalization	X		X (Research and Development section)	
8.	Benchmark in quality (previously: product quality)	X	X		
9.	Safe mobility	X		X (Research and Development section)	
10.	Long-term value creation (previously: sustainable profitability)	X		X (Corporate Management and Economic Report section)	
11.	Sustainable management practice (previously: corporate governance)	X	X		X (Corporate Governance)
12.	Corporate Citizenship	X			

Text and assurance markings

The key content of this Sustainability Report was reviewed by an independent auditor. Content reviewed externally is color-coded as per the following overview. The applicable auditor's notes can be found in this report from page 120 onwards.

Note on improving the readability of the text (only relevant for German version)

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

Significance of color coding and applicable auditor's report

Color coding	Text content	Applicable auditor's report
Text audited by an independent auditor	Content from the Consolidated Financial Statements and Management Report (except for the Combined Group Non-Financial Statement)	Report on the Audit of the Consolidated Financial Statements and the Consolidated Management Report
	Content from the combined non-financial statement	Reasonable assurance report of the independent auditor regarding the combined non-financial statement
	Selected indicators in the Sustainability Report: CO_2 emissions scope 3, energy use, water demand, waste generation, product weight	Independent auditor's Limited Assurance Report regarding selected environmental key performance indicators in the Sustainability Report
Text not audited externally	All content other than that specified above	---

Corporate Profile
Structure of the Continental Group

Source: 2020 Annual Report > Management Report > Corporate Profile > Structure of the Continental Group (starting p. 44)

The Continental Group comprises three group sectors and 21 business units.

Organizational structure
The Continental Group is divided into the group sectors Automotive Technologies, Rubber Technologies and Powertrain Technologies. These sectors comprise five business areas with a total of 21 business units (as of January 1, 2021). A business area or business unit is classified according to product requirements, market trends, customer groups and distribution channels. The business areas and business units have overall responsibility for their business, including their results.

The legally independent Powertrain business area operates under the name Vitesco Technologies. This has no effect on the financial reporting of the Powertrain business area within the Continental Group.

Business responsibility
Overall responsibility for managing the company is borne by the Executive Board of Continental Aktiengesellschaft (AG). Each business area is represented by one Executive Board member.

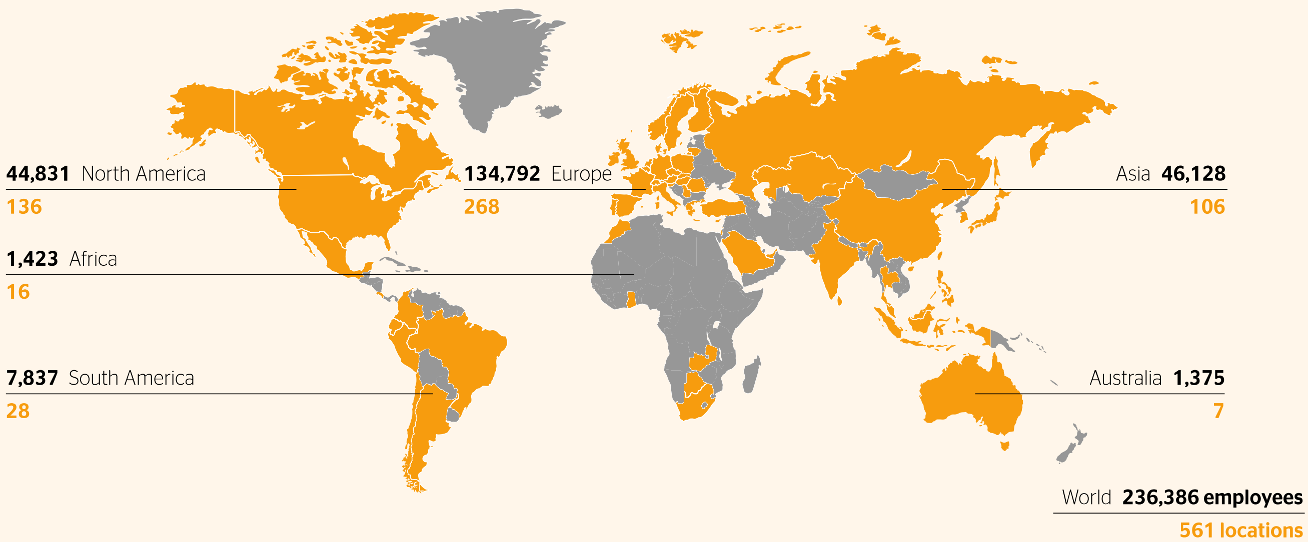
To ensure a unified business strategy, an Automotive Board was established in the Automotive Technologies group sector, with the CEO of Continental AG serving as chairman.

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

Companies and locations
Continental AG is the parent company of the Continental Group. In addition to Continental AG, the Continental Group comprises 563 companies, including non-controlled companies. The Continental team is made up of 236,386 employees at a total of 561 locations in the areas of production, research and development, and administration, in 58 countries and markets. Added to this are the distribution locations, with 955 company-owned tire outlets and a total of around 5,000 franchises and operations with a Continental brand presence.

Customer structure
With a 69% share of consolidated sales, automotive manufacturers are our most important customer group. This industry is accordingly important for the growth of the Automotive Technologies and Powertrain Technologies group sectors. In the Tires business area of the Rubber Technologies group sector, sales to dealers and end customers represent the largest share of the tire-replacement business. In the ContiTech business area, important customers come from both the automotive industry and other key industries such as railway engineering, machine and plant construction, mining and the replacement business.

561 locations in 58 countries and markets



Structure of the Continental Group

Continental Group
Sales: €37.7 billion; Employees: 236,386

Automotive Technologies Sales: €15.3 billion Employees: 95,551		Rubber Technologies Sales: €15.6 billion Employees: 100,327		Powertrain Technologies Sales: €7.0 billion Employees: 40,102
Autonomous Mobility and Safety	**Vehicle Networking and Information**	**Tires**	**ContiTech**	**Powertrain**
Sales: €7.5 billion Employees: 47,762	Sales: €7.9 billion Employees: 47,789	Sales: €10.2 billion Employees: 56,864	Sales: €5.6 billion Employees: 43,463	Sales: €7.0 billion Employees: 40,102

Automotive Technologies
The **Autonomous Mobility and Safety business area** develops, produces and integrates active and passive safety technologies and controls vehicle dynamics. The product portfolio ranges from electronic and hydraulic brake and chassis control systems to sensors, advanced driver assistance systems, airbag electronics and sensors, electronic air suspension systems and cleaning systems for windscreens and headlights. Autonomous Mobility and Safety has a high level of systems expertise in the interconnectivity of individual components. As a result, products and system functions are created along the "SensePlanAct" chain of effects. These make driving safer and easier and pave the way for autonomous mobility.

The business area is divided into four business units:

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

The **Vehicle Networking and Information business area**, with its vision of "Always On," sees the vehicle of the future as a partner that supports its passengers with intelligent and secure solutions – seamlessly networked, user-friendly, convenient and smart. The business area develops and integrates components and end-to-end systems for connected mobility – architecture, hardware, software and services. With solutions for networking, human-machine interaction, user experience, high-performance computing, digital services and system integration for passenger cars, light commercial vehicles and fleets, Vehicle Networking and Information ensures stable and safe connectivity and smooth information flows for connected mobility.

The business area is divided into three business units:

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

Rubber Technologies
With its premium portfolio in the car, truck, bus, two-wheel and specialty tire segment, the **Tires business area** stands for innovative top performance in tire technology. Services for dealers and fleet management as well as digital tire monitoring and management systems are further areas of focus. The aim is to contribute to safe, economical and sustainable mobility. In the reporting year, 23% of sales related to business with vehicle manufacturers, and 77% related to the tire-replacement business.

As of January 1, 2021, changes have been made to the organizational structure of the Tires business area. In order to ensure greater customer proximity and focus and increase organizational efficiency, the passenger-car business and the commercial-vehicle business have been merged into a single business unit. The Tires business area is now divided into five business units:

- Original Equipment
- Replacement, APAC (Asia and Pacific region)
- Replacement, EMEA (Europe, the Middle East and Africa)
- Replacement, The Americas (North, Central and South America)
- Specialty Tires

The **ContiTech business area** focuses on smart and sustainable solutions beyond rubber and develops digital and intelligent solutions in future-oriented sectors. In doing so, ContiTech draws on its long-standing knowledge of the industry and materials to open up new business opportunities by combining various materials with electronic components and individual services. The products, systems and solutions developed by ContiTech are used both in the automotive industry as well as in railway engineering, machine and plant construction, mining, agriculture and other important sectors of the future. In the reporting year, 48% of sales related to business with automotive manufacturers, and 52% related to business with other industries and in the automotive replacement market.

The Air Spring Systems and Vibration Control business units were consolidated into one business unit – Advanced Dynamics Solutions – on January 1, 2021. The business area is now divided into six business units:

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

Powertrain Technologies

The **Powertrain business area** brings together the full spectrum of Continental's drivetrain technology expertise. Powertrain's aim is to develop innovative, efficient electrification technologies for all types of vehicle. Its portfolio includes 48-volt electrification solutions, electric drives, and power electronics for hybrid and battery-electric vehicles. Furthermore, Powertrain develops and produces high-voltage boxes, electronic controls, sensors, actuators, turbochargers, hydraulic components and pumps as well as solutions for exhaust-gas aftertreatment.

The business area is divided into three business units:

- Electronic Controls
- Electrification Technology
- Sensing and Actuation

Globally interconnected value creation

Research and development (R&D) took place at 88 locations in the reporting year, predominantly in close proximity to our customers to ensure that we can respond flexibly to their various requirements and to regional market conditions. This applies particularly to projects of Automotive Technologies and Powertrain Technologies, as well as the ContiTech business area. The fundamental product requirements for tires are much the same across the world. They are adapted according to the specific requirements of each market. In this respect, R&D has a largely centralized structure in the Tires business area. Continental generally invests between 7% and 8% of sales in R&D each year. For more information, see the Research and Development section.

Continental processes a wide range of raw materials and semi-finished products. The purchasing volume in the reporting year was €24.4 billion in total, €16.7 billion of which was for production materials. Automotive Technologies and Powertrain Technologies use primarily steel, aluminum, precious metals, copper and plastics. Key areas when it comes to purchasing materials and semi-finished products include electronics and electromechanical components, which together make up about 45% of the Continental Group's purchasing volume for production materials. Furthermore, mechanical components account for nearly a quarter of production materials. Natural rubber and oil-based chemicals such as synthetic rubber and carbon black are key raw materials for Rubber Technologies. The total purchasing volume for these materials amounts to around a sixth of the total volume for production materials. For more information, see the Development of Raw Materials Markets section in the economic report.

Production and sales in Automotive Technologies and Powertrain Technologies as well as in the ContiTech business area are organized across regions. Tire production activities, in which economies of scale play a key role, are represented with major locations in the three dominant automotive markets in terms of production and vehicle numbers, namely Europe, the USA and China. Low production costs coupled with large volumes and proximity to our customers or high rates of regional growth constitute key success factors. Tires are sold worldwide via our dealer network with tire outlets and franchises, as well as through tire trading in general.

Globally interconnected value creation

R&D	Purchasing	Production	Sales & Distribution
Innovative €3.4 billion in expenditure	**Diverse** €24.4 billion in volumes	**Global** 246 locations	**Local** €37.7 billion in sales

Shareholder Structure

Source: 2020 Annual Report > To Our Shareholders > Corporate Governance > Continental Shares and Bonds (p. 10); supplemented data from 2020 Investor Presentation (Fact Book) (p. 183)

Note: This Text has been shortened.

Free float unchanged at 54.0%
As in the previous year, free float as defined by Deutsche Börse AG amounted to 54.0% as at the end of 2020. The most recent change took place on September 17, 2013, when our major shareholder, the IHO Group, Herzogenaurach, Germany, announced the sale of 7.8 million Continental shares, reducing the shareholding in Continental AG from 49.9% to 46.0%.

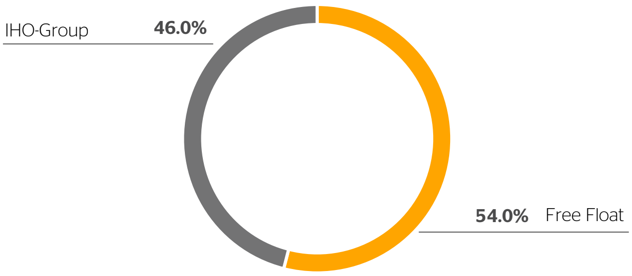
Share of free float in the USA rises further
As at the end of the year, we once again determined the distribution of free float of Continental shares by way of shareholder identification (SID). We were able to assign 97.9 million of the 108.0 million shares held in the form of shares or alternatively as American depositary receipts (ADRs) in the USA to more than 700 institutional investors across 48 countries. The identification ratio was 90.7% (PY: 85.5%).

According to the SID, the identified level of Continental shares held in Europe was slightly higher than the previous year at 52.5% (PY: 51.1%). The identified level of shares held by institutional investors from the UK and Ireland increased to 29.7% (PY: 25.3%). The identified holdings of German institutional investors rose to 9.3% in the year under review (PY: 6.6%). Scandinavian investors held 4.1% (PY: 4.4%) of Continental shares at the end of 2020. At 3.4%, the shareholdings of French institutional investors also showed little change (PY: 3.1%). Shareholdings of institutional investors in other European countries amounted to 6.0% (PY: 5.7%).

As at the end of December 2020, institutional investors in the USA and Canada held a total of 34.5% (PY: 29.3%) of the free float in the form of shares or ADRs.

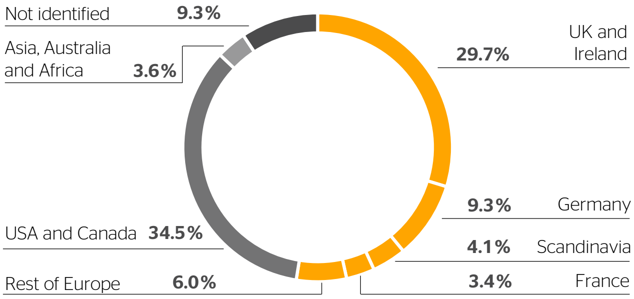
The identified shareholdings of institutional investors in Asia, Australia and Africa was stable at 3.6% at the end of 2020.

Shareholder Structure as at Dec. 31, 2020



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

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



Strategy of the Continental Group

Source: 2020 Annual Report > Management Report > Corporate Profile > Strategy of the Continental Group (starting p. 47)

Realigned strategy to address the transformation in the mobility industry.

The transformation in the mobility industry opens up many opportunities. To capitalize on these opportunities, Continental adopted a realigned strategy in the year under review. This is based on three cornerstones:

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

1. Strengthening operational performance
By strengthening our operational performance, we can ensure our future viability and competitiveness. We are aligning our cost structure to global market conditions. Measures for this purpose were introduced in September 2019 and are part of our Transformation 2019–2029 structural program.

In addition to adjusting our cost structure, we also want to continuously improve our productivity, for example by increasing the level of automation and digitalization in our production environment. In our plants, our colleagues are already working together with more than 2,000 collaborative robots, including autonomous, driverless transportation systems.

2. Differentiating the portfolio
We will differentiate our product portfolio in a more targeted way in the future. We are concentrating on two key areas: "growth" and "value." By focusing on "growth" we are aiming, above all, to establish a strong position in innovative fields featuring highly dynamic growth, and with "value" we are addressing saturated markets with stable but low growth.

We see above-average growth in connected, assisted and autonomous driving, as well as in new vehicle architectures. In the Tires and ContiTech business areas, our opportunities lie in high-growth regions and digital solutions and services, such as those for fleet and industrial customers.

Our extensive know-how in the area of software gives us a major competitive advantage here. It is software that will make the difference in the future. Crucial to this are, for example, high-performance computers that combine vehicle functions from the areas of safety, assistance, connectivity and entertainment. Continental is the first automotive supplier ever to supply such a central computer for the Volkswagen ID. series. Connectivity, safety and convenience are key to the future of mobility – regardless of how a vehicle is powered.

These fields include products and systems for assisted and autonomous driving, services for automotive manufacturers, end and fleet customers as well as architecture, connectivity and software solutions.

When it comes to "value," our focus is on profitable product areas where we have solid competitive positions in markets with a high degree of maturity. These include, for example, safety solutions, display and control systems, surface materials and the European tire business. Our growth will be only slightly higher than the market here. The emphasis will be on sustaining profitability and generating sufficient funds, which we will use to ensure the competitive expansion of growth areas geared to market and technology leadership that are unable to fully finance their ambitious growth themselves.

The portfolio strategy also includes possible acquisitions, divestments and partnerships. We will regularly review business units focusing on "value" to determine whether they are able to create the best possible value for Continental. We will also assess how profitability can be increased. Divestitures may also be an option. However, this would be pursued only after careful consideration of potential dissynergies. Part of this systematic approach is the planned spin-off of Vitesco Technologies in 2021. Our internal processes have been reorganized for this purpose and the necessary organizational requirements are in place.

1	2	3
Strengthen operational performance	**Differentiate our portfolio**	**Turn change into opportunity**
› Right-size cost structure › Commitment to efficiency and quality	› Win in growth businesses › Manage value businesses for profitability and cash	› Embrace sustainability › Focus on passion to win and transparency and ownership

3. Turning change into opportunity
The third cornerstone of our strategy involves turning change into opportunity. We have already laid the foundation for this through our company culture, which is based on our four values of Trust, For One Another, Freedom To Act and Passion To Win. The task now is to strengthen this Passion To Win further in order to turn market opportunities into value even more quickly. We will make clear and transparent decisions to ensure that our actions are appropriate for our respective focus areas. Our aim is to be among the winners of the transformation in our industries and to create value for all stakeholders.

At the end of 2020, we thus laid a solid foundation for sustainability like practically no other company in the supplier industry to date. From 2022, we will make our global business with zero-tailpipe-emission vehicles completely carbon-neutral. By 2050 at the latest, we want to achieve 100% carbon neutrality, 100% emission-free mobility and industry, a 100% circular economy and 100% responsible value chains. In doing so, we will decisively shape the future of sustainable mobility.

For the Continental Group and the individual group sectors (excluding Powertrain Technologies), this means the following: for the Continental Group as a whole, we are aiming for average annual organic growth of around 5% to 8% and an adjusted EBIT margin of between around 8% and 11% in the medium term. Its return on capital employed is expected to amount to around 15% to 20%, and its cash conversion ratio to more than 70%.

The Automotive Technologies group sector will focus on the growing global demand for even safer, more connected and more convenient mobility. We are supplying the technological basis for this, which primarily comprises integrated vehicle architecture and increasingly comprehensive computer programs for controlling mobility systems. These include, for example, our high-performance computers as well as products and systems for assisted and automated driving. We are also in leading market positions in the area of display and control systems as well as safety applications such as braking and restraint systems.

Overall, we expect the Automotive Technologies group sector – in other words, the Autonomous Mobility and Safety as well as Vehicle Networking and Information business areas – to achieve average annual organic growth of around 7% to 11% in the medium term. This assumes that the average annual market growth for passenger cars and light commercial vehicles will be between around 5% and 7%, as forecast. In the medium term, we will therefore exceed this by around 2 to 4 percentage points. The adjusted EBIT margin is expected to be around 6% to 8%, and the return on capital employed to exceed 15%.

In the Rubber Technologies group sector, the Tires business area will focus on further consolidating its position among the world's top tire manufacturers. We want to increase our market share in the growth markets of Asia and North America in particular. In the passenger-car tire segment, the global business with tires for electric mobility and ultra-high performance tires is to be systematically expanded further. We also see further growth for truck and bus tires as well as in the area of specialty tires.

We are pursuing ambitious targets in the area of sustainability. We want to become the most progressive manufacturer in the tire industry by 2030. The focus here will be on climate protection, low-emission mobility, a circular economy and sustainable supply chains. For example, our tires are to be made from 100% sustainable materials by 2050.

The tire market is expected to grow by around 3% to 4% in the medium term, based on the production of passenger cars and light commercial vehicles, the tire replacement market and the production of truck tires. On this basis, we expect to achieve annual growth of around 4% to 5%. In our tire segment, we are aiming in the medium term for an adjusted EBIT margin of around 12% to 16% and a return on capital employed (ROCE) of more than 20%.

The ContiTech business area will pursue the path it has been forging since 2017 in the direction of "smart and sustainable solutions beyond rubber." With the growth-based part of the product portfolio, we want to grow at a rate of around 3 percentage points faster than the market. The potential here results primarily from the increasing demand for digital and intelligent solutions. In this regard, ContiTech can draw on its long-standing and detailed knowledge of the industry and materials. We will also combine various materials with electronic components and individual services. The value-based portfolio includes applications for passenger cars and rail transport as well as the printing and mining industries. For ContiTech overall, we anticipate that medium-term growth will be 1 percentage point higher than the forecast market growth of around 2% to 3% and the EBIT margin will be around 9% to 11%. Its return on capital employed is expected to exceed 20%.

Sustainability Management

Source: 2020 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Nonfinancial Statement (p. 54)

Note: The text has been adjusted for page references.

Continental's sustainability ambition

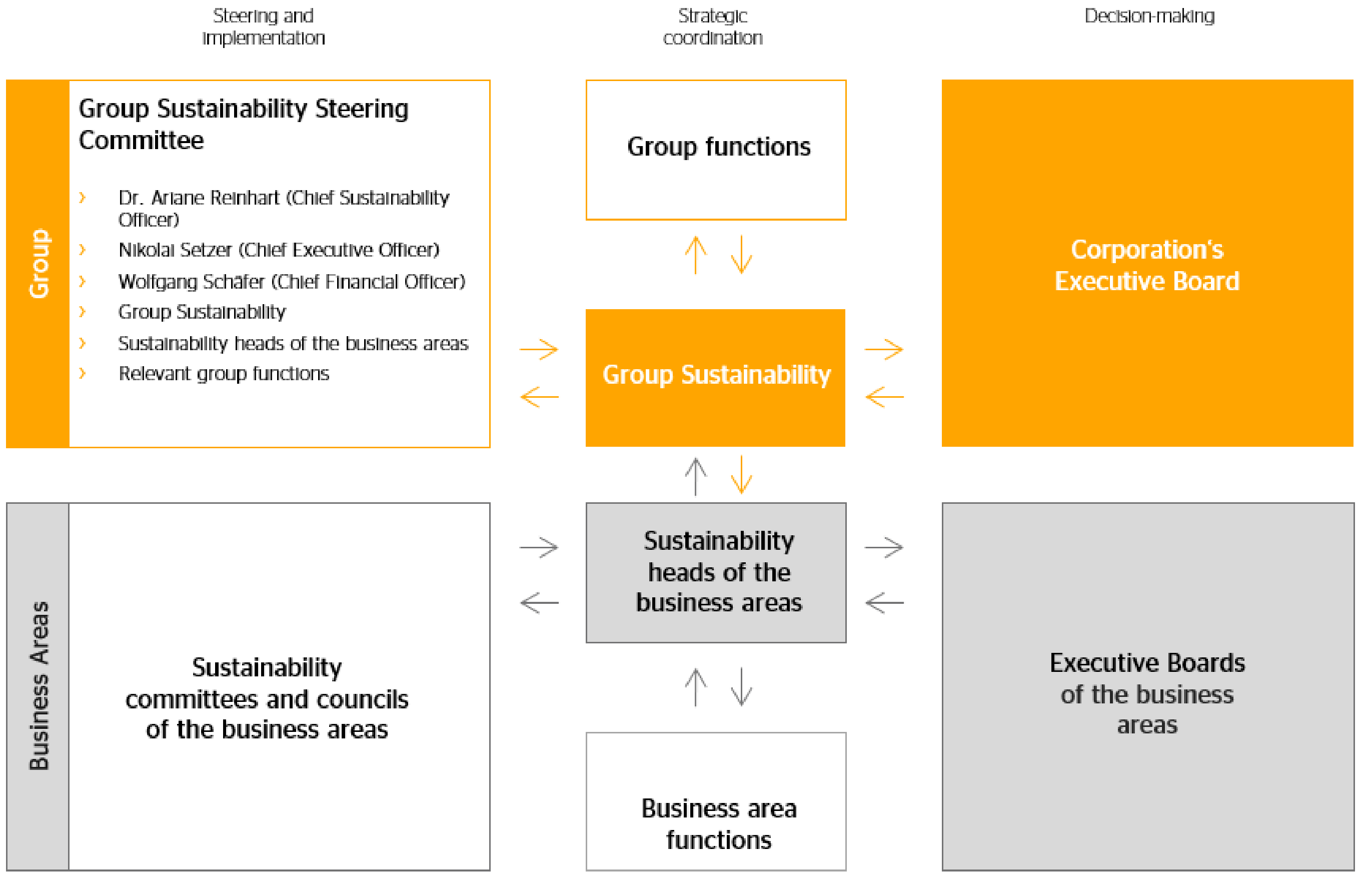
In fiscal 2020, the Executive Board adopted a new sustainability ambition with the aim of advancing the company's transformation process in the area of sustainability. In the four focus areas of sustainability, we are committed to our strong, visionary ambitions, which we want to achieve by 2050 at the latest together with our partners along the value chain. The ambitions are set out in the following sections on carbon neutrality, emission-free mobility and industries, circular economy, and responsible value chain. Continental's entire sustainability ambition can also be found at www.continental-sustainability.com/downloads. The sustainability ambition is based upon existing programs and processes, which it complements and gradually develops further.

Sustainability management

The Executive Board member for Human Relations and Sustainability serves as chief sustainability officer (CSO). The Sustainability group function overseen by the CSO is responsible for sustainability management, including management of an interdepartmental committee. Sustainability organization is further supplemented by dedicated coordinators in the group sectors and business areas. Some of these organizational units also have their own interdepartmental sustainability committees.

In fiscal 2019, Continental introduced a sustainability scorecard for the Continental Group in order to measure progress in the area of sustainability. The scorecard defines the current key performance indicators for individual sustainability topics and represents the formal basis for integrating sustainability into other corporate processes. In fiscal 2020, for example, key performance indicators for sustainability were integrated into the long-term remuneration components (long-term incentive plan – LTI) of the Executive Board and global managers. For more information, see the remuneration report.

Sustainability Steering at Continental Group



Inclusion of Stakeholders

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

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

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

To start a dialog on the key sustainability issues for Continental and further develop our sustainability strategy, we conducted a global stakeholder survey in the first quarter of 2019. More than 1,700 stakeholders across all groups responded to this survey. In particular, our stakeholders identified the topics of clean mobility, sustainable supply chains, climate change mitigation, and circular economy as key priorities for the group. Other topics including innovation, digitalization, road safety, and fair working conditions were also determined as relevant. The results of this survey, along with further analyses and new ideas, will be continuously incorporated into the sustainability strategy and our reporting.

100%

EMISSION-FREE MOBILITY AND INDUSTRY

Development of Material Sustainability Topics
Emission-free Mobility and Industries

Management Approach

Source: 2020 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Nonfinancial Statement (p. 55)

Note: The text has been adjusted for page references.

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

Concept
With technological solutions, Continental is shaping the transformation toward emission-free mobility and emission-free industries. In doing so, we rely both on new product developments and on the further development of the existing product portfolio. Emission-free mobility includes, for example: electrified drive systems, lightweight design solutions, automated driving solutions, new transport concepts, and rolling-resistance-optimized tires.

For more information on this topic, see the Strategy of the Continental Group section, the Research and Development section, and the report on risks and opportunities.

Results of the concept
We consider our allocated business with zero-tailpipe-emission vehicles to be a key performance indicator for the implementation of our concept with respect to emission-free mobility and industries. The new key performance indicator introduced in fiscal 2020 expresses the paradigm shift from more efficient mobility to emission-free mobility and comprised €0.83 billion of consolidated sales. It refers to business with vehicles without drive emissions that can be clearly allocated via the vehicle manufacturer, the vehicle platform or the product specification, for example. Additionally, there are also business activities that cannot be clearly allocated to emission-free vehicles and are therefore not reported. This currently includes a major part of the replacement business, for example. The new key performance indicator replaces the previous key performance indicator "percentage of products that demonstrably contribute to energy efficiency or to the reduction of pollutant or carbon dioxide emissions."

Key performance indicator for emission-free mobility and industries	2020	2019
Allocated business with zero-tailpipe-emission vehicles in € billions[1, 2]	0.83	n.a.

1 Definition: allocated business with zero-tailpipe-emission vehicles measures both pure business and attributable business, e.g. in the case of combined vehicle platforms. The figure includes the entire business with products for vehicles transporting goods and people.

2 The calculation was also based on external data sources and internal planning data. In the tire trade organization business (e.g. Vergölst) and business with car dealerships, there is no allocation at the individual customer level.

Group program: Carbon-neutral for Emission-free Vehicles

Continental has set itself the goal of making the global business for zero-tailpipe emission vehicles carbon-neutral from 2022 onward, and has initiated the group program "Carbon-neutral for emission-free vehicles".

In particular, zero-tailpipe emission vehicles include electric cars, but also other vehicles, for example with hydrogen fuel cell drive, or trams.

The entire value chain is included in the neutralization process, which means that in addition to own production, the upstream processes and the recycling of products after end of use are also made carbon-neutral. The neutralization of CO_2 emissions is achieved by purchasing certificates for so-called negative emissions equivalent to the CO_2 emissions and in collaboration with selected external partners. Planting trees and restoring ecosystems – such as reforestation – are particularly important. These and other neutralization methods are currently being investigated by Continental.

Our program "Carbon-neutral for emission-free vehicles" is part of Continental's overall approach to sustainable management, which includes the course targets of 100 percent carbon neutrality and 100 percent emission-free mobility and industries by 2050 at the latest. Our program enables the desired carbon neutrality for zero-tailpipe emission vehicles as early as 2022. With this program, Continental is not only strengthening its leading position in the future market of emission-free mobility, but also expecting above-average growth.

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In The Spotlight

Product Examples from the Group Sectors and Business Areas

Tires

Rolling-resistance-optimized tires

A car's tires are its only means of contact with the road. Not only do they ensure safe handling, they also play a key role in energy consumption. The rolling resistance is crucial for the energy efficiency of a tire – and thus the vehicle's energy consumption. This applies both to tires in electric cars and to tires mounted on cars with hybrid drives or internal combustion engines. Continental develops a range of rubber compounds that optimize the rolling resistance of tires. For example, we developed the Green Chili 2.0 rubber compound, which creates less friction when it comes into contact with the road. The tire absorbs less energy, which reduces rolling resistance. Green Chili 2.0 technology also enables the tire to adapt more optimally to the road surface. Less slip results in less tire wear on dry and wet road surfaces. This increases the mileage. New constituents of the Green Chili 2.0 rubber compound also improve grip in dry and wet conditions.

Back in 2012, Continental unveiled its first tire specially designed for electric vehicles. In subsequent years, the premium tire manufacturer has developed a large part of its product range to meet the demanding requirements of electric and hybrid vehicles, while also contributing to reducing the emissions from internal combustion vehicles.

ContiTech

Climate-friendly thermal management increases the range of electric and hybrid vehicles

Our lines and hoses play an important role in thermal management. The reason for this is the batteries in electric vehicles, which work most efficiently at temperatures between 20 °C and 40 °C. Outside this temperature range, the vehicle's range of action falls significantly. For this reason, the batteries must be cooled or heated depending on the outside temperature. Our hoses and lines cool the batteries and the highly sensitive power electronics, for example, thereby optimizing the range of battery-driven vehicles. The range is additionally increased by the optimal composition of different materials saving weight and energy. Sustainability is also a focus of our actions: The use of the currently most climate-friendly refrigerant R744 is highly efficient and ensures environmentally friendly temperature regulation.

We have expanded our plastics expertise worldwide for future-proof cables and hoses in order to be optimally positioned for this future industry with a flexible mix of materials.

Powertrain

Reduced emissions in high-voltage hybrid vehicles

On the way to purely electric mobility without drive emissions, intelligent technologies are needed to further reduce CO_2 emissions from conventional or electrified combustion vehicles, so-called hybrids. Electric catalyst heating, which reduces cold-start emissions and which we have now also made available in high-voltage hybrid vehicles, is a current example. Thanks to a new DC/DC converter, the heating discs of the electrically heated EMICAT catalytic converter can now also be supplied with electricity in high-voltage vehicles. Because a catalytic converter can only deliver its full effect when the engine is at operating temperature and the exhaust temperature is accordingly high. In real-life operation, the e-catalytic converter enables the lowest possible pollutant emissions in crucial situations, namely when the internal combustion engine is restarted. Hybrid vehicles exploit their potential for CO_2 savings by driving electrically and thus without CO_2 emissions as often as possible when the internal combustion engine is switched off. This results in longer intervals between operation of the internal combustion engine, during which the engine cools down. When the engine is restarted, the exhaust flow will also be cold at first – possibly too cold to convert harmful gases in the catalytic converter. This is where our system solution, comprising a heating disc and DC/DC converter, comes into play, enabling CO_2 efficiency and low cold engine start emissions.

Automotive Technologies

Tracking fuel consumption

Fuel consumption reduction technologies also help to reduce CO_2 emissions and thus also constitute an important contribution on the road to zero emissions driving. With the help of ZFuel from Zonar Systems, it is possible to efficiently monitor the fuel consumption of trucks, and thus their CO_2 emissions. The main characteristics that directly influence fuel consumption, such as acceleration and gearshift behavior by the truck driver, are tracked, evaluated and transmitted to the driver and fleet operator. The use of ZFuel can reduce fuel consumption by up to 35%. In the USA alone, 7.8 million trucks and heavy trucks have been registered.

100%

CARBON NEUTRALITY ALONG OUR ENTIRE VALUE CHAIN

Carbon Neutrality

Management Approach

Source: 2020 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Nonfinancial Statement (p. 55)

Our ambition

As set out in our sustainability ambition, we strive to be 100% carbon-neutral along our entire value chain with regard to products, operations and supply by 2050 at the latest, together with our partners along the value chain.

Concept

The transformation toward carbon neutrality is to be achieved in four steps and in particular through the use of renewable energy, the development of new technologies, and increases in efficiency:

- Since 2020: zero emissions from externally sourced electricity in global production through a complete switch to renewable energy, including through special electricity supply agreements (power purchase agreements) and the purchase of energy attribute certificates
- From 2022: carbon neutrality of the allocated business with zero-tailpipe-emission vehicles
- Corporate target by 2040: carbon neutrality of all our own production processes
- Corporate target by 2050: carbon neutrality along the entire value chain

The targets have been validated by the Science Based Targets initiative (SBTi). On the basis of the method used, the linear derivations for 2030 from the targets for 2040 and 2050 were confirmed as being compliant with the Paris climate agreement.

Results of the concept

As a key performance indicator for the implementation of our concept with respect to carbon neutrality, we consider our own CO_2 emissions in accordance with Scope 1 and 2 of the Greenhouse Gas (GHG) Protocol. These include direct CO_2 emissions from fossil fuels (Scope 1 of the GHG Protocol) and indirect CO_2 emissions from purchased electricity, steam and heat (Scope 2 of the GHG Protocol). Our own CO_2 emissions amounted to 0.99 million metric tons in fiscal 2020 (PY: 3.22 million metric tons). The previous year's figure is not comparable due to a change in the method for calculating Scope 2 emissions from a location-based method to a market-based method in accordance with the GHG Protocol. In fiscal 2020, Continental switched all externally sourced electricity at the relevant production and research and development locations to 100% renewable energy as planned (RE100 project) and adapted its calculation method accordingly. This means that there are no longer any CO_2 emissions associated with externally purchased electricity at the relevant production and research and development locations. This led to an overall reduction in own CO_2 emissions of almost 70%. To a lesser extent, the decline in production related to the COVID-19 pandemic also contributed to a reduction in energy consumption and the associated CO_2 emissions.

Key performance indicators for carbon neutrality	2020	2019
Direct CO_2 emissions (Scope 1) in millions of metric tons of CO_2[1, 2, 3]	0.78	0.84
Indirect CO_2 emissions (Scope 2) in millions of metric tons of CO_2[1, 2]	0.21[4]	2.38[5]
Total own CO_2 emissions (Scope 1 and 2) in millions of metric tons of CO_2[1, 2]	**0.99[6]**	**3.22[6]**

1 Definitions in accordance with the GHG Protocol. CO_2 emission factors correspond to CO_2 equivalents (CO_2e).
2 Includes the relevant production and research and development locations.
3 CO_2 emissions from fleet consumption are only partially and not systematically included.
4 Calculated using the market-based calculation method of the GHG Protocol. Where contract-specific emission factors were not available, the standard emission factors from Defra (November 2019) were used.
5 Calculated using the location-based calculation method of the GHG Protocol.
6 Figures for 2020 and 2019 not comparable due to the implementation of the RE100 project and the associated change in the method for calculating Scope 2 emissions from a location-based method to a market-based method in accordance with the GHG Protocol.

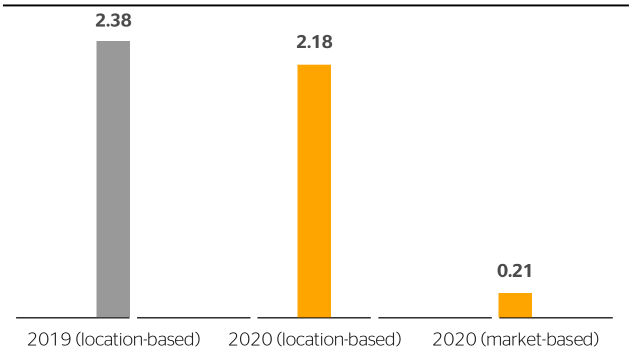
Climate Scenario Analysis

Continental uses various elements of scenario techniques to develop and implement the climate strategy. In fiscal 2020, we analyzed various projections, extrapolations, retropolations, and strategies as well as scenarios of customers, governments and institutions, with a particular focus on developing the path toward carbon neutrality. For Continental, the impact on Continental and our markets is always the focus of the analysis. Some of the scenarios under consideration give rise to the assumption that carbon neutrality would have to be achieved before 2050, while other considerations are more likely to be achieved globally after 2050. Accordingly, we took into account in our sustainability ambitions that we want to achieve complete carbon neutrality by 2050 at the latest, but possibly also before 2050. The individual scenarios are used to enable comparison with global objectives, to better identify potential opportunities and risks, and to adjust to various developments at an early stage. Continental's climate targets were also reviewed by the Science-Based Targets Initiative (SBTi) against specific global reduction paths. The SBTi confirmed that the targets for own emissions (Scopes 1 and 2 and the GHG Protocol) correspond to a 1.5 °C path, while the targets for the value chain (Scope 3 of the GHG Protocol) correspond to a path well below 2 °C. To evaluate climate protection measures and strategies, we also use, among other things, the XDC scenario explorer from the German start-up Right.based.on.Science, which allows us to calculate sector-specific global warming contributions and evaluate them for ourselves. In addition, climate scenarios are used in other processes, such as the assessment of water risks.

Own CO_2 Emissions (Scope 1 and 2)

In fiscal 2020, the company's own CO_2 emissions (Scope 1 and 2 of the GHG Protocol) were successfully reduced to 0.99 million metric tons (PY: 3.22 million metric tons). The previous year's figure is not comparable due to a change in the calculation methodology for Scope 2 emissions from location-based to market-based in accordance with the GHG Protocol. The direct Scope 1 emissions contained in our own CO_2 emissions amounted to 0.78 million metric tons (PY: 0.84 million metric tons). These were primarily generated from the use of fossil fuels such as natural gas, heating oil, and coal. Scope 2 emissions amounted to 0.21 million metric tons according to the market-based calculation method, i.e. 2.18 million metric tons based on the location-based calculation method (PY: 2.38 million metric tons according to the location-based calculation method). They consist of purchased steam and not enough district heating. Since January 1, 2020, purchased electricity, 100% of which has been purchased from renewable sources, has been completely CO_2-free and is therefore no longer included in Scope 2 emissions according to the market-based calculation method.

Scope 2 emissions compared 2020 and 2019 according to different calculation methods in million metric t CO_2 [1, 2, 3]



1 Definitions in accordance with the GHG Protocol. CO_2 emission factors correspond to CO_2 equivalents (CO_2e).
2 Includes the relevant production and research and development locations.
3 Calculated using the market-based calculation method of the GHG Protocol. Where contract-specific emission factors were not available, the standard emission factors from Defra (November 2019) were used.

Reduction of the remaining emissions in Scope 1 and 2 is to be completed by 2040 at the latest. To achieve this group goal, the corporate-wide and cross-divisional "Decarbonization Roadmap" project was launched in January 2021 to define and distribute the individual task packages.

