



GRI Report 2012

and UN Global Compact
Communication on Progress

About This Report

In this document, Continental AG presents its sustainability report for the year 2012. This report is aimed at investors, analysts, customers, employees, suppliers, politicians, and public authorities, as well as all other stakeholders that have relations with the company and want to know the values and principles that define our actions. The report aims to create transparency and therefore present – alongside our wide range of activities and achievements – all those areas in which there is a certain need for improvement, at least as regards verifiable proof.

In evaluating the situation and compiling content for this report, we used the third-generation (G3) Global Reporting Initiative (GRI) Guidelines as a framework. Founded in the 1990s, the aim of this initiative is to establish a framework accepted around the world as a means of facilitating comparison and enhancing the credibility of the achievements reported by the respective companies and organizations. These guidelines require information on our values, our organization, and our strategy, as well as information on our key performance indicators in the Economic, Environment, and Social categories.

While we do not have the answer to every single question, we do believe that our reporting satisfies the requirements for the middle GRI Application Level B, even if we cannot fully report some of the required indicators. We are striving to reach GRI Level A in the medium term. We consider the associated systematic approach a useful guide to help us continuously improve ourselves in accordance with the growing requirements of our customers, employees, and society.

Continental Corporation: Key Performance Indicators

in € millions	2012	2011	Δ in %
Sales	32,736.2	30,504.9	7.9
EBITDA	4,854.6	4,228.0	14.8
in % of sales	14.8	13.9	
EBIT	3,073.4	2,596.9	18.3
in % of sales	9.4	8.5	
Net income attributable to the shareholders of the parent	1,883.5	1,242.2	51.6
Earnings per share in €	9.42	6.21	51.6
Adjusted sales ¹	32,551.7	30,504.9	6.7
Adjusted operating result (adjusted EBIT) ²	3,522.4	3,040.9	15.8
in % of adjusted sales	10.8	10	
Free cash flow	1,652.5	490.5	236.9
Net indebtedness	5,319.9	6,772.1	-21.4
Gearing ratio in %	58.2	89.8	
Total equity	9,144.8	7,543.3	21.2
Equity ratio in %	33.5	29.0	
Number of employees as at December 31 ³	169,639	163,788	3.6
Dividend per share in €	2.25 ⁴	1.50	
Share price at year-end ⁵ in €	87.59	48.10	
Share price ⁵ (high) in €	87.95	76.28	
Share price ⁵ (low) in €	48.10	39.44	

¹ Before changes in the scope of consolidation.

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

³ Excluding trainees.

⁴ Subject to the approval of the Annual Shareholders' Meeting on May 15, 2013.

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

GRI Content Index

1. Strategy and Analysis			
1.1	Statement from the organization's most senior decision maker	6	
1.2	Key sustainability risks, opportunities, and impacts.....	6	
2. Organizational Profile			
2.1	Name of the company.....	7	
2.2	Important brands, products, and services.....	7	
2.3	Business units and corporate structure.....	7	
2.4	Corporate headquarters.....	7	
2.5	Number/names of countries with major operations.....	7	
2.6	Ownership structure.....	7	
2.7	Markets served	7	
2.8	Scale of the reporting organization.....	8	
2.9	Significant changes during the reporting period.....	8	
2.10	Awards received during the reporting period.....	8	
3. Report Parameters			
3.1	Reporting period	9	
3.2	Date of the most recent report.....	9	
3.3	Reporting cycle.....	9	
3.4	Contact person for questions regarding the report.....	9	
3.5	Process for defining report content	9	
3.6	Scope of the report	9	
3.7	Constraints/limitations of the report.....	9	
3.8	Basis for reporting on joint ventures, subsidiaries, etc.....	9	
3.9	Measurement techniques and basis of data calculations.....	9	
3.10	Changes compared to previous reports with regard to re-statements/new interpretations.....	9	
3.11	Changes compared to previous reports with regard to topics, scope, and measurement techniques.....	9	
3.12	GRI Index table.....	9	
3.13	External audit of claims.....	9	
4. Governance, Commitments, and Engagement			
4.1	Governance structure and responsibility for sustainability	10	
4.2	Independence of the Chairman of the Supervisory Board	10	
4.3	Highest governance body among companies without a supervisory board.....	10	
4.4	Mechanisms for dialogue between shareholders and employees and the Supervisory Board/ Executive Board	10	
4.5	Link between compensation for members of the governance bodies and the performance of the organization	11	
4.6	Procedures of the executive committees to prevent conflicts of interest.....	11	
4.7	Qualifications and expertise of the executive committees in the area of sustainability	11	
4.8	Statement of mission, company values, and codes of conduct	11	
4.9	Procedures of the Executive Board and Supervisory Board to control and monitor sustainability performance.....	11	
4.10	Processes for evaluating the Executive Board's sustainability performance.....	11	
4.11	Implementation of the precautionary approach	11	
4.12	Involvement in and support of external standards, agreements, and initiatives.....	11	
4.13	Memberships in associations and interest groups	12	
4.14	List of stakeholder groups engaged by the company	12	
4.15	Basis for identification of stakeholders.....	12	
4.16	Approaches to stakeholder engagement	12	
4.17	Statement on key topics and concerns of the stakeholders.....	12	
Economic Performance Indicators			
	Corporate Policy and Management Approach	13	
EC1	Data on Financial Income.....	13	
EC2	Risks, Opportunities, and Consequences of Climate Change.....	13	
EC3	The Company's Social Benefits and Pension Obligations.....	13	
EC4	Financial Assistance Received from Government.....	13	
EC6	Spending on Locally-Based Suppliers	14	
EC7	Hiring Local Staff	14	
EC8	Investments for the Welfare of the Local Community....	14	
EC9	Indirect Economic Impacts	14	
Environmental Performance Indicators			
	Environmental Policy and Management Approach.....	15	
EN1	Materials Used	15	
EN2	Percentage of Recycling Material	15	
EN3	Direct Energy Consumption.....	15	
EN4	Indirect Energy Consumption.....	16	