Group Initiative: RE100 – Green Electricity Only from 2020

The RE100 project was launched in fiscal 2020 and had the goal of achieving carbon neutrality of electricity purchasing from January 1, 2020. This was achieved, among other things, by concluding special power supply contracts (so-called Power Purchase Agreements) and purchasing Energy Attribute Certificates (EACs). The EACs certify which sources and location the green electricity comes from. All EACs can only be used once because they are deleted directly from the respective certificate registers. Purchasing is carried out centrally and therefore uniformly in accordance with defined quality criteria. In this regard, Continental is guided by the quality criteria of the RE100 initiative. Continental joined the initiative on World Environment Day in June 2020. It is an international coalition of more than 290 influential companies, which have committed to sourcing 100% of their electricity from renewables by 2050 at the latest. The exclusive supply of electricity from renewable energy sources will continue to be implemented consistently in the coming years and is a cornerstone of achieving our ambitious decarbonization targets.

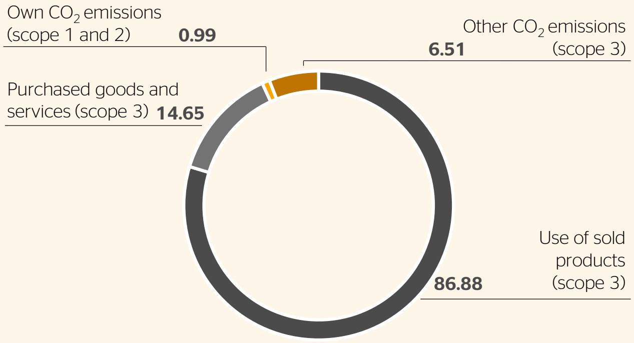
CO_2 Emissions Along the Value Chain (Scope 3)

The Continental Group's CO_2 footprint includes our own CO_2 emissions generated in operational processes (Scopes 1 and 2 of the GHG Protocol) as well as the indirect CO_2 emissions generated by our business activities along the value chain (Scope 3 of the GHG Protocol).

In fiscal 2020, Scope 3 emissions amounted to around 108 million metric tonnes of CO_2 (PY: > 125 million metric tonnes of CO_2). In particular, they were distributed between the use phase of the products and the purchasing of materials. The CO_2 emissions for processing of the products were reported for the first time. Scope 3 emissions depend on business performance. The decline in emissions is therefore also due to the decline in production in fiscal 2020 as a result of the COVID-19-pandemic.

In general, Scope 3 CO_2 emissions are much higher than our own CO_2 emissions in Scopes 1 and 2 due to the industry and business model. In fiscal 2020, they accounted for more than 99% of the total reported CO_2 emissions for Scopes 1, 2 and 3, which equates to around 0.2-0.3% of 39 gigatonnes of CO_2 global anthropogenic emissions calculated by the Global Carbon Project. In particular, the use phase of our products is thus the greatest lever for Continental to achieve the desired complete carbon neutrality by 2050. Our new forward-looking "Carbon-neutral for emission-free vehicles" program (see page 20), which we started in fiscal 2020, will make a major contribution to this if, as the business share of products for zero-tailpipe emission vehicles increases, the CO_2 emissions generated in the entire value chain are made completely neutral.

Total CO_2 emissions reported (scope 1, 2 and 3) 2020 (109 million metric t CO_2) in million metric t CO_2



Note on calculating Scope 3 emissions:
Due to the high complexity and the fact that some emissions relate to future use, we use a simplified model to calculate Scope 3 emissions. These models are based on various performance indicators, such as product, production and purchasing figures, and therefore correlate significantly with the company's business performance, and also contain a large number of assumptions. The modeling primarily serves to identify "hot spots" throughout the entire value chain, enabling us to develop specific areas for improvement and implement the relevant measures within the Continental Group. Depending on the model for the individual reported categories of the GHG Protocol, different emission and conversion factors are used, including in particular EU data, Defra and recognized commercial databases. We are continuously developing the models and expanding reporting to other categories in order to achieve full reporting. For this reason, figures from previous years only generally provide a limited comparison.

Modeled CO_2 emissions along the value chain (Scope 3) in millions of metric tonnes of CO_2 [1, 2, 3]

Reported categories of the GHG Protocol	2020	2019	Data basis
Use of sold products[4]	86.88	~100	Number of tires and product weight (modeled with the average vehicle and tire life and average CO_2 emissions based on market data)
Purchased goods and services[5]	14.65	16	Purchased weight
End-of-Life treatment of sold products	3.42	4	Product weight
Processing of sold products[6]	1.42	n.a.	Product weight
Upstream transportation and distribution	0.70	0.6	Logistics expenses
Downstream transportation and distribution	0.50	0.6	Logistics expenses
Fuel- and energy-related activities not included in Scopes 1 and 2	0.41	0.5	Energy use
Waste generated in operations	0.04	0.02	Waste generation
Business travel	0.02	0.1	Extrapolation based on model location

1 Definitions in accordance with the GHG Protocol. CO_2 emission factors correspond to CO_2 equivalents (CO_2e).
2 This does not include the following categories of the GHG Protocol: Employees' commuting, leased assets (in the upstream and downstream value chain), franchising, investments, capital goods.
3 Since fiscal 2020, all categories have been reported uniformly with two decimal places.
4 Excluding two-wheel business in all business areas as well as industrial business of ContiTech.
5 Excluding services
6 Excluding ContiTech's industrial business

100%

CIRCULAR ECONOMY

Circular Economy

Management Approach

Source: 2020 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Nonfinancial Statement (p. 56)

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

Concept
Continental is realizing the transformation toward a circular economy by means of numerous initiatives and projects, which are managed at various levels within the Continental Group. Examples include the use of recycled materials, the retreading of tires, the reduced use of plastics, as well as operational waste management.

For operational waste management, we have set ourselves the following target:

- Corporate target by the end of 2030: increase in the waste recycling quota to 95%. The waste recycling quota measures the proportion of waste that has been sent for material recycling, thermal recovery or any other form of recycling or reuse.

Results of the concept
We currently consider the waste recycling quota to be a key performance indicator for the circular economy. In fiscal 2020, this was at 81% (PY: 80%) and therefore on a par with the previous year.

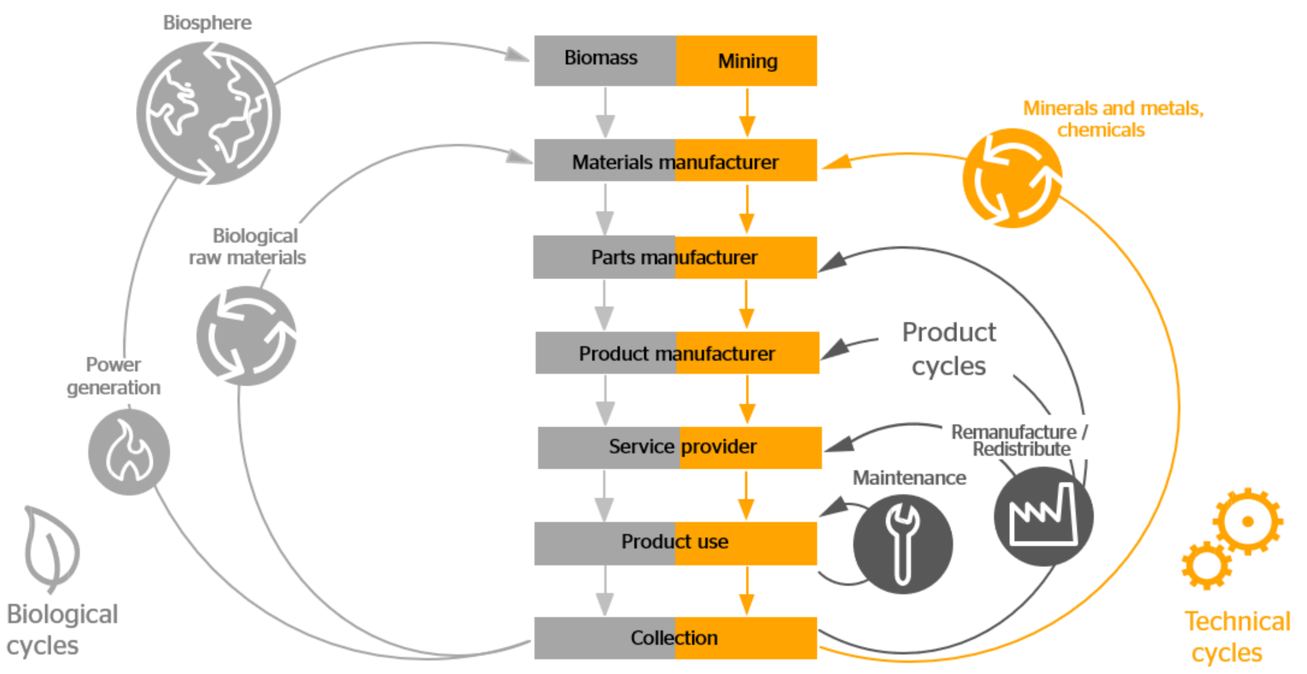
A specially developed, corporate-wide awareness and participation campaign on resource conservation and waste prevention, which was initially rolled out as planned at the start of fiscal 2020, had to be suspended after a short time as a result of the COVID-19 pandemic.

Key performance indicator for circular economy	2020	2019
Waste recycling quota in %[1, 2]	81	80

1 Definition: proportion of waste that has been sent for material recycling, thermal recovery or any other form of recycling or reuse.
2 Includes the relevant production and research and development locations.

In The Spotlight

In a circular economy, there is no waste, only material in the wrong place



In The Spotlight

Product Examples from the Group Sectors and Business Areas

Tires

Retreading tires

Continental's global activities in the field of tire retreading are a perfect example of intelligent circular economy solutions. During the retreading of truck tires, the rubber from the removed tread is recovered and used both for the new tread in the retreading process as well as for new rubber compounds in tire manufacturing for passenger cars and trucks. We have set ourselves the goal of reusing or recycling 100% of our tires by 2050. Since 2013, Continental has been driving forward innovative solutions for the reuse and recycling of tires at its "ContiLifeCycle" tire retreading plant in the Stöcken district of Hanover. Continental is active in both cold and hot retreading thanks to its ContiRe and ContiTread retreading products. In addition to the significant cost savings for the end customer, retreading is good for the environment because far smaller quantities of valuable resources such as crude oil, natural rubber, and water are consumed. In addition, retreading helps to cut CO_2 emissions because up to 70% less energy is required compared to the manufacture of a new tire.

ContiTech

Refurbishment – processing air spring systems

Regular maintenance of air spring systems in a rail vehicle is essential to ensure compliance with demanding safety standards. However, it does not always have to be a new system. Continental's refurbishment service enables the reconditioning of used air spring systems for regional trains, metro trains and other rail vehicles.

First, the air spring system is dismantled into its individual components, which are then checked for reusability. A new air bellows, a new metal-rubber auxiliary spring and the necessary add-on parts are installed onto the parts that are still intact. The complete air spring system is then tested on a testing machine with state-of-the-art technology. In addition to being a faster and more cost-effective process, the service also reduces the burden on the environment. Thanks to professional dismantling, state-of-the-art technology and corresponding expertise, 50 to 100 kg of metal per air spring system can be reused, eliminating the need to dispose of scrap metal or manufacture new steel and aluminum components. This reduces CO_2 emissions by up to 300 kg per air spring system.

Powertrain

Remanufacturing – processing of diesel injectors

Among other things, in our business area Powertrain we rely on remanufacturing in the product area as part of the circular economy. In this standardized industrial process, old parts from the market are cleaned and dismantled, and their faulty or worn components are renewed, thus bringing them to the same functional standard as the new part. The prepared parts are tested on the series test bench and meet quality standards. The reduction of new part production steps also results in energy savings. The process is used, for example, in diesel injector remanufacturing at the Limbach-Oberfrohna location. The program was expanded in 2020 and several European OE customers have been supplied with remanufactured diesel injectors. Injector bodies are reused and only the nozzle and actuator are replaced with new components. Remanufacturing injectors saves up to 61% material and 29% energy compared with new part production.

Automotive Technologies

Use of Recycled Plastics in Air Conditioning Unit

The Vehicle Networking and Information business area has been researching the use of recycled materials for several years now with a view to reducing production costs, and specific projects are also being implemented. For example, for a large European automobile manufacturer, all non-visible components of an air conditioning unit are made from recycled material. The recycled material has undergone an elaborate validation process in which original material and recycled material were placed next to one another. The test results showed that the components made from recycled plastics had even better values than conventional materials in some cases. Due to the positive experience gained and the cost reduction from the use of original material, there are now more and more customer inquiries for components made of recycled material. For this reason, we are currently testing materials in advance so that recycled alternatives will already be available in development for commonly-used materials.

100%

RESPONSIBLE VALUE CHAIN

Responsible Value Chain

Management Approach

Source: 2020 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Nonfinancial Statement (starting p. 56)

Our ambition

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

Concept

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

The transformation toward a fully and universally responsible value chain begins with concrete requirements that we already set out for our direct suppliers: in our Business Partner Code of Conduct, as well as in our sourcing policy for the purchase of sustainable natural rubber, we define the fundamental requirements for our suppliers, and for their suppliers in turn, including with regard to human rights, working conditions, environmental protection and anti-corruption. Violations of our regulations can also be reported via the Compliance & Anti-Corruption Hotline, which is available around the clock and worldwide. In the event that violations of our binding regulations are identified, we demand improvements and reserve the right to terminate the business relationship. We assess our suppliers with the help of self-assessment questionnaires via the generally accepted sustainability platforms for our industries, EcoVadis and NQC. Before even establishing a business relationship, we also check potential new suppliers and service providers by means of self-assessments as well as on-site audits, which may also include sustainability topics (such as fire protection and occupational safety).

Responsible sourcing is the responsibility of the relevant purchasing organizations, which are established at Continental by business area and product group with teams in the various countries. In fiscal 2020, a corporate purchasing network was established, which regularly deals with responsible sourcing topics as well.

We describe the transformation toward a fully and universally responsible value chain with regard to our own locations in the following sections on good working conditions and green and safe factories in particular.

We continue to develop our approach further in dialog with external stakeholders and support the development of industry-wide standards, for example through our active participation in industry dialog with the German government on human rights in the automotive industry and through the Global Platform for Sustainable Natural Rubber (GPSNR).

Results of the concept

In fiscal 2020, we assessed our sourcing processes with regard to management capacities for the implementation of human rights due diligence, and from this we derived necessary measures together in the corporate purchasing network. The measurement is performed on the basis of a recognized external tool for self-assessment from the German Global Compact Network.

In the prioritized area of activity for the sourcing of sustainable natural rubber, the piloted approaches for traceability have been further expanded upon as part of the Rubberway project and collaboration with the German Society for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit – GIZ) in Indonesia. With regard to other critical raw materials in our supply chain, we have also – specially for conflict minerals as well as cobalt – reorganized management and reporting and firmly established processes, roles and responsibilities within the company.

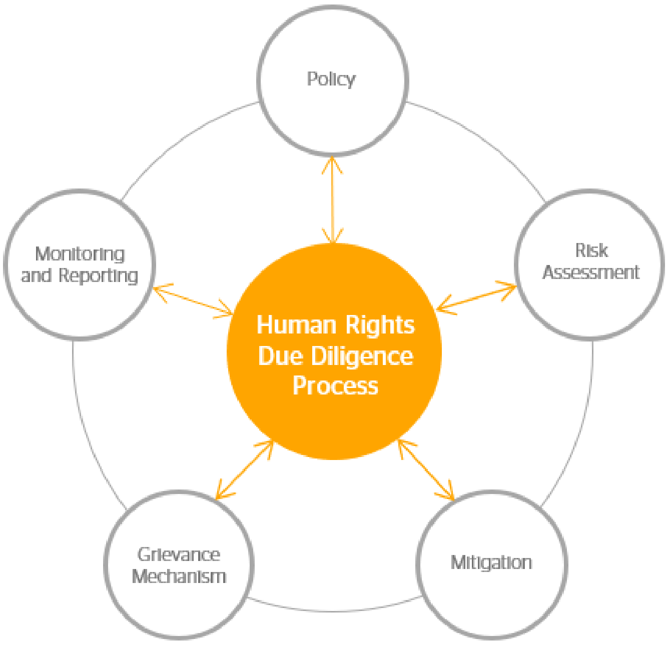
The total number of valid available self-assessment questionnaires completed by suppliers via the two sustainability platforms EcoVadis and NQC is used as a key performance indicator for the implementation of our concept with respect to the responsible value chain. As at December 31, 2020, valid self-assessment questionnaires from 696 suppliers (PY: 670) were available. This corresponds to a completion rate of 59% of suppliers selected for this process (PY: 57%).

Key performance indicator for responsible value chain	**2020**	2019
Number of available, valid supplier self-assessment questionnaires (as at Dec. 31)[1]	696	670[2]

1 Based on the self-assessment questionnaires completed by suppliers via the sustainability platforms EcoVadis and NQC. In fiscal 2020, a change was made to the definition of validity with regard to supplier self-assessment questionnaires by Continental. This will always last for two years, irrespective of the platform used.
2 Figures for 2020 and 2019 only comparable to a limited extent due to a change in definition.

Management Approach to Human Rights at a Glance

Continental is pursuing an integrated management approach to fulfilling its due diligence in respect of human rights. This means that we apply our management approach to both our supply chain and our customer relationships, as well as our own locations. The Group Sustainability department coordinates the continuous expansion and improvement of this management approach. Implementation of the due diligence is a key principle for achieving our ambition to create a 100% responsible value chain.



Principles and guidelines
In the corporate-wide codes of conduct for our own employees and business partners, as well as the Natural Rubber Sourcing Policy, Continental is committed to respect for human rights and the core labor standards of the International Labour Organization (ILO) in accordance with the United Nations Guiding Principles for Business and Human Rights. We expect our suppliers, service providers and partners to promote the implementation of the requirements specified in the Code of Conduct and the Natural Rubber Sourcing Policy in their respective supply chains as well.

Risk analysis, prevention, remedy, and regular inspection
All Continental staff are in principle informed of the Code of Conduct. Continental conducts mandatory online and classroom training for this purpose. In fiscal 2020, around 24,904 employees received training on the Code of Conduct (PY: more than 98,483). In addition, human rights-specific training is carried out with relevant functions in the group to promote the integration of the topic into the relevant management processes and business decisions. The Group Security department systematically analyzes and assesses country risks at group level and makes these available to various group functions, such as purchasing.

Location-related risks
Location-related risks are analyzed and evaluated in particular by our local ESH managers (environment, occupational safety and health managers) within the framework of the local management systems and our network of country coordinators for labor relations. The certifications for the environmental protection management system reached a coverage rate of 82% of employees (PY: 82%) and the occupational health and safety management system a coverage of 69% of employees (PY: 69%).

Supply chain risks
We are already analyze and evaluate risks in our supply chain before entering into a business relationship with a supplier or service provider by means of self-assessment and, in some cases, on-site audits, which may also include topics with relevance to human rights (e.g. fire protection and industrial safety). We assess compliance with the sustainability requirements set by the Business Partner Code of Conduct, in particular by means of self-assessments using the EcoVadis and NQC platforms. Measures for processing priority areas such as natural rubber or conflict minerals (incl. cobalt) have been processed by cross-divisional working groups since 2020. To develop joint solutions along its supply chains, Continental is actively working with competitors and stakeholders in cooperative industry initiatives (see page 27).

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

Reporting
In addition to the sustainability report, you will find the latest "Modern Slavery Statement" for Continental Group online at www.continental-sustainability.com/downloads.

Sustainability in the Natural Rubber Supply Chain

In the past fiscal year, Continental further developed its management approach for the strategic dimension of "Sustainability in the natural rubber supply chain," in compliance with the human rights and due diligence guidelines of the Organisation for Economic Cooperation and Development (OECD).

For Continental, all responsibilities and obligations along the natural rubber supply chain are based on the "Purchasing policy for sustainable natural rubber" published in 2018, and the Business Partner Code of Conduct. They serve as a starting point for an active and responsible contribution to promoting a more sustainable value chain for the raw material. We expect our suppliers, service providers and partners to promote the implementation of the requirements specified in the Code of Conduct and the Natural Rubber Sourcing Policy in their respective supply chains as well. By the end of 2021 at the latest, Continental has also set itself the goal of reaching all direct suppliers of Central Purchasing with its purchasing policy and documenting their recognition.

Continental uses digital risk analysis systems to ensure compliance with the defined principles of its relevant purchasing policies. For all direct and centrally managed suppliers (Tier 1), we assess human rights, environmental and ethical risks in our suppliers' business and procurement processes, in particular using verified self-information with the help of third-party partners (EcoVadis). In the past fiscal year, Continental set itself the target of obtaining valid, verified self-disclosure from all direct suppliers of the central purchasing volume by 2025 at the latest.

To increase transparency and sustainability along our supply chains, Continental is actively collaborating with competitors and stakeholders in various cooperative industry approaches. As a driver of innovation in the natural rubber sector, Continental and its partners (Michelin, SMAG) announced back in 2019 the establishment of the "Rubberway" joint venture for digital risk analysis of the upstream supply chain (Tier 1 – Tier X). On April 1, 2020, in the past fiscal year, Rubberway was able to successfully start operations in Singapore. Continental has set itself an ambitious target of purchasing more than 95 percent of its central purchasing volume from sources reviewed by Rubberway by 2030 at the latest. As a founding member of the Global Platform for Sustainable Natural Rubber (GPSNR), Continental is actively involved in the development of global guidelines for sustainable natural rubber and consistently implements the agreed guidelines.

In the past fiscal year, Continental was elected to the Executive Committee (EC) by the GPSNR plenary meeting. In addition, we are actively involved in working groups on the platform and share relevant project experiences. Continental is convinced that comprehensive traceability and avoidance of sustainability risks, particularly in the upstream supply chain, can only be achieved in the global multi-stakeholder association.

In collaboration with the Gesellschaft für Internationale Zusammenarbeit (GIZ) and the Federal Ministry for Economic Cooperation and Development (BMZ), Continental has been ensuring the traceability of natural rubber from the project region in West Kalimantan, Indonesia, on Borneo since 2018 by implementing a digital system. Continental, GIZ and BMZ are also involved in training small farmers involved in the project in sustainable farming practices. These training sessions and optimization of the supply chain enable small farmers and their families to improve their income through higher raw material yields, and to prevent logging. In the past fiscal year, 450 small farmers have already received training and have been connected to the digital tracing system. Continental, BMZ and GIZ have also agreed to significantly expand their successful joint project. The aim is to increase the number of small farmers participating in the program to 4,000 by 2024.

Starting in 2022, Continental will report annually on the status of the achievement of the various indicators (acceptance of the purchasing policy, verified supplier self-disclosures, Rubberway purchasing volume, small farmers reached in the pilot project).

Innovation and Digitalization

Research and Development

Source: 2020 Annual Report > Management Report > Corporate Profile > Research and Development (starting p. 52)

Future technologies are characterized by their high degree of connectivity, safety and convenience.

The future of mobility and other industries will be determined primarily by software innovations – for more safety, convenience and an intuitive user experience. Software will make a significant contribution to a future without traffic accidents. More than 90% of innovations in cars already come from software development. In industrial plants, software can be used to reduce unplanned downtimes and establish predictive maintenance intervals.

High-performance computer and Cooperation Portal recognized with awards
Increasing functionality and connectivity are pushing conventional distributed vehicle architectures with 100 or more electronic control units to their limits. Within a new and more centralized architecture design, Continental's Body High-Performance Computer (Body HPC) replaces specific electronic control units and acts as a central "electronic brain" to manage data within the vehicle and beyond. It also acts as an application server that allows for cyber security features or wireless updates, for example. The vehicle remains state of the art, and the user can install new functions just like on a smartphone. The Body HPC is already used in the Volkswagen ID.3 model, and will be used in further models in Volkswagen's ID. series in the future as well.

While Continental's HPC simplifies the electronic architecture of a vehicle, implementing it is actually a highly complex task. An HPC like the one in the VW ID.3 is software-intensive and requires flexible development beyond what one company can offer: 19 different companies thus contributed toward the development of the software for this alone. To effectively and efficiently shape such complex collaboration, Continental developed the Cooperation Portal, which automates processes, ensures higher software quality and saves time with regard to development. The European Association of Automotive Suppliers (CLEPA) has given special recognition to this and presented Continental with the 2020 CLEPA Innovation Award.

Digital tire monitoring in real time
Continental has developed ContiConnect Live, the next generation of the digital tire-monitoring solution. It complements the ContiPressureCheck systems for monitoring tire pressure and temperature, as well as ContiConnect Yard, the reader station that records all the necessary data when the vehicle passes by the station on the company premises. With ContiConnect Live, the data on tire pressure and temperature is sent to the cloud in real time using a central telematics unit. In addition, the unit transmits the location of the vehicle via GPS and records the operating hours of the tires. The data from the cloud can be accessed via a web portal, which provides a detailed vehicle view including alarm, pressure and temperature history, as well as GPS data and operating hours. If the data is not ideal, fleet managers are informed by text message or email, minimizing punctures and increasing the safety of drivers and vehicles. Fleet managers therefore have a faster and more convenient overview of the condition of their vehicles regardless of location. By evaluating the information, the fleet benefits from reduced downtimes, extended operating hours and lower maintenance costs. ContiConnect Live is available for all specialty tires from Continental equipped with sensor technology.

LiDAR technology portfolio expanded
Continental has supplemented its LiDAR portfolio by acquiring a minority stake in AEye, Inc., a US company specializing in LiDAR. Along with cameras and radars, LiDAR sensors count among the key technologies for automated driving.

	2020		2019	
Research and development expenses (net)	€ millions	% of sales	€ millions	% of sales
Autonomous Mobility and Safety	1,008.9	13.4	1,048.7	11.2
Vehicle Networking and Information	1,284.7	16.4	1,189.2	12.4
Tires	268.0	2.6	299.4	2.6
ContiTech	149.7	2.7	162.8	2.5
Powertrain	670.5	9.6	664.1	8.5
Continental Group	**3,381.8**	**9.0**	**3,364.2**	**7.6**
Capitalization of research and development expenses	**173.0**		**232.4**	
in % of research and development expenses	4.9		6.5	
Depreciation on research and development expenses	**197.1**		**120.4**	

Continental has more than 20 years of experience in LiDAR sensors. AEye has developed a long-range LiDAR technology combining an amplifiable 1550 nanometer laser with a patented, feedback-controlled microelectromechanical system (MEMS) as a scanner. This technology can be configured using software and thus optimized for almost any vehicle model and application. The LiDAR sensor from AEye is perfectly suited for use in passenger cars and commercial vehicles thanks to its high dynamic spatial resolution and long range. Vehicles are detected at a distance of over 300 meters and pedestrians at over 200 meters. Even small, low-reflecting objects like bricks can be detected at a distance of 160 meters. Continental will industrialize this LiDAR technology to meet the needs of the automotive industry, with production scheduled to begin at the end of 2024.

Sensor-based inspection service for conveyor belt systems

Continental has developed a service solution for monitoring conveyor belt systems to enable the early identification of weak points along a conveyor belt section before damage occurs and unplanned and costly downtimes result. The solution, offering a combination of visual and acoustic inspection, enables efficient, data-supported planning of maintenance intervals by applying sensor-supported technologies to replace the conventional and usually very complex manual process. These technologies make the inspection more precise, reduce the amount of verification required and enable predictive maintenance.

The new service offering comprises a hybrid solution that takes into account different applications and sections. First, open sections are inspected from the air using a camera-equipped drone that monitors the conveyor belt system. Once the drone has left the inspected section, it returns to an autonomous charging station to transfer the collected data to the designated cloud via an IoT (Internet of Things) module. The image data is then processed and analyzed using an artificial intelligence (AI)-based algorithm. Second, regular maintenance is carried out in covered sections or underground conveyors using fixed microphones, which record frequency deviations in the system's numerous idlers. The acoustic data is also uploaded to the cloud, where it is processed and analyzed using AI.

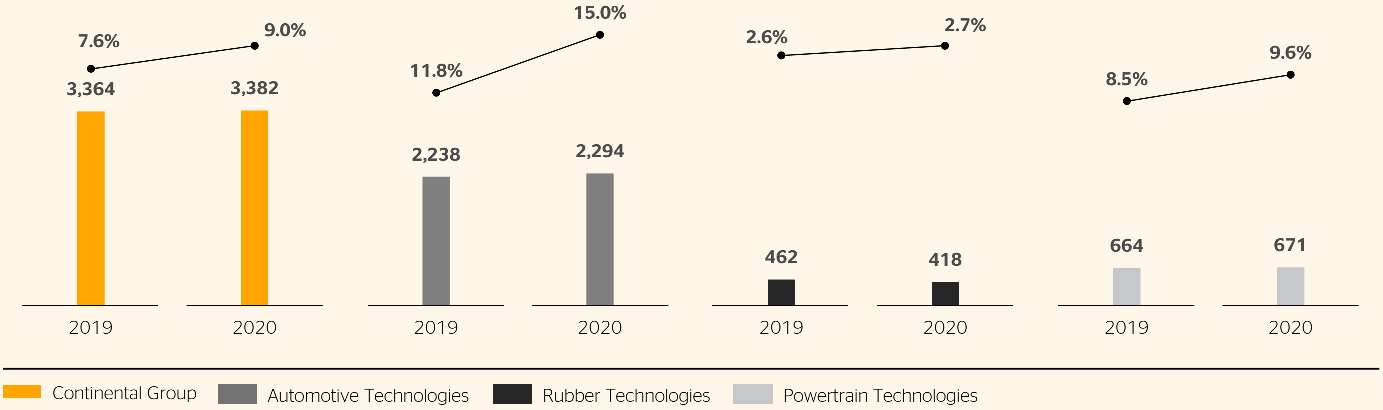
The service solution has been successfully tested in initial field trials, and the system is scheduled to be put into operation in the course of 2021.

First transmission control system with overmolding electronics

Thanks to a new, globally unique manufacturing process, Vitesco Technologies has developed a transmission control unit known as overmolding control electronics. In the conventional design of an electronic control unit, the electronics are located within a housing. By contrast, the electronic components of an overmolding electronic control unit, which are arranged on a printed circuit board as usual, are completely embedded in plastic. New, high-precision injection molding processes as well as particularly resistant plastics make it possible to produce this type of electronic control unit for the very first time in the automotive industry.

The overmolding manufacturing process offers several advantages: As the sensitive high-tech components are completely enclosed in plastic, they are extremely robust and can withstand even strong vibrations. What's more, an overmolding component is not only lighter than a comparable electronic control unit in a conventional housing, but also significantly thinner. The new transmission control unit is seven millimeters thick, making it currently the thinnest electronic control technology on the market. By way of comparison, the electronic control unit used up to now was 1.5 centimeters thick. Another advantage is that an overmolding component can be manufactured using considerably fewer production steps than a housed electronic control unit. The new technology therefore reduces complexity and is considerably more cost-effective.

R&D expenses (net) € millions **R&D ratio** %



Cybersecurity Strategy and Management

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

Group directives
Continental cybersecurity management is based on the industry standards of the ISO 27001 standard for information security. A group-wide cybersecurity policy and a special supplementary policy for non-office areas define the guidelines, while several manuals and standards govern the design and implementation of specific topics. The Group's key measures include both preventive and reactive measures, particularly monitoring activities:

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

Organization and responsibilities
The Cybersecurity group function is responsible for strategic, group-wide cybersecurity management; this is managed by the Group cybersecurity officer and supplemented by corresponding cybersecurity functions in the group sectors or business areas. The operational implementation of the security rules is the responsibility of the area and location managements.

Certifications
In fiscal 2020, 14 locations in the Automotive Group Sector were audited in accordance with TISAX (PY: n.a.). The audits were passed without any significant findings This shows a significant improvement over the previous year.

New Ethics Guidelines for Artificial Intelligence

The technology field of Artificial Intelligence (AI) is a strategically important future field for Continental in the transition to the digital age. Intelligent algorithms play a major role in the automotive industry, for example in autonomous driving. On a global scale, however, the industrial and technical opportunities are the subject of controversial social and economic debate. This is why we as a technology company are responsible for ensuring that all of our product developments and internal processes comply with ethical standards.

For this reason, in fiscal 2020, Continental developed ethics guidelines for handling such self-learning systems. The ethics guidelines correspond to international rules, such as the EU guidelines on the use of AI ("Ethics Guideline for Trustworthy AI"). It applies to all Continental locations worldwide and serves as a guide for all the company's cooperation partners.

The new regulations focus on the traceability of computer-based decisions and data security. If important work steps are taken over by computers, it is a basic prerequisite for acceptance that humans can continue to understand the growing "inner workings" of a self-learning system. Where does the data come from? Which computing steps lead to which actions? How is the data saved? When it comes to internal processes in HR, for example: Are work operations in which artificial intelligence is used in line with other Continental regulations, such as on equal opportunities?

The ethics guidelines therefore cover the following topics:

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

In The Spotlight

High-Performance Computers (HPC)

High-performance computers are the core element of new server-based vehicle architectures. They are used to centralize vehicle functions that have previously been distributed across up to 100 control units throughout the entire vehicle. High-performance computers are characterized by exceptionally high computing power, rapid data throughput, and new possibilities for over-the-air online updates.

Areas of application for a high-performance computer
High-performance computers are particularly suitable for realizing data- and computing-intensive applications in which conventional electronic control units and vehicle architectures are already pushing their performance limits. Examples of such applications include autonomous driving or the rapid processing of data traffic from the cloud, which will make the vehicle a permanent part of the Internet of Everything (IoE) in the future.

Advantages of high-performance computers
A direct effect on the sustainability of vehicles arises from the saving of control units and cable pathways in the interplay between high-performance computers and local control units, known as zone controllers. Overall, the use of materials and weight is reduced compared with the total of the individual components, and the majority of the 1.5 km of copper cables in the vehicle can be saved.

Another key advantage lies in new or improved vehicle functions, such as vehicle safety, the driving experience, and vehicle connectivity. By way of example, the option of updating your vehicle online via over-the-air (OTA) updates and downloading new functions from the cloud avoids driving to the workshop and additional downtimes.

Development status
With the VW ID.3, the first electric vehicle equipped with Continental's body high-performance computer is already on the market. Further vehicles from the VW ID. family will follow. By 2022, more than 2.5 million Continental servers alone will be installed in VW vehicles. But high-performance computers are currently developing rapidly toward an even greater bundling of functions from different vehicle domains. Continental is already in talks with numerous automotive manufacturers in this regard.

Cooperations / Partnerships
Cooperation with various chip manufacturers is a particularly important factor in the development of high-performance computers for vehicles. This is not only about computing power, but also about complying with the high safety requirements within the automotive industry. In addition, numerous partners coordinate the integration of high-performance computers in the vehicle architecture, particularly in the field of software.

Green and Safe Factories

Management Approach

Source: 2020 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Nonfinancial Statement (p. 58)

Our ambition

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

Concept

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

Local management systems are used to drive the implementation of these corporate targets. The concrete organizational and technical guidelines for local management systems can be found in the relevant ESH management manuals.

The Environment and Safety & Health group functions are responsible for the related strategic, corporate-wide ESH management process, and are supplemented by corresponding ESH functions in the individual business areas. Operational environment, safety and health protection on site is the responsibility of location management and is coordinated by local ESH managers in each case.

Results of the concept

As a key performance indicator for the implementation of our concept with respect to green and safe factories, we use the corporate-wide employee coverage quota with regard to certified local management systems in the areas of the environment, energy and occupational safety. On this basis, the majority of our employees throughout the Continental Group were covered by certified management systems as at December 31, 2020. The environmental management system certification covered 82% of employees (PY: 82%), the energy management system certification covered 51% of employees (PY: 49%), and the safety and health management system certification covered 69% of employees (PY: 69%). The accident rate – i.e. the number of accidents per million working hours – is also used as a key performance indicator with respect to green and safe factories. The accident rate improved to 2.9 accidents per million working hours in fiscal 2020 (PY: 3.0 accidents per million working hours).

In order to address the COVID-19 pandemic, the existing corporate-wide pandemic preparedness plan (“pandemic plan”) was activated in fiscal 2020, which contributed to pandemic-proof production. An emergency organizational system was set up at company level under the leadership of the Group Security group function, which incorporates the relevant corporate functions. Regional crisis teams were also established at country level. In addition, we launched medical counseling and mental health programs for our employees and their families, such as a global hotline. Another measure was the establishment of three production lines for the manufacture of surgical masks.

Key performance indicators for green and safe factories	**2020**	2019
Environmental protection management system certifications (ISO 14001)		
Employee coverage quota (as at Dec. 31) in %	82	82
Energy management system certifications (ISO 50001)		
Employee coverage quota (as at Dec. 31) in %	51	49
Occupational safety and health management system certifications (ISO 45001 or similar)		
Employee coverage quota (as at Dec. 31) in %	69	69
Accident rate (number of accidents per million working hours)[1, 2]	2.9	3.0[3]

1 Definition: number of accidents during working hours per million paid working hours. Counted from more than one lost day, i.e. with at least one lost day beyond the day of the accident.
2 Excluding temporary staff (i.e. permanent staff only) and way-to-work accidents.
3 Excluding Continental Tire Sales (approx. 2% of the total workforce).

Operational Environmental Protection Strategy

In 2019, Continental adopted a new strategy for operational environmental protection. In addition to the major topic of climate change mitigation (see p. 20), it includes the other topics of energy, water and waste.

Focus topic: Energy
By 2030, we plan to reduce our energy use by 20% compared to 2018 in relation to sales. We also plan to save 1 TWh of energy via energy efficiency projects by 2030. This equates to around 10% of Continental's current annual corporate-wide energy use. In the coming years, our focus will therefore be on implementing energy efficiency projects. Our employees with energy and engineering roles work closely together. This ensures the continuous transfer of knowledge and enables highly efficient technologies to be implemented in all areas. This also includes the regular review of fuels currently used with regard to CO_2-neutral alternatives.

In fiscal 2020, our total energy use was 8.7 TWh (PY: 9.6 TWh), primarily accounted for by purchased electricity and natural gas. Energy use fell by 9.2% year-on-year. This was due in particular to the decline in production due to the COVID-19 pandemic, as well as the energy efficiency projects introduced. In relation to group sales, however, energy use increased by 7% year-on-year. This is due to the basic requirements of the locations, which remained constant despite a sharp decrease in sales.

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

In fiscal 2020 the total water demand amounted to 17.3 million m^3 (PY: 19.5 million m^3). This mainly includes drinking water from public water suppliers, as well as the withdrawal of groundwater and surface water. Water demand fell by 11.3% year-on-year. This was due in particular to the decline in production due to the COVID-19 pandemic, as well as the water-saving projects introduced. In relation to group sales, however, water consumption increased by 4% year-on-year. This is due to the basic requirements of the locations, which remained constant despite a sharp decrease in sales. The withdrawals are approved by the authorities in relation to maximum withdrawal amounts. Some of these sources are at the edges of groundwater protection zones. No negative effects on biodiversity or on local communities have been found either within the group or by authorities during regular inspections.

Focus topic: Waste
By 2030, we plan to reduce the annual volume of waste generated by 2% in relation to sales. To help us achieve this objective, we need to avoid generating waste – or at a minimum, recycle it. In this context, the environmental strategy makes a significant contribution to anchoring the approach of the circular economy in the entire company. Accordingly, consistent and systematic waste management is already an integral part of our waste logistics. We also plan to increase our waste recycling rate to 95% by 2030. To achieve this goal, several projects have already been initiated and implemented. These include greater use of regranulates in the field of plastic injection molding processes, the use of reusable packaging in collaboration with our suppliers and customers, and the pyrolysis of vulcanized rubber materials.

Waste generation amounted to 341,513 metric tons (PY: 409,280 metric tons). It has therefore fallen by almost 17% year-on-year. This was due in particular to the decline in production due to the COVID-19 pandemic, as well as the waste-prevention projects introduced. In relation to group sales, waste generation likewise fell by 2% year-on-year. The share of hazardous waste in fiscal 2020 was unchanged at 9.7% (PY: 9.7%). We use waste disposal companies approved and certified by the authorities to dispose of our waste in a proper manner. The waste recycling rate in fiscal 2020 was 81% (PY: 80%) and thus at the previous year's level.

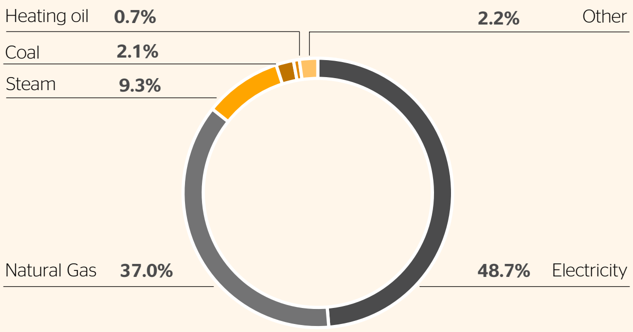
Environmental strategy performance indicators[1]	**2020**	2019	Change
Energy use in MWh / group sales in € million[2]	230.6	215.8	+7%
Water demand in m^3 / group sales in € million	458.5	439.5	+4%
Waste generation in t / group sales in € million	9.1	9.2	-2%

1 Includes the relevant production and research and development locations.
2 Fleet consumption are only partially and not systematically included.

In The Spotlight

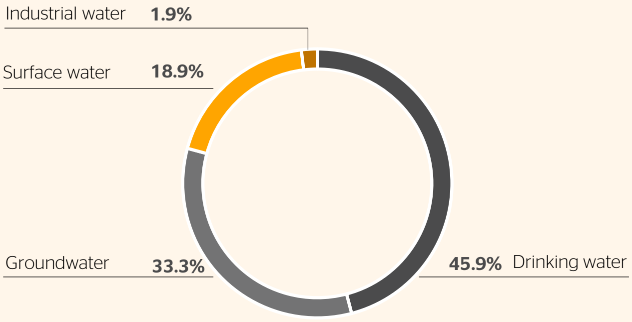
Key Figures for Operational Environmental Protection in Detail

Energy use by energy sources 2020 (8.7 TWh)[1]



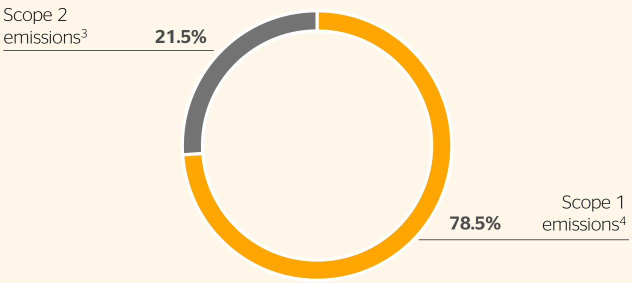
1 *Includes the relevant production and research and development locations. Fleet consumption are only partially and not systematically included.*

Water demand by sources 2019 (17.3 million m^3)[1]



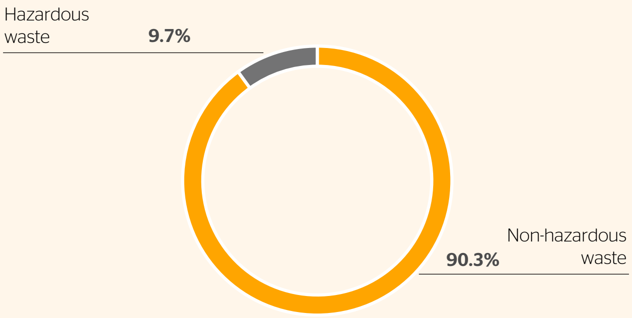
1 *Includes the relevant production and research and development locations.*

Own CO_2 emissions 2020 (0.99 million metric t CO_2)[1, 2, 3, 4]



1 *Definitions in accordance with the GHG Protocol. CO_2 emission factors correspond to CO_2 equivalents (CO_2e).*
2 *Includes the relevant production and research and development locations.*
3 *CO_2 emissions from fleet consumption are only partially and not systematically included.*
4 *Scope 2 calculated using the market-based calculation method of the GHG Protocol. Where contract-specific emission factors were not available, the standard emission factors from Defra (November 2019) were used.*

Waste generation by type 2020 (341.513 metric t)[1]



1 *Includes the relevant production and research and development locations. Classification of waste according to national legislation.*

Occupational Health and Safety Strategy

Continental's occupational health and safety strategy aims at "zero incidents" and "zero accidents." This means that everyone in our company should be protected from accidents and work-related illnesses, and should have their health actively supported.

To achieve these goals, we not only regularly and systematically analyze global and internal health and safety risks, but also develop sustainable and attractive programs for industrial safety, industrial medicine, health management, ergonomics, and hazardous substances management on the basis of these analyses. We support and advise our locations and organizational units in implementing these programs and maintain active networks of experts within our company to promote international cooperation, the exchange of best practice, and the strategic further development of our topic areas.

In order to ensure continuous knowledge build-up and transfer within the company, even throughout the pandemic, numerous occupational health and safety training programs were transferred to the virtual space in 2020, and previous personal interaction continued to be maintained in new formats. This new form of networking between group functions and our locations worldwide has allowed them to continue to receive close support and maintain good cooperation. The virtual presentation ceremony for the company's annual Ergonomics Award is just as important as the intensive offer of stress management training to support our employees in a particularly challenging year in terms of health.

Long-term Value Creation

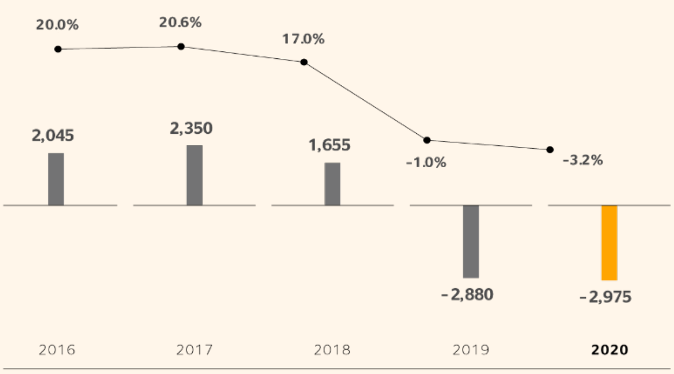
Corporate Management

Source: 2020 Annual Report > Management Report > Corporate Profile > Corporate Management starting p. 49)

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

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

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



EBIT is calculated from the ongoing sales process. The figure is the net total of sales, other income and expenses plus income from equity-accounted investees and from investments but before financial result and income tax expense. In the year under review, consolidated EBIT amounted to -€0.7 billion.

Capital employed is the funds used by the company to generate its sales. At Continental, this figure is calculated as the average of operating assets as at the end of the quarterly reporting periods. In 2020, average operating assets amounted to €22.5 billion.

The return on capital employed (ROCE) represents the ratio of these two calculated values. Comparing a figure from the statement of income (EBIT) with one from the statement of financial position (capital employed) produces an integral analysis. We deal with the problem of the different periods of analysis by calculating the capital employed as an average figure over the ends of quarterly reporting periods. ROCE amounted to -3.2% in 2020.

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

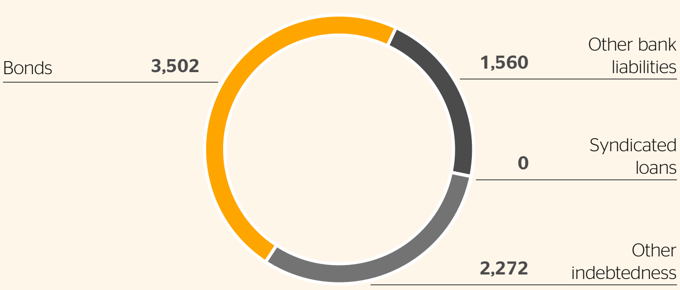
Value is added only if ROCE exceeds the weighted average cost of capital (WACC). We call this value added, produced by subtracting WACC from ROCE multiplied by average operating assets, the Continental Value Contribution (CVC). In 2020, the CVC amounted to -€2,974.8 million.

ROCE by business area (in %)	2020	2019
Autonomous Mobility and Safety	-2.1	-2.3
Vehicle Networking and Information	-31.9	-23.0
Tires	14.3	21.2
ContiTech	7.7	8.7
Powertrain	-14.1	-16.9
Continental Group	**-3.2**	**-1.0**

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

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

Composition of gross indebtedness (€7,334 million)



Our goal is to finance ongoing investment requirements from the operating cash flow. Other investment projects, for example acquisitions, should be financed from a balanced mix of equity and debt depending on the ratio of net indebtedness to equity (gearing ratio) and the liquidity situation to achieve constant improvement in the respective capital market environment. In general, the gearing ratio should be below 40% in the coming years and not exceed 60% in general. If justified by extraordinary financing reasons or specific market circumstances, we can rise above this level under certain conditions. The equity ratio should exceed 30%. In the reporting year, it was 31.9% and the gearing ratio 32.7%.

Our gross indebtedness should be a balanced mix of liabilities to banks and other sources of financing on the capital market. For short-term financing in particular, we use a wide range of financing instruments. As at the end of 2020, this mix consisted of bonds (48%), syndicated loans (not utilized), other bank liabilities (21%) and other indebtedness (31%) based on the gross indebtedness of €7,334.4 million. The syndicated loan that was renewed ahead of schedule in December 2019 consists of a revolving tranche of €4.0 billion and has a term of five years. The margin will also depend on the Continental Group's sustainability performance. In November 2020, Continental exercised an option to extend the term by one year. The lending banks then extended this financing commitment until December 2025 at unchanged conditions. In May 2020, Continental strengthened its financial flexibility through an additional syndicated loan of €3.0 billion with a term of 364 days.

If Continental does not exercise an extension option for the syndicated loan of €3.0 billion in 2021, the financing mix will approximate the distribution prior to 2020.

The company strives to have at its disposal unrestricted liquidity of about €1.5 billion. This is supplemented by committed, unutilized credit lines from banks in order to cover liquidity requirements at all times. These requirements fluctuate during a calendar year owing in particular to the seasonal nature of some business areas. In addition, the amount of liquidity required is also influenced by corporate growth. Unrestricted cash and cash equivalents amounted to €2,639.8 million as at December 31, 2020. There were also committed and unutilized credit lines of €7,780.8 million.

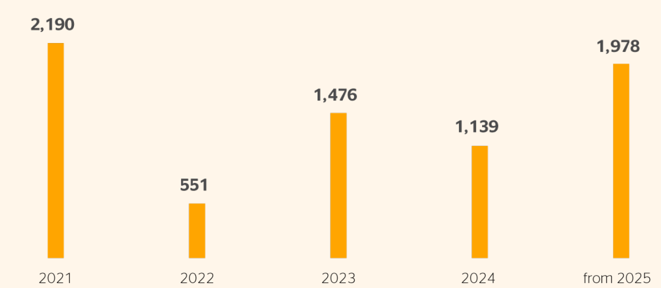
Gross indebtedness amounted to €7,334.4 million as at December 31, 2020. Key financing instruments are the syndicated loan with a revolving credit line of €4.0 billion that has been granted until December 2025, the syndicated loan additionally agreed in May 2020 of €3.0 billion with a term of 364 days, and bonds issued on the capital market.

As at December 31, 2020, the revolving credit lines of €4.0 billion and €3.0 billion had not been utilized. Around 48% of gross indebtedness is financed on the capital market in the form of bonds. The interest coupons vary between 0.0% and 2.5%. The issue of new bonds in the second quarter of 2020 with maturities between 2023 and 2026 led to a balanced overall maturity profile of the repayment amounts. In addition to the forms of financing already mentioned, there were also bilateral credit lines with various banks in the amount of €2,370.1 million as at December 31, 2020. Continental's corporate financing instruments currently also include sale-of-receivables programs and commercial paper programs. In 2020, Continental had two commercial paper programs in Germany and the USA.

Maturity profile

Continental always strives for a balanced maturity profile of its liabilities in order to be able to repay the amounts due each year from free cash flow as far as possible. Other than short-term maturities, which are usually rolled on to the next year, the repayment of a €200.0-million bond maturing in April 2021 is also high on the agenda for 2021. The bonds issued in the second quarter of 2020 as well as the bonds issued in the previous year require repayments of €1,250.0 million in 2023, €725.0 million in 2024, €600.0 million in 2025 and €750.0 million in 2026.

Maturities of gross indebtedness (€7,334 million)



Continental's credit rating lowered
In the reporting period, Continental AG was rated by the three rating agencies Standard & Poor's, Fitch and Moody's, each of which adjusted their long-term credit ratings downward by one notch in spring 2020. In March 2020, Moody's modified its rating to Baa2 and left its outlook of negative unchanged. Standard & Poor's likewise followed suit in March and has since assigned Continental a BBB rating with negative outlook. Fitch adjusted its rating in April 2020 to BBB with stable outlook. Our goal remains a credit rating of BBB/BBB+.

Credit rating for Continental AG

	December 31, 2020	December 31, 2019
Standard & Poor's[1]		
Long-term	BBB	BBB+
Short-term	A-2	A-2
Outlook	negative	stable
Fitch[2]		
Long-term	BBB	BBB+
Short-term	F2	F2
Outlook	stable	stable
Moody's[3]		
Long-term	Baa2	Baa1
Short-term	no rating	no rating
Outlook	negative	negative

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

Economic Report

Source: 2020 Annual Report > Management Report > Economic Report (starting p. 62)

Note: This Text has been shortened.

Macroeconomic Development
Due to the COVID-19 pandemic and the containment measures taken by governments across the world, the global economy shrank by 3.5% in 2020, according to the January 2021 World Economic Outlook Update (WEO Update) published by the International Monetary Fund (IMF). This fell considerably short of the IMF's original forecast of 3.2% growth from January 2020.

In the eurozone, gross domestic product (GDP) fell by 6.8% in 2020 according to the statistical office Eurostat. Of the major eurozone economies, France, Italy and Spain reported particularly steep declines in GDP of 8% to 11% year-on-year. In Germany, according to the Federal Statistical Office, GDP fell by 5.0% compared to 2019. Countries outside of the eurozone also recorded a decline in economic output in 2020. For the UK and Russia, the IMF estimated a decline in GDP of 10.0% and 3.6%, respectively.

In North America, according to the Bureau of Economic Analysis, the USA suffered a decline in GDP of 3.5% for 2020 as a result of the pandemic. Canada and Mexico were much more heavily affected according to the IMF, with declines in GDP of 5.5% and 8.5%, respectively.

Other countries in the Americas likewise suffered economic losses as a result of the pandemic in 2020. For Brazil, for example, the IMF reported a decline in GDP of 4.5%.

Asian countries also recorded mostly negative growth rates for their economies in the year under review according to the IMF. GDP for the Association of Southeast Asian Nations (ASEAN), for example, fell by 3.7% in 2020. The IMF calculated a noticeable decline in GDP of 5.1% for Japan. India's economy is estimated to have shrunk by 8.0% according to the IMF. In contrast, China achieved GDP growth of 2.3% according to the IMF. The slump in the economy in the first quarter of 2020 was more than offset here by strong growth in subsequent quarters.

Development of Key Customer Sectors and Sales Regions
The most important market segment for Continental is the global supply business for manufacturers of passenger cars and commercial vehicles, which accounted for 69% of sales in fiscal 2020.

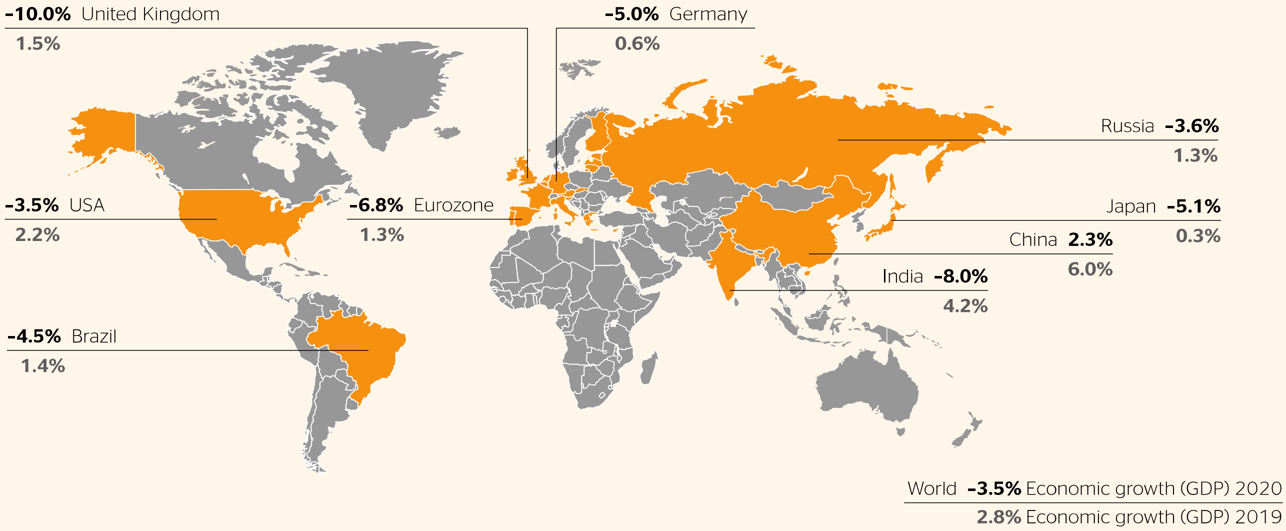
The second-biggest market segment for Continental is the global replacement-tire business for passenger cars and commercial vehicles. Because passenger cars and light commercial vehicles weighing less than 6 metric tons make up a considerably higher share of vehicle production and the replacement-tire business, their development is particularly important to our economic success.

Continental's biggest sales region is still Europe, which accounted for 48% of sales in the reporting year, followed by North America with 25% and Asia with 24%.

Development of new passenger-car registrations
Due to the COVID-19 pandemic and the containment measures taken by individual countries, demand for passenger cars fell sharply in all regions across the world for a period of time. Over the course of the pandemic, China was initially the hardest hit. The Chinese government had already taken comprehensive containment measures at the end of January 2020. Once these were eased, a rapid recovery in demand was seen. The German Association of the Automotive Industry (Verband der Automobilindustrie, VDA) anticipates a decline in new-car registrations in China of around 6% for 2020, according to preliminary data.

In many other countries, the containment measures taken by governments likewise led to significant slumps in demand for passenger cars in the reporting year. In the European car market (EU27, EFTA and the United Kingdom), sales volumes fell by 24% according to preliminary data from the VDA. According to the VDA, significant declines in sales volumes were also seen in Brazil (27%), the USA (15%), Japan (11%) and Russia (9%) in the reporting period. According to preliminary data, global new-car registrations fell by 14% in the year under review.

Year-on-year economic growth (GDP) in 2020 (for selected countries and the world)



Sources: IMF – World Economic Outlook Update January 2021, Eurostat, statistical offices of the respective countries, Bloomberg.

Development of production of passenger cars and light commercial vehicles

According to preliminary figures, the global production of passenger cars and light commercial vehicles weighing less than 6 metric tons was down 16% to 74.6 million units in the reporting year. This was due to lower demand for passenger cars and temporary closures of plants.

In China, production was almost halved as a result of the extensive plant closures in the first quarter of 2020. Production recovered quickly over the remainder of the year, exceeding the previous year's figures in the second, third and fourth quarters. Despite this, China's production of passenger cars and light commercial vehicles still suffered a year-on-year decline of 4% for 2020 as a whole.

In Europe and North America – the Continental Group's other two core markets in addition to China – temporary plant closures in March and especially April led to an extreme drop in the production of passenger cars and light commercial vehicles. The gradual resumption of production caused monthly volumes to normalize over the remainder of the reporting year. Overall, the production of passenger cars and light commercial vehicles for 2020 decreased year-on-year by 22% in Europe and by 20% in North America. Significant declines in production were also recorded by many other countries in the year under review, including Brazil (32%), India (23%), Japan (16%) and South Korea (11%).

Development of production of medium and heavy commercial vehicles

According to preliminary data, the decline in order intake from the previous year coupled with plant closures due to the COVID-19 pandemic led to a decline in the global production of medium and heavy commercial vehicles weighing more than 6 metric tons of 4% in 2020.

North America was particularly affected, with truck production falling by 31% according to preliminary figures. In Europe, preliminary data indicates that the production of medium and heavy commercial vehicles declined by 18%.

China recorded a year-on-year decline in volumes of 19% in the first quarter of 2020, but this was more than offset by a sharp rise in production of 47% and 72% in the second and third quarters, respectively. In the fourth quarter, production was up 16% year-on-year according to preliminary figures. Overall, China ended 2020 with production of medium and heavy commercial vehicles up 27% compared to the previous year's figures.

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

According to preliminary data, global sales volumes of replacement tires for passenger cars and light commercial vehicles weighing less than 6 metric tons fell by 11% in the reporting year. Following the sharp global market decline in the first and second quarters of 2020 in the wake of the measures to contain the COVID-19 pandemic, demand steadily recovered in the second half of 2020. On the basis of preliminary data, sales volumes of replacement tires for passenger cars and light commercial vehicles fell by 12% in Europe and by 8% in North America. In China, preliminary data indicates a decline in sales volumes of replacement tires of 5%.

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

In our core markets of Europe and North America, preliminary data indicates that year-on-year demand for replacement tires for medium and heavy commercial vehicles weighing more than 6 metric tons fell by 3% and 1%, respectively, in 2020 in the wake of the COVID-19 pandemic.

Changes to vehicle production and sales volumes in the tire-replacement business in 2020 (compared to 2019)

	Vehicle production		Replacement sales of tires	
	of passenger cars and light commercial vehicles	of medium and heavy commercial vehicles	for passenger cars and light commercial vehicles	for medium and heavy commercial vehicles
Europe	-22%	-18%	-12%	-3%
North America	-20%	-31%	-8%	-1%
China	-4%	27%	-5%	n. a.
Worldwide	**-16%**	**-4%**	**-11%**	**n. a.**

Sources:
Vehicle production: IHS Inc. (Europe with Western, Central and Eastern Europe incl. Russia and Turkey).
Tire-replacement business: LMC International Ltd.
Preliminary figures and own estimates.

Development of Raw Materials Markets
In the first half of the year under review, the temporary industrial plant closures in many countries as a result of the COVID-19 pandemic led to a decline in demand for raw materials. This initially resulted in falling raw material prices. Due to the global spread of the pandemic, many raw material producers were also forced to temporarily suspend their production either partially or completely. This temporary supply shortage, just as demand in industrialized nations was recovering, led to a sharp rise in raw material prices in the second half of 2020.

Carbon steel and stainless steel are input materials for many of the mechanical components such as stamped, turned, drawn and die-cast parts integrated by Continental into its products. Steel wire is used in particular in tire production as steel cord but also, for example, in conveyor belts and timing belts to increase tensile strength. Aluminum is used in particular for die-cast parts and stamped and bent components, while copper is used in particular in electric motors and mechatronic components. On a euro basis, prices for carbon steel fell by 2% on average in 2020. The annual average price of copper increased by around 3% on a US dollar basis in 2020, while that of aluminum fell by around 5% on a US dollar basis.

Precious metals such as gold, silver, platinum and palladium are used by Continental and by our suppliers to coat components. Prices for precious metals rose again in 2020. On average for the year, on a US dollar basis, the prices of gold and silver increased by 27% each and the price of palladium by as much as 43%. The price of platinum remained relatively stable, with an increase of 2%.

Continental uses various types of natural rubber and synthetic rubber for the production of tires and industrial rubber products. It also uses relatively large quantities of carbon black as a filler material and of steel cord and nylon cord as structural materials. Due to the large quantities and direct purchasing of raw materials, their price development has a significant influence on the earnings of the Rubber Technologies group sector, particularly the Tires business area.

The price of crude oil – the most important basic building block for synthetic-rubber input materials such as butadiene and styrene as well as for carbon black and various other chemicals – fell sharply in the first few months of 2020 due to the decline in demand as a result of the pandemic. From May 2020, the listings recovered again, thanks to falling production levels as well as higher demand. The average price of Brent crude oil for the year decreased by around 34% year-on-year on a US dollar basis. As a result, the prices of various input materials for synthetic rubber fell year-on-year in the year under review. Butadiene and styrene, for example, decreased by 33% and 26% year-on-year on a US dollar basis.

Prices for natural rubber initially fell in the first few months of 2020, before recovering again as the year progressed. The primary reason for this was the rise in demand for tires in Asia, particularly in China. But in Europe and North America too, demand normalized in the second half of the year. The average price of natural rubber TSR 20 for the year was down 6% year-on-year on a US dollar basis. The average price of ribbed smoked sheets (RSS) for the year rose by 6% on a US dollar basis.

The stronger euro led to a decline in the average price of raw material imports to Europe by around 2% in the reporting year. Overall, the described price developments for raw materials led to cost savings in 2020, in particular in the Rubber Technologies group sector. However, there is generally a gap of several months between purchasing raw materials, their delivery and their use in production, depending on the product and contractual arrangement. As a result, the rise in spot prices in the second half of 2020 is expected to lead to increased costs for raw materials in 2021.

Earnings Position

Continental Group in € millions	2020	2019	Δ in %
Sales	37,722.3	44,478.4	–15.2
EBITDA	3,033.8	4,977.2	–39.0
in % of sales	8.0	11.2	
EBIT	–718.1	–268.3	–167.6
in % of sales	–1.9	–0.6	
Net income attributable to the shareholders of the parent	–961.9	–1,225.0	21.5
Basic earnings per share in €	–4.81	–6.13	21.5
Diluted earnings per share in €	–4.81	–6.13	21.5
Research and development expenses (net)	3,381.8	3,364.2	0.5
in % of sales	9.0	7.6	
Depreciation and amortization[1]	3,751.9	5,245.5	–28.5
thereof impairment[2]	876.8	2,509.9	–65.1
Operating assets as at December 31	20,471.0	23,991.0	–14.7
Operating assets (average)	22,536.6	26,178.5	–13.9
ROCE in %	–3.2	–1.0	
Capital expenditure[3]	2,232.2	3,308.6	–32.5
in % of sales	5.9	7.4	
Number of employees as at December 31[4]	236,386	241,458	–2.1
Adjusted sales[5]	37,573.9	44,214.2	–15.0
Adjusted operating result (adjusted EBIT)[6]	1,332.7	3,225.5	–58.7
in % of adjusted sales	3.5	7.3	

1 Excluding impairment on financial investments.
2 Impairment also includes necessary reversal of impairment losses. Expenses from derecognitions of brand values are likewise included.
3 Capital expenditure on property, plant and equipment, and software.
4 Excluding trainees.
5 Before changes in the scope of consolidation.
6 Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Sales down 15.2%
Sales down 12.7% before changes in the scope of consolidation and exchange-rate effects

Consolidated sales decreased by €6,756.1 million or 15.2% year-on-year in 2020 to €37,722.3 million (PY: €44,478.4 million). Before changes in the scope of consolidation and exchange-rate effects, sales declined by 12.7%. All three group sectors posted significantly lower sales due to the COVID-19 pandemic. Exchange-rate effects and, to a lesser extent, changes in the scope of consolidation likewise had a negative effect on the sales trend.

Adjusted EBIT down 58.7%

Adjusted EBIT for the Continental Group declined by €1,892.8 million or 58.7% year-on-year to €1,332.7 million (PY: €3,225.5 million) in 2020, corresponding to 3.5% (PY: 7.3%) of adjusted sales.

The Continental Group's adjusted EBIT for the fourth quarter of 2020 decreased by €161.0 million or 18.6% compared with the same quarter of the previous year to €703.4 million (PY: €864.4 million), equivalent to 6.5% (PY: 7.9%) of adjusted sales.

The regional distribution of sales in 2020 was as follows:

Sales by region in %	2020	2019
Germany	18	19
Europe excluding Germany	30	30
North America	25	26
Asia	24	22
Other countries	3	3

EBIT down 167.6%

EBIT was down by €449.8 million year-on-year in 2020 to -€718.1 million (PY: -€268.3 million), a decrease of 167.6%. The return on sales fell to -1.9% (PY: -0.6%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €183.6 million (PY: €182.5 million) in the year under review.

ROCE was -3.2% (PY: -1.0%).

Special effects in 2020

The transformation of the Powertrain business area into an independent legal entity resulted in expenses totaling €102.8 million (Autonomous Mobility and Safety €15.3 million; Vehicle Networking and Information €16.3 million; Powertrain €66.2 million; holding €5.0 million).

The organizational realignment of the Automotive Technologies group sector resulted in expenses totaling €1.6 million (Autonomous Mobility and Safety €0.8 million; Vehicle Networking and Information €0.8 million).

Within the context of the annual planning process, global production of passenger cars and light commercial vehicles was not expected to increase substantially compared to pre-crisis levels over the next five years until 2025. The expected impact of restructuring measures was also taken into account in this planning process. Due to this triggering event and other significant assumptions made when calculating the value in use of a cash-generating unit (CGU) – such as free cash flows, discount rates and their parameters, and long-term growth rates – goodwill was impaired by €654.6 million in the Vehicle Networking and Information business area (September 30, 2020: €649.3 million).

Expenses from derecognitions of brand values totaled €85.7 million (Vehicle Networking and Information €71.2 million; ContiTech €14.5 million). In addition, expenses related to the impairment of intangible assets were incurred in the amount of €0.7 million (Autonomous Mobility and Safety €0.7 million; Powertrain €0.0 million).

Impairment and reversal of impairment losses on property, plant and equipment resulted in expense totaling €106.3 million (Autonomous Mobility and Safety €5.4 million; Vehicle Networking and Information €18.2 million; Tires €0.5 million; ContiTech €3.0 million; Powertrain €79.2 million; holding €0.0 million).

Severance payments resulted in a negative special effect totaling €90.7 million (Autonomous Mobility and Safety €21.4 million; Vehicle Networking and Information €20.0 million; Tires €17.7 million; ContiTech €17.5 million; Powertrain €13.8 million; holding €0.3 million).

In the Autonomous Mobility and Safety business area, restructuring expenses totaling €91.5 million were incurred for locations in Germany. These expenses arose for the most part at the locations in Karben, Nuremberg, Regensburg and Rheinböllen. In addition, there were restructuring expenses totaling €38.6 million for other locations in Europe; €5.4 million for the location in Culpeper, Virginia, USA; and €3.7 million for the location in Manila, Philippines. These restructuring expenses included impairment on property, plant and equipment in the amount of €3.4 million.

The reversal of restructuring provisions no longer required for the location in Schwalbach, Germany, and the location in Henderson, North Carolina, USA, also resulted in income of €3.9 million and €0.5 million, respectively, in the Autonomous Mobility and Safety business area.

In the Vehicle Networking and Information business area, restructuring expenses totaling €129.5 million were incurred for locations in Germany. These expenses arose for the most part at the locations in Babenhausen, Karben, Regensburg and Villingen-Schwenningen. In addition, there were restructuring expenses totaling €80.0 million for the location in Rubi, Spain; €15.5 million for the location in Nogales, Mexico; €4.2 million for the location in Manila, Philippines; €0.4 million for the location in Culpeper, Virginia, USA; and €0.3 million for the location in Frenstat, Czechia. These restructuring expenses included impairment on property, plant and equipment in the amount of €0.1 million.

In the Tires business area, there were restructuring expenses totaling €270.4 million for the locations in Aachen and Hanover-Stöcken, Germany; and for the retail business, €0.6 million in Germany and €21.8 million in France. In addition, there were restructuring expenses of €1.0 million for the location in Petaling Jaya, Malaysia, and €0.1 million for the location in Port Elizabeth, South Africa. These restructuring expenses included impairment on property, plant and equipment and intangible assets totaling €13.0 million.

Furthermore, restructuring for the location in Petaling Jaya, Malaysia, resulted in income of €1.7 million in the Tires business area, which is entirely attributable to a reversal of impairment losses on property, plant and equipment.

In the ContiTech business area, restructuring expenses totaling €17.7 million were incurred for locations in Germany. These expenses arose for the most part at the locations in Hanover, Oedelsheim and Stolzenau. In addition, there were restructuring expenses totaling €4.1 million for other locations in Europe; €9.0 million for the location in Mitchell, Canada; €7.7 million for the location in Jorf Lasfar, Morocco; and €5.3 million for the location in Yangsan-City, South Korea. These restructuring expenses included impairment on property, plant and equipment in the amount of €7.7 million.

The reversal of restructuring provisions no longer required for the location in Oppenweiler, Germany, and for locations in China also resulted in income of €7.0 million and €0.8 million, respectively, in the ContiTech business area. The business area also recorded income of €0.1 million from the reversal of impairment losses on property, plant and equipment.

In the Powertrain business area, restructuring expenses totaling €192.5 million were incurred for locations in Germany. These expenses arose for the most part at the locations in Karben, Regensburg and Schwalbach am Taunus. In addition, there were restructuring expenses totaling €15.9 million for other locations in Europe; €1.0 million for the location in Nogales, Mexico; €0.7 million for the location in Salto, Brazil; and €0.4 million for locations in China. These restructuring expenses included impairment on property, plant and equipment in the amount of €9.5 million.

Moreover, in the Powertrain business area, the reversal of restructuring provisions no longer required, the reversal of impairment losses on property, plant and equipment, and extraordinary income from the sale of property, plant and equipment resulted in income totaling €10.2 million for the locations in Nuremberg and Berlin, Germany; €9.7 million for the location in Sibiu, Romania; €1.7 million for the location in Singapore, Singapore; and €1.1 million for the location in Newport News, Virginia, USA. These income amounts included reversals of impairment losses on property, plant and equipment in the amount of €2.4 million.

Restructuring-related measures resulted in expense totaling €26.5 million (Autonomous Mobility and Safety €10.5 million; Vehicle Networking and Information €3.7 million; Tires €0.2 million; ContiTech €1.7 million; Powertrain €10.4 million).

In the Autonomous Mobility and Safety business area, an expense of €3.7 million resulted from an allowance recognized on the carrying amount of an equity-accounted investee.

In the Vehicle Networking and Information business area, the 50% shareholding in equity-accounted associate SAS Autosystemtechnik GmbH & Co. KG., Karlsruhe, Germany, was sold. This resulted in income totaling €157.0 million.

Income on the sale of off-balance-sheet intangible assets was also realized in the Vehicle Networking and Information business area in the amount of €4.5 million.

Also in the Vehicle Networking and Information business area, an expense totaling €49.9 million was incurred in connection with the preparations to repatriate the business from associate OSRAM CONTINENTAL GmbH, Munich, Germany.

The Tires business area recorded an expense of €0.2 million resulting from the disposal of companies and assets.

For the ContiTech business area, there was a loss of €2.5 million from the disposal of a company.

Furthermore, an expense in the amount of €37.5 million was recorded in the Powertrain business area due to an allowance recognized on the carrying amount of an associate.

A transfer of business to a previously founded equity-accounted investee resulted in income of €8.8 million for the Powertrain business area.

Total consolidated expense from special effects in 2020 amounted to €1,873.1 million. Autonomous Mobility and Safety accounted for €192.6 million of this, Vehicle Networking and Information for €903.1 million, Tires for €310.8 million, ContiTech for €75.2 million, Powertrain for €386.1 million, and the holding for €5.3 million.

Special effects in 2019

The transformation of the Powertrain business area into an independent legal entity and the organizational realignment of the Automotive Technologies group sector resulted in expense totaling €47.4 million (Autonomous Mobility and Safety €3.0 million; Vehicle Networking and Information €3.0 million; Powertrain €30.9 million; holding €10.5 million).

Within the context of the annual planning process, global production of passenger cars and light commercial vehicles was not expected to improve substantially in the coming years (2020–2024). Due to this triggering event and other significant assumptions made when calculating the value in use of a cash-generating unit (CGU) – such as free cash flows, discount rates and their parameters, and long-term growth rates – goodwill was impaired by €2,293.5 million. The Autonomous Mobility and Safety business area accounted for €719.8 million of this, the Vehicle Networking and Information business area for €1,347.9 million and the Powertrain business area for €223.5 million. There was also impairment of goodwill of €2.3 million in the ContiTech business area.

Overall, impairment on property, plant and equipment resulted in expense totaling €111.7 million (Autonomous Mobility and Safety €29.1 million; Vehicle Networking and Information €25.3 million; Tires €3.5 million; ContiTech €4.9 million; Powertrain €48.9 million).

In addition, restructuring expenses and the reversal of restructuring provisions that were no longer required resulted in a total negative special effect of €697.2 million (Autonomous Mobility and Safety €42.7 million; Vehicle Networking and Information €172.9 million; Tires €32.5 million; ContiTech €46.5 million; Powertrain €402.6 million). This included impairment on property, plant and equipment in the amount of €104.8 million (Autonomous Mobility and Safety €1.2 million; Tires €19.0 million; ContiTech €5.0 million; Powertrain €79.6 million). This additionally resulted in restructuring-related expenses of €3.3 million (Autonomous Mobility and Safety €1.5 million; ContiTech €0.8 million; Powertrain €1.0 million).

Moreover, closure of the location in Dearborn, Michigan, USA, resulted in an expense of €1.5 million in the Powertrain business area.

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

A business combination resulted in a gain of €2.2 million in the Tires business area.

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

Procurement

Due to the COVID-19 pandemic, the purchasing volume decreased in 2020 to €24.4 billion, of which around €16.7 billion was attributable to production materials. Prices for production materials for Automotive Technologies and Powertrain Technologies were lower than in the previous year. The prices of key input materials and many raw materials for Rubber Technologies decreased in the first half of 2020 and reached their low point in the middle of the second quarter. As at the end of the year, prices had risen back to the previous year's level. Annual average prices for the raw materials used in the Tires business area were below the previous year's level, in particular because of significant fluctuations in demand on the procurement market. For the ContiTech business area, raw material prices also declined year-on-year.

Reconciliation of EBIT to net income

€ millions	**2020**	2019	Δ in %
Autonomous Mobility and Safety	-97.7	-120.3	18.8
Vehicle Networking and Information	-1,342.5	-1,325.3	-1.3
Tires	1,012.3	1,651.6	-38.7
ContiTech	254.1	305.9	-16.9
Powertrain	-450.8	-662.1	31.9
Other/holding/consolidation	-93.5	-118.1	
EBIT	**-718.1**	**-268.3**	**-167.6**
Financial result	-212.0	-320.3	33.8
Earnings before tax	**-930.1**	**-588.6**	**-58.0**
Income tax expense	11.3	-582.4	101.9
Net income	**-918.8**	**-1,171.0**	**21.5**
Non-controlling interests	-43.1	-54.0	20.2
Net income attributable to the shareholders of the parent	**-961.9**	**-1,225.0**	**21.5**
Basic earnings per share in €	-4.81	-6.13	21.5
Diluted earnings per share in €	-4.81	-6.13	21.5

Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) in 2020

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
Sales	**7,529.2**	**7,856.1**	**10,158.6**	**5,578.6**	**6,967.7**	**-367.9**	**37,722.3**
Changes in the scope of consolidation[1]	–	-13.8	-4.2	-130.4	–	–	-148.4
Adjusted sales	**7,529.2**	**7,842.3**	**10,154.4**	**5,448.2**	**6,967.7**	**-367.9**	**37,573.9**
EBITDA	**472.9**	**26.2**	**1,864.9**	**628.7**	**122.5**	**-81.4**	**3,033.8**
Depreciation and amortization[2]	-570.6	-1,368.7	-852.6	-374.6	-573.3	-12.1	-3,751.9
EBIT	**-97.7**	**-1,342.5**	**1,012.3**	**254.1**	**-450.8**	**-93.5**	**-718.1**
Amortization of intangible assets from purchase price allocation (PPA)	–	65.5	20.3	88.7	9.1	–	183.6
Changes in the scope of consolidation[1]	–	-0.8	0.7	-5.8	–	–	-5.9
Special effects							
Impairment on goodwill	–	654.6	–	–	–	–	654.6
Impairment[3]	6.1	89.4	0.5	17.5	79.2	0.0	192.7
Restructuring[4]	134.8	229.9	292.2	36.0	187.8	–	880.7
Restructuring-related expenses[5]	10.5	3.7	0.2	1.7	10.4	–	26.5
Severance payments[5]	21.4	20.0	17.7	17.5	13.8	0.3	90.7
Gains and losses from disposals of companies and business operations	0.0	-161.5	0.2	2.5	-8.8	–	-167.6
Other[6]	19.8	67.0	–	–	103.7	5.0	195.5
Adjusted operating result (adjusted EBIT)	**94.9**	**-374.7**	**1,344.1**	**412.2**	**-55.6**	**-88.2**	**1,332.7**

1 Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.
2 Excluding impairment on financial investments.
3 Impairment also includes necessary reversal of impairment losses. This item does not include impairment that arose in connection with a restructuring and impairment on financial investments. It does include expenses from derecognitions of brand values of €71.2 million in the Vehicle Networking and Information business area and of €14.5 million in the ContiTech business area.
4 This includes impairment losses totaling €33.7 million (Autonomous Mobility and Safety €3.4 million; Vehicle Networking and Information €0.1 million; Tires €13.0 million; ContiTech €7.7 million; Powertrain €9.5 million) and reversals of impairment losses totaling €4.2 million (Tires €1.7 million; ContiTech €0.1 million; Powertrain €2.4 million).
5 Due to the Transformation 2019–2029 structural program, restructuring-related expenses and severance payments will be recognized as special effects to be adjusted from fiscal 2020.
6 The item "Other" mainly includes expenses of €102.8 million from the transformation of the Powertrain business area into an independent legal entity; expenses totaling €49.9 million in connection with preparations for the repatriation of the business from associate OSRAM CONTINENTAL GmbH, Munich, Germany; and an expense of €37.5 million due to an allowance recognized on the carrying amount of an associate.

Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) in 2019

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
Sales	**9,381.6**	**9,595.5**	**11,728.0**	**6,401.5**	**7,802.3**	**-430.5**	**44,478.4**
Changes in the scope of consolidation[1]	-254.8	-1.6	–	-7.8	–	–	-264.2
Adjusted sales	**9,126.8**	**9,593.9**	**11,728.0**	**6,393.7**	**7,802.3**	**-430.5**	**44,214.2**
EBITDA	**1,145.3**	**582.4**	**2,497.7**	**670.5**	**192.5**	**-111.2**	**4,977.2**
Depreciation and amortization[2]	-1,265.6	-1,907.7	-846.1	-364.6	-854.6	-6.9	-5,245.5
EBIT	**-120.3**	**-1,325.3**	**1,651.6**	**305.9**	**-662.1**	**-118.1**	**-268.3**
Amortization of intangible assets from purchase price allocation (PPA)	–	57.2	20.0	94.6	10.7	–	182.5
Changes in the scope of consolidation[1]	-2.9	1.6	–	0.4	–	–	-0.9
Special effects							
Impairment on goodwill	719.8	1,347.9	–	2.3	223.5	–	2,293.5
Impairment[3]	29.1	25.3	3.5	4.9	48.9	–	111.7
Restructuring[4]	42.7	172.9	32.5	46.5	402.6	–	697.2
Gains and losses from disposals of companies and business operations	–	–	–	0.0	–	–	0.0
Other[5]	4.5	162.8	-2.2	0.8	33.4	10.5	209.8
Adjusted operating result (adjusted EBIT)	**672.9**	**442.4**	**1,705.4**	**455.4**	**57.0**	**-107.6**	**3,225.5**

1 Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.
2 Excluding impairment on financial investments.
3 Impairment also includes necessary reversal of impairment losses. This item does not include impairment that arose in connection with a restructuring and impairment on financial investments.
4 This includes impairment losses totaling €104.8 million (Autonomous Mobility and Safety €1.2 million; Tires €19.0 million; ContiTech €5.0 million; Powertrain €79.6 million).
5 The item "Other" mainly includes an expense of €157.9 from an allowance recognized on the carrying amount of associate OSRAM CONTINENTAL GmbH, Munich, Germany, and expenses of €47.4 million from the transformation of the Powertrain business area into an independent legal entity and the organizational realignment of the Automotive Technologies group sector.

Research and development
Research and development expenses (net) rose by €17.6 million or 0.5% year-on-year to €3,381.8 million (PY: €3,364.2 million), corresponding to 9.0% (PY: 7.6%) of sales.

In the Automotive Technologies and Powertrain Technologies group sectors, costs in connection with initial product development projects in the original-equipment business are capitalized. Costs are capitalized as at the time at which we are named as a supplier and have successfully achieved a specific pre-release stage. Capitalization ends with the approval for unlimited volume production. The costs of customer-specific applications, pre-production prototypes and testing for products already being sold do not qualify as development expenditure that may be recognized as an intangible asset. Capitalized development expenses are amortized on a straight-line basis over a useful life of three to seven years and recognized in the cost of sales. In the opinion of the Continental Group, the assumed useful life reflects the period for which an economic benefit is likely to be derived from the corresponding development projects. Of the development costs incurred in 2020, €137.6 million (PY: €164.5 million) in the Automotive Technologies group sector and €35.4 million (PY: €67.9 million) in the Powertrain Technologies group sector qualified for recognition as an asset.

The requirements for the capitalization of development activities were not met in the Tires and ContiTech business areas in the reporting year or the previous year.

This results in a capitalization ratio of 4.9% (PY: 6.5%) for the Continental Group.

Depreciation and amortization
Depreciation and amortization decreased by €1,493.6 million to €3,751.9 million (PY: €5,245.5 million), equivalent to 9.9% of sales (PY: 11.8%). This included impairment totaling €876.8 million in 2020 (PY: €2,509.9 million).

Financial result
The negative financial result improved by €108.3 million year-on-year to €212.0 million (PY: €320.3 million) in 2020. This is attributable primarily to the sum of the effects from currency translation and from changes in the fair value of derivative instruments, and other valuation effects.

Interest income decreased by €48.7 million year-on-year to €98.5 million (PY: €147.2 million) in 2020. Expected income from long-term employee benefits and from pension funds totaled €64.8 million in this period (PY: €80.7 million). This did not include the interest income from the plan assets of the pension contribution funds.

Interest expense totaled €282.2 million in 2020 and was thus €35.1 million lower than the previous year's figure of €317.3 million. The interest expense from long-term employee benefits totaled €126.5 million (PY: €161.4 million) in this period. This did not include the interest expense from the defined benefit obligations of the pension contribution funds. At €155.7 million, interest expense resulting mainly from bank borrowings, capital market transactions and other financing instruments was largely unchanged from the prior-year figure of €155.9 million. Interest expense on lease liabilities accounted for €28.5 million of this (PY: €32.1 million).

The bonds issued by Continental AG and Conti-Gummi Finance B.V., Maastricht, Netherlands, resulted in expenses of €50.0 million (PY: bonds issued by Continental AG and Continental Rubber of America, Corp., Wilmington, Delaware, USA, resulted in expenses of €32.4 million). The increase resulted primarily from the issue of euro bonds with a total volume of €1,400.0 million in the second half of 2019 and with a total volume of €2,125.0 million in the second quarter of 2020. In addition to a floating-rate €200.0-million bond from Continental AG, the other bonds issued by Continental AG and Conti-Gummi Finance B.V., Maastricht, Netherlands, have a fixed interest rate of between 0.000% p.a. and 2.500% p.a. A counter-effect is attributable to the repayment of euro bonds. These were the €500.0-million bond from Continental Rubber of America, Corp., Wilmington, Delaware, USA, that matured on February 19, 2019, and the €600.0-million and €750.0-million euro bonds from Continental AG that matured on February 5, 2020, and September 9, 2020, respectively.

Effects from currency translation resulted in a negative contribution to earnings of €97.4 million (PY: €30.5 million) in the reporting year. This was countered by effects from changes in the fair value of derivative instruments, and other valuation effects, which resulted in income of €69.1 million (PY: expense of €119.7 million). Other valuation effects accounted for €8.5 million of this (PY: expense of €107.0 million). Whereas in the previous year expenses of €108.2 million arose from allowances for doubtful accounts on loans to associates as well as from the creation of a provision for loan commitments to these companies, income of €2.2 million resulted from the reversal of these allowances in the reporting year. Taking into account the sum of the effects from currency translation and changes in the fair value of derivative instruments, earnings in 2020 were negatively impacted by €36.8 million (PY: €43.2 million).

Income tax expense

Income tax expense in 2020 amounted to tax income of €11.3 million (PY: tax expense of €582.4 million). The tax rate adjusted for the permanent effects of the goodwill impairment was 2.4%, compared to 55.8% in the previous year.

As in the previous year, foreign tax rate differences, incentives and tax holidays had positive effects in the year under review. The tax rate was negatively impacted by non-cash allowances on deferred tax assets totaling €232.1 million (PY: €117.4 million), of which €35.1 million (PY: €3.9 million) was for previous years. Furthermore, as in the previous year, the tax rate was negatively affected by non-deductible expenses and non-imputable foreign withholding taxes.

Net income attributable to the shareholders of the parent

Net income attributable to the shareholders of the parent improved by €263.1 million in 2020 to -€961.9 million (PY: -€1,225.0 million). Basic earnings per share amounted to -€4.81 (PY: €-6.13), the same amount as diluted earnings per share.

Employees

The number of employees in the Continental Group fell by 5,072 from 241,458 in 2019 to 236,386.

In the Automotive Technologies group sector, lower production volumes and efficiency improvements led to a reduction of 1,000 employees. The number of employees in the Rubber Technologies group sector declined by 2,358. This reduction is due to adjustments to production volumes, productivity increases and restructuring measures. The number of employees in the Powertrain Technologies group sector declined by 1,642. This decrease was due to the adjustment to demand-driven production, optimizations in production and restructuring measures.

Employees by region in %	**2020**	2019
Germany	25	25
Europe excluding Germany	32	32
North America	19	19
Asia	20	20
Other countries	4	4

Financial Position

Reconciliation of cash flow

EBIT declined by €449.8 million year-on-year to -€718.1 million (PY: -€268.3 million).

Interest payments increased by €11.5 million to €169.4 million (PY: €157.9 million). This was primarily due to interest payments on bonds.

Income tax payments rose by €19.5 million to €885.5 million (PY: €866.0 million).

The cash-effective increase in working capital led to a cash outflow of €579.2 million (PY: €256.0 million). This resulted from a decrease in operating liabilities of €925.0 million (PY: €544.7 million). This decline was offset by a reduction in operating receivables of €140.2 million (PY: €337.8 million) and a decrease in inventories of €205.6 million (PY: increase of €49.1 million).

Cash flow from operating activities fell by €1,700.4 million year-on-year to €2,714.0 million (PY: €4,414.4 million) in 2020, corresponding to 7.2% of sales (PY: 9.9%).

Cash flow arising from investing activities amounted to an outflow of €1,835.3 million (PY: €3,652.7 million). Capital expenditure on property, plant and equipment, and software was down €1,035.1 million from €2,977.5 million to €1,942.4 million before the capitalization of borrowing costs. The net amount from the acquisition and disposal of companies and business operations resulted in a total cash inflow of €233.2 million in 2020 (PY: cash outflow of €486.3 million). This cash inflow is primarily attributable to the sale of the 50% shareholding in SAS Autosystemtechnik GmbH & Co. KG, Karlsruhe, Germany.

Free cash flow for fiscal 2020 amounted to €878.7 million (PY: €761.7 million). This corresponds to an increase of €117.0 million compared with the previous year.

Capital expenditure (additions)

Capital expenditure for property, plant and equipment, and software amounted to €2,232.2 million in 2020 (PY: €3,308.6 million). All business areas contributed to the decline of €1,076.4 million. The capital expenditure ratio was 5.9% (PY: 7.4%).

Financing and indebtedness

As at the end of 2020, gross indebtedness amounted to €7,334.4 million (PY: €7,619.0 million), down €284.6 million on the previous year's level.

Based on quarter-end values, 77.4% (PY: 66.5%) of gross indebtedness after hedging measures had fixed interest rates on average over the year.

The carrying amount of the bonds increased by €707.9 million from €2,793.8 million in the previous year to €3,501.7 million as at the end of fiscal 2020. This build-up is mainly attributable to three euro bond issues by Continental AG and Conti-Gummi Finance B.V., Maastricht, Netherlands. The Continental Group utilized the favorable market and interest rate environment in the second quarter of 2020 to place euro bonds totaling €2,125.0 million with investors in Germany and abroad under its Debt Issuance Programme (DIP). The issue price of the €750.0-million bond issued by Continental AG on May 27, 2020, amounted to 98.791%. This bond has a term of six years and three months and an interest rate of 2.500% p.a. The €750.0-million and €625.0-million bonds issued by Conti-Gummi Finance B.V., Maastricht, Netherlands, on May 27, 2020, and June 25, 2020, have a term of three years and six months and four years and three months, respectively. The issue price of the bonds with a fixed interest rate of 2.125% p.a. and 1.125% p.a. amounted to 99.559% and 99.589%. In addition, the €600.0-million and €750.0-million euro bonds from Continental AG that matured on February 5 and September 9 in fiscal 2020 were redeemed at a rate of 100.00%. The €600.0-million bond bore interest at a rate of 0.000% p.a. and had a term of three years and two months. The €750.0-million bond bore interest at a rate of 3.125% p.a. and had a term of seven years.

Bank loans and overdrafts amounted to €1,559.8 million (PY: €1,470.4 million) as at December 31, 2020, and were therefore up €89.4 million on the previous year's level.

The syndicated loan that was renewed ahead of schedule in December 2019 consists of a revolving tranche of €4,000.0 million and has a term of five years. In November 2020, Continental exercised an option to extend the term by one year. The lending banks then extended this financing commitment until December 2025 at unchanged conditions. As in the previous year, the revolving loan had not been utilized as at December 31, 2020. In addition to the existing syndicated loan, a further syndicated loan in the amount of €3,000.0 million was agreed in May 2020. The new credit line is intended to strengthen Continental's financial flexibility in the wake of the COVID-19 pandemic and therefore has a short term of 364 days. This credit line can be used only by Continental AG and had likewise not been utilized as at December 31, 2020.

Other indebtedness decreased by €1,081.9 million to €2,272.9 million (PY: €3,354.8 million) as at the end of 2020. This decline is primarily due to lower use of commercial paper programs. Commercial paper issuances resulted in a carrying amount of €263.4 million (PY: €938.4 million). Lease liabilities decreased by €172.0 million year-on-year to €1,543.0 million (PY: €1,715.0 million). As at the end of 2020, the utilization of sale-of-receivables programs, at €296.0 million (PY: €468.6 million), was lower than the previous year. Three (PY: four) sale-of-receivables programs with a total financing volume of €400.0 million (PY: €665.0 million) were used within the Continental Group as at the end of 2020.

Cash and cash equivalents, derivative instruments and interest-bearing investments were down by €352.0 million at €3,195.3 million (PY: €3,547.3 million).

Net indebtedness increased by €67.4 million as compared to the end of 2019 to €4,139.1 million (PY: €4,071.7 million). The gearing ratio rose year-on-year to 32.7% (PY: 25.6%).

As at December 31, 2020, the Continental Group had liquidity reserves totaling €10,719.5 million (PY: €8,044.0 million), consisting of cash and cash equivalents of €2,938.7 million (PY: €3,341.8 million) and committed, unutilized credit lines of €7,780.8 million (PY: €4,702.2 million).

The restrictions that may impact the availability of capital are also understood to comprise all existing restrictions on the cash and cash equivalents. In the Continental Group, the aforementioned cash and cash equivalents are restricted with regard to pledged amounts and balances in countries with foreign-exchange restrictions or other barriers to accessing liquidity. Taxes to be paid on the transfer of cash assets from one country to another are not usually considered to represent a restriction on cash and cash equivalents. As at December 31, 2020, unrestricted cash and cash equivalents totaled €2,639.8 million (PY: €3,114.3 million).

Reconciliation of net indebtedness

€ millions	**December 31, 2020**	December 31, 2019
Long-term indebtedness	5,144.4	3,375.2
Short-term indebtedness	2,190.0	4,243.8
Long-term derivative instruments and interest-bearing investments	–142.6	–54.0
Short-term derivative instruments and interest-bearing investments	–114.0	–151.5
Cash and cash equivalents	–2,938.7	–3,341.8
Net indebtedness	**4,139.1**	**4,071.7**

Reconciliation of change in net indebtedness

€ millions	**2020**	2019
Net indebtedness at the beginning of the reporting period	**4,071.7**	**3,391.4**
Cash flow arising from operating activities	2,714.0	4,414.4
Cash flow arising from investing activities	–1,835.3	–3,652.7
Cash flow before financing activities (free cash flow)	**878.7**	**761.7**
Dividends paid	–600.0	–950.0
Dividends paid to and cash changes from equity transactions with non-controlling interests	–52.7	–32.5
Non-cash changes	–74.5	–339.7
Other	–172.8	–93.7
Exchange-rate effects	–46.1	–26.1
Change in net indebtedness	**–67.4**	**–680.3**
Net indebtedness at the end of the reporting period	**4,139.1**	**4,071.7**

Net Assets Position

Total assets

At €39,638.0 million (PY: €42,568.2 million), total assets as at December 31, 2020, were €2,930.2 million lower than on the same date in the previous year. Goodwill, at €4,361.6 million, was down by €751.9 million compared to the previous year's figure of €5,113.5 million. Other intangible assets fell by €344.9 million to €1,346.9 million (PY: €1,691.8 million). Property, plant and equipment decreased by €1,172.1 million to €13,760.6 million (PY: €14,932.7 million). Deferred tax assets were up €577.0 million at €2,751.4 million (PY: €2,174.4 million). Inventories fell by €456.2 million to €4,238.2 million (PY: €4,694.4 million), while trade accounts receivable declined by €358.4 million to €7,353.2 million (PY: €7,711.6 million). At €2,938.7 million, cash and cash equivalents were down €403.1 million from €3,341.8 million on the same date in the previous year.

Non-current assets

Non-current assets fell by €1,606.6 million year-on-year to €23,117.9 million (PY: €24,724.5 million). In relation to the individual items of the statement of financial position, this is primarily due to the decline in property, plant and equipment of €1,172.1 million to €13,760.6 million (PY: €14,932.7 million), the reduction in goodwill of €751.9 million to €4,361.6 million (PY: €5,113.5 million) and the decline in other intangible assets of €344.9 million to €1,346.9 million (PY: €1,691.8 million). This decrease was offset by an increase in deferred tax assets of €577.0 million to €2,751.4 million (PY: €2,174.4 million).

Current assets

Current assets fell by €1,323.6 million to €16,520.1 million (PY: €17,843.7 million). In the year under review, inventories declined by €456.2 million to €4,238.2 million (PY: €4,694.4 million), while trade accounts receivable fell by €358.4 million to €7,353.2 million (PY: €7,711.6 million). Cash and cash equivalents were lower by €403.1 million at €2,938.7 million (PY: €3,341.8 million).

Equity

Total equity (including non-controlling interests) was €3,236.6 million lower than in the previous year at €12,639.1 million (PY: €15,875.7 million). Equity was reduced by the payment of the dividends in the amount of €600.0 million resolved by the Annual Shareholders' Meeting and the net income attributable to the shareholders of the parent in the amount of -€961.9 million. Other comprehensive income fell by €1,571.0 million to -€4,365.4 million (PY: -€2,794.4 million). The gearing ratio changed from 25.6% to 32.7%. The equity ratio fell to 31.9% (PY: 37.3%).

Non-current liabilities

At €12,743.1 million, non-current liabilities were up €2,921.7 million from €9,821.4 million in the previous year. This rise was mainly attributable to the €1,769.2 million increase in long-term indebtedness to €5,144.4 million (PY: €3,375.2 million), which results primarily from the new issuance of three euro bonds in the second quarter with a total volume of €2,125.0 million. Long-term employee benefits rose by €703.6 million to €6,109.9 million (PY: €5,406.3 million). Long-term provisions for other risks and obligations were higher by €576.5 million at €1,242.6 million (PY: €666.1 million).

Current liabilities

At €14,255.8 million, current liabilities were down €2,615.3 million from €16,871.1 million in the previous year. This decrease is primarily due to short-term indebtedness, which fell by €2,053.8 million to €2,190.0 million (PY: €4,243.8 million). This is mainly attributable to the proceeds from the issue of three euro bonds in the second quarter, which were used to repay short-term financial liabilities. Trade accounts payable fell by €1,177.9 million to €5,933.1 million (PY: €7,111.0 million). This decline was offset by an increase in short-term provisions for other risks and obligations of €463.8 million to €1,725.4 million (PY: €1,261.6 million).

Operating assets

Operating assets decreased by €3,520.0 million year-on-year to €20,471.0 million (PY: €23,991.0 million) as at December 31, 2020.

Working capital was up €182.7 million at €5,695.9 million (PY: €5,513.2 million). This development was due to the €1,177.9 million decrease in operating liabilities to €5,933.1 million (PY: €7,111.0 million) and the €539.0 million decline in operating receivables to €7,390.8 million (PY: €7,929.8 million). Inventories were also down by €456.2 million at €4,238.2 million (PY: €4,694.4 million).

Non-current operating assets were lower by €2,398.1 million year-on-year at €20,047.0 million (PY: €22,445.1 million). Goodwill decreased by €751.9 million to €4,361.6 million (PY: €5,113.5 million). This change resulted primarily from impairment losses of €654.6 million. Exchange-rate effects of €94.8 million also had an impact, as did disposals of €2.5 million. Property, plant and equipment decreased by €1,172.1 million to €13,760.6 million (PY: €14,932.7 million). Other intangible assets fell by €344.9 million to €1,346.9 million (PY: €1,691.8 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €183.6 million (PY: €182.5 million) reduced the value of intangible assets.

In the Vehicle Networking and Information business area, the sale of the 50% shareholding in SAS Autosystemtechnik GmbH & Co. KG, Karlsruhe, Germany, resulted in a decrease in operating assets of €91.4 million.

As a result of an asset deal in the Tires business area, operating assets rose by €0.3 million.

In the ContiTech business area, the final purchase price allocation for the acquisition of Merlett Tecnoplastic S.p.A., Daverio, Italy, in 2019 resulted in an increase in operating assets of €2.5 million. In addition, the sale of a company reduced operating assets by €4.1 million.

A transfer of business under an asset deal in the Powertrain business area reduced operating assets by €1.7 million.

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

Exchange-rate effects reduced the Continental Group's total operating assets by €1,069.7 million (PY: increase of €284.2 million).

Average operating assets fell by €3,641.9 million to €22,536.6 million as compared to the previous year (€26,178.5 million).

Consolidated statement of financial position

Assets in € millions	**December 31, 2020**	December 31, 2019
Goodwill	4,361.6	5,113.5
Other intangible assets	1,346.9	1,691.8
Property, plant and equipment	13,760.6	14,932.7
Investments in equity-accounted investees	351.3	397.7
Long-term miscellaneous assets	3,297.5	2,588.8
Non-current assets	**23,117.9**	**24,724.5**
Inventories	4,238.2	4,694.4
Trade accounts receivable	7,353.2	7,711.6
Short-term miscellaneous assets	1,990.0	2,095.9
Cash and cash equivalents	2,938.7	3,341.8
Current assets	**16,520.1**	**17,843.7**
Total assets	**39,638.0**	**42,568.2**

Equity and liabilities in € millions	**December 31, 2020**	December 31, 2019
Total equity	**12,639.1**	**15,875.7**
Non-current liabilities	**12,743.1**	**9,821.4**
Trade accounts payable	5,933.1	7,111.0
Short-term other provisions and liabilities	8,322.7	9,760.1
Current liabilities	**14,255.8**	**16,871.1**
Total equity and liabilities	**39,638.0**	**42,568.2**
Net indebtedness	**4,139.1**	**4,071.7**
Gearing ratio in %	**32.7**	**25.6**

Reconciliation to operating assets in 2020

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
Total assets	**7,202.0**	**6,426.5**	**8,970.5**	**4,257.8**	**5,713.9**	**7,067.3**	**39,638.0**
Cash and cash equivalents	–	–	–	–	–	2,938.7	2,938.7
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	–	256.6	256.6
Other financial assets	24.0	27.2	13.9	5.6	28.3	23.5	122.5
Less financial assets	**24.0**	**27.2**	**13.9**	**5.6**	**28.3**	**3,218.8**	**3,317.8**
Less other non-operating assets	**32.2**	**4.2**	**49.9**	**0.5**	**9.9**	**655.9**	**752.6**
Deferred tax assets	–	–	–	–	–	2,751.4	2,751.4
Income tax receivables	–	–	–	–	–	234.8	234.8
Less income tax assets	**–**	**–**	**–**	**–**	**–**	**2,986.2**	**2,986.2**
Segment assets	**7,145.8**	**6,395.1**	**8,906.7**	**4,251.7**	**5,675.7**	**206.4**	**32,581.4**
Total liabilities and provisions	**4,460.1**	**4,254.3**	**3,467.7**	**1,967.1**	**3,611.6**	**9,238.1**	**26,998.9**
Short- and long-term indebtedness	–	–	–	–	–	7,334.4	7,334.4
Interest payable and other financial liabilities	–	–	–	–	–	36.4	36.4
Less financial liabilities	**–**	**–**	**–**	**–**	**–**	**7,370.8**	**7,370.8**
Deferred tax liabilities	–	–	–	–	–	168.6	168.6
Income tax payables	–	–	–	–	–	790.1	790.1
Less income tax liabilities	**–**	**–**	**–**	**–**	**–**	**958.7**	**958.7**
Less other non-operating liabilities	**1,714.4**	**1,294.7**	**963.3**	**768.9**	**931.8**	**885.9**	**6,559.0**
Segment liabilities	**2,745.7**	**2,959.6**	**2,504.4**	**1,198.2**	**2,679.8**	**22.7**	**12,110.4**
Operating assets	**4,400.1**	**3,435.5**	**6,402.3**	**3,053.5**	**2,995.9**	**183.7**	**20,471.0**

Reconciliation to operating assets in 2019

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
Total assets	**7,355.0**	**7,471.0**	**10,077.9**	**4,784.0**	**6,026.6**	**6,853.7**	**42,568.2**
Cash and cash equivalents	–	–	–	–	–	3,341.8	3,341.8
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	–	205.5	205.5
Other financial assets	9.6	23.1	17.6	7.6	13.1	18.7	89.7
Less financial assets	**9.6**	**23.1**	**17.6**	**7.6**	**13.1**	**3,566.0**	**3,637.0**
Less other non-operating assets	**-33.8**	**-73.7**	**-13.6**	**-0.4**	**-50.1**	**710.8**	**539.2**
Deferred tax assets	–	–	–	–	–	2,174.4	2,174.4
Income tax receivables	–	–	–	–	–	240.5	240.5
Less income tax assets	**–**	**–**	**–**	**–**	**–**	**2,414.9**	**2,414.9**
Segment assets	**7,379.2**	**7,521.6**	**10,073.9**	**4,776.8**	**6,063.6**	**162.0**	**35,977.1**
Total liabilities and provisions	**4,145.5**	**3,786.7**	**3,399.9**	**1,972.9**	**3,579.6**	**9,807.9**	**26,692.5**
Short- and long-term indebtedness	–	–	–	–	–	7,619.0	7,619.0
Interest payable and other financial liabilities	–	–	–	–	–	25.1	25.1
Less financial liabilities	**–**	**–**	**–**	**–**	**–**	**7,644.1**	**7,644.1**
Deferred tax liabilities	–	–	–	–	–	305.4	305.4
Income tax payables	–	–	–	–	–	938.6	938.6
Less income tax liabilities	**–**	**–**	**–**	**–**	**–**	**1,244.0**	**1,244.0**
Less other non-operating liabilities	**1,483.1**	**1,022.3**	**881.2**	**687.4**	**863.3**	**881.0**	**5,818.3**
Segment liabilities	**2,662.4**	**2,764.4**	**2,518.7**	**1,285.5**	**2,716.3**	**38.8**	**11,986.1**
Operating assets	**4,716.8**	**4,757.2**	**7,555.2**	**3,491.3**	**3,347.3**	**123.2**	**23,991.0**

In The Spotlight

Financial support from public authorities

Source: 2020 Annual Report > Consolidated Financial Statements > Notes to the Consolidated Financial Statements > Notes to the Consolidated Statement of Income > 7. Research and Development Expenses (p. 156), 8. Other Income and Expenses (p. 157), 13. Grants in Connection with the COVID-19 Pandemic (p. 162), and
2020 Annual Report > Consolidated Financial Statements > Notes to the Consolidated Financial Statements > Notes to the Consolidated Statement of Financial Position > 15. Property, Plant and Equipment (p. 165)

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

Research and Development:
The research and development expenses include government grants totaling €56.4 million (PY: €68.6 million).

Assets:
In addition, government grants amounting to €9.8 million (PY: €12.9 million) that were not intended for investments in non-current assets were received and recognized in profit or loss in the “Miscellaneous” item.

Grants in Connection with the COVID-19 Pandemic
Government grants paid to the Continental Group as a result of the COVID-19 pandemic totaled €111.0 million (PY: –) in the year under review and were recognized in income. These primarily include reimbursements of social security contributions in the amount of €67.9 million (PY: –), the majority of which relate to short-time work income.

Property, Plant and Equipment:
Government investment grants of €23.7 million (PY: €38.4 million) were deducted directly from cost.

In The Spotlight

Group Profit Sharing – Financial Recognition for All Employees Worldwide

With the Continental Value Sharing Bonus (CVSB), Continental is giving its employees a signal of appreciation and sharing in the company’s positive performance. Continental is one of the few companies that generally distribute such bonuses to all eligible employees worldwide.

The bonus is calculated from the Continental Value Contribution (CVC) for the respective fiscal year multiplied by 0.1 divided by the number of permanent global employees as at December 31 of the previous year. Further information on the CVC can be found in the Corporate Management section.

When calculating the bonus, both the legal regulations and contractual agreements in the individual countries are taken into account, in addition to economic performance.

In fiscal 2020, the negative CVC resulted in a calculated Group profit sharing of zero. Nevertheless, the Executive Board unanimously decided to pay out an extraordinary bonus to the employees in order to reward the particularly high level of commitment worldwide in challenging times of crisis. As in previous years, it was divided into two country categories. This resulted in distribution amounts for the extraordinary bonus of €436 or €218 per eligible full-time employee.

Good Working Conditions

Management Approach

Source: 2020 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Nonfinancial Statement (p. 57)

Our ambition

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

Concept

Continental's Code of Conduct sets out the cornerstones for good working conditions as the basis of our global collaboration, including human rights and fair working conditions. Employees regularly receive training on the Code of Conduct.

In order to meet our future staffing requirements in terms of both quality and quantity, our vision is to become one of the most attractive and progressive employers. The strategic goals of HR work are therefore focused on efficiently and effectively bringing together the right people and positions (Industrialize Best Fit) and at the same time shaping the transition to digitalization, new technologies and new forms of collaboration (Enable Transformation & Leadership). Strategic workforce planning, suitable talent selection and development (in particular in the areas of software and IT) on the basis of comprehensive diagnostics, the promotion of employee diversity and lifelong learning, the further development of the management culture and the flexibilization of working hours are therefore essential strategic HR activities.

According to a preliminary analysis, up to 30,000 jobs worldwide are expected to be affected by changes under the Transformation 2019–2029 structural program over the next 10 years. We are preparing the employees affected for the technological changes and associated professional and personal challenges that they will face through structured retraining measures that are conducive to employment.

Those responsible for the projects' implementation are the HR functions at the group sector and business area level, which work together in a global network. A special network of country coordinators for working relationships is also part of this organization.

Results of the concept

With the adoption of remote working back in fiscal 2016, we laid a central foundation on which to successfully combat the challenges associated with the COVID-19 pandemic in fiscal 2020 and enable employees to work from home.

We use the Sustainable Engagement index from our annual employee survey OUR BASICS Live as a key performance indicator for the implementation of our concept with respect to good working conditions. The index measures employee approval on topics such as whether they personally back the company values and whether they are proud to work for Continental. In fiscal 2020, the Sustainable Engagement index was 82% (PY: 81%) and therefore on a par with the previous year. Other key performance indicators are the sickness rate and the unforced fluctuation rate. The sickness rate measures sickness-related absence relative to contractually agreed working times, and the unforced fluctuation rate measures the voluntary departure of employees from the company relative to the average number of employees. In 2020, the sickness rate was up slightly compared with the previous year at 3.5% (PY: 3.4%), while the unforced fluctuation rate was down at 4.6% (PY: 6.0%). The decrease applies to all regions.

Information about personnel expenses in fiscal 2020 (i.e. wages and salaries, social security contributions and pension and post-employment benefit costs), can be found in Note 9 of the notes to the consolidated financial statements. Employee benefits such as pensions, post-employment benefits and long-term bonus payments are broken down in Note 28 of the notes to the consolidated financial statements.

Key performance indicators for good working conditions	2020	2019
OUR BASICS Live Sustainable Engagement index in %	82	81
Sickness rate in %[1, 2]	3.5	3.4
Unforced fluctuation rate in %[2, 3, 4]	4.6	6.0

1 Definition: sickness-related absence relative to contractually agreed working times.
2 Excluding temporary staff (i.e. permanent staff only).
3 Definition: voluntary departure of employees from the company relative to the average number of employees.
4 In fiscal 2020, the key performance indicator was renamed. This was previously called "unforced fluctuation."

Personnel Expenses

Source: 2020 Annual Report > Consolidated Financial Statements > Notes to the Consolidated Financial Statements > Notes to the Consolidated Statement of Income (p. 159)

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

€ millions	2020	2019
Wages and salaries	9,616.0	9,532.9
Social security contributions	1,715.8	1,838.4
Pension and post-employment benefit costs	436.9	378.7
Personnel expenses	**11,768.7**	**11,750.0**

Compared to the 2019 reporting year, personnel expenses rose by €18.7 million to €11,768.7 million (PY: €11,750.0 million). The average number of employees in 2020 was 235,480 (PY: 244,137). As at the end of the year, there were 236,386 (PY: 241,458) employees in the Continental Group.

The year-on-year decline in personnel expenses due to the lower number of employees was more than offset by provisions for restructuring measures. Please also see the comments in the management report.

Employee Benefits

Source: 2020 Annual Report > Consolidated Financial Statements > Notes to the Consolidated Financial Statements > Notes to the Consolidated Statement of Financial Position (starting p. 179)

Note: This Text has been shortened.

The following table outlines the employee benefits:

	December 31, 2020		December 31, 2019	
€ millions	Short-term	Long-term	Short-term	Long-term
Pension provisions (unfunded obligations and net liabilities from obligations and related funds)	–	5,528.8	–	4,851.7
Provisions for other post-employment benefits	–	205.7	–	215.9
Provisions for similar obligations	4.3	59.1	3.4	60.0
Other employee benefits	–	303.8	–	255.3
Liabilities for workers' compensation	34.7	12.5	35.8	23.4
Liabilities for payroll and personnel-related costs	756.3	–	882.7	–
Termination benefits	60.1	–	46.8	–
Liabilities for social security	182.6	–	179.6	–
Liabilities for vacation	198.5	–	220.4	–
Employee benefits	**1,236.5**	**6,109.9**	**1,368.7**	**5,406.3**
Defined benefit assets (difference between pension obligations and related funds)		**82.7**		**7.8**

Strategic Workforce Planning

At Continental, strategic workforce planning (SWP) is used to compare the long-term development of the current workforce with future personnel requirements to identify quantitative and qualitative gaps and also overlaps in requirements and to enable appropriate HR measures to be taken on this basis. How does SWP actually work? First, an analysis of the current workforce is carried out as part of SWP. A forecast of the workforce over the next few years is then drawn up on the basis of fluctuation and employees entering retirement. The next step is to calculate future personnel requirements. This is done on the basis of so-called drivers, e.g. predicted developments in sales and/or production volume. SWP is used to align the company's HR measures more closely with actual business requirements. When doing this, it is important to bring together the various parties involved in the business and the corresponding group roles, including HR staff, and to discuss the effects on future business development together. This gives HR staff a better understanding of the strategic alignment of the business units while allowing them to contribute their own knowledge, for example, regarding the availability of talent in the business strategy development process. In this respect, the HR staff acts as a sparring partner for business strategy development.

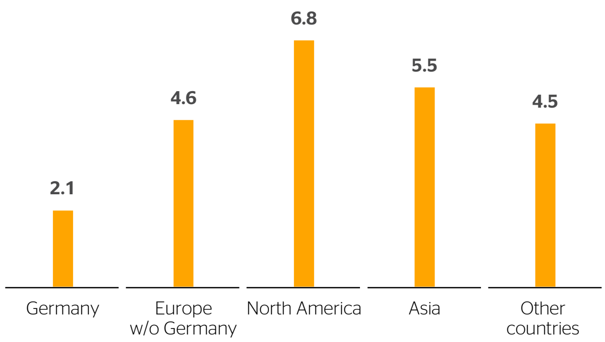
Fluctuation

Total unforced fluctuation in the 2020 fiscal year was 4.6% (PY: 6.0%). It is defined as the voluntary departure of employees from the company in relation to the average number of employees. In Germany, unforced fluctuation was at 2.1% (PY: 2.2%), in Europe (excluding Germany) at 4.6% (PY: 6.9%), in the North America region at 6.8% (PY: 9.4%) and in Asia at 5.5% (PY: 6.8%). In the remaining countries, we recorded unforced fluctuation of 4.5% (PY: 3.5%). Fluctuation rates should be interpreted based on factors pertaining to the specific country.

Equal Pay

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

Unforced fluctuation rate by regions 2020 in %[1, 2, 3]



1 Definition: voluntary departure of employees from the company relative to the average number of employees.
2 Excluding temporary staff (i.e. permanent staff only).
3 In fiscal 2020, the key performance indicator was renamed. This was previously called "unforced fluctuation."

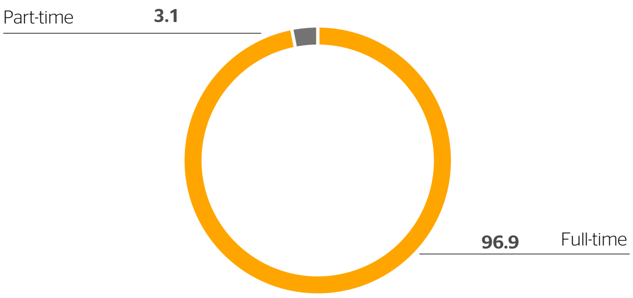
Labor Relations, Co-Determination and Collective Bargaining Agreements

In keeping with our corporate value For One Another, it is of great importance to Continental to maintain an open and constructive dialog between management and employees. The forms of direct and indirect employee co-determination vary from country to country and from location to location. In our Code of Conduct, which we updated at the start of 2019, we grant our employees fundamental rights of co-determination. Co-determination in the workplace is governed by law in Germany and Europe. In Germany, the workforce is represented by the Group Works Council at group level. In Europe, employee co-determination is upheld by a transnational body of employee representatives (EuroForum). As provided for in the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG), employees also account for half the members of the Supervisory Board of Continental AG. Collective bargaining agreements are an essential component of the collaboration between social partners. They range from location-level agreements on specific workplace design right through to company-level association agreements on collective pay and industry-level collective bargaining agreements for the whole of Germany for example. Collective bargaining agreements of various types and scopes based on country-specific legal requirements are a reflection of the tangible employee co-determination that exists in the vast majority of countries.

Level of Employment

In 2020, a total of 3.1% of employees worked part-time (PY: 3.0%). Part-time is defined as < 90% of full-time working hours. In total, 6.5% (PY: 6.6%) of women and 1.8% (PY: 1.8%) of men worked part-time. We are continually increasing our efforts to make working hours more flexible, including in the production environment. Employees can organize their working hours more flexibly, e.g. by working part-time or flextime, or by taking advantage of remote working or sabbaticals. The range of opportunities is determined by the specific operational possibilities of the respective workplace.

Employees by level of employment as at 31.12.2020[1,2]



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

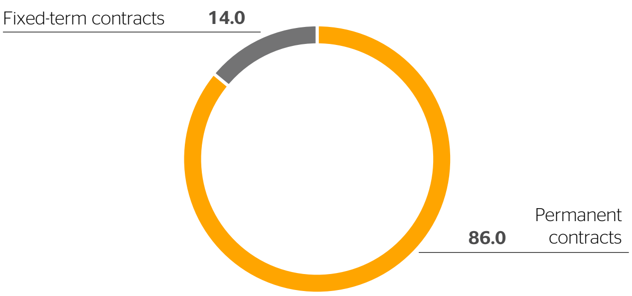
Contract Types

Fixed-term contracts accounted for a total of 14.0% (PY: 14.2%) of all contracts of employment in the 2020 fiscal year. In Europe (excluding Germany), fixed-term contracts accounted for 12.8% (PY: 13.0%), in Germany 6.5% (PY: 8.6%), in North America 5.7% (PY: 4.6%), in Asia 35.0% (PY:34.5%), and in the remaining countries 4.4% (PY: 4.8%). Overall, 13.5% (PY: 13.7%) of women and 10.4% (PY: 11.4%) of men were on a fixed-term contract. The total proportion of fixed-term contracts includes temporary worker contracts.

As at Dec. 31, 2020, we employed a total of 13,352 temporary workers (PY: 12,638).

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

Employees by contract types as at 31.12.2020 in %[1]



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

In The Spotlight

Fighting the pandemic: Continental produces its own medical face masks

Three Continental locations – China (Shanghai), USA (Winchester) and Germany (Hanover-Stöcken) – are currently producing medical face masks to meet the global needs of the workforce. The capacities are sufficient for 60 million masks per year. Our medical Continental face masks comply with the globally recognized DIN EN 14683:2019 Type II standard and have been certified by an external special laboratory.

Continental decided to set up its own medical mask production in order to cover the company's own need for masks for all employees, even at an early stage after the outbreak of the pandemic. The demand for face masks has risen many times over during the current coronavirus crisis. As a result, quality, prices and availability fluctuate wildly.

The medical Continental masks produced meet much more stringent requirements than many other mouth and nose coverings that are currently in everyday use. Because unlike many other products, they also protect the wearers themselves, since it is difficult for viruses and bacteria to get through the material from the outside. The Type II standard met by the Continental masks is even used in medical operating rooms. They filter around 98 percent of all bacteria and viruses from exhaled air; by contrast, many fabric masks manage a filtering rate of 50 percent at best. In addition, Continental masks make it easier to breathe thanks to their high breathability. This makes it easier to wear them even for a relatively long period of time. The masks are produced under strict hygienic conditions, so there is no risk of contamination.

In addition to quality, availability is also a central argument for in-house mask production. Regardless of the market development and the further course of the pandemic, it ensures that sufficiently high-quality protective masks are available for employees at all times and everywhere in the world.

Benchmark in Quality

Management Approach

Source: 2020 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Nonfinancial Statement (p. 59)

Note: The text has been adjusted for page references.

Our ambition

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

Concept

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

Local management systems on site are used to support the implementation of these corporate targets. The concrete organizational and technical guidelines for local management systems can be found in the relevant quality management manuals.

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

Results of the concept

As a key performance indicator for the implementation of our concept with respect to benchmark in quality, we use the corporate-wide employee coverage quota with regard to certified local quality management systems. The majority of our employees throughout the Continental Group, namely 91%, were covered by certified quality management systems as at December 31, 2020 (PY: 86%). The number of new field quality events also represents a key performance indicator with respect to benchmark in quality, which we newly defined in 2020 and are reporting on externally for the first time. A field quality event is a risk-minimizing measure for a product manufactured and/or sold by Continental on the basis of a safety-related defect and/or non-compliance with regulations that was initiated by Continental, a customer and/or an authority. As at December 31, 2020, 18 new field quality events had been identified.

Information about the scope of warranty and product liability claims in fiscal 2020 can be found in Note 36 (Litigation and Compensation Claims) of the notes to the consolidated financial statements.

Key performance indicators for benchmark in quality	2020	2019
Quality management system certifications (ISO 9001 or similar)		
Employee coverage quota (as at Dec. 31) in %	91	86
New field quality events (as at Dec. 31)[1]	18	n.a.

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

In The Spotlight

„Living Ownership“: Everyone is Responsible for Quality

Every day, millions of people around the world trust in the quality of Continental's products. The "Living Ownership" initiative is intended to raise awareness of this. It creates an environment in which every employee can take on responsibility. By exemplary behavior and a willingness to take on responsibility, every employee actively shapes the future of the company. In day-to-day work, this means addressing areas openly that can be improved, sharing experience, and learning from others.

In 2018, the Group Functions of Total Quality Management and Group Human Relations jointly launched the "Living Ownership" initiative. Workshops and events are being held under the slogan "Everyone is responsible for quality!" to increase awareness and understanding of this common objective. Dialog formats that promote open communication are taught. They are delivered by the "Ownership Champions" – trained employees who act as multipliers of the topic in the company. By the end of 2020, there were already more than 700 "Ownership Champions" active at Continental. They have already trained more than 12,000 employees worldwide.

Quality Strategy

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

The quality strategy is divided into five strategic topics. Continental is pursuing its establishment within a clearly-defined chain of effects.

1. Responsibility
The assumption of responsibility by each individual employee is the starting point for a quality-oriented corporate culture in which continuous improvement is practiced.

2. Transparency
Complete, accurate data that is available to every employee forms the basis for continuous improvement and progress measurement. These enable smart decisions and intelligent risk management.

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

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

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

Safe Mobility

Management Approach

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

Active and passive vehicle safety
Assisted driving provides the foundation for achieving the vision of "zero accidents." As Continental sees it, automated driving will be successful if people trust the technology. With intelligent vehicle technology, Continental helps vehicle manufacturers to significantly improve safety on the roads.

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

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

In The Spotlight

Turn assist system from Continental protects cyclists and pedestrians

Among the innovations that support drivers and increase safety is a new generation of short-range radar with 77 gigahertz technology that captures the vehicle's surroundings at a much higher resolution than before. This makes it possible to implement a right turn assist that supports the driver in confusing situations. The system is already doing what Euro NCAP scenarios from 2022 require: further improving protection for pedestrians, scooters, and cyclists.

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

In the truck sector, Continental is bringing a cornering assistance system onto the market, which can be used to retrofit commercial vehicles quickly and easily. As the only provider of this safety technology to date, we rely on an exclusively radar-based system that can recognize and classify cyclists and pedestrians. The radar sensor system is attached to the side mirror and monitors the area up to four meters next to the vehicle and up to 14 meters to the rear.

Continental and universities are jointly researching AI for automated driving in cities and are thus continuing many years of PRORETA research cooperation with international universities under the slogan urbAn driving. By the end of 2022, algorithms based on artificial intelligence (AI) should be developed and tested for the entire effect chain of automated driving.

Sustainable Management Practice

Management Approach

Source: 2020 Annual Report > Management Report > Corporate Profile > Sustainability and Combined Nonfinancial Statement (p. 59)

Note: The text has been adjusted for page references.

Our ambition

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

Concept

Continental AG's Corporate Governance Principles are intended to help achieve responsible, value-driven management within the company and the Continental Group.

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

We are also committed to promoting employee diversity, which we understand as internationality, a balanced gender ratio, and a range of experiences and age categories. We have set ourselves the corporate-wide target of increasing the share of female executives and senior executives. We intend to achieve this in particular by promoting cultural change in the organization through the expansion of women's networks and the holding of diversity workshops and specific events:

- Corporate target by 2020: share of female executives and senior executives of 16%
- Corporate target by 2025: share of female executives and senior executives of 25%

For more information on sustainable management practice, see the corporate governance report starting on page 12 of this annual report. For more information on compliance, see the detailed compliance report, as well as the report on risks and opportunities. For more information on our diversity concept, see the corporate governance report.

Results of the concept

The design, implementation and effectiveness of the compliance management system was confirmed by an independent auditor in fiscal 2016 in accordance with the IDW PS 980 audit standard.

A key performance indicator for the implementation of our concept with respect to sustainable management practice is gender diversity, which measures the share of female executives and senior executives. As at December 31, 2020, Continental had increased its share of female executives and senior executives to 16.1% (PY: 15.8%) and therefore successfully met its corporate target of 16% for fiscal 2020.

Key performance indicator for sustainable management practice	2020	2019
Gender diversity – share of female executives and senior executives (as at Dec. 31) in %[1]	16.1	15.8

1 In fiscal 2020, the key performance indicator was renamed. This was previously called "proportion of women in management positions."

In The Spotlight

Remuneration

As of 2020, a new remuneration system was introduced for Continental, which aims to achieve the highest possible value creation on the basis of the four corporate values and safeguards the company's long-term future viability.

The remuneration system is aimed in principle at all employees – from employees to the group Executive Board. For the Executive Board and management personnel worldwide, key sustainability indicators have been included in the long-term incentive components (LTI).

On the basis of the sustainability strategy, particularly the strategic focus areas, the Supervisory Board and the Executive Board determine performance criteria and goals for a sustainability factor of the respective long-term plan, e.g. with regard to CO_2 emissions, waste recycling rate, sustainable engagement, gender diversity as well as sickness rate and accident rate for the plans starting in fiscal year 2020. This also complies with the German Corporate Governance Code (DGCK) and the Law on the Implementation of the 2nd EU Shareholder Rights Directive (ARUG II), according to which the remuneration structure is to be geared toward sustainable and long-term development. For more information please visit the Remuneration Report.

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

Source: 2020 Annual Report > To Our Shareholders > Corporate Governance > Corporate Governance Statement Pursuant to Section 289f of the German Commercial Code (HGB) (starting p. 16)

Note: The text has been adjusted for page references.

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

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

Declaration pursuant to Section 161 *AktG* and deviations from the German Corporate Governance Code
In December 2020, the Executive Board and the Supervisory Board issued the following annual declaration in accordance with Section 161 of the German Stock Corporation Act *(Aktiengesetz – AktG)*:

"The Executive Board and the Supervisory Board of Continental AG declare in accordance with Section 161 German Stock Corporations Act *(AktG)* that the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated February 7, 2017 (published by the Federal Ministry of Justice in the official part of the electronic Federal Gazette *(Bundesanzeiger)* on April 24, 2017; hereinafter "Code 2017") were complied with, with the exceptions set out in Item 1, and further the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated December 16, 2019 (published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette *(Bundesanzeiger)* on March 20, 2020; hereinafter "Code 2020"), are being complied with, with the exceptions stated under Item 2. Reference is made to the declaration of the Executive Board and the Supervisory Board of December 2019 as well as to previous declarations in accordance with Section 161 of the German Stock Corporation Act *(AktG)* and the deviations from the recommendations of the German Corporate Governance Code explained therein.

- Item 1: According to Section 5.4.1 Paragraph 2 of the Code 2017, the Supervisory Board should specify specific objectives for its composition, which, among other things, take into account an age limit to be specified for Supervisory Board members. The Supervisory Board has specified such objectives. However, the Supervisory Board did not establish an age limit because it is of the opinion that such a general criterion is not suitable for evaluating the qualifications of an individual candidate's nomination to the Supervisory Board.
- Item 2: According to recommendation C.2 of Code 2020, the Supervisory Board shall set an age limit for members of the Supervisory Board. The Supervisory Board does not set an age limit because it does not consider such a general criterion to be appropriate for evaluating the qualifications of a Supervisory Board member general criterion is not suitable for evaluating the qualifications of members of the Supervisory Board.

Hanover, December 2020

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

Nikolai Setzer
Chairman of the Executive Board"

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

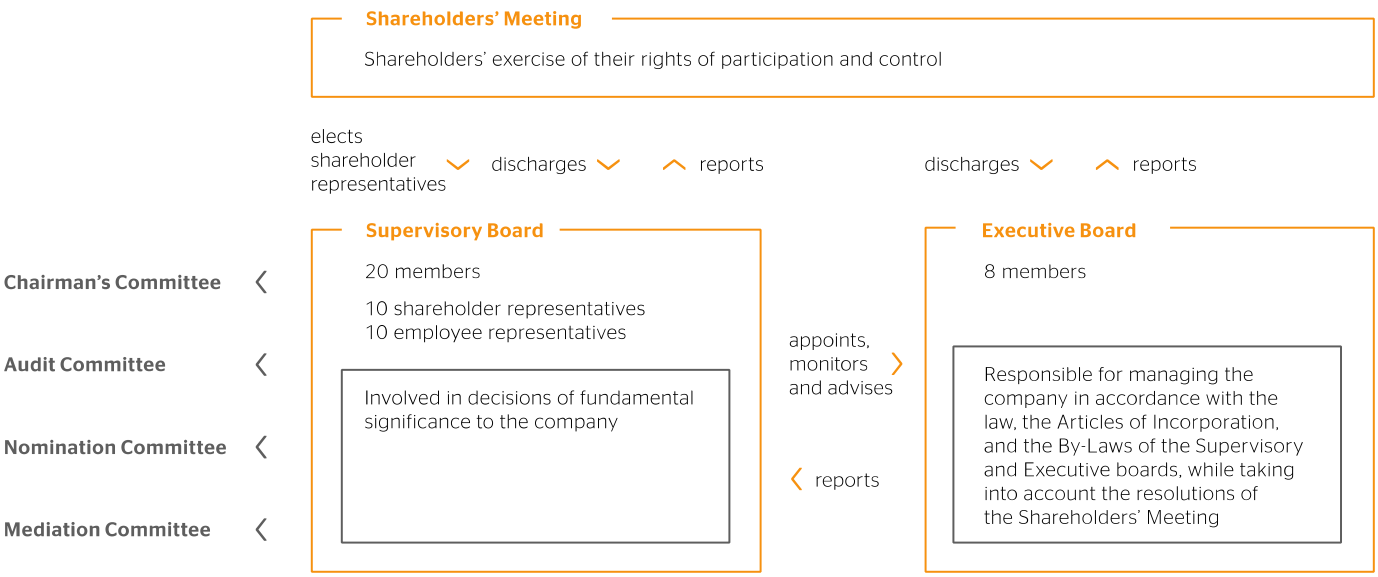
Key corporate governance practices
The following documents are key foundations of our sustainable and responsible corporate governance:

- OUR BASICS – Continental AG's corporate guidelines. OUR BASICS have reflected the vision, values, desired behavior and self-image of the Continental Group since 1989, and are available in the Company/Corporate Strategy section of Continental's website.
- Sustainability ambition; available on Continental's website at www.continental-sustainability.com/downloads.
- Compliance with the binding Code of Conduct for all Continental employees. For more information, see the Compliance section or Continental's website at www.continental-sustainability.com/downloads.

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

The Executive Board and its practices
The Executive Board has sole responsibility for managing the company in the interests of the company, free from instructions from third parties in accordance with the law, the Articles of Incorporation and the Executive Board's By-Laws, while taking into account the resolutions of the Shareholders' Meeting.

Corporate bodies of the company



All members of the Executive Board share responsibility for the management of the company jointly. Regardless of this principle of joint responsibility, each Executive Board member is individually responsible for the areas entrusted to them. The chairman of the Executive Board is responsible for the company's overall management and business policy. Nikolai Setzer was appointed chairman of the Executive Board of Continental AG with effect from December 1, 2020. In this role, he ensures management coordination and uniformity on the Executive Board and represents the company to the public. The Executive Board jointly develops the company's strategy, agrees it with the Supervisory Board and ensures its implementation. The Executive Board currently has eight members. The first time a person is appointed to the Executive Board, his or her term as a rule is three years only. As a rule, a member of the Executive Board is not appointed beyond the statutory retirement age. Only under exceptional circumstances will a member of the Executive Board be reappointed prior to one year before the end of their term of appointment with simultaneous annulment of their current appointment. More information on the members of the Executive Board can be found on page 218 in the Annual Report and in the Company/Corporate Governance section of Continental's website. The Executive Board has By-Laws that regulate in particular the allocation of duties among the Executive Board members, key matters pertaining to the company and its subsidiaries that require a decision to be made by the Executive Board, the duties of the Executive Board chairman, and the process in which the Executive Board passes resolutions. The Executive Board By-Laws are available in the Company/Corporate Governance section of Continental's website. The Supervisory Board By-Laws on the basis of the Articles of Incorporation require the consent of the Supervisory Board for significant actions taken by management. The Executive Board has established the Automotive Board, which aims to foster the increased decentralization of responsibility that the global reorganization of the company seeks to achieve, relieve the burden on the corporate Executive Board and significantly shape the ongoing transformation process in the Automotive Technologies group sector. To this end, the Executive Board also delegated decision-making powers to the Automotive Board for certain matters that affect only Automotive Technologies. In addition to the chairman of the Executive Board, who serves as chairman of the Automotive Board, the Automotive Board comprises the Executive Board members for the Autonomous Mobility and Safety as well as Vehicle Networking and Information business areas, and other members. In preparation for its planned spin-off with subsequent listing, Vitesco Technologies was granted greater organizational independence as of January 1, 2021, with the aim of promoting its flexibility and agility. As part of this move, the Executive Board transferred decision-making authorities, effective January 1, 2021, to the Management Board of Vitesco Technologies GmbH for certain matters relating exclusively to the business of Vitesco Technologies.

The Supervisory Board and its practices

The Supervisory Board appoints the members of the Executive Board and collaborates with the Executive Board to develop a long-term succession plan. The Supervisory Board discusses this at least once a year without the Executive Board. In order to become acquainted with potential successor candidates, the Supervisory Board, in consultation with the Executive Board, offers them the opportunity to deliver presentations to the Supervisory Board. The Supervisory Board supervises and advises the Executive Board in managing the company. The Supervisory Board is directly involved in decisions of material importance to the company. As specified by law, the Articles of Incorporation or the Supervisory Board By-Laws, certain corporate management matters require the approval of the

Supervisory Board. The chairman of the Supervisory Board coordinates its work and represents it vis-à-vis thirdparties. Within reasonable limits, he is prepared to talk to investors about issues specific to the Supervisory Board. He maintains regular contact between meetings with the Executive Board, and in particular with its chairman, to discuss issues relating to the company's strategy, business development, risk management and compliance.

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

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

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

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

Every two to three years, the Supervisory Board reviews how effectively the overall Supervisory Board and its committees have fulfilled their responsibilities. The Supervisory Board recently carried out such a review in 2016 with the help of an external consultant. This once again confirmed the positive development of the Supervisory Board's work in the past years. The Supervisory Board has adopted the recommendations that resulted from the 2016 efficiency review. The next self-assessment was originally scheduled for 2020 but was postponed until 2021 because it could not reasonably have been carried out in 2020 due to the impact of the COVID-19 pandemic.

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

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

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

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

- **Management experience:** The Supervisory Board should include members with management experience. In particular, this includes experience in corporate management or as a senior manager of a business, or experience in a managerial role at other large organizations or associations.

- **Financial experience:** The Supervisory Board should possess financial knowledge and experience, namely in the areas of accounting, control and risk management systems, and the audit of financial statements. The chairman of the Audit Committee must have in-depth knowledge in these areas.

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

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

- The number of members of the Supervisory Board who have the required international experience should at a minimum remain constant. At least seven members currently have international skills and experience.

- An appropriate number of members with industry experience should be maintained. Far more than half of the Supervisory Board members cover this area of expertise.

- The Supervisory Board should have an appropriate number of members on the shareholder side whom it deems to be independent in accordance with the German Corporate Governance Code. The Nomination Committee was mandated by the Supervisory Board to assess the independence of the shareholder representatives in accordance with the German Corporate Governance Code and to determine compliance with the targets for the proportion of independent shareholders. As determined by the Nomination Committee, the Supervisory Board has an appropriate number of members on the shareholder side who are independent in accordance with the German Corporate Governance Code.

- More than one half of the shareholder representatives should be independent of Continental AG and its Executive Board. The shareholder representatives currently on the Supervisory Board are all, without exception, independent of Continental AG and its Executive Board.

- At least five shareholder representatives should be independent of the controlling shareholder, the IHO Group, headquartered in Herzogenaurach, Germany. The shareholder representatives independent of the controlling shareholder are:

  - Prof. Dr.-Ing. Wolfgang Reitzle
  - Dr. Gunter Dunkel
  - Satish Khatu
  - Isabel Corinna Knauf
  - Sabine Neuß
  - Prof. Dr. Rolf Nonnenmacher
  - Prof. KR Ing. Siegfried Wolf

- In its nominations for election to the Supervisory Board, the Supervisory Board as a rule does not nominate candidates who have already held this position for three full terms of office at the time of the election.

- The Supervisory Board has not stipulated an age limit as recommended in recommendation C.2 of the German Corporate Governance Code. It does not consider such a general criterion to be suitable for deciding whether a candidate is eligible to be a member of the Supervisory Board.

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

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

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

Committees of the Supervisory Board

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

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

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

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

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

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

More information on the members of the Supervisory Board and its committees can be found on pages 219 in the Annual Report and 220. Current resumes, which are updated annually, are available in the Company/Corporate Governance section of Continental's website. They also contain information on how long each member has held their position on the Supervisory Board.

Shareholders and the Shareholders' Meeting
The company's shareholders exercise their rights of participation and control in the Shareholders' Meeting. The Annual Shareholders' Meeting, which must be held in the first eight months of every fiscal year, decides on all issues assigned to it by law, such as the appropriation of profits, the election of shareholder representatives to the Supervisory Board, the discharging of Supervisory Board and Executive Board members, the appointment of auditors and amendments to the company's Articles of Incorporation. Each Continental AG share entitles the holder to one vote. There are no shares conferring multiple or preferential voting rights and no limitations on voting rights.

All shareholders who register in a timely manner and prove their entitlement to participate in the Shareholders' Meeting and to exercise their voting rights are entitled to participate in the Shareholders' Meeting. To facilitate the exercise of their rights and to prepare them for the Shareholders' Meeting, the shareholders are fully informed about the past fiscal year and the points on the upcoming agenda before the Shareholders' Meeting by means of the annual report and the invitation to the meeting. All documents and information on the Shareholders' Meeting, including the annual report, are published on the company's website in German and English. Moreover, the entire Annual Shareholders' Meeting can also be watched on the company's website. When holding the Annual Shareholders' Meeting, the chairperson presiding over the meeting is guided by the fact that an ordinary annual shareholders' meeting should be concluded after four to six hours. To make it easier for shareholders to exercise their rights, the company offers all shareholders who cannot or do not want to exercise their voting rights themselves the opportunity to vote at the Shareholders' Meeting via a proxy who is bound by instructions. The required voting instructions can also be issued to the proxy via an internet service (InvestorPortal) before the end of the general debate on the day of the Shareholders' Meeting. In addition, the service provider that assists the company with conducting the Shareholders' Meeting is instructed not to forward the individual voting instructions to Continental until the day before the Shareholders' Meeting.

Accounting and auditing of financial statements
The Continental Group's accounting is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The annual financial statements of Continental AG are prepared in accordance with the accounting regulations of the German Commercial Code *(Handelsgesetzbuch – HGB)*. The Annual Shareholders' Meeting on July 14, 2020, elected KPMG AG Wirtschaftsprüfungsgesellschaft, Hanover (KPMG) to audit the consolidated financial statements for fiscal 2020 as well as the interim financial reports of the company. KPMG has audited the consolidated financial statements and the separate financial statements for more than 30 years. Andreas Modder has been the responsible auditor at KPMG since assuming this role for the consolidated financial statements for fiscal 2019.

Internal control system and risk management
Diligent corporate management and good corporate governance also require that the company deal with risks responsibly. Continental has a corporate-wide internal control and risk management system, especially in terms of the accounting process, that helps analyze and manage the company's risk situation. The risk management system serves to identify and evaluate developments that could result in significant disadvantages and to avoid risks that would jeopardize the continued existence of the company. We report on this in detail in the report on risks and opportunities, which forms part of the management report for the consolidated financial statements.

Transparent and prompt reporting
As part of our investor relations and corporate communications, we regularly report to shareholders, analysts, shareholders' associations, the media and interested members of the public in equal measure on significant developments in the company and its situation. All shareholders have instant access to all the information that is also available to financial analysts and similar parties. The website of Continental AG provides the latest information,

including the company's financial reports, presentations held at analyst and investor conferences, press releases and ad-hoc disclosures. The dates of key periodic publications (annual report, quarterly statements and half-year report) and events as well as of the Annual Shareholders' Meeting and the annual financial press conference are announced well in advance in a financial calendar on the website of Continental AG. For the scheduled dates for 2021, see the Investors/Events and Presentations section.

Reporting pursuant to Section 289f (2) No. 4 to 6 *HGB*
Pursuant to Section 96 (2) *AktG*, the Supervisory Board of Continental AG as a listed stock corporation subject to the German Co-determination Act consists of at least 30% women and at least 30% men. This minimum quota must always be fulfilled by the Supervisory Board as a whole. Due to an objection by the employee representatives against the overall fulfillment in accordance with Section 96 (2) Sentence 3 *AktG* before the election of the Supervisory Board in spring 2019, the minimum quota must be fulfilled separately by the shareholder representatives and the employee representatives. Women made up 30% of both the shareholder and employee representatives of the Supervisory Board of Continental AG as at December 31, 2020.

In accordance with Section 111 (5) *AktG*, the Supervisory Board must set a target quota of women on the Executive Board and a deadline for achieving this target. If the ratio of women is less than 30% at the time this is set, the target must not subsequently fall below the ratio achieved. Based on the current composition of the Executive Board, the Supervisory Board does not anticipate any significant personnel changes in the coming years. In December 2016, the Supervisory Board therefore set a target for the ratio of women on the Executive Board of Continental AG of at least 11% for the period up until December 31, 2021. After conducting a review in December 2019, the Supervisory Board decided to leave the defined target for December 31, 2021, unchanged. Women made up 12.5% of the Executive Board of Continental AG as at December 31, 2020, and at the time this report was prepared.

In accordance with Section 76 (4) *AktG*, the Executive Board of Continental AG is required to set targets for the ratio of women in the first two management levels below the Executive Board and a deadline for achieving these targets. In November 2016, the Executive Board set the following target quotas for women in the first two management levels below the Executive Board at Continental AG for the period up until December 31, 2021: 26% for the first management level and 33% for the second management level. As at December 31, 2020, the ratio of women was 30% at the first management level and 28% at the second management level. As a global company, Continental continues to attach high priority to the goal of steadily increasing the proportion of women in management positions throughout the Continental Group, above and beyond the legal requirements in Germany.

Diversity concept
Continental counts on the diversity of its employees. The current focus of its commitment to promote diversity is on internationality and a balanced gender ratio.

The Supervisory Board also pays attention to the diversity of the composition of the Executive Board. The Executive Board does the same when appointing people to management positions. As a basic principle, the Executive Board aims to achieve a balanced ratio of domestic to international managers everywhere. The proportion of local and international managers varies according to region. In 2020, a total of about 46% of the Continental Group's managers came from other countries.

Continental AG is also working on increasing the proportion of women in management positions. The target of having 16% female managers by 2020 has been achieved. The proportion is to be increased to 25% by 2025.

In drawing up the Executive Board's succession plan, the Supervisory Board together with the Executive Board makes use of the measures and programs to promote internationality and women in management positions, thus making it possible to identify and develop potential international and female candidates for positions on the Executive Board. The aim in the medium term is to use these measures to increase the diversity of the Executive Board even further.

The Supervisory Board also pays attention to the diversity of its own composition. For the Supervisory Board, diversity refers to age, gender, background and professional experience, among other things. The Supervisory Board is convinced that it will achieve diversity in its composition in particular by fulfilling the profile of skills and expertise and meeting the targets for its composition.

Workforce Diversity Concept

We firmly believe that workforce diversity enhances our agility and innovative capacity as a company because different perspectives give rise to new ideas. In these times of digital transformation, in particular, workforce diversity is instrumental in driving the future success of the company. In 2008, Continental signed the German Diversity Charter, and in doing so pledged to promote workforce diversity. When we updated our Code of Conduct at the start of 2019, we strengthened our commitment to this pledge internally.

Facilitating and shaping workforce diversity is an integral part of the group function Talent Management and Organizational Development, which is responsible for designing a higher-level strategic framework for the development and promotion of diversity and supporting the business units in implementing their own objectives. Diversity management is firmly anchored in the global HR strategy. "Enable Transformation" is one component of the strategic HR alignment that deals with digital transformation. This includes a concept to harness the opportunities offered by digitalization to the greatest extent possible at Continental. In this context, our company's strategy to promote workforce diversity helps identify the potential of digitalization and promote new ways of thinking across business areas.

Three key corporate-wide levers have been identified to promote workforce diversity:

- Driving wide-scale cultural change
- Implementing specific objectives to increase diversity
- Empowering managers to actively manage workforce diversity

The “Global Diversity Network” serves as a platform for cultural development. There are currently a total of 37 workforce diversity networks within this umbrella organization, which provides a forum for members around the world to share their thoughts and experiences in this area.

The following are among the major cultural development events:

- The “Diversity Summit” is a key cultural development event where selected managers from various roles and business units come together and gain an insight into the pioneering culture of start-up companies.
- “Transformation Summit”: This event focuses specifically on the challenges of transformative and organizational change and aims to empower employees to deal with such changes.
- “Women Senior Executive Event”: In a first-of-its-kind initiative, this event brings together women with business responsibility from the different business areas and regions to provide a platform for networking and sharing thoughts and ideas on various topics.

Due to the pandemic, there was a strong focus on the virtualization of existing formats in 2020. For example, the Transformation Summit was further developed into a “Virtual Transformation Summit Journey”, in which the participants work in various teams in order to be able to deal with the challenges of transformative and organizational changes, as well as to develop solutions to specific problems at Continental.

The strengthening of diversity is supported further by the introduction of a global key performance indicator. To promote the position of women in our company, we have set ourselves the target of increasing the proportion of female employees at the executive and senior executive levels to 16% by 2020 and 25% by 2025. In 2020, a proportion of 16.1% (PY: 15.8%) was achieved in 2020 for women in the first two management levels, thereby attaining the group goal.

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

In addition to supporting their career development, improving the balance of work and family life is another important tool to promote the position of women in our company. In particular, we are continually increasing our efforts to make work more flexible. Initiatives in this area include the introduction of flexible work models such as part-time and flextime as well as remote working and sabbaticals.

Our success in increasing workforce diversity in the company depends to a great extent on the attitudes of management personnel. To ensure a variety of viewpoints and perspectives are incorporated into our corporate culture, “cross moves,” i.e. a move to a different business unit or role, as well as international experience, are now essential criteria for promotion to executive and senior executive level. Diagnostic procedures also help to ensure that staffing decisions are made as objectively as possible.

Diversity is also a core element of many further training courses. The “Differences Add Value” training course supports managers, among others, to deepen their understanding of diversity by sharing and discussing practical experiences and business situations relating to diversity at Continental. The “Train the Trainer” principle lays the foundation for this training course to reach as many Continental employees around the world as possible, giving them a greater understanding of the added value generated when people with different perspectives work together.

Compliance

Source: 2020 Annual Report > To Our Shareholders > Corporate Governance > Compliance (starting p. 22)

Note: The text has been adjusted for page references.

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

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

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

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

- The first pillar of CMS – **prevention** – serves to maintain and further develop a general culture of compliance. This begins with setting an appropriate "tone from the top" by the Executive Board and management and, in addition to risk analysis, includes in particular employee training. Here, we attach great importance to in-person events at which we can address employees personally and directly and discuss their questions. Due to the restrictions caused by the COVID-19 pandemic, we are currently conducting most of this training in the form of webinars. We use e-learning programs as well. Prevention is also fostered by consultation on specific matters with the Compliance department and by the internal publication of guidelines on topics such as antitrust law and contact with competitors, giving and receiving gifts, and sponsoring. Continental introduced the Business Partner Code of Conduct to prevent compliance violations by suppliers, service providers or similar third parties that could have negative repercussions for Continental, or that could be attributed to the company under laws such as the UK Bribery Act. This must be recognized as a basic requirement for doing business with Continental. If necessary, third-party due diligence can be performed with regard to compliance issues. Another key element of preventive compliance is communication measures, which are carried out on a regular basis. These include video tutorials on compliance, as well as Compliance Days and Compliance Games that are organized by the individual locations with the support of the compliance organization. They, too, have been converted to a digital format.

- The second pillar of CMS – **detection** – comprises regular and ad hoc audits. In addition, compliance is always a subject of audits carried out by the Group Audit department. Continental has set up the Compliance & Anti-Corruption Hotline to give employees and third parties outside the Continental Group the opportunity to report violations of legal regulations, its fundamental values and ethical standards. Information on any kind of potential violations, such as bribery or antitrust behavior, but also other offenses or accounting manipulation, can be reported anonymously via the hotline where permissible by law. The Group Audit and Compliance departments investigate and pursue all tips received by this hotline. The hotline is available worldwide in many different languages. The number of tips received by the hotline has risen steadily over the past few years. We see this as a sign of increased awareness of compliance topics and as a success in our compliance work. Since the start of the COVID-19 pandemic and the associated restrictions, we have recorded a decline in the number of tips received.

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

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

Material compliance-related matters and risks are described in more detail in the report on risks and opportunities and in the notes to the consolidated financial statements (Note 36).

The Continental Code of Conduct

The Continental Code of Conduct describes the framework of Continental's alliance for creating top value from values based on our shared vision and mission and our four corporate values: Trust, Passion To Win, Freedom To Act, and For One Another, as well as the sustainability of our actions. The Continental Code of Conduct applies throughout the organization and is intended to support employees' actions in accordance with laws, regulations and internal guidelines. It addresses the following topics:

- Compliance with laws, regulations and internal rules, standards and instructions
- Respect for human rights and fair working conditions
- Health, safety, the environment and product integrity
- Honest business practices
- Compliance with antitrust laws
- Anti-corruption
- Prevention of money laundering
- Conflicts of interest
- Use of Continental's corporate property
- Data protection and cybersecurity
- Confidential information and intellectual property
- Import and export regulations
- Tax compliance.

In fiscal 2020, around 24,904 employees took part in training courses on the Code of Conduct, Corruption and Antitrust Law (PY: more than 98,483), of which around 14,400 took part online as eLearning (PY: ~ 90,000) and 10,504 in person (PY: 8,483). Participants are selected for classroom training on a risk-based and target group-oriented basis. For eLearning, we generally strive for a compliance rate of at least 95%, which we achieved at the end of year with approximately 95%. In fiscal 2020, the focus was on newcomer training. Next year, the focus will be on conducting refresher training for antitrust law.

Compliance training sessions	**2020**	2019
eLearning participants	~14,400	~ 90,000
eLearning completion rate	> 95%	> 90%
Classroom training participants	10,504	8,483

Tax Compliance

We are aware of our social responsibility in meeting our tax obligations. In our internal Code of Conduct, we expressly pledge to comply with national and international tax regulations.

The corporate tax policy sets out a framework for organizing the management of corporate-wide tax risks to enable monitoring of tax compliance. We take steps to ensure that there are no illegal tax reductions or infringements of our obligations to cooperate with the tax authorities. In this area, the corporation tax policy stipulates that Continental does not pursue aggressive tax planning activities and pays taxes in the areas where our business operations create value. It also stipulates that our corporate-wide tax departments are to maintain a professional relationship with the tax authorities, while never losing sight of the legitimate interest of the Continental Group in keeping taxes as low as possible.

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

In The Spotlight

Litigation and Compensation Claims

Note: 2020 Annual Report > Consolidated Financial Statements > Notes to the Consolidated Financial Statements > Notes to the Consolidated Statement of Financial Position (p. 209)

Continental AG and its subsidiaries are involved in lawsuits, regulatory investigations and proceedings worldwide. Such lawsuits, investigations and proceedings could also be initiated or claims asserted in other ways in the future.

Product liability

In particular, Continental is constantly subject to product liability and other claims in which the company is accused of the alleged infringement of its duty of care, violations against warranty obligations or defects of material or workmanship. Claims from alleged breaches of contract resulting from product recalls or government proceedings are also asserted. Among other cases, claimants in the USA file lawsuits for property damage, personal injury and death caused by alleged defects in our products. Claims for material and non-material damages, and in some cases punitive damages, are being asserted. The outcome of individual proceedings, which are generally decided by a jury in a court of first instance, cannot be predicted with certainty. No assurance can be given that Continental will not incur substantial expenses as a result of the final judgments or settlements in some of these cases, or that these amounts will not exceed any provisions set up for these claims. Some subsidiaries in the USA are exposed to relatively limited claims for damages from purported health injuries allegedly caused by products containing asbestos. The total costs for dealing with all such claims and proceedings have amounted to less than €50 million per year since 2006.

Disputes over industrial property rights

Continental could be liable to pay compensation for infringements or could be forced to purchase licenses to continue using technology from third parties. Continental, for example, supplies telecommunication modules that transmit vehicle data, enable voice and internet functionality, and are compatible with cellular communication standards. In this respect, there is a risk that Continental or its suppliers may be denied their own direct license to use patents relating to these standards (standard essential patents), especially in the field of telecommunications standards such as 3G, 4G or 5G, and that Continental may become dependent on licenses and the conditions under which they are granted to customers.

Regulatory proceedings

In May 2005, the Brazilian competition authorities opened investigations against Continental's Brazilian subsidiary

Continental Brasil Industria Automotiva Ltda., Guarulhos, Brazil (CBIA), following a complaint of anticompetitive behavior in the area of commercialization of tachographs. On August 18, 2010, the Brazilian antitrust authorities determined an "invitation to cartel" and imposed a fine of BRL 12 million (around €1.9 million) on CBIA, which was then reduced to BRL 10.8 million (around €1.7 million). CBIA denies the accusation that it has infringed Brazilian antitrust law. Although the court of first instance appealed to by CBIA upheld the decision, on CBIA's further appeal the next higher court annulled this decision and remanded the matter. In case an infringement of Brazilian antitrust law is found, third parties may, in addition, claim damages from CBIA.

On October 2, 2006, South African antitrust authorities received a complaint from a third party accusing several South African tire manufacturers of alleged antitrust behavior, including Continental Tyre South Africa (Pty.) Ltd., Port Elizabeth (CTSA), a subsidiary of Continental. On August 31, 2010, the South African antitrust authorities came to the conclusion that CTSA had violated South African antitrust law and referred the matter to the responsible antitrust court for a decision. CTSA denies the allegation of infringements of South African antitrust law. However, the tribunal could impose a fine of up to 10% of CTSA's sales. In addition, third parties may also claim damages from CTSA in case of an infringement of South African competition law.

As a result of investigations by the US Department of Justice (DOJ) and the Korea Fair Trade Commission (KFTC) in connection with the suspected involvement in violations of US and South Korean antitrust law in the instrument cluster business, which came to light in 2012, the KFTC imposed a fine on Continental Automotive Electronics LLC, Bugang-myeon, South Korea (CAE), at the end of 2013, the final amount of which was set in 2018 at KRW 32,101 million (around €24 million). In the USA, CAE and Continental Automotive Korea Ltd., Seongnam-si, South Korea, agreed to pay a fine of US $4.0 million (approximately €3.3 million) in 2015. In the proceedings relating to class action lawsuits filed in the USA and Canada for alleged damages resulting from the antitrust violations, settlements totaling US $5.0 million (around €4.1 million) were concluded in the USA in 2018 and Can $0.6 million (around €0.4 million) in Canada in 2020.

The risk of investigations into this matter by other antitrust authorities and claims for damages by further alleged victims remains unaffected by the fines imposed.

As a result of investigations that came to light in 2014, the European Commission imposed a fine of €44.0 million on Continental AG; Continental Teves AG & Co. oHG, Frankfurt am Main, Germany; and Continental Automotive GmbH, Hanover, Germany; on February 21, 2018, for the unlawful exchange of information. This involved specific brake components. Continental has set aside provisions that cover this fine. Continental cannot rule out the possibility that customers will claim for damages with reference to the commission's decision. At this point in time, it is not possible to say whether such claims will be submitted and, if they are, how much the damages will be – irrespective of whether or not the claims are justified. As a result, it cannot be ruled out that the resulting expenses will exceed the provisions that have been set aside for this purpose. In accordance with IAS 37.92, *Provisions, Contingent Liabilities and Contingent Assets*, no further disclosures will be made with regard to the proceedings and the related measures so as not to adversely affect the company's interests.

The public prosecutor's office in Hanover searched locations of Continental AG and certain subsidiaries as part of investigations in connection with the use of illegal defeat devices in VW diesel engines. Continental is cooperating fully with the Hanover public prosecutor's office. There is a risk that fines will be imposed on these companies as a result of the allegations. The amount of such fines is unknown from the current perspective, but could be significant. Also in view of the full cooperation of Continental, no further disclosures can be made with regard to the ongoing investigations, so as not to adversely affect the company's interests.

Remuneration Report

Source: 2020 Annual Report > To Our Shareholders > Corporate Governance > Remuneration Report (starting p. 23)

Note: The text has been adjusted for page references.

This remuneration report is a part of the management report.

Process for determining and implementing as well as reviewing the remuneration system for members of the Executive Board of Continental AG

The Supervisory Board determines the system for remuneration of the Executive Board in accordance with the legal regulations in Sections 87 (1) and 87a (1) of the German Stock Corporation Act *(Aktiengesetz – AktG)*. The Supervisory Board is supported by its Chairman's Committee in this respect. The Chairman's Committee and the Supervisory Board can bring in external consultants where necessary. For the mandating thereof, care is taken to ensure they are independent of the Executive Board and the company.

The remuneration system resolved by the Supervisory Board is presented to the Annual Shareholders' Meeting for approval. Should the Annual Shareholders' Meeting not approve said remuneration system, a reviewed version of the remuneration system is presented for approval at the following Annual Shareholders' Meeting at the latest, in accordance with Section 120a (3) *AktG*.

The Chairman's Committee arranges for the regular review of the system for remuneration of the members of the Executive Board by the Supervisory Board. Where necessary, it recommends changes to the system to the Supervisory Board. For each substantial change to the remuneration system, but at least every four years, the remuneration system is to be presented to the Annual Shareholders' Meeting for approval in accordance with Section 120a (1) Sentence 1 *AktG*.

New remuneration system as of January 1, 2020

The Supervisory Board reviews the Executive Board's remuneration regularly. Most recently in 2019, it once again commissioned an independent consultant to review the remuneration of the Executive Board and the remuneration system, in order to take into account changes in the general conditions as a result of the German Act for the Implementation of the 2nd EU Shareholder Rights Directive *(ARUG II)* – which took effect on January 1, 2020 – and the new version of the German Corporate Governance Code of December 16, 2019 (published by the German Federal Ministry of Justice in the official section of the electronic Federal Gazette *(Bundesanzeiger)* on March 20, 2020). On the basis of reviews by the independent consultant, the Supervisory Board discussed the new remuneration system for the Executive Board in detail over several meetings and finalized this at its meeting on March 17, 2020. The new remuneration system was then approved by the Annual Shareholders' Meeting of Continental AG on July 14, 2020.

The new system has applied to the remuneration of members of the Executive Board of Continental AG since January 1, 2020. This remuneration report describes the new remuneration system for the Executive Board as well as the structure and amount of the remuneration for individual members of the Executive Board.

Principles of the remuneration system

The remuneration system for members of the Executive Board of Continental AG makes a valuable contribution toward promoting the business strategy of Continental AG. Through the arrangements for the remuneration system, the members of the Executive Board will be motivated to achieve major strategic corporate targets – in particular, increasing the company's value and holding a top market position with regard to customer focus, quality and market share.

When determining Executive Board members' remuneration, the Supervisory Board focuses on the following principles:

Promotion of the corporate strategy

The remuneration system, in its entirety, makes a valuable contribution toward the promotion and implementation of the corporate strategy, by defining sustainable performance criteria relating to the long-term success of the company.

Appropriateness of the remuneration

The remuneration of the Executive Board members is proportionate to their tasks and performance. It takes into account the complexity and the economic position of the company. Compared to similar companies, the remuneration is in line with the market and, at the same time, competitive.

Linking of remuneration to performance

The remuneration of members of the Executive Board is linked to their performance, whereby the variable remuneration component is dependent on specific target criteria being met. Outstanding performance is therefore reflected accordingly in the Executive Board member's remuneration, while failure to meet the predefined targets will result in a noticeable reduction in their remuneration.

Focus on sustainable and long-term development of the company

The remuneration of the members of the Executive Board is geared toward the sustainable and long-term development of the company. The major portion of the variable remuneration component is therefore measured over several years. As part of the long-term variable remuneration component, the members of the Executive Board are also given non-financial target criteria for the sustainable development of the company.

Harmonization with shareholder and stakeholder interests

The remuneration system makes a key contribution toward linking the interests of the Executive Board with the interests of shareholders and other stakeholders. The major portion of the variable remuneration component is linked to the performance of the company and the Continental share price. In addition, the Executive Board commits to acquire and permanently hold shares in Continental AG during its appointment.

Consistency of the remuneration system

The remuneration system for members of the Executive Board is linked to the remuneration of the Continental Group's managers, sets comparable incentives and presents a set of harmonized targets.

Overview: components and structure of total target-based remuneration
The remuneration system comprises a fixed component that is unrelated to performance as well as a variable component that is based on performance.

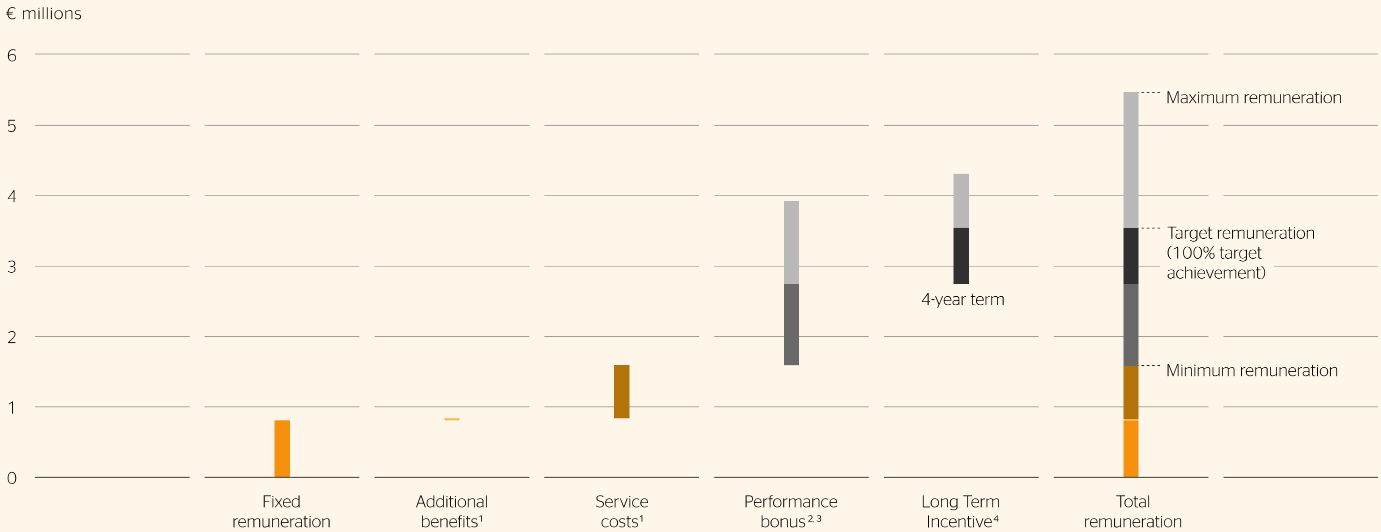
The fixed component that is unrelated to performance comprises the fixed annual salary, additional benefits and future benefit rights.

The variable component that is based on performance comprises a short-term remuneration component (performance bonus without equity deferral) as well as long-term remuneration components (long-term incentive and equity deferral of the performance bonus). For the variable remuneration components, before the start of each fiscal year, target criteria are determined by the Supervisory Board with a view to its strategic goals, the provisions of Sections 87 and 87a *AktG* and the German Corporate Governance Code in its respective valid version, whereby the degree to which these criteria are met will determine the actual amount paid out.

The Supervisory Board may take the function and area of responsibility of the individual members of the Executive Board into account accordingly when determining the amount of the total target-based remuneration. As part of this, shares of the individual remuneration component for the total target-based remuneration are indicated below in percentage ranges. The precise proportions therefore vary depending on the functional differentiation as well as a possible change within the framework of the yearly remuneration review.

The fixed annual salary comprises 22% to 28% of the target remuneration, the performance bonus (excluding equity deferral) between 17% and 22%, and the equity deferral and long-term incentive between 33% and 38%. Future benefit rights make up between 17% and 23% of the target remuneration, and additional benefits make up approximately 1%.

Remuneration of an Executive Board Member responsible for a Business Area (example)



1 Average figure for 2020.
2 Based on a target amount (here €1.167 million) for 100% achievement of defined EBIT, ROCE and FCF targets as well as a personal contribution factor (PCF) of 1.0. A maximum of 200% of the target amount can be achieved.
3 From the net inflow of the performance bonus, shares of Continental AG with a value of 20% of the gross payout amount must be purchased and held for a period of three years.
4 Based on the allotment value, which is converted into virtual shares of Continental AG. The payment amount depends on the relative total shareholder return, the sustainability criteria achieved and the share price before the payment. A maximum of 200% of the allotment value can be achieved.

Remuneration Components in Detail

1. Fixed remuneration component

The fixed annual salary is a fixed remuneration for the entire fiscal year that is paid out in 12 equal monthly installments.

Each member of the Executive Board also receives additional benefits, including:

- Provision of a company car, which can also be for personal use
- Reimbursement of travel expenses, as well as relocation costs and expenses for running a second household, where this is required for work reasons
- A regular health check
- Directors' and officers' (D&O) liability insurance with deductible in accordance with Section 93 (2) Sentence 3 *AktG*
- Group accident insurance
- The employers' liability insurance association contribution including, where necessary, income tax incurred as a result, as well as
- Health insurance and long-term care insurance contributions based on Section 257 of Book V of the German Social Code *(SGB V)* and Section 61 of Book XI of the German Social Code *(SGB XI)*

Each member of the Executive Board is granted post-employment benefits that are paid starting at the age of 63, but not before they leave the service of Continental AG (hereinafter "insured event"). From January 1, 2014, the company pension for the members of the Executive Board was changed to a defined contribution commitment. A capital component is credited to the Executive Board member's pension account each year. In addition, a fixed contribution, agreed by the Supervisory Board in the Executive Board member's employment contract, is multiplied by an age factor that represents an appropriate return. For members of the Executive Board who were already in office prior to January 1, 2014, the future benefit rights accrued until December 31, 2013, have been converted into a starting component in the capital account. When the insured event occurs, the benefits are paid out as a lump sum, in installments or – as is normally the case due to the expected amount of the benefits – as a pension. Post-employment benefits are adjusted after commencement of such benefit payments in accordance with Section 16 of the German Company Pensions Law *(Betriebsrentengesetz – BetrAVG)*.

2. Variable remuneration component

a) Performance bonus (short-term incentive, STI)

In the employment contract, the Supervisory Board agrees to a target amount for the performance bonus (hereinafter "STI target amount") that is granted to each member of the Executive Board in the event of 100% target achievement.

The maximum amount of the performance bonus is limited to 200% of the STI target amount.

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

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

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

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

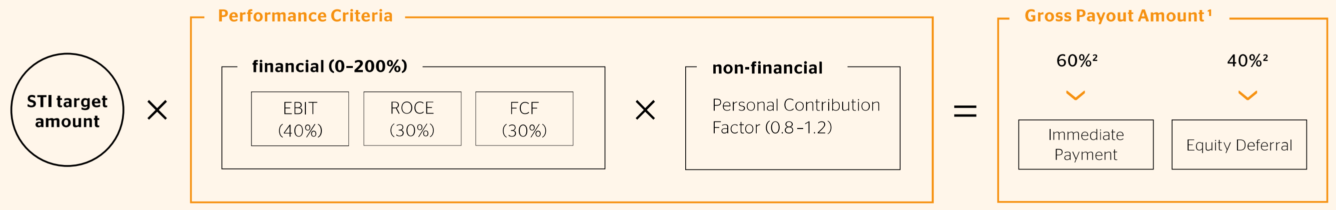
For each financial performance criterion, the Supervisory Board determines the values for target achievement of 0% and 200% on an annual basis. The degree to which the target is achieved is calculated on a straight-line basis between 0% and 200% by comparing this with the respective actual value for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

A subsequent change to target values and the comparison parameters is – subject to the options described below for dealing with extraordinary events and developments – not possible.

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

- Market development and customer focus (e.g. new markets, new product or customer segments)
- Implementation of transformation projects (e.g. spin-off, portfolio adjustments, reorganization, efficiency enhancements, strategic alliances)

Structure of the performance bonus (STI)



1 A maximum of 200% of the target amount can be achieved.
2 Net amount; from the net inflow of the performance bonus, shares of Continental AG with a value of 20% of the gross payout amount must be purchased and held for a period of three years; the corresponding gross amount was calculated assuming a tax and contribution ratio of 50% flat.

› Organizational and cultural development (e.g. promotion of corporate values, agility and ownership, strengthening of internal cooperation and communication, succession planning, employer brand)

The non-financial performance criteria and target achievement for the PCF should be understandable and verifiable. After the end of the fiscal year, the Supervisory Board assesses the performance of the individual member of the Executive Board based on the set performance criteria and targets, and determines a value between 0.8 and 1.2 for the PCF.

If the Supervisory Board has not set any targets for the PCF for a fiscal year, the PCF value is 1.0.

The financial and non-financial performance criteria for the performance bonus are intended to incentivize the members of the Executive Board to create value and to achieve or even exceed the short-term economic goals as well as motivate them to attain operational excellence. The PCF also allows the Supervisory Board to take into account the individual or collective achievements of the Executive Board members, based on non-financial performance criteria and goals, that are decisive for the operational implementation of the corporate strategy.

The performance bonus is intended firstly to reflect the overall responsibility for the company of the members of the Executive Board and promote collaboration among the group sectors, and secondly to provide independent leadership for the respective areas. When determining the targets and calculating the STI for each member of the Executive Board, the respective business responsibility is therefore taken into account as follows:

› For an Executive Board member whose area of responsibility extends to the Continental Group as a whole – e.g. chief executive officer (CEO), chief financial officer (CFO), chief human relations officer (CHRO) – achievement of the EBIT and ROCE targets is measured based on the key figures determined for the Continental Group.

› For an Executive Board member whose area of responsibility consists of a group sector (e.g. chairman of the Automotive Board), achievement of the EBIT and ROCE targets is measured based on the key figures determined for the Continental Group and for the group sector (50% each).

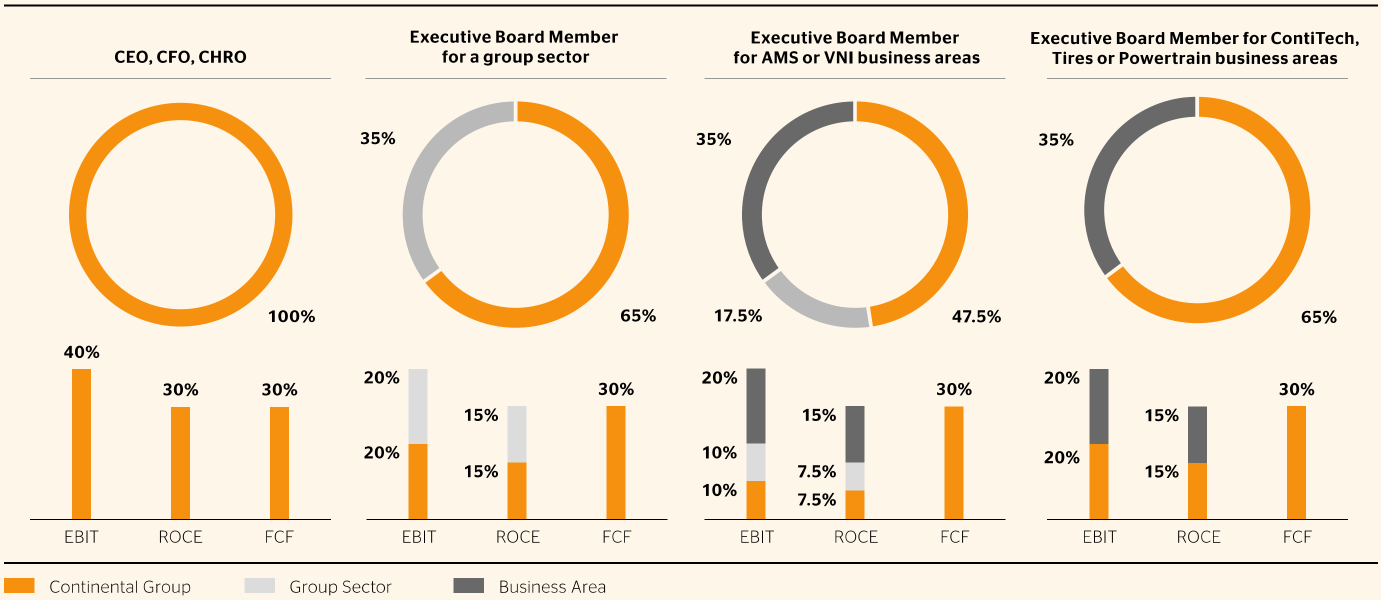
› For an Executive Board member whose area of responsibility consists of the Autonomous Mobility and Safety (AMS) or Vehicle Networking and Information (VNI) business area, achievement of the EBIT and ROCE targets is measured based on the key figures determined for the Continental Group (25%), for Automotive Technologies (25%) and for the respective business area (50%).

› For an Executive Board member whose area of responsibility consists of the ContiTech, Tires or Powertrain business area, the extent to which the EBIT and ROCE targets have been achieved is measured on the basis of the key figures determined for the Continental Group (50%) and for the respective business area (50%).

› Achievement of the free cash flow target is measured for all Executive Board members based on free cash flow for the Continental Group as a whole.

Short-term incentive (STI)

Consideration of business responsibility for financial performance criteria



After the end of the fiscal year, the target achievement for each financial performance criterion is calculated on the basis of the audited consolidated financial statements of Continental AG and multiplied by the STI target amount in accordance with the weighting described below. By multiplying this result by the PCF, the gross value of the STI amount to be paid (hereinafter "gross payout amount") is determined. A special or recognition bonus cannot be granted to the Supervisory Board.

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

The purchase of shares is to take place through an external service provider within a defined timeframe after the settlement and provision of the amount, taking into consideration the statutory provisions that apply in each case, in particular the statutory regulations on insider business (starting from Art. 7 of the EU Market Abuse Regulation) and managers' transactions (Art. 19 of the EU Market Abuse Regulation). Each member of the Executive Board is obligated to hold the shares legally and economically for a period of at least three years from the day of acquisition. The shares acquired as deferral can be counted toward the obligation of the Executive Board member to acquire shares of Continental AG in accordance with the share ownership guideline presented below.

b) Long-term incentive (LTI)

In the financial report as at September 30, 2020, the long-term incentive plan from the new remuneration system was described as the Continental long-term incentive plan (CLIP 2020). In the following, this will be referred to as the 2020 LTI plan. The long-term incentive (hereinafter "LTI") is intended to promote the long-term commitment of the Executive Board to the company and its sustainable growth. Therefore, the long-term total shareholder return (hereinafter "TSR") of Continental shares, compared with an index consisting of European companies that are active in the automotive and tire industry and comparable with Continental AG (STOXX Europe 600 Automobiles & Parts (SXAGR); hereinafter "benchmark index"), is a key performance criterion for the LTI. The second performance criterion is a sustainability score that is multiplied by the degree of target achievement in order to calculate the LTI to be paid. The amount of the LTI to be paid is based on the performance of the Continental share price over the term of the LTI.

Each LTI has a term of four fiscal years. In the employment contract, the Supervisory Board agrees to an allotment value in euros for the LTI with each member of the Executive Board. At the start of the first fiscal year of the term of the LTI plan, this allotment value is converted into a basic holding of virtual shares. The allotment value is divided by the arithmetic mean of Continental AG's closing share prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) in the last two months prior to the start of the term of the respective LTI plan (issue price).

The maximum amount of the LTI to be paid is limited to 200% of the allotment value, which is set out in the employment contract for the respective member of the Executive Board.

For the calculation of the relative TSR, after the four-year term of the LTI plan, the TSR on Continental shares (Continental TSR) is compared with the performance of the benchmark index over this time period.

If the Continental TSR corresponds to the benchmark TSR, the TSR target is 100% achieved. If the Continental TSR falls short of the benchmark TSR by 25 percentage points or more, the target achievement is 0%. If the Continental TSR exceeds the benchmark TSR by 25 percentage points or more, the target achievement is 150%. If the Continental TSR falls short of, or exceeds, the benchmark TSR by fewer than 25 percentage points, the degree to which the targets are achieved is calculated on a straight-line basis between 50% and 150%. A target achievement of more than 150% is excluded.

The Supervisory Board sets out appropriate provisions in the event of changes to Continental's share capital, the listing of the Continental share or the benchmark index that have a substantial impact on the Continental TSR or the benchmark TSR.

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

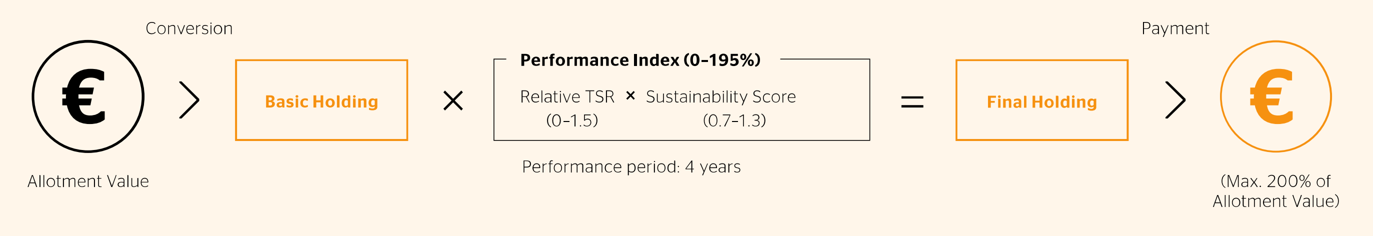
The Executive Board of Continental AG approved a new sustainability strategy in fiscal 2019, which the Supervisory Board is integrating into the remuneration system. The Executive Board's sustainability strategy defines 12 material topics: climate protection, clean mobility, circular economy, sustainable supply chains, green and safe factories, good working conditions, product quality, corporate governance, innovation and digitalization, safe mobility, long-term profitability, and corporate citizenship. From these, the Executive Board has identified the following strategic focus areas:

- Climate protection
- Clean mobility
- Circular economy
- Sustainable supply chains

The Executive Board of Continental AG has set ambitious sustainability goals based on these four topics. The necessary concepts, performance indicators and individual targets are being developed successively.

Based on the current concepts, performance indicators and individual targets for the 12 topics, in particular the strategic focus areas, the Supervisory Board sets out up to six performance criteria and targets for the sustainability score of the respective LTI plan. These can be targets for CO_2 emissions and recycling quotas or the review of good working conditions for employees in the Continental Group (e.g. based on sick leave or accident rates).

Structure of the 2020 long-term incentive (2020 LTI)



When determining the performance criteria for the sustainability score, the Supervisory Board pays particular attention to the availability of data required at the corporate level, data quality and its comparability over time, but also the degree to which achievement of targets is influenced by management performance. The target achievement should also be verifiable, as part of the audit of the non-financial statement.

The Supervisory Board reviews the extent to which targets have been achieved on the basis of the reviewed consolidated financial statements and the non-financial statement of the Continental Group for the fourth fiscal year of the term of the LTI plan. For the calculation of the sustainability score, to the value of 0.7 for each target that has been achieved, a value is added that is determined by dividing 0.6 by the number of determined performance criteria. The sustainability score can be no higher than 1.3.

For the calculation of the LTI to be paid out, the relative TSR and the sustainability score for the performance index (hereinafter "PI") are first multiplied together. By multiplying the basic holding of virtual shares with the PI, this results in the final holding of virtual shares.

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

The payout amount may not exceed 200% of the allotment value agreed in the employment contract.

If the employment contract for a member of the Executive Board ends without good cause before the end of the first fiscal year of an LTI plan, the Executive Board member is entitled to an LTI that is reduced pro rata temporis. If the employment contract for a member of the Executive Board ends without good cause after the end of the first fiscal year but before the end of the term of an LTI plan, the Executive Board member remains entitled to the full LTI. The other conditions of the LTI do not change; in particular, the time of calculation and the maturity date of the payment remain unchanged. No entitlement to payment of an LTI, or to payment of a pro rata LTI, exists in the event of premature termination of the employment contract for good reason.

Determining the specific total target-based remuneration

The Supervisory Board determines, in accordance with the remuneration system, the amount of total target-based remuneration for each member of the Executive Board for the coming fiscal year in each case. As a guide, the respective remuneration is appropriately proportionate to the tasks and performance of the member of the Executive Board as well as the location of the company, should not exceed the usual remuneration without good cause, and is geared toward a long-term and sustainable development of Continental AG. For this purpose, comparative observations are employed, both externally and internally:

- Horizontal (external) comparison: To assess the appropriateness and conventionality of the specific total remuneration for the members of the Executive Board compared with other companies, the Supervisory Board consults a suitable benchmark group (horizontal comparison). For this peer group comparison, the market position of the companies compared with Continental AG is a decisive factor. In this respect, the companies of the German stock index (DAX) form a comparative market within which the total target-based remuneration and maximum remuneration in particular are compared.

- Vertical (internal) comparison: The vertical comparison refers to the ratio of the Executive Board remuneration to the remuneration of senior executives and the workforce in the Continental Group in Germany, with development over time also taken into account. For this purpose, the Supervisory Board defined senior executives as comprising the management levels below the Executive Board of Continental AG within the Continental Group which, according to the internal job evaluation system, are part of the group of senior executives. The rest of the workforce specifically includes the circle of executives, likewise defined in accordance with the internal job evaluation system, as well as the group of non-tariff employees and the group of tariff employees.

- Differentiation based on the respective job specifications: The remuneration system allows the Supervisory Board to take the function and area of responsibility of the individual members of the Executive Board into account accordingly when determining the amount of the total target-based remuneration. In the professional judgment of the Supervisory Board, function-specific differentiations are therefore permitted, whereby criteria such as customary market practice, experience of the relevant Executive Board member, and the area for which they have responsibility are taken into account.

- Maximum remuneration amounts: The variable remuneration is intended to guarantee a balanced risk-opportunity profile. If the set targets are not achieved, the payment amount of the variable remuneration can be reduced to zero. If the targets are significantly exceeded, the payment for both the short-term and the long-term variable remuneration components is limited to 200% of the target amount or allotment value.

In addition, the Supervisory Board set out a ceiling for all remuneration components combined, including additional benefits and service costs, in accordance with Section 87a (1) Sentence 2 No. 1 *AktG* (hereinafter “maximum remuneration”). The maximum remuneration is €11.5 million for the chief executive officer, €6.7 million for the chief financial officer and the chief human relations officer, and €6.2 million for the other members of the Executive Board. These ceilings refer, in each case, to the sum of all payments resulting from the remuneration provisions for a fiscal year.

Further remuneration-relevant provisions

1. Malus and clawback provision

If an Executive Board member, in their function as a member of the Executive Board, commits a demonstrably deliberate gross infringement of their duty of care as set out in Section 93 *AktG*, of a significant principle for action in the internal guidelines introduced by the company, or of one of their other obligations as set out in the employment contract, the Supervisory Board can, at its due discretion, wholly or partially reduce the variable remuneration that is to be granted for the fiscal year in which the gross infringement took place to zero (hereinafter “malus provision”).

If the variable remuneration has already been paid out at the time the decision is made to impose a reduction, the members of the Executive Board must pay back the excess payments received in accordance with this decision (hereinafter “clawback provision”). In this case, the company is also entitled to charge for other remuneration claims of the member of the Executive Board.

Any claims for damages of Continental AG against the member of the Executive Board, in particular from Section 93 (2) *AktG*, will remain unaffected by the agreement of a malus or clawback provision.

2. Share ownership guideline

In addition to the remuneration components already mentioned, each member of the Executive Board is required to invest a minimum amount in Continental AG shares and to hold these shares during their term of office plus an additional two years after the end of their appointment and the end of their employment contract. The minimum amount to be invested by each member of the Executive Board is based on their agreed gross fixed annual salary. It amounts to 200% of the fixed annual salary of the chief executive officer and 100% of the fixed annual salary of all other members of the Executive Board.

For the duration of the mandatory holding period, a member of the Executive Board may neither pledge Continental shares acquired in accordance with the share ownership guideline nor otherwise hold them.

3. Terms and termination options

The employment contracts do not plan for an ordinary termination option; the mutual right for extraordinary termination of the employment contract for good cause remains unaffected. Continued remuneration payments have been agreed for a certain period in the event of incapacitation through no fault of the Executive Board member concerned. If a member of the Executive Board becomes permanently unable to work during the term of their employment contract, the employment contract will end on the day on which the permanent inability to work is identified.

In the event of premature termination of Executive Board work without good cause, payments to be agreed where necessary that are made to the member of the Executive Board, including added benefits, shall not exceed the value of two annual salaries (hereinafter "severance cap") or the value of remuneration for the remaining term of the employment contract of the Executive Board member. For the calculation of the severance cap, the total remuneration for the past fiscal year is taken into account, and if necessary also the expected total remuneration for the current fiscal year.

For each member of the Executive Board, a post-contractual non-compete covenant is agreed for a duration of two years. Over this period of time, appropriate compensation (compensation for non-competition) is granted at an amount of 50% of the most recently contractually agreed benefits each year. Any severance payment is to be credited against the compensation for non-competition.

The remuneration system does not allow for special provisions in the event of a change of control or redundancy payment commitments.

4. Dealing with extraordinary events and developments

The Supervisory Board may, at the recommendation of the Chairman's Committee, temporarily deviate from parts of the remuneration system for the Executive Board in extraordinary cases, where this is appropriate and necessary in order to maintain the incentivizing effect of the remuneration for members of the Executive Board in the interests of the company in the long term, the remuneration of members of the Executive Board continues to be geared toward sustainable and long-term development of the business, and the financial strength of the company is not overstretched. Extraordinary developments may be, for example, extraordinary and far-reaching changes to the economic situation (as a result of a major economic crisis, for example) that can make the original target criteria and/or financial incentives of the remuneration system redundant, provided these or the specific effects that they have were not foreseeable. Market developments that are generally unfavorable are expressly not considered to be extraordinary developments.

The parts of the remuneration system from which deviations can occur are the process, the provisions on the structure and amount of remuneration, as well as the individual remuneration components. If making an amendment to the existing remuneration components is not sufficient to restore the incentive effect of the remuneration for the member of the Executive Boards, the Supervisory Board has the right, in the event of extraordinary developments and under the same conditions, to temporarily grant additional remuneration components.

A deviation from, or addition to, the remuneration components is only possible thanks to a corresponding resolution of the Supervisory Board on a previous proposal by the Chairman's Committee that approves the extraordinary circumstances and the need for a deviation or addition here.

Remuneration system prior to December 31, 2019

The remuneration system in place until December 31, 2019, (hereinafter "2019 remuneration system") continues to have an impact on the remuneration of both serving and former members of the Executive Board, in particular in relation to the long-term incentives, equity deferral and future benefit rights granted until the end of 2019. In addition, the remuneration of Dr. Elmar Degenhart was based on the 2019 remuneration system until he left the Executive Board of Continental AG on November 30, 2020. The key elements from the 2019 remuneration system are therefore described below.

Remuneration for Executive Board members as set out in the 2019 remuneration system consisted of the following:

- Fixed remuneration
- Variable remuneration elements
- Additional benefits
- Retirement benefits

1. Fixed remuneration

Each Executive Board member received fixed annual remuneration paid in 12 monthly installments. The fixed remuneration, with 100% target achievement of the variable remuneration elements, made up around one-third of the direct remuneration.

2. Variable remuneration elements

The Executive Board members also received variable remuneration in the form of a performance bonus and a share-based long-term incentive (LTI). A key criterion for measuring variable remuneration was the Continental Value Contribution (CVC) (please refer to the Corporate Management section in the management report, page 49). The variable remuneration elements, with 100% target achievement, made up around two-thirds of the direct remuneration. The structure of the variable remuneration was geared toward the sustainable development of the company, with a future-oriented assessment basis that generally covered several years. The share of long-term components amounted to 60% or more of variable remuneration on the basis of the target values.

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

The CVC target was weighted at 60% and the ROCE target at 40% in the calculation of the performance bonus. In addition to the CVC and ROCE targets, the Supervisory Board could determine a strategic target at the beginning of each fiscal year, which was weighted at 20% – reducing the weighting of the other two targets accordingly. This option was not made use of for fiscal 2020. In order to take into account extraordinary factors that influenced the degree to which targets were achieved, the Supervisory Board had the right – as it saw fit – to retroactively adjust the established attainment of goals on which the calculation of the performance bonus was based by up to 20% downward or upward. It did not make use of the discretionary power. In any event, the performance bonus was capped at 150% of the target bonus. This applied irrespective of whether an additional strategic target was resolved.

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

b) Long-term incentive (LTI)
The LTI plan was resolved by the Supervisory Board on an annual basis with a term of four years in each case. It determined the target bonus to be paid for 100% target achievement for each Executive Board member, taking into account the Continental Group's earnings and the member's individual performance.

The first criterion for target achievement was the average CVC that the Continental Group actually generated in the four fiscal years during the term, starting with the fiscal year in which the tranche was issued. This value was compared to the average CVC, which was set in the strategic plan for the respective period. The degree to which this target was achieved could vary between 0% and a maximum of 200%. The other target criterion was the total shareholder return (TSR) on Continental shares during the term of the tranche. To determine the TSR, the average price of the Continental share in the months from October to December was set in relation to the beginning and the end of the respective LTI tranche. In addition, all dividends paid during the term of the LTI tranche were taken into account for the TSR (please refer to Note 28 of the notes to the consolidated financial statements). The degree to which this target was achieved was multiplied by the degree to which the CVC target was achieved to determine the degree of target achievement on which the LTI that would actually be paid after the end of the term was based. The maximum payment amount was capped at 200% of the target bonus.

Future payments of the LTI tranches issued may still be made under the 2019 remuneration system.

3. Additional benefits
Executive Board members also received additional benefits, primarily the reimbursement of expenses, including any relocation expenses and payments – generally for a limited time – for a job-related second household, the provision of a company car, and premiums for group accident and directors' and officers' (D&O) liability insurance. As a rule, members of the Executive Board were required to pay taxes on these additional benefits.

Continued remuneration payments were also agreed for a certain period in the event of employment disability through no fault of the Executive Board member concerned.

4. Retirement benefits
All members of the Executive Board were granted post-employment benefits that were paid starting at the age of 63 (but not before they left the service of the company) or in the event of disability.

From January 1, 2014, the company pension for the members of the Executive Board was changed from a purely defined benefit to a defined contribution commitment. A capital component was credited to the Executive Board member's pension account each year. To determine this, an amount equivalent to 20% of the sum of the fixed remuneration and the target value of the 2019 performance bonus was multiplied by an age factor representing an appropriate return. The future benefit rights accrued until December 31, 2013, were converted into a starting component in the capital account. When the insured event occurred, the benefits were paid out as a lump sum, in installments or – as was normally the case due to the expected amount of the benefits – as a pension. Post-employment benefits were adjusted after commencement of such benefit payments in accordance with Section 16 of the German Company Pensions Law *(Betriebsrentengesetz – BetrAVG)*.

In the employment contracts under the 2019 remuneration system, it was agreed that, in the event of premature termination of Executive Board work, payments to the Executive Board member that were to be agreed, including the additional benefits, would not exceed the value of two annual salaries or the value of remuneration for the remaining term of the employment contract for the Executive Board member. There were no compensation agreements with the members of the Executive Board in the event of a takeover bid or a change of control at the company. Dr. Ralf Cramer, who left the Executive Board on August 11, 2017, received compensation for non-competition for a post-contractual non-compete covenant that was in place until August 11, 2019. The calculation of this compensation was subsequently corrected due to a claim adjustment for the long-term component of the 2016 performance bonus and the 2016 LTI plan, and an amount of €361 thousand was therefore reclaimed. José A. Avila, who left the Executive Board on September 30, 2018, and whose employment contract ended on December 31, 2019, received compensation for non-competition in the amount of €789 thousand from January 1, 2020, for a post-contractual non-compete covenant that was still in place.

Dr. Elmar Degenhart, who left the Executive Board on November 30, 2020, received compensation for non-competition in the amount of €87 thousand from December 1, 2020, for a post-contractual non-compete covenant that was still in place.

Individual remuneration

In the tables below, the benefits, inflows and service costs granted to the members of the Executive Board are shown separately in accordance with the recommendations of Section 4.2.5 (3) of the German Corporate Governance Code as amended on February 7, 2017.

	Remuneration granted				Inflows	
€ thousands	2019	**2020**	2020 (min.)	2020 (max.)	2019	**2020**
N. Setzer (Chairman since December 1, 2020)						
Fixed remuneration	800	828	828	828	800	828
Additional benefits	19	15	15	15	19	15
Total	**819**	**843**	**843**	**843**	**819**	**843**
Performance bonus (immediate payment)	700	768	0	1,536	209	84
Multiannual variable remuneration	1,250	1,359	0	2,718	517	342
Performance bonus (deferral) [3 years]	467	–	–	–	517	286
Performance bonus (deferral) [2020][1]	–	512	0	1,024	–	56
Long-term incentive [4 years]	783	847	0	1,694	0	0
Total	**2,769**	**2,970**	**843**	**5,097**	**1,545**	**1,269**
Service costs	737	999	999	999	737	999
Total remuneration	**3,506**	**3,969**	**1,842**	**6,096**	**2,282**	**2,268**
Dr. E. Degenhart (Chairman from August 12, 2009, to November 30, 2020)						
Fixed remuneration	1,450	1,281	1,281	1,281	1,450	1,281
Additional benefits	21	20	20	20	21	20
Total	**1,471**	**1,301**	**1,301**	**1,301**	**1,471**	**1,301**
Performance bonus (immediate payment)	1,500	1,373	0	2,059	270	0
Multiannual variable remuneration	2,550	1,270	0	2,998	909	403
Performance bonus (deferral) [3 years]	1,000	915	0	2,288	909	403
Long-term incentive [4 years]	1,550	355	0	710	0	0
Total	**5,521**	**3,944**	**1,301**	**6,358**	**2,650**	**1,704**
Service costs	1,293	1,443	1,443	1,443	1,293	1,443
Total remuneration	**6,814**	**5,387**	**2,744**	**7,801**	**3,943**	**3,147**
J. A. Avila (Powertrain from January 1, 2010 to September 30, 2018)						
Fixed remuneration	–	–	–	–	–	–
Additional benefits	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**–**
Performance bonus (immediate payment)	–	–	–	–	–	–
Multiannual variable remuneration	–	–	–	–	541	207
Performance bonus (deferral) [3 years]	–	–	–	–	541	207
Long-term incentive [4 years]	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**541**	**207**
Service costs	–	–	–	–	–	–
Total remuneration	**–**	**–**	**–**	**–**	**541**	**207**

1 From the net inflow of the performance bonus, shares of Continental AG with a value of 20% of the gross payout amount must be purchased and held for a period of three years; the corresponding gross amount was calculated assuming a tax and contribution ratio of 50% flat.

	Remuneration granted				Inflows	
€ thousands	2019	**2020**	2020 (min.)	2020 (max.)	2019	**2020**
Dr. R. Cramer (Continental China from August 12, 2009 to August 11, 2017)						
Fixed remuneration	–	–	–	–	–	–
Additional benefits	2	2	2	2	2	2
Total	**2**	**2**	**2**	**2**	**2**	**2**
Performance bonus (immediate payment)	–	–	–	–	–	–
Multiannual variable remuneration	–	–	–	–	541	239
Performance bonus (deferral) [3 years]	–	–	–	–	541	239
Long-term incentive [4 years]	–	–	–	–	–	–
Total	**2**	**2**	**2**	**2**	**543**	**241**
Service costs	–	–	–	–	–	–
Total remuneration	**2**	**2**	**2**	**2**	**543**	**241**
H.-J. Duensing (ContiTech since May 1, 2015)						
Fixed remuneration	800	773	773	773	800	773
Additional benefits	24	23	23	23	24	23
Total	**824**	**796**	**796**	**796**	**824**	**796**
Performance bonus (immediate payment)	700	700	0	1,400	126	140
Multiannual variable remuneration	1,250	1,250	0	2,500	72	405
Performance bonus (deferral) [3 years]	467	–	–	–	72	312
Performance bonus (deferral) [2020][1]	–	467	0	934	–	93
Long-term incentive [4 years]	783	783	0	1,566	0	0
Total	**2,774**	**2,746**	**796**	**4,696**	**1,022**	**1,341**
Service costs	632	691	691	691	632	691
Total remuneration	**3,406**	**3,437**	**1,487**	**5,387**	**1,654**	**2,032**
F. Jourdan (Autonomous Mobility and Safety since September 25, 2013)						
Fixed remuneration	800	773	773	773	800	773
Additional benefits	29	29	29	29	29	29
Total	**829**	**802**	**802**	**802**	**829**	**802**
Performance bonus (immediate payment)	700	700	0	1,400	126	76
Multiannual variable remuneration	1,250	1,250	0	2,500	541	149
Performance bonus (deferral) [3 years]	467	–	–	–	541	98
Performance bonus (deferral) [2020][1]	–	467	0	934	–	51
Long-term incentive [4 years]	783	783	0	1,566	0	0
Total	**2,779**	**2,752**	**802**	**4,702**	**1,496**	**1,027**
Service costs	642	711	711	711	642	711
Total remuneration	**3,421**	**3,463**	**1,513**	**5,413**	**2,138**	**1,738**

1 From the net inflow of the performance bonus, shares of Continental AG with a value of 20% of the gross payout amount must be purchased and held for a period of three years; the corresponding gross amount was calculated assuming a tax and contribution ratio of 50% flat.

€ thousands	Remuneration granted 2019	Remuneration granted 2020	Remuneration granted 2020 (min.)	Remuneration granted 2020 (max.)	Inflows 2019	Inflows 2020
C. Kötz (Tires since April 1, 2019)						
Fixed remuneration	600	773	773	773	600	773
Additional benefits	19	17	17	17	19	17
Total	**619**	**790**	**790**	**790**	**619**	**790**
Performance bonus (immediate payment)	527	700	0	1,400	348	79
Multiannual variable remuneration	1,142	1,250	0	2,500	0	53
Performance bonus (deferral) [3 years]	359	–	–	–	–	–
Performance bonus (deferral) [2020][1]	–	467	0	934	–	53
Long-term incentive [4 years]	783	783	0	1,566	0	0
Total	**2,288**	**2,740**	**790**	**4,690**	**967**	**922**
Service costs	708	936	936	936	708	936
Total remuneration	**2,996**	**3,676**	**1,726**	**5,626**	**1,675**	**1,858**
H. Matschi (Vehicle Networking and Information since August 12, 2009)						
Fixed remuneration	800	773	773	773	800	773
Additional benefits	16	18	18	18	16	18
Total	**816**	**791**	**791**	**791**	**816**	**791**
Performance bonus (immediate payment)	700	700	0	1,400	126	76
Multiannual variable remuneration	1,250	1,250	0	2,500	541	142
Performance bonus (deferral) [3 years]	467	–	–	–	541	91
Performance bonus (deferral) [2020][1]	–	467	0	934	–	51
Long-term incentive [4 years]	783	783	0	1,566	0	0
Total	**2,766**	**2,741**	**791**	**4,691**	**1,483**	**1,009**
Service costs	698	805	805	805	698	805
Total remuneration	**3,464**	**3,546**	**1,596**	**5,496**	**2,181**	**1,814**
Dr. A. Reinhart (Group Human Relations since October 1, 2014)						
Fixed remuneration	800	1,063	1,063	1,063	800	1,063
Additional benefits	12	14	14	14	12	14
Total	**812**	**1,077**	**1,077**	**1,077**	**812**	**1,077**
Performance bonus (immediate payment)	700	700	0	1,400	126	76
Multiannual variable remuneration	1,250	1,360	0	2,720	541	290
Performance bonus (deferral) [3 years]	467	–	–	–	541	239
Performance bonus (deferral) [2020][1]	–	467	0	934	–	51
Long-term incentive [4 years]	783	893	0	1,786	0	0
Total	**2,762**	**3,137**	**1,077**	**5,197**	**1,479**	**1,443**
Service costs	776	920	920	920	776	920
Total remuneration	**3,538**	**4,057**	**1,997**	**6,117**	**2,255**	**2,363**

1 From the net inflow of the performance bonus, shares of Continental AG with a value of 20% of the gross payout amount must be purchased and held for a period of three years; the corresponding gross amount was calculated assuming a tax and contribution ratio of 50% flat.

	Remuneration granted				Inflows	
€ thousands	2019	**2020**	2020 (min.)	2020 (max.)	2019	**2020**
W. Schäfer (Group Finance and Controlling since January 1, 2010)						
Fixed remuneration	1,100	1,063	1,063	1,063	1,100	1,063
Additional benefits	10	17	17	17	10	17
Total	**1,110**	**1,080**	**1,080**	**1,080**	**1,110**	**1,080**
Performance bonus (immediate payment)	700	700	0	1,400	126	76
Multiannual variable remuneration	1,360	1,360	0	2,720	541	290
Performance bonus (deferral) [3 years]	467	–	–	–	541	239
Performance bonus (deferral) [2020][1]	–	467	0	934	–	51
Long-term incentive [4 years]	893	893	0	1,786	0	0
Total	**3,170**	**3,140**	**1,080**	**5,200**	**1,777**	**1,446**
Service costs	741	844	844	844	741	844
Total remuneration	**3,911**	**3,984**	**1,924**	**6,044**	**2,518**	**2,290**
A. Wolf (Powertrain since June 3, 2020)						
Fixed remuneration	–	448	448	448	–	448
Additional benefits	–	8	8	8	–	8
Total	**–**	**456**	**456**	**456**	**–**	**456**
Performance bonus (immediate payment)	–	406	0	811	–	180
Multiannual variable remuneration	–	724	0	1,449	–	120
Performance bonus (deferral) [3 years]	–	–	–	–	–	0
Performance bonus (deferral) [2020][1]	–	270	0	541	–	120
Long-term incentive [4 years]	–	454	0	908	–	0
Total	**–**	**1,586**	**456**	**2,716**	**–**	**756**
Service costs	–	244	244	244	–	244
Total remuneration	**–**	**1,830**	**700**	**2,960**	**–**	**1,000**

1 From the net inflow of the performance bonus, shares of Continental AG with a value of 20% of the gross payout amount must be purchased and held for a period of three years; the corresponding gross amount was calculated assuming a tax and contribution ratio of 50% flat.

Dr. Ralf Cramer, who left the Executive Board on August 11, 2017, still received subsequent additional benefits of €2 thousand and payments from the long-term component of the 2016 performance bonus in the amount of €239 thousand in 2020. José A. Avila, who left the Executive Board on September 30, 2018, was paid €207 thousand from the long-term component of the 2016 performance bonus in 2020. In addition, on the basis of his employment contract that ended as planned on December 31, 2019, he was also paid a further €126 thousand as an immediate component of the performance bonus and €84 thousand as a long-term component of the performance bonus in virtual shares of the company in 2020.

The disclosures on benefits granted and inflows are broken down into fixed and variable remuneration components and supplemented by disclosures on the service costs. The fixed remuneration components include the non-performance-related fixed remuneration and additional benefits. The variable performance-related remuneration components consist of the immediate payment from the performance bonus as a short-term remuneration component and the two long-term components: the deferral of the performance bonus and LTI. Due to the changeover of the remuneration system, the part of the performance bonus that is part of the multiannual variable remuneration is broken down into the “three-year deferral” as set out in the 2019 remuneration system and the “2020 deferral” as set out in the remuneration system in place since January 1, 2020.

The tables above take into account the reference tables recommended in Section 4.2.5 (3) of the German Corporate Governance Code as amended on February 7, 2017 (“*DCGK 2017*”) and show, separately for each member of the Executive Board, the benefits granted in fiscal 2020 and fiscal 2019 as well as the payments made (“inflow”). The immediate payment, both deferrals and the LTI are each recognized as remuneration granted at the value of the commitment at the time it is granted (equivalent to 100% target achievement). The remuneration elements are supplemented by disclosures on individually attainable maximum and minimum remuneration.

The inflow recognized in the year under review comprises the fixed remuneration components actually received plus the amounts of the immediate payment to be received in the following year that had been determined at the time the remuneration report was prepared. The "three-year deferral" covers the amounts from the long-term component of the 2016 performance bonus that were paid out in 2020. The "2020 deferral" refers to the amount paid out at the time the remuneration report was prepared as an amount to be converted for equity deferral into shares of the company and is paid out the following year. The gross payout amount is disclosed, which, assuming a tax and contribution ratio of 50% flat, must be employed to meet the conversion obligation of the Executive Board member. Inflows from multiannual variable remuneration (LTI tranches from 2016/2019 onward) that were scheduled to end in the period under review are not paid until the following year. In line with the recommendations of Section 4.2.5 (3) *DCGK 2017*, service costs in the disclosures on inflows correspond to the amounts granted, although they do not represent actual inflows in a stricter sense.

Given the economic strain as a result of the coronavirus crisis and out of solidarity with the employees affected by short-time work and other restrictions, the Executive Board resolved, with the approval of the Supervisory Board, a reduction in its monthly fixed remuneration of 10% for April to July 2020.

In fiscal 2020, the members of the Executive Board neither received nor were promised payments by a third party with respect to their activities on the Executive Board.

Remuneration of the Executive Board in 2020

	Remuneration components				
€ thousands	Fixed[1]	Variable, short-term	Variable, long-term[2]	**Total**	Share-based payment[3]
N. Setzer	843	84	903	**1,830**	803
Dr. E. Degenhart (until November 30, 2020)	1,301	0	355	**1,656**	428
H.-J. Duensing	796	140	876	**1,812**	705
F. Jourdan	802	76	834	**1,712**	716
C. Kötz	790	79	836	**1,705**	762
H. Matschi	791	76	834	**1,701**	754
Dr. A. Reinhart	1,077	76	944	**2,097**	811
W. Schäfer	1,080	76	944	**2,100**	811
A. Wolf (since June 3, 2020)	456	180	574	**1,210**	381
Total	**7,936**	**787**	**7,100**	**15,823**	**6,171**

1 In addition to cash components, the fixed remuneration includes non-cash elements, such as benefits relating to international assignments and in particular any related taxes paid, company cars and insurance.
2 Long-term component of variable remuneration that must be invested as a deferral in company shares to be held for a period of three years to ensure a focus on the sustainable development of the company, and benefits granted under the 2020 long-term incentive plan.
3 Benefits granted under the 2020 long-term incentive plan, and changes in the value of virtual shares granted in previous years and in the value of the 2017 to 2020 long-term incentive plans.

Remuneration of the Executive Board in 2019

	Remuneration components				
€ thousands	Fixed[1]	Variable, short-term	Variable, long-term[2]	**Total**	Share-based payment[3]
Dr. E. Degenhart	1,471	270	1,730	**3,471**	–1,493
H.-J. Duensing	824	126	867	**1,817**	–737
F. Jourdan	829	126	867	**1,822**	–681
C. Kötz (since April 1, 2019)	619	348	1,015	**1,982**	127
H. Matschi	816	126	867	**1,809**	–755
Dr. A. Reinhart	812	126	867	**1,805**	–688
W. Schäfer	1,110	126	977	**2,213**	–824
N. Setzer	819	209	923	**1,951**	–649
Total	**7,300**	**1,457**	**8,113**	**16,870**	**–5,700**

1 In addition to cash components, the fixed remuneration includes non-cash elements, such as benefits relating to international assignments and in particular any related taxes paid, company cars and insurance.

2 Long-term component of variable remuneration that is converted into virtual shares of Continental AG to ensure a focus on the sustainable development of the company, and benefits granted under the 2019 long-term incentive plan.

3 Long-term component of variable remuneration that is converted into virtual shares of Continental AG to ensure a focus on the sustainable development of the company, benefits granted under the 2019 long-term incentive plan, and changes in the value of virtual shares granted in previous years and in the value of the 2016 to 2019 long-term incentive plans.

Share-based payment – performance bonus (deferral) [three-year]

The amounts of variable remuneration converted into virtual shares of Continental AG for members of the Executive Board as set out in the 2019 remuneration system changed as follows:

units	Number of shares as at Dec. 31, 2018	Payment	Commitments	Number of shares as at Dec. 31, 2019	Payment	Commitments	**Number of shares as at Dec. 31, 2020**
N. Setzer	8,212	-3,316	2,228	7,124	-3,023	1,689	5,790
Dr. E. Degenhart (until November 30, 2020)	16,307	-5,836	3,512	13,983	-4,252	2,184	11,915
J. A. Avila (until September 30, 2018)	8,771	-3,471	883	6,183	-2,188	–	3,995
Dr. R. Cramer (until August 11, 2017)	7,772	-3,471	–	4,301	-2,528	–	1,773
H.-J. Duensing	6,211	-465	682	6,428	-3,293	1,020	4,155
F. Jourdan	7,619	-3,471	1,475	5,623	-1,036	1,020	5,607
C. Kötz (since April 1, 2019)	–	–	–	–	0	2,816	2,816
H. Matschi	7,115	-3,471	4,689	8,333	-964	1,020	8,389
Dr. A. Reinhart	8,901	-3,471	1,640	7,070	-2,528	1,020	5,562
W. Schäfer	8,901	-3,471	1,640	7,070	-2,528	1,020	5,562
H.-G. Wente (until April 30, 2015)	228	-228	–	–	–	–	–
Total	**80,037**	**-30,671**	**16,749**	**66,115**	**-22,340**	**11,789**	**55,564**

€ thousands	Fair value as at Dec. 31, 2018	Fair value of distribution	Change in fair value	Fair value of commitments	Fair value as at Dec. 31, 2019	Fair value of distribution	Change in fair value	Fair value of commitments	**Fair value as at Dec. 31, 2020**
N. Setzer	1,093	-517	62	266	904	-286	-75	202	745
Dr. E. Degenhart (until November 30, 2020)	2,181	-909	107	418	1,797	-403	-98	261	1,557
J. A. Avila (until September 30, 2018)	1,171	-541	66	105	801	-207	-61	0	533
Dr. R. Cramer (until August 11, 2017)	1,037	-541	67	0	563	-239	-85	0	239
H.-J. Duensing	828	-72	-4	81	833	-312	-102	121	540
F. Jourdan	1,019	-541	69	176	723	-98	-15	121	731
C. Kötz (since April 1, 2019)	–	–	–	–	–	0	0	336	336
H. Matschi	952	-541	70	559	1,040	-91	26	121	1,096
Dr. A. Reinhart	1,191	-541	65	195	910	-239	-64	121	728
W. Schäfer	1,193	-541	65	195	912	-239	-64	121	730
H.-G. Wente (until April 30, 2015)	29	-36	7	0	0	–	–	–	–
Total	**10,694**	**-4,780**	**574**	**1,995**	**8,483**	**-2,114**	**-538**	**1,404**	**7,235**

As at December 31, 2020, there are no longer any commitments for Heinz-Gerhard Wente, who retired on April 30, 2015. Dr. Ralf Cramer, who was a member of the Executive Board until August 11, 2017, was paid commitments of €239 thousand (equivalent to 2,528 units) in 2020. As at December 31, 2020, there were commitments with a fair value of €239 thousand (equivalent to 1,773 units). José A. Avila, who left the Executive Board on September 30, 2018, was paid commitments of €207 thousand (equivalent to 2,188 units) in 2020. As at December 31, 2020, there were commitments with a fair value of €533 thousand (equivalent to 3,995 units). Dr. Elmar Degenhart, who left the Executive Board on November 30, 2020, was paid commitments of €403 thousand (equivalent to 4,252 units) in 2020. As at December 31, 2020, there were commitments with a fair value of €1,557 thousand (equivalent to 11,915 units).

Owing to the individual arrangements specific to the company, there are certain features of the virtual shares as compared to standard options that must be taken into account in their measurement.

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

The following parameters for the performance bonus were used as at the measurement date of December 31, 2020:

- Constant zero rates as at the measurement date of December 31, 2020:
  2017 tranche: -0.74% as at the due date and as at the expected payment date;
  2018 tranche: -0.74% as at the due date and as at the expected payment date;
  2019 tranche: -0.76% as at the due date and as at the expected payment date.

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

- Dividend payments as the arithmetic mean based on publicly available estimates for 2021 and 2022; the paid dividend of Continental AG amounted to €3.00 per share in 2020, and Continental AG distributed a dividend of €4.75 per share in 2019.

- Historical volatilities on the basis of daily Xetra closing rates for Continental shares based on the respective remaining term for virtual shares. The volatility for the 2017 tranche is 37.04%, for the 2018 tranche 48.36% and for the 2019 tranche 41.89%.

Share-based payment – long-term incentive (LTI plans starting with 2018)

The LTI plans starting with 2018 developed as follows:

€ thousands	Fair value as at Dec. 31, 2018[1]	2019 LTI plan commitment	Change in fair value	Fair value as at Dec. 31, 2019[1]	2020 LTI plan commitment	Change in fair value	**Fair value as at Dec. 31, 2020[1]**
N. Setzer	800	783	-1,583	0	847	-135	712
Dr. E. Degenhart (until November 30, 2020)[2]	1,699	1,550	-3,249	0	355	-56[3]	299
J. A. Avila (until September 30, 2018)[3]	800	–	-800	0	–	–	0
Dr. R. Cramer (until August 11, 2017)	357	–	-357	0	–	–	0
H.-J. Duensing	800	783	-1,583	0	783	-125	658
F. Jourdan	800	783	-1,583	0	783	-125	658
C. Kötz (since April 1, 2019)[4]	105	783	-888	0	783	-125	658
H. Matschi	800	783	-1,583	0	783	-125	658
Dr. A. Reinhart	800	783	-1,583	0	893	-142	751
W. Schäfer	936	893	-1,829	0	893	-142	751
H.-G. Wente (until April 30, 2015)	33	–	-33	0	–	–	0
A. Wolf (since June 3, 2020)	–	–	–	–	454	-73	381
Total	**7,930**	**7,141**	**-15,071**	**0**	**6,574**	**-1,048**	**5,526**

1 As at the end of the reporting period, the 2020 tranche was vested at 25%, the 2019 tranche at 50%, the 2018 tranche at 75% and the 2017 tranche at 100%.
2 With the departure of Dr. E. Degenhart as at November 30, 2020, a portion of the commitments of the 2017, 2018 and 2019 LTI plans expired. The commitment in 2017 fell from €1,550 thousand to €1,517 thousand, the commitment in 2018 fell from €1,550 thousand to €1,130 thousand, and the commitment in 2019 fell from €1,550 thousand to €743 thousand. This did not result in any change to fair value, since all tranches have a fair value of €0.
3 With the termination of the employment contract of J. A. Avila as at December 31, 2019, a portion of the 2017, 2018 and 2019 LTI plans expired. All remaining pro rata tranches had a fair value of €0 as at December 31, 2020.
4 C. Kötz remains entitled to LTI plans that were granted to him as a senior executive between 2016 and 2018.

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

The following TSR parameters were used as at the measurement date of December 31, 2020:

- Constant zero rates as at the measurement date of December 31, 2020:
  2017 LTI plan: -0.73% as at the payment date;
  2018 LTI plan: -0.73% as at the due date and -0.74% as at the expected payment date;
  2019 LTI plan: -0.75% as at the due date and -0.76% as at the expected payment date;
  2020 LTI plan: -0.76% as at the due date and -0.77% as at the expected payment date.

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

- Dividend payments as the arithmetic mean based on publicly available estimates for 2021 until 2023; the paid dividend of Continental AG amounted to €3.00 per share in 2020, and Continental AG distributed a dividend of €4.75 per share in 2019.

- Historical volatilities on the basis of daily Xetra closing rates for Continental shares and the benchmark index based on the respective remaining term for LTI tranches. The volatility for the 2018 LTI plan is 53.65% and for the 2019 LTI plan 43.12%. For the 2020 LTI plan, this is 39.30% for the Continental share and 31.21% for the benchmark index.
- Historical correlations on the basis of daily Xetra closing rates for the benchmark index based on the respective remaining term of the components of the 2020 LTI plan. For the 2020 LTI plan, the historical correlation is 0.8632.

Expenses for retirement benefits

The defined benefit obligations for all pension commitments for the active members of the Executive Board in 2020 are presented below:

	Defined benefit obligations	
€ thousands	**December 31, 2020**	December 31, 2019
N. Setzer	10,129	7,844
Dr. E. Degenhart (until November 30, 2020)	19,088	16,167
H.-J. Duensing	4,608	3,572
F. Jourdan	6,308	5,067
C. Kötz (since April 1, 2019)	1,899	748
H. Matschi	9,927	8,181
Dr. A. Reinhart	7,431	5,562
W. Schäfer	14,618	12,548
A. Wolf (since June 3, 2020)	446	–
Total	**74,454**	**59,689**

Please see Note 41 of the notes to the consolidated financial statements for details of pension obligations for former members of the Executive Board.

Remuneration of the Supervisory Board

On the basis of *ARUG II*, Section 113 (3) *AktG* has been rewritten. In accordance with this, a resolution of the Annual Shareholders' Meeting is made at least once every four years on the remuneration of the Supervisory Board members.

In light of this, and with the support of an independent consultant, a new remuneration system was developed for the members of the Supervisory Board and resolved separately in each case by the Executive Board and the Supervisory Board.

The new remuneration system was then resolved by the Annual Shareholders' Meeting of Continental AG on July 14, 2020. It has been valid since January 1, 2020.

In accordance with the new remuneration system, the remuneration of the members of the Supervisory Board no longer includes any variable remuneration components, but rather exclusively consists of fixed remuneration components. The switch to an exclusively fixed remuneration system facilitates advising and monitoring geared toward the sustainable development of the company and also corresponds to Suggestion G.18 Sentence 1 of the German Corporate Governance Code. From the perspective of Continental AG, an exclusively fixed remuneration is more suited to strengthening the independence of the members of the Supervisory Board and ensuring their remuneration is proportionate to the work carried out.

The removal of the variable remuneration component makes it necessary – in order to ensure that the remuneration level remains the same as it is now – to increase the yearly fixed remuneration of a Supervisory Board member from €75,000 as it stands now to €180,000. For the chairman and vice chairperson of the Supervisory Board, as well as the chairperson and members of a committee, there are also plans to increase the level of remuneration in the future. This will be three times the regular fixed remuneration of a Supervisory Board member for the chairman of the Supervisory Board, 2.5 times as much for the chairman of the Audit Committee, two times as much for the chairperson of another committee, and 1.5 times as much for the vice chairperson of the Supervisory Board and for the members of a committee.

In addition, each Supervisory Board member shall receive meeting-attendance fees of €1,000 for each Supervisory Board meeting that the member attends in person. This shall apply, mutatis mutandis, to personal attendance of committee meetings that do not take place on the same day as a Supervisory Board meeting. The members of the Supervisory Board shall also have their cash expenses reimbursed, in addition to the value added tax incurred by them for activities relating to Supervisory Board work.

The amount and structure of the future remuneration of the Supervisory Board members of Continental AG is in line with the market when compared with the remuneration of Supervisory Board members in other DAX 30 companies. Continental AG assumes that the remuneration of the Supervisory Board members – with the exception of the reduced remuneration of an ordinary member of a committee – will remain largely unchanged despite the proposed structural adjustments.

The Annual Shareholders' Meeting will make a resolution on the remuneration of the Supervisory Board members at least once every four years in the future, with an affirmative resolution permitted. For the purpose of this presentation to the Annual Shareholders' Meeting, the remuneration system will be subject to a timely review.

Given the economic strain as a result of the coronavirus crisis and out of solidarity with the employees affected by short-time work and other restrictions, the members of the Supervisory Board accepted a 10% reduction in their annual fixed remuneration on a pro rata basis for April to July 2020.

The remuneration of individual Supervisory Board members in 2020 as provided for under these arrangements is shown in the following table:

Remuneration of the Supervisory Board

	Remuneration components		
	2020	2019	
€ thousands	**Fixed**[1]	Fixed[1]	Variable
Prof. Dr.-Ing. Wolfgang Reitzle	526	234	156
Hasan Allak (since April 26, 2019)[2]	183	57	35
Christiane Benner[2]	269	119	78
Dr. Gunter Dunkel	184	82	52
Francesco Grioli[2]	269	122	78
Prof. Dr.-Ing. Peter Gutzmer (until April 26, 2019)	–	25	16
Michael Iglhaut[2]	265	122	78
Satish Khatu (since April 26, 2019)	179	57	35
Isabel Corinna Knauf (since April 26, 2019)	183	57	35
Prof. Dr. Klaus Mangold (until April 26, 2019)	–	26	16
Sabine Neuß	174	82	52
Prof. Dr. Rolf Nonnenmacher	439	199	130
Dirk Nordmann[2]	272	122	78
Lorenz Pfau (since April 26, 2019)[2]	182	57	35
Klaus Rosenfeld	272	122	78
Georg F. W. Schaeffler	264	124	78
Maria-Elisabeth Schaeffler-Thumann	174	121	78
Jörg Schönfelder[2]	271	120	78
Stefan Scholz[2]	182	82	52
Gudrun Valten (until April 26, 2019)[2]	–	25	16
Elke Volkmann[2]	181	82	52
Kirsten Vörkel[2]	183	82	52
Erwin Wörle (until April 26, 2019)[2]	–	25	16
Prof. TU Graz e.h. KR Ing. Siegfried Wolf	174	80	52
Total	**4,826**	**2,224**	**1,426**

1 Including meeting-attendance fees.
2 In accordance with the guidelines issued by the German Federation of Trade Unions, these employee representatives have declared that their board remuneration is transferred to the Hans Böckler Foundation and in one case to other institutions as well.

Corporate Citizenship

Management Approach

As an active member of the global community, we demonstrate sustained commitment in many places to social issues. We are primarily involved in the regions and markets in which we are present or that are directly influenced by our business activities. Our commitment focuses as far as possible on local social needs, and aims to make long-lasting, positive changes to people's living conditions and the environment.

Community projects, donations and other charitable activities are therefore initiated and managed at a local level and also at the discretion of the decentralized units. In particular, these include donations, local support for volunteer work (corporate volunteering), as well as partnerships with public and non-profit organizations, schools and universities. The focus is on projects and initiatives in the areas of education, diversity and equal opportunities, as well as with regard to environmental protection and road safety. Wherever possible, we also bring in aspects of our core business in order to make our employees' professional skills even more effective in a social context – such as in the form of mentoring programs.

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

We also support and promote our employees' volunteer work.

In The Spotlight

"For One Another Fund" – The Continental Fund for Coronavirus Aid

In 2020, Continental launched a coronavirus donation platform together with the International Giving Foundation (IGF) so as to maximize the impact of Continental employees' financial willingness to help around the world during the coronavirus crisis. The For One Another Fund comprised twelve specially-selected recipient organizations through which Continental employees could provide secure, targeted aid to the victims of the global coronavirus crisis from private donations.

To this end, Continental has selected specific non-profit organizations to distribute the funds in countries where particularly large numbers of Continental employees and suppliers live, and which the coronavirus crisis has affected or is still affecting especially severely. In addition, donations were made to the World Health Organization (WHO) aid fund. Company donations and private donations from third parties were also possible via the online platform offered by IGF, which was available from early June 2020 to mid-January 2021.

Continental provided a central start-up donation of €25,000, which was distributed evenly across all of the selected aid organizations to ensure that all listed recipient organizations were assured of a four-figure donation sum right from the outset. A total of almost €37,500 has been donated. A precondition from Continental for use of the funds by all non-profit organizations was that the donations be used for the direct and indirect consequences of the pandemic – both medically and socially. Many of the aid organizations supported supplied hygiene items to people locally, provided information on infection protection, or purposefully turned their attention to protecting vulnerable groups from the secondary effects of the pandemic, such as domestic violence, loneliness or lack of access to educational opportunities. Support was given to the Red Cross organizations in Mexico and Brazil, for example, who, in addition to carrying out nationwide information campaigns, deal with groups of people at risk of domestic violence and whose living situations have been made worse by the pandemic. In Slovakia, the non-profit organization "Človek v ohrození n.o" (People in Need Slovakia) provided assistance to people to protect themselves from the virus, including impoverished families in Roma settlements. In Romania, "United Ways Romania" enabled children from disadvantaged families to access digital education and supplied unprivileged, older people with food and medication. Supplying socially disadvantaged people with foodstuffs and hygiene items is also a key task of the non-profit organization Feeding America in the US, where many people have lost their social protection due to the pandemic and are therefore reliant on nationwide food banks. In India, too, many sections of the population have been placed at further risk due to pandemic, such as day laborers and temporary workers. "United Ways India" has provided urgent relief with the distribution of food kits.

In total, the For One Another Fund supported non-profit organizations in eleven countries in their battle against the coronavirus pandemic and its consequences.

By launching this donation platform, Continental has cemented another building block in the global response to the pandemic, stepping up in solidarity to overcome the crisis. After all, the key to coping with and, above all, mitigating the consequences lies in the solidarity of people – in keeping with the corporate value of "For One Another" at Continental.

Risks and Opportunities

Source: Geschäftsbericht 2019 > Management Report > Report on Risks and Opportunities (starting p. 99)

Note: The text has been adjusted for page references.

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

The management of Continental is geared toward permanently increasing the value of each individual business unit. We evaluate risks and opportunities responsibly and on an ongoing basis in order to achieve our goal of adding value.

We define risk as the possibility of internal or external events occurring that can have a negative influence on the attainment of our strategic and operational targets. As a global corporation, Continental is exposed to a number of different risks, in particular due to the transformation in the mobility industry, that could impair business and, in extreme cases, threaten the company's existence. At the same time, this transformation also presents opportunities that we intend to consistently seize, as described in the Strategy of the Continental Group section. We accept manageable risks if the resulting opportunities are expected to result in sustainable growth in value. We consider growth in value in terms of the Continental Value Contribution (CVC) system described in the Corporate Management section.

Risk and Opportunity Management and Internal Control System

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

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

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

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

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

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

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

The GRC system incorporates all components of risk reporting and the examination of the effectiveness of the Financial Reporting ICp. Risks are identified, assessed and reported at the organizational level that is also responsible for managing the identified risks. A multi-stage assessment process is used to involve also the higher-level organizational units. The GRC system thus includes all reporting levels, from the company level to the top corporate level.

Risk reporting

At the corporate level, the responsibilities of the GRC Committee – chaired by the Executive Board member responsible for Finance, Controlling, Compliance, Law and IT – include identifying material risks for the Continental Group. The GRC Committee regularly informs the Executive Board and the Audit Committee of the Supervisory Board of the material risks, any weaknesses in the control system and measures taken. Moreover, the auditor is required to report to the Audit Committee of the Supervisory Board regarding any material weaknesses in the Financial Reporting ICS which they identified as part of their audit activities.

Risk assessment and reporting

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

Material individual risks for the Continental Group are identified from all the reported risks based on the probability of occurrence and the amount of damage that would be caused in the period under consideration.

The individual risks that Continental has classified as material and the aggregated risks that have been assigned to risk categories are all described in the report on risks and opportunities, provided the potential negative EBIT effect of an individual risk or the sum of risks included in a category exceeds €100 million in the period under consideration or there is a significant negative impact on the corporate goals.

Local management can utilize various instruments for risk assessment, such as predefined risk categories (e.g. exchange-rate risks, product-liability risks, legal risks) and assessment criteria, centrally developed function-specific questionnaires as well as the Financial Reporting ICS's process and control descriptions. The key controls in business processes (purchase to pay, order to cash, asset management, HR, IT authorizations and the financial statement closing process) are thus tested with respect to their effectiveness.

All major subsidiaries carry out a semiannual assessment of business-related risks and an annual assessment of compliance risks in the GRC system's IT-aided risk management application. Any quality, legal and compliance cases that have actually occurred are also taken into account when assessing these risks. The quarterly Financial Reporting ICS completes regular GRC reporting.

Furthermore, the GRC Committee identifies and assesses strategic risks, for example as part of a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats). Any new material risks arising unexpectedly between regular reporting dates have to be reported immediately and considered by the GRC Committee. This also includes risks identified in the audits by corporate functions.

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

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

Risk management
The responsible management initiates suitable countermeasures that are also documented in the GRC system for each risk identified and assessed as material. The GRC Committee monitors and consolidates the identified risks and suitable countermeasures at the corporate level. It regularly reports to the Executive Board and recommends further measures if needed. The Executive Board discusses and resolves the measures, and reports to the Supervisory Board's Audit Committee. The responsible bodies continually monitor the development of all identified risks and the progress of actions initiated. Group Audit regularly audits the risk management process, thereby continually monitoring its effectiveness and further development.

Material Risks

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

Financial Risks

Continental is exposed to risks in connection with its financing agreements and the syndicated loans.
Continental is subject to risks in connection with its financing agreements. Risks arise from the bonds that Continental AG and Conti-Gummi-Finance B.V., Maastricht, Netherlands, have issued as part of the Debt Issuance Programme (DIP). These financing agreements contain covenants that could limit Continental's capacity to take action as well as change-of-control provisions.

In order to finance its current business activities as well as its investments and payment obligations, Continental concluded a syndicated loan agreement in December 2019, recently updated in November 2020, from which risks may arise. Under the terms of the syndicated loan agreement, the lenders have the right to demand repayment of the loan in the event of a change of control at Continental AG.

The requirements for and consequences of a change in control in accordance with the terms of the bonds or the syndicated loan agreement are described in detail in the Additional Disclosures and Notes Pursuant to Section 289a and Section 315a *HGB* section on pages 96 and 97 in the Annual Report. The loans and bonds cited here could also immediately become due and payable if other financing agreements of more than €75.0 million are not repaid on time or are prematurely called for repayment.

The committed volume of the syndicated loan consists of a revolving tranche of €4.0 billion (due in December 2025). This had not been utilized as at the end of fiscal 2020. In addition to the existing syndicated loan, a further syndicated loan in the amount of €3.0 billion was agreed in May 2020. The new credit line is intended to strengthen Continental's financial flexibility in the wake of the COVID-19 pandemic and therefore has a short term of 364 days. This credit line can only be used by Continental AG and had not been utilized as at December 31, 2020. The loan agreement is based on the agreement for the existing syndicated loan of €4.0 billion.

Continental is exposed to risks associated with changes in currency exchange rates and hedging.
Continental operates worldwide and is therefore exposed to financial risks that arise from changes in exchange rates. This could result in losses if assets denominated in currencies with a falling exchange rate lose value and/or liabilities denominated in currencies with a rising exchange rate appreciate. In addition, fluctuations in exchange rates could intensify or reduce fluctuations in the prices of raw materials in euros, as Continental sources a considerable portion of its raw materials in foreign currency. As a result of these factors, fluctuations in exchange rates can influence Continental's earnings situation.

External and internal transactions involving the delivery of products and services to third parties and companies of the Continental Group can result in cash inflows and outflows that are denominated in currencies other than the functional currency of the respective subsidiary of the Continental Group (transaction risk). To the extent that cash outflows of the respective subsidiary of the Continental Group in any one foreign currency are not offset by cash flows resulting from operational business in the same currency, the remaining net exchange-rate risk is hedged against on a case-by-case basis using the appropriate derivative instruments, particularly currency forwards, currency swaps and currency options with a term of up to 12 months.

Moreover, Continental is exposed to exchange-rate risks arising from external and internal loan agreements that result in cash inflows and outflows denominated in currencies other than the functional currency of the respective subsidiary of the Continental Group. These exchange-rate risks are in general hedged against by using appropriate derivative instruments, particularly currency forwards, currency swaps and cross-currency interest-rate swaps. Any hedging transactions executed in the form of derivative instruments can result in losses. In addition, a number of Continental's consolidated companies report their results in currencies other than the euro, which requires Continental to convert the relevant items into euros when preparing Continental's consolidated financial statements (translation risk). Translation risks are generally not hedged.

In order to quantify the possible effects of transaction-related exchange-rate risks from financial instruments on the earnings position of the Continental Group, transaction currencies with a significant exchange-rate risk within the next 12 months are identified based on current net exposure. If the exchange rates of these currencies all develop disadvantageously for Continental at the same time, then the hypothetical negative effect on the Continental Group's earnings position, calculated based on a 10% change in the current closing rate, would amount to between €400 million and €500 million.

Continental is exposed to default risks in connection with cash and cash equivalents, derivative instruments and interest-bearing investments.
In order to minimize the default risk for cash and cash equivalents, derivative instruments and interest-bearing investments, Continental generally uses banks that it has classified as core banks on the basis of defined criteria. As a general rule, these banks should have at least one investment-grade credit rating from one of the global rating agencies. The default risk can therefore be considered very low. The creditworthiness of the core banks – and of other banks with which investments are made, loans are granted or derivative instruments are traded in derogation from the core bank principle for operational or regulatory reasons – is continuously monitored. Not only the credit ratings but also in particular the premiums for insuring against credit default risks (credit default swaps, CDSs) are monitored, provided this information is available. In addition, Continental sets investment limits for each bank and trading limits for derivative instruments. The amount of these limits is based on the creditworthiness of the respective bank. Compliance with these limits is continuously monitored. Within the internally defined risk groups, cash and cash equivalents, interest-bearing investments and positive (net) fair values of derivative instruments held at banks assigned to a higher risk group range from €100 million to €200 million.

Risks Related to the Markets in Which Continental Operates

Continental could be exposed to material risks in connection with a global financial and economic crisis.
Continental generates a large percentage (69%) of its sales from automobile manufacturers (original equipment manufacturers, OEMs). The remainder of Continental's sales is generated from the replacement or industrial markets, mainly in the replacement markets for passenger-car and truck tires, and to a lesser extent in the non-automotive end markets of the other business areas.

The automotive markets in Europe and North America in particular are currently developing much more weakly than in the past, while also displaying increasing volatility and uncertainty. If this prolonged market weakness continues or is intensified by a general economic downturn, it would likely further adversely affect Continental's sales and earnings.

In the year under review, Continental's five largest OEM customers (Daimler, Fiat-Chrysler, Ford, Renault-Nissan-Mitsubishi and VW) generated approximately 37% of sales. If one or more of Continental's OEM customers is lost or terminates a supply contract prematurely, the original investments made by Continental to provide such products or outstanding claims against such customers could be wholly or partially lost.

Moreover, Continental generated 48% of its 2020 total sales in Europe and 18% in Germany alone. By comparison, 25% of Continental's total sales in 2020 were generated in North America, 24% in Asia, and 3% in other countries. Therefore, in the event of an economic downturn in Europe, particularly in Germany, for example, Continental's business and earnings situation could be affected more extensively than that of its competitors. Furthermore, the automotive and tire markets in Europe and North America are largely saturated. To minimize this dependence, Continental is striving to improve the regional sales balance, particularly by generating more sales in emerging markets and especially in Asia.

Based on a scenario analysis that assumes market stagnation in 2021, and taking into account restructuring measures required as a result, we anticipate a decline of around 2 percentage points in the adjusted EBIT margin.

Continental could be severely affected by the consequences of the COVID-19 pandemic over a longer period.
Due to the ongoing COVID-19 pandemic and the associated measures to tackle this worldwide, as well as the significant restrictions on production both at the Continental Group and at its customers and suppliers, there is a risk of significant and long-term negative effects on the Continental Group's sales and procurement markets. This would have a considerable negative impact on the availability of raw materials and components as well as Continental's sales volumes both in the OEM business and in the industrial and replacement business. The duration of the general economic downturn as well as its effects on global supply chains and Continental's various business units will largely depend on the success of containment measures as well as the effectiveness of corresponding relief packages and fiscal stimulus measures. While Continental has already introduced measures aimed, for example, at improving its cost structure and ensuring supply chains, there is generally a risk of considerable and long-term negative effects on Continental's earnings, financial and net assets position.

Continental operates in a cyclical industry.
Global production of vehicles and, as a result, sales to OEMs (from whom Continental currently generates 69% of its sales) are subjected to major fluctuations in some cases. They depend, among other things, on general economic conditions, disposable income and household consumer spending and preferences, which can be affected by a number of factors, including fuel costs as well as the availability and cost of consumer financing. As the volume of automotive production fluctuates, the demand for Continental's products also fluctuates, as OEMs generally do not commit to purchasing minimum quantities from their suppliers or to fixed prices. It is difficult to predict future developments in the markets Continental serves, which also makes it harder to estimate the requirements for production capacity. As Continental's business is characterized by high fixed costs, it is thus exposed to the risk that fixed costs are not fully covered in the event of falling demand and the resulting underutilization of its facilities (particularly in Automotive Technologies and Powertrain Technologies). Conversely, should the markets in which Continental operates once again grow faster than anticipated, there could be insufficient capacity to meet customer demand. To reduce the impact of the potential risk resulting from this dependence on the automotive industry, Continental is strengthening its replacement business and industrial business, including by means of acquisitions.

Continental is exposed to risks associated with the market trends and developments that may greatly affect the demand for Continental's products and systems.
Continental currently generates 69% of its sales from OEMs, mainly in Automotive Technologies and Powertrain Technologies. Global production of vehicles and, as a result, business with OEM customers are currently subject to a number of market trends and technological developments that may greatly affect the mix of products and systems sold by Continental to OEMs.

- Due to increasingly stringent consumption and emission standards throughout the industrial world, including the EU and Asia, car manufacturers are increasingly being forced to develop environmentally compatible technologies aimed at lowering fuel consumption as well as CO_2 and particulate emissions. Since emission standards in Europe and other countries will consist of increasingly stringent reduction targets in the future, the number of hybrid vehicles and all-electric vehicles is expected to increase significantly over the next few years. Demand for products and systems for combustion engines is likely to fall as a result.

- The trend toward more electronic and digitalized products may negatively affect demand for established analog/mechanical products and systems.

As a result of the market trends and technological developments described previously, the vehicle mix sold by Continental's customers, as well as the vehicle equipment, has changed considerably in the last few years and may also continue to change in the future. Continental is reacting to this development with a balanced and innovative product portfolio.

Continental is exposed to risks associated with additional or higher tariffs.
Due to the trend toward protectionism and the increase in trade conflicts around the world, Continental sees itself at risk from additional or higher tariffs on automobiles and on the products, components and raw materials it supplies or purchases. These tariffs could cause demand for Continental's products to drop and costs to increase, which would have an adverse effect on Continental's business and earnings situation.

Continental is exposed to fluctuations in the prices of raw materials and electronic components.
For the business areas of Automotive Technologies and Powertrain Technologies, higher prices for raw materials and electronic components in particular can result in cost increases. The business areas of Rubber Technologies mainly depend on the development of oil, natural rubber and synthetic rubber prices. The prices for these raw materials and components are exposed to sometimes considerable fluctuations worldwide. At present, Continental does not actively hedge against the risk of rising prices of electronic components or raw materials by using derivative instruments. If the company is not able to compensate for the increased costs or to pass them on to customers, the price increases could reduce Continental's earnings by €100 million to €200 million.

Risks Related to Continental's Business Operations

Continental is exposed to risks in connection with its pension commitments.
Continental provides defined benefit pension plans in Germany, the USA, the UK and certain other countries. As at December 31, 2020, the pension obligations amounted to €8,647.8 million. These existing obligations are financed predominantly through externally invested pension plan assets. In 2006, Continental established legally independent trust funds under contractual trust arrangements (CTAs) for the funding of pension obligations of certain subsidiaries in Germany. In 2007, Continental assumed additional CTAs in connection with the acquisition of Siemens VDO. As at December 31, 2020, Continental's net pension obligations (defined benefit obligations less the fair value of plan assets) amounted to €5,444.6 million.

Continental's externally invested plan assets are funded by externally managed funds and insurance companies. While Continental generally prescribes the investment, strategies applied by these funds and takes this into account when selecting external fund managers, it does not have any influence over their individual investment decisions. The assets are invested in different asset classes, including equity, fixed-income securities, real estate and other investment vehicles. The values attributable to the externally invested plan assets are subject to fluctuations in the capital markets that are beyond Continental's influence. Unfavorable developments in the capital markets could result in a substantial coverage shortfall for these pension obligations, resulting in a significant increase in Continental's net pension obligations.

Any such increase in Continental's net pension obligations could adversely affect Continental's financial condition due to an increased additional outflow of funds to finance the pension obligations. Also, Continental is exposed to risks associated with longevity and interest-rate changes in connection with its pension commitments, as an interest-rate decrease could have an adverse effect on Continental's liabilities under these pension plans. Furthermore, certain US-based subsidiaries of Continental have entered into obligations to make contributions to healthcare costs of former employees and retirees. Accordingly, Continental is exposed to the potential risk that these costs may increase in the future.

If the discount rates used to calculate net pension obligations were to decrease by 0.5 percentage points at the end of the year, all other things being equal, this would lead to a rise in net pension obligations of €900 million to €1.0 billion, which would not be reduced by taking measures to minimize risk. However, this would not affect EBIT.

Continental is exposed to warranty and product liability claims.
Continental is constantly subject to product liability claims and proceedings alleging violations of due care, violation of warranty obligations or material defects, and claims arising from breaches of contract due to recalls or government proceedings. Any such lawsuits, proceedings and other claims could result in increased costs for Continental. Moreover, defective products could result in loss of sales and loss of customer and market acceptance. Such risks are insured up to levels considered economically reasonable by Continental, but its insurance coverage could prove insufficient in individual cases. Additionally, any defect in one of Continental's products (in particular tires and other safety-related products) could also have a considerable adverse effect on the company's reputation and market perception. This could in turn have a negative impact on Continental's sales and income. Moreover, vehicle manufacturers are increasingly requiring a contribution from their suppliers for potential product liability, warranty and recall claims. In addition, Continental has long been subject to continuing efforts by its customers to change contract terms and conditions concerning the contribution to warranty and recall cost. Furthermore, Continental manufactures many products pursuant to OEM customer specifications and quality requirements. If the products manufactured and delivered by Continental do not meet the requirements stipulated by its OEM customers at the agreed date of delivery, production of the relevant products is generally discontinued until the cause of the product defect has been identified and remedied. Under certain circumstances, this could lead to losses of sales and earnings. Furthermore, Continental's OEM customers could potentially claim damages, even if the cause of the defect is remedied at a later point in time. Moreover, failure to fulfill quality requirements could have an adverse effect on the market acceptance of Continental's other products and its market reputation in various market segments.

The quantifiable risks from warranty and product liability claims as at December 31, 2020, taking into account provisions, amounted to between €200 million and €300 million.

Continental depends on a limited number of key suppliers for certain products.
Continental is subject to the potential risk of unavailability of certain raw materials and production materials. Although Continental's general policy is to source input products from a number of different suppliers, single sourcing cannot always be avoided and, consequently, Continental is dependent on certain suppliers in Rubber Technologies as well as with respect to certain products manufactured by Automotive Technologies and Powertrain Technologies. Since Continental's procurement logistics are mostly organized on a just-in-time or just-in-sequence basis, supply delays, cancellations, strikes, insufficient quantities or inadequate quality can lead to

interruptions in production and, therefore, have a negative impact on Continental's business operations in these areas. Continental tries to limit these risks by endeavoring to select suppliers carefully and monitor them regularly. However, if one of Continental's suppliers is unable to meet its delivery obligations for any reason (e.g. insolvency, destruction of production plants as a result of natural disasters, refusal to perform following a change in control, or the far-reaching effects of the COVID-19 pandemic), Continental may be unable to source input products from other suppliers on short notice at the required volume. Such developments and events can therefore cause delays in the delivery or completion of Continental products or projects and could result in Continental having to purchase products or services from third parties at higher costs or even to financially support its own suppliers. Furthermore, in many cases OEM customers have approval rights with respect to the suppliers used by Continental, which could make it impossible for Continental to source input products from other suppliers upon short notice if the relevant OEM customer has not already approved other suppliers at an earlier point in time and which could lead to order cancellations. Claims for damages on a considerable scale could also not be ruled out. Furthermore, Continental's reputation among OEM customers could suffer, with the possible consequence that they select a different supplier.

Due to the current shortages and supply problems in the semiconductor industry, Automotive Technologies and Powertrain Technologies in particular are currently exposed to the risk of increased supply chain costs of €100 million to €200 million.

Continental is exposed to information-technology risks.
With regard to its business and production processes, its products and its internal and external communication, Continental is highly dependent on centralized and standardized information-technology systems and networks. These systems and networks as well as the products themselves are potentially exposed to the risk of various forms of cybercrime as well as damage and disruption that can have a wide range of other causes. In hacker attacks, third parties could attempt to gain unauthorized access to confidential information and data that is stored, processed or communicated in the systems and networks. In addition, data, products and systems could be blocked, damaged, controlled or destroyed as a result of becoming infected with viruses or malware.

Although Continental has taken appropriate precautions to manage the risks associated with system and network disruptions and corresponding attacks, a prolonged outage in a computer center or telecommunication network or a comparable incident could result in systems or networks becoming unexpectedly unavailable over an extended period. The measures taken to minimize such risks include technical and organizational precautions such as duplicated data storage and contingency plans, as well as suitable training measures that are continuously expanded, particularly to raise awareness of the growing threat from cybercrime.

Should the precautions taken prove insufficient to adequately protect the systems, networks, products and information, Continental could suffer considerable damage and disadvantages as a result of outages or the knowledge and use of its information by third parties.

Continental could be adversely affected by property loss and business interruption.
Fire, natural hazards, terrorism, power failures or other disturbances at Continental's production facilities or within Continental's supply chain – with customers and with suppliers – can result in severe damage and loss. Such far-reaching negative consequences can also arise from political unrest or instability. The risks arising from business interruption, loss of production, or the financing of facilities are insured up to levels considered economically reasonable by Continental, but its insurance coverage could prove insufficient in individual cases. Furthermore, such events could injure or damage individuals, third-party property or the environment, which could, among other things, lead to considerable financial costs for Continental.

Continental is exposed to risks in connection with its interest in MC Projects B.V.
Continental and Compagnie Financière Michelin SCmA, Granges-Paccot, Switzerland (Michelin), each hold a 50% stake in MC Projects B.V., Maastricht, Netherlands, a company to which Michelin contributed the rights to the Uniroyal brand for Europe as well as for certain countries outside Europe. In turn, MC Projects B.V. licensed to Continental certain rights to use the Uniroyal brand on or in connection with tires in Europe and elsewhere. Under the terms of the agreement concluded in this connection, both the agreement and the Uniroyal license can be terminated if a major competitor in the tire business acquires more than 50% of the voting rights of Continental AG or of its tire business. Furthermore, in this case Michelin also has the right to acquire a majority in MC Projects B.V. and to have MC Projects B.V. increase its minority stake in the manufacturing company Continental Barum s.r.o., Otrokovice, Czechia – one of Continental's largest tire plants in Europe – to 51%. These events could have an adverse effect on the business and earnings position of Continental's Tires business area.

Legal and Environmental Risks

Continental could be threatened with fines and claims for damages for alleged or actual unlawful behavior.
In May 2005, the Brazilian competition authorities opened investigations against Continental's Brazilian subsidiary Continental Brasil Industria Automotiva Ltda., Guarulhos, Brazil (CBIA), following a complaint of anticompetitive behavior in the area of commercialization of tachographs. On August 18, 2010, the Brazilian antitrust authorities determined an "invitation to cartel" and imposed a fine of BRL 12 million (around €1.9 million) on CBIA, which was then reduced to BRL 10.8 million (around €1.7 million). CBIA denies the accusation that it has infringed Brazilian antitrust law. Although the court of first instance appealed to by CBIA upheld the decision, on CBIA's further appeal the next higher court annulled this decision and remanded the matter. In case an infringement of Brazilian antitrust law is found, third parties may, in addition, claim damages from CBIA.

On October 2, 2006, South African antitrust authorities received a complaint from a third party accusing several South African tire manufacturers of alleged antitrust behavior, including Continental Tyre South Africa (Pty.) Ltd., Port Elizabeth (CTSA), a subsidiary of Continental. On August 31, 2010, the South African antitrust authorities came to the conclusion that CTSA had violated South African antitrust law and referred the matter to the responsible antitrust court for a decision. CTSA denies the allegation of infringements of South African antitrust law. However, the tribunal could impose a fine of up to 10% of CTSA's sales. In addition, third parties may also claim damages from CTSA in case of an infringement of South African competition law.

As a result of investigations by the US Department of Justice (DOJ) and the Korea Fair Trade Commission (KFTC) in connection with the suspected involvement in violations of US and South Korean antitrust law in the instrument cluster business, which came to light in 2012, the KFTC imposed a fine on Continental Automotive Electronics LLC, Bugang-myeon, South Korea (CAE), at the end of 2013, the final amount of which was set in 2018 at KRW 32,101 million (around €24 million). In the USA, CAE and Continental Automotive Korea Ltd., Seongnam-si, South Korea, agreed to pay a fine of US $4.0 million (approximately €3.3 million). In the proceedings relating to class action lawsuits filed in the USA and Canada for alleged damages resulting from the antitrust violations, settlements totaling US $5.0 million (around €4.1 million) were concluded in the USA in 2018 and CAN $0.6 million (around €0.4 million) in Canada in 2020. The risk of investigations by other antitrust authorities into this matter and further claims for damages by further alleged victims remain unaffected by the fines imposed.

As a result of investigations that came to light in 2014, the European Commission imposed a fine of €44.0 million on Continental AG; Continental Teves AG & Co. oHG, Frankfurt am Main, Germany; and Continental Automotive GmbH, Hanover, Germany; on February 21, 2018, for the unlawful exchange of information. This involved specific brake components. Continental has set aside provisions that cover this fine. Continental cannot rule out the possibility that customers will claim for damages with reference to the commission's decision. At this point in time, it is not possible to say whether such claims will be submitted and, if they are, how much the damages will be – irrespective of whether or not the claims are justified. As a result, it cannot be ruled out that the resulting expenses will exceed the provisions that have been set aside for this purpose. In accordance with IAS 37.92 and GAS 20.154, no further disclosures will be made with regard to the proceedings and the related measures so as not to adversely affect the company's interests.

The public prosecutor's office in Hanover searched locations of Continental AG and certain subsidiaries as part of investigations in connection with the use of illegal defeat devices in VW diesel engines. Continental is cooperating fully with the Hanover public prosecutor's office. There is a risk that fines will be imposed on these companies as a result of the allegations. The amount of such fines is unknown from the current perspective, but could be significant. Also in view of the full cooperation of Continental, no further disclosures can be made with regard to the ongoing investigations, so as not to adversely affect the company's interests.

There is a risk that Continental could infringe on the industrial property rights of third parties.
There is a risk that Continental could infringe on the industrial property rights of third parties, since its competitors, suppliers and customers also submit a large number of inventions for industrial property protection. It is not always possible to determine with certainty whether there are effective and enforceable third-party industrial property rights to certain processes, methods or applications. Therefore, third parties could assert claims (including illegitimate ones) of alleged infringements of industrial property rights against Continental. As a result, Continental could be required to cease manufacturing, using or marketing the relevant technologies or products in certain countries, or be forced to make changes to manufacturing processes and/or products. In addition, Continental could be liable to pay compensation for infringements or could be forced to purchase licenses to continue using technology from third parties. Continental, for example, supplies telecommunication modules that transmit vehicle data, enable voice and internet functionality, and are compatible with cellular communication standards. In this respect, there is a risk that Continental or its suppliers may be denied their own direct license to use patents relating to these standards (standard essential patents), especially in the field of telecommunications standards such as 3G, 4G or 5G, and that Continental may become dependent on licenses and the conditions under which they are granted to customers. In addition,
Continental is subject to efforts by its customers to change contract terms and conditions concerning the participation in disputes regarding alleged infringements of intellectual property rights.

Continental is exposed to risks from legal disputes.
Companies from the Continental Group are involved in a number of legal and arbitration proceedings and could become involved in other such proceedings in the future. These proceedings could involve substantial claims for damages or payments, particularly in the USA. For more information on legal disputes, see Note 36 of the notes to the consolidated financial statements in the Annual Report.

Continental could be unsuccessful in adequately protecting its intellectual property and technical expertise.
Continental's products and services are highly dependent upon its technological know-how and the scope and limitations of its proprietary rights therein. Continental has obtained or applied for a large number of patents and other industrial property rights that are of considerable importance to its business. The process of obtaining patent protection can be lengthy and expensive. Furthermore, patents may not be granted on currently pending or future applications or may not be of sufficient scope or strength to provide Continental with meaningful protection or commercial advantage. In addition, although there is a presumption that patents are valid, this does not necessarily mean that the patent concerned is effective or that possible patent claims can be enforced to the degree necessary or desired.

A major part of Continental's know-how and trade secrets is not patented or cannot be protected through industrial property rights. Consequently, there is a risk that certain parts of Continental's know-how and trade secrets could be transferred to collaboration partners, customers and suppliers, including Continental's machinery suppliers or plant vendors. This poses a risk that competitors will copy Continental's know-how without incurring any expenses of their own. Moreover, Continental has concluded a number of license, cross-license, collaboration and development agreements with its customers, competitors and other third parties under which Continental is granted rights to industrial property and/or know-how of such third parties. It is possible that license agreements could be terminated under certain circumstances in the event of the licensing partner's insolvency or bankruptcy and/or in the event of a change of control in either party, leaving Continental with reduced access to intellectual property rights to commercialize its own technologies.

Continental could become subject to additional burdensome environmental or safety regulations, and new regulations could adversely affect demand for the company's products and services.
As a corporation that operates worldwide, Continental must observe a large number of different regulatory systems in numerous countries that change frequently and are continuously evolving and becoming more stringent, particularly with respect to the environment, chemicals and hazardous materials, as well as health regulations. This also applies to air, water and soil pollution regulations and to waste legislation, all of which have recently become more stringent through new laws, particularly in the EU and the USA. Moreover, Continental's sites and operations necessitate various permits and the requirements specified therein must be complied with. In the past, adjusting to new requirements has necessitated significant investments and Continental assumes that further significant investments in this regard will be required in the future.

Material Opportunities

Unless the emphasis is placed on a specific business area, the opportunities apply to all business areas.

There are opportunities for Continental if the economy performs better than anticipated.
If the economy in our major sales regions develops better than we have anticipated, we expect that demand for vehicles, replacement tires and industrial products will also develop better than we have anticipated. Due to the increased demand for Continental's products among vehicle manufacturers and industrial clients and in the replacement business that would be expected as a consequence, our sales could rise more significantly than expected and there could be positive effects with regard to fixed cost coverage.

There are opportunities for Continental if the sales markets develop better than anticipated.
If demand for automobiles and replacement tires develops better than we have anticipated, this would have positive effects on Continental's sales and earnings. Particular importance is attached to the European market due to the high share of sales Continental generates in this region (48%).

There are opportunities for Continental if prices fall on the raw materials markets relevant to us.
Continental's earnings situation is affected to a significant extent by the cost of raw materials, electronic components and energy. For Automotive Technologies and Powertrain Technologies, this particularly relates to the cost of electronic components as well as metals and plastics. The earnings situation of the business areas in the Rubber Technologies group sector is significantly impacted by the cost of oil and of natural and synthetic rubber. If prices for natural and synthetic rubber in particular decline, this could have a positive impact on Continental's earnings, provided sales prices for rubber products remain stable.

The trend toward automated and autonomous driving presents Continental with opportunities.
The trend from assisted driving to automated and autonomous driving is set to continue. Several OEMs expect to be able to provide new models with partially automated functions over the next few years. A key requirement for partially automated driving is that vehicles be equipped with sensors. Today, between two and seven sensors for assisted driving are installed per vehicle, depending on the model. Even for partially automated driving, considerably more and also higher-quality radar, camera and LiDAR sensors are required, depending on the scope of the functionality. Since Continental is one of the leading providers of advanced driver assistance systems, the increasing volume of sensors and electronic control units could result in considerable sales and earnings opportunities.

The digitalization of vehicles and the data generated as a result presents Continental with opportunities.
The massive amounts of data generated by driver assistance systems and driver information systems as well as the immediate processing thereof in vehicles require a changeover of the vehicle architecture to the most cutting-edge high-performance computers. This – together with the new software solutions required for this purpose – results in substantial growth potential for Continental with positive effects on its future sales and attainable margins. In addition, the increasing digitalization of our products gives us the opportunity to offer our customers software-based services as well as the product itself, and to open up new markets for mobility services (smart mobility).

The tire business presents Continental with opportunities.
Continental intends to further increase its market share in the growth markets of Asia and North America in particular. In the passenger-car tire segment, the global business with tires for electric mobility and ultra-high performance tires is to be systematically expanded further. The truck and bus tire business is to be further developed in all regions through the Conti360° fleet services.

Continental's specialty tire business, which includes not only two-wheel and racing tires but also tires for a variety of industrial applications, is expected to grow further as well. Smart, digital tire solutions and ambitious sustainability goals will also make a significant contribution to market success and differentiation in the future. In the area of service-based digital solutions, the Tires business area of Continental aims to become the leading supplier worldwide by 2030. If Continental succeeds in increasing its market share in high-growth segments and in digital solutions and services even more than planned, this is likely to have positive effects on its sales and earnings.

Digitalization in the industrial business presents Continental with opportunities.
The growth potential results primarily from the increasing demand for digital and intelligent solutions in the industrial business. To this end, the ContiTech business area will draw on its long-standing and detailed knowledge of the industry and materials to open up new business opportunities by combining various materials with electronic components and individual services. If these new products become established more quickly than planned, this would create corresponding sales and earnings opportunities for Continental.

There are opportunities for Continental from changes in the legal framework.
Legal regulations with the aim of further improving traffic safety provide an opportunity for a rise in demand for Continental's products. Based on our broad product portfolio for active vehicle safety, we have developed more advanced safety systems over the past years. Further volume growth is expected as a result of more stringent requirements in various regional safety tests, since an increasing number of safety systems have been recognized as having achieved the very highest level of safety. In addition, more and more legal requirements in individual countries are being expanded to include active safety systems.

The further tightening of the regulatory provisions on fuel consumption and emission standards for motor vehicles could trigger higher demand for Continental's products in the Powertrain business area. With our comprehensive portfolio, we already provide solutions that facilitate compliance with these changes in the legal framework. Our portfolio includes in particular systems and components for hybrid and electric drives as well as tires with optimized rolling resistance and tires for hybrid and electric vehicles. Rising installation rates for these products due to increased regulatory provisions would have a positive influence on our sales and earnings.

Statement on Overall Risk and Opportunities Situation

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

How long the COVID-19 pandemic and the consequences thereof will continue to have an effect on the automotive industry and the macroeconomic situation remains to be seen.

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

Considering the material opportunities, the overall risk assessment for the Continental Group presents a reasonable risk and opportunities situation to which our risk-containment measures and our corporate strategy have been aligned accordingly.

Further Information
GRI Index

This report was prepared in accordance with the GRI standards. The consolidated set of GRI Sustainability Reporting Standards 2020 served as the basis. The following index gives the page references for required information and provides information on the completeness of the answer.

Universal disclosure obligations

GRI 102: General Disclosures

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

Disclosure	Description	Continental comments/page reference	Completeness (self-assessment)
1. Organizational Profile			
102-1	Name of the organization	8 f.	fully reported
102-2	Activities, brands, products, and services	8 f.	fully reported
102-3	Location of headquarters	8 f.	fully reported
102-4	Location of operations	8 f.	fully reported
102-5	Ownership and legal form	8 f.	fully reported
102-6	Markets served	8 f.	fully reported
102-7	Scale of the organization	8 f.	fully reported
102-8	Information on employees and other workers	8 f., 49, 59 f.	fully reported
102-9	Supply chain	8 f.	fully reported
102-10	Significant changes to the organization and its supply chain	8 f.	fully reported
102-11	Precautionary principle or approach	14	fully reported
102-12	External initiatives	119	fully reported
102-13	Membership of associations	119	partially reported
2. Strategy			
102-14	Statement from senior decision-maker	5, 14	fully reported
3. Ethics and Integrity			
102-16	Values, principles, standards, and norms of behavior	64 f.	fully reported
4. Governance			
102-18	Governance structure	14, 65 f.	fully reported
5. Stakeholder Engagement			
102-40	List of stakeholder groups	15	fully reported
102-41	Collective bargaining agreements	59	partially reported
102-42	Identifying and selecting stakeholders	15	fully reported
102-43	Approach to stakeholder engagement	15	fully reported
102-44	Key topics and concerns raised	6, 15	fully reported
6. Reporting Practice			
102-45	Entities included in the consolidated financial statements	6 f.	fully reported
102-46	Defining report content and topic boundaries	6 f.	fully reported
102-47	List of material topics	6 f.	fully reported
102-48	Restatements of information	6 f.	fully reported
102-49	Changes in reporting	6 f.	fully reported
102-50	Reporting period	6 f.	fully reported
102-51	Date of most recent report	6 f.	fully reported
102-52	Reporting cycle	6 f.	fully reported
102-53	Contact point for questions regarding the report	118	fully reported
102-54	Claims of reporting in accordance with the GRI Standards	6, 107 f.	fully reported
102-55	GRI content index	107 f.	fully reported
102-56	External assurance	6 f.	fully reported

Topic-specific disclosure obligations (by materiality)

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

GRI 200: Economic

Disclosure	Description	Continental comments/page reference	Completeness (self-assessment)
201	**Economic Performance**		
103	Management approach	38 f.	fully reported
201-1	Direct economic value generated and distributed	38 f.	partially reported
201-2	Financial implications and other risks and opportunities due to climate change	5, 13, 14, 17, 20-22	partially reported
201-3	Defined benefit plan obligations and other retirement plans	58	fully reported
201-4	Financial assistance received from government	56	fully reported
202	**Market Presence**		
103	Management approach	8	partially reported
202-1	Ratios of standard entry level wage by gender compared to local minimum wage not reported	n.a.	not reported
202-2	Proportion of senior management hired from the local community	n.a.	not reported
203	**Indirect Economic Performance**		
103	Managementansatz	97	partially reported
203-1	Infrastructure investments and services supported	97	partially reported
203-2	Significant indirect economic impacts	n.a.	not reported
205	**Anti-Corruption**		
103	Management approach	71 f.	fully reported
205-1	Operations assessed for risks related to corruption	71 f.	partially reported
205-2	Communication and training about anti-corruption policies and procedures	71 f.	fully reported
205-3	Confirmed incidents of corruption and actions taken	71 f.	not reported
206	**Anti-competitive Behavior**		
103	Management approach	71 f.	fully reported
206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices	74 f.	fully reported
207	**Tax**		
103	Managementansatz	49, 73	fully reported
207-1	Approach to tax	49, 73	fully reported
207-2	Tax governance, control, and risk management	49, 73	partially reported
207-3	Stakeholder engagement and management of concerns related to tax	15, 49, 73	not reported
207-4	Country-by-country reporting	73	partially reported

GRI 300: Environment

Disclosure	Description	Continental comments/page reference	Completeness (self-assessment)
301	**Materials**		
103	Management approach	24	fully reported
301-1	Materials used by weight or volume	10	partially reported
301-2	Recycled input materials used	24 f.	not reported
301-3	Reclaimed products and their packaging materials	24 f.	not reported
302	**Energy**		
103	Management approach	34	fully reported
302-1	Energy consumption within the organization	35 f.	fully reported
302-2	Energy consumption outside of the organization	n.a.	not reported
302-3	Energy intensity	35 f.	fully reported
302-4	Reduction of energy consumption	35 f.	partially reported
302-5	Reductions in energy requirements of products and services	17 f., 20 f.	partially reported
303	**Water**		
103	Management approach	34	fully reported
303-1	Water withdrawal by source	35 f.	fully reported
303-2	Water sources significantly affected by withdrawal of water	35 f.	fully reported
303-3	Water recycled and reused	35 f.	not reported
305	**Emissions**		
103	Management approach	17 f., 20 f., 34	fully reported
305-1	Direct (Scope 1) GHG emissions	34 f.	fully reported
305-2	Indirect (Scope 2) GHG emissions	34 f.	fully reported
305-3	Other indirect (Scope 3) GHG emissions	22	fully reported
305-4	GHG emissions intensity		not reported
305-5	Reduction of GHG emissions	17 f., 20 f., 34 f.	partially reported
305-6	Emissions of ozone-depleting substances (ODS)	n.a.	not reported
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX) and other significant air emissions	n.a.	not reported
306	**Effluents and Waste**		
103	Management approach	24, 34	fully reported
306-1	Water discharge by quality and destination	n.a.	not reported
306-2	Waste by type and disposal method	35 f.	partially reported
306-3	Significant spills	n.a.	not reported
306-4	Transport of hazardous waste	n.a.	not reported
306-5	Water bodies affected by water discharges and/or runoff	n.a.	not reported
307	**Environmental Compliance**		
103	Management approach	34, 71 f.	fully reported
307-1	Non-compliance with environmental laws and regulations	74 f.	fully reported
308	**Supplier Environmental Assessment**		
103	Management approach	27	partially reported
308-1	New suppliers that were screened using environmental criteria	27	partially reported
308-2	Negative environmental impacts in the supply chain and actions taken	27	partially reported

GRI 400: Social

Disclosure	Description	Continental comments/page reference	Completeness (self-assessment)
401	**Employment**		
103	Management approach	57	fully reported
401-1	New employee hires and employee turnover	57, 59	partially reported
401-2	Benefits provided to full-time employees that are not provided to temporary or parttime employees	56, 57	partially reported
401-3	Parental leave	n.a.	not reported
402	**Labor/Management Relations**		
103	Management approach	59	partially reported
402-1	Minimum notice periods regarding operational changes	59	not reported
403	**Occupational Health and Safety**		
103	Management approach	34, 37, 57	fully reported
403-1	Workers representation in formal joint management-worker health and safety committees	59	not reported
403-2	Types of injury and rates of injury, occupational diseases, lost days, absenteeism, and the number of work-related fatalities	34, 57	partially reported
403-3	Workers with high incidence or high risk of diseases related to their occupation	n.a.	not reported
403-4	Health and safety topics covered in formal agreements with trade unions	59	fully reported
404	**Training and Education**		
103	Management approach	57	fully reported
404-1	Average hours of training per year per employee	57	not reported
404-2	Programs for upgrading employee skills and transition assistance programs	57	partially reported
404-3	Percentage of employees receiving regular performance and career development reviews	57	not reported
405	**Diversity and Equal Opportunity**		
103	Management approach	57, 64, 70 f.	fully reported
405-1	Diversity of governance bodies and employees	64, 70 f.	partially reported
405-2	Ratio of basic salary and remuneration of women to men	59	not reported
406	**Non-discrimination**		
103	Management approach	28, 57, 70 f.	partially reported
406-1	Incidents of discrimination and corrective actions taken	28, 57, 70 f.	not reported
407	**Freedom of Association and Collective Bargaining**		
103	Management approach	27 f., 57, 59	partially reported
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	27 f.	partially reported
408	**Child Labor**		
103	Management approach	27 f., 57	partially reported
408-1	Operations and suppliers at significant risk for incidents of child labor	27 f.	partially reported
409	**Forced or Compulsory Labor**		
103	Management approach	27 f., 57	partially reported
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	27 f.	partially reported
412	**Human Rights Assessment**		
103	Management approach	27 f.	fully reported
412-1	Operations that have been subject to human rights reviews or impact assessments	27 f., 34	partially reported

Disclosure	Description	Continental comments/page reference	Completeness (self-assessment)
412-2	Employee training on human rights policies or procedures	27 f., 71 f.	partially reported
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	n.a.	not reported
414	**Supplier Social Assessment**		
103	Management approach	27 f.	fully reported
414-1	New suppliers that were screened using social criteria	27 f.	partially reported
414-2	Negative social impacts in the supply chain and actions taken	27 f.	partially reported
415	**Public Policy**		
103	Management approach	97	partially reported
415-1	Political contributions	97	fully reported
416	**Customer Health and Safety**		
103	Management approach	61	partially reported
416-1	Assessment of the health and safety impacts of product and service categories	61 f.	partially reported
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	74 f.	fully reported
418	**Customer Privacy**		
103	Management approach	32	partially reported
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	n.a.	not reported
419	**Socioeconomic Compliance**		
103	Management approach	28	partially reported
419-1	Non-compliance with laws and regulations in the social and economic area	74 f.	fully reported

UN Global Compact Index

The following index serves as the Continental Group's 2019 Communication on Progress in relation to the implementation of the principles of the UN Global Compact and, in this regard, presents the sustainability activities described in the context of the principles of the UN Global Compact.

Topic area	Principle	Page reference
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights.	17-18, 20-22, 24-25, 27-29, 34-37, 57, 67
	2. Make sure that they are not complicit in human rights abuses.	17-18, 20-22, 24-25, 27-29, 34-37, 57, 67
Labor	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	27-29, 57, 71-73
	4. The elimination of all forms of forced and compulsory labor.	27-29, 57, 71-73
	5. The effective abolition of child labor.	27-29, 57, 71-73
	6. The elimination of discrimination in respect of employment and occupation.	27-29, 57, 71-73
Environment	7. Businesses should support a precautionary approach to environmental challenges.	20-23, 24-25, 27-29, 34-37
	8. Undertake initiatives to promote greater environmental responsibility.	20-23, 24-25, 27-29, 34-37
	9. Encourage the development and diffusion of environmentally friendly technologies.	20-23, 24-25, 27-29, 34-37
Anti-Corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	27-29, 79-81

SDG Index

The following index shows the Continental Group's sustainability activities described in the context of the UN Sustainable Development Goals (SDGs).

SDG	Page reference	SDG	Page reference
1 NO POVERTY	97	10 REDUCED INEQUALITIES	57, 70-71
2 ZERO HUNGER	97	11 SUSTAINABLE CITIES AND COMMUNITIES	17-18, 20-22, 24-25, 30, 63, 97
3 GOOD HEALTH AND WELL-BEING	27-29, 34, 37, 57, 60	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	17-18, 20-22, 24-25, 30, 63, 97
4 QUALITY EDUCATION	57, 97	13 CLIMATE ACTION	17-19, 20-22, 34-36
5 GENDER EQUALITY	64, 70	14 LIFE BELOW WATER	35-36
6 CLEAN WATER AND SANITATION	34-36	15 LIFE ON LAND	17-18, 20-22, 24-25, 30, 63, 97
7 AFFORDABLE AND CLEAN ENERGY	17-18, 20-22, 34-36	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	27-29, 71-73, 97
8 DECENT WORK AND ECONOMIC GROWTH	57-60, 38-56	17 PARTNERSHIPS FOR THE GOALS	15, 27, 29, 119
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	17-19, 20-22, 24-25, 30-31, 63, 97		

TCFD Index

The following index shows the Continental Group's sustainability activities described in the context of the disclosure recommendations for climate reporting by the Task Force on Climate-Related Financial Disclosures (TCFD). The disclosure recommendations are currently only available in English.

Disclosure	Page reference
Governance: Disclose the organization's governance around climate related risks and opportunities.	
a) Describe the board's oversight of climate-related risks and opportunities. b) Describe management's role in assessing and managing climate-related risks and opportunities.	5, 13, 14, 64, 76 f.
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and longterm. b) Describe the impact of climaterelated risks and opportunities on the organization's businesses, strategy, and financial planning. c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	5, 13, 14, 17, 20-22
Risk Management: Disclose how the organization identifies, assesses, and manages climate-related risks.	
a) Describe the organization's processes for identifying and assessing climate-related risks. b) Describe the organization's processes for managing climate-related risks. c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	5, 13, 14, 17, 20-22, 98-108
Metrics and Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	
a) Disclose the metrics used by the organization to assess climaterelated risks and opportunities in line with its strategy and risk management process. b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	17, 20-22

SASB Index

The following index shows the Continental Group's sustainability activities described in the context of the industry-specific reporting standards of the Sustainability Accounting Standards Board (SASB) for automotive suppliers (Automotive Parts). The standard is currently only available in English.

Diclosure	Description	Page reference
Energy Management		
TR-AP-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	21-21, 35-36
Waste Management		
TR-AP-150a.1	(1) Total amount of waste from manufacturing, (2) percentage hazardous, (3) percentage recycled	24, 35-36
Product Safety		
TR-AP-250a.1	Number of recalls issued, total units recalled	61
Design for Fuel Efficiency		
TR-AP-410a.1	Revenue from products designed to increase fuel efficiency and/or reduce emissions	17
Materials Sourcing		
TR-AP-440a.1	Description of the management of risks associated with the use of critical materials	24, 28-30, 35
Materials Efficiency		
TR-AP-440b.1	Percentage of products sold that are recyclable	25
TR-AP-440b.2	Percentage of input materials from recycled or remanufactured content	25
Competitive Behaviour		
TR-AP-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	74
Activity Metrics		
TR-AP-000.A	Number of parts produced	n.a.
TR-AP-000.B	Weight of parts produced	n.a.
TR-AP-000.C	Area of manufacturing plants	8

Ratings and Rankings

Continental features in various sustainability indices:

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

Continental also performed as follows in the rankings indicated below:

Index	Year	Description
MSCI	2021	BBB
SUSTAINALYTICS a Morningstar company	2021	13.6 (low risk) Auto components: rank 8/200 Auto parts: rank 6/174
Corporate Responsibility Prime rated by ISS-oekom	2020	Prime (C+)
CDP DISCLOSURE INSIGHT ACTION	2020	Climate: score B Water: score B Supply Chain: score A Supplier Engagement Leader Board
ecovadis	2020	Gold status Score: 69/100 97th percentile

1 Disclaimer MSCI: The use by Continental of any MSCI ESG Research LLC data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, or promotion of Continental by MSCI or any of its affiliates. MSCI services and data are the property or MSCI or its information providers. MSCI and MSCI ESG Research names and logos are trademarks or service marks of MSCI or its affiliates.

Key Memberships

	Organization	Joined
	World Business Council for Sustainable Development (WBCSD)	2005
	European Road Safety Charter	2007
	Diversity Charter	2008
	Luxembourg Declaration on Workplace Health Promotion in the European Union	2010
UN Global Compact	United Nations Global Compact	2012
	Women's Empowerment Principles	2015
	econsense – Sustainable Development Forum for the German Economy	2015
	Global Platform for Sustainable Natural Rubber	2018
	RE100	2020
	CEO Water Mandate	2020
	Alliance for Development and Climate	2021

Independent Auditor's Reports

The audit opinions of the independent auditor KPMG for the audited contents of this report are available online at www.continental-sustainability.com/downloads.

Name of auditor's report	Valid for	Date of the auditor's report[1]
Report on the Audit of the Consolidated Financial Statements and the Consolidated Management Report	Content from the Consolidated Financial Statements and Management Report (except for the Combined Group Non-Financial Statement)	March, 2 .2021
Reasonable assurance report of the independent auditor regarding the combined non-financial statement	Content from the combined non-financial statement	March, 2 .2021
Independent auditor's Limited Assurance Report regarding selected environmental key performance indicators in the Sustainability Report	Selected indicators in the Sustainability Report: CO_2 emissions scope 3, energy use, water demand, waste generation, product weight	April 16, 2021

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

Publication Details

Publisher:
Continental AG
Vahrenwalder Strasse 9
30165 Hanover

Concept, editing and contact:
Continental AG, Group Sustainability
Steffen Schwartz-Hoefler, Head of Group Sustainability
Andrea Lukas, Sustainability Reporting Specialist

If you have questions or comments, please send us an e-mail to the Address sustainability@continental.com.

Further information on sustainability at Continental can be found in the internet at www.continental-sustainability.com.

Continental Sustainability Ambition

Sustainability is at the heart of our business and in the hearts of our people. With our businesses, our products and services, along our value chains and with our worldwide activities, we drive the ongoing transformation of the economy towards a healthy ecosystem for sustainable mobility and industries. We shape this sustainable future with our products, services and operations and reduce adverse impacts along the value chain. Therefore, we strengthen and evolve existing business fields, foster innovation and phase-in new business while transforming or phasing out non-viable businesses. Our business activities thereby create economic, social and ecological value for all our stakeholders and society.
Our sustainable business practice is based on our company values, codes of conducts, respective rules and policies as well as international frameworks incl. the United Nations Sustainable Development Goals (SDGs), the United Nations Global Compact, the OECD Guidelines on Multinational Enterprises (MNE's) and the United Nations Guiding Principles on Business and Human Rights with specific reference to the ILO Core Labour Conventions.
We actively manage and continuously improve our performance in our four sustainability focus areas as well as our eight sustainability essentials.

Four Sustainability Focus Areas

For our four sustainability focus areas we commit to visionary and bold ambitions – latest by 2050 and together with our value chain partners:

Carbon Neutrality
We strive for 100 % carbon neutrality along our entire value chain (products, operations, supply).

Circular Economy
We strive for 100 % closed resource and product cycles.

Emission-free Mobility and Industries
We strive for 100 % emission-free mobility and industries.[1]

Responsible Value Chain
We strive for 100 % responsible sourcing and business partnerships.

Eight Sustainability Essentials

Our eight sustainability Essentials represent the backbone of our sustainability management:

Good Working Conditions
We provide inspiring, healthy and fair working conditions.

Safe Mobility
We strive for maximum safety in mobility with technological solutions envisioning zero road accidents and fatalities.

Green and Safe Factories
We operate our business in a safe and responsible manner based on systematic management and protecting people and the environment.

Long-term Value Creation
We focus on sustainable short-, medium- and long-term value creation for our stakeholders and a responsible distribution of the value created.

Innovations and Digitalization
We continuously push innovations, new business models and a responsible digital transformation.

Sustainable Management Practice
We implement effective management processes, fair business practices and responsible corporate governance with a balanced view of different perspectives.

Benchmark in Quality
We are recognized by our customers and the society as being a Benchmark in Quality by ensuring safe and sustainable products.

Corporate Citizenship
As an active member of the communities we live and operate in, we are committed to make a positive impact on society beyond our business activities.

This Sustainability Ambition outlines the sustainability framework for the Continental AG and all its subsidiaries, including minority holdings where we exercise management control. It is subject to regular review by the Executive Board. Based on a transparent stakeholder dialogue, we continuously advance our sustainability efforts, our Sustainability policy and our reporting on progress.

The Executive Board | September 2020

[1] "Emission-free" refers to zero emissions like greenhouse gases or NOx but does not include harmless emissions like water vapor emissions, non-toxic biodegradable particulate emissions or a minimum of noise emissions.

Continental Aktiengesellschaft
P.O. Box 1 69, 30001 Hanover, Germany
Vahrenwalder Strasse 9, 30165 Hanover, Germany
Phone: +49 511 938 - 01, Fax: +49 511 938 - 81770
mailservice@conti.de
www.continental.com

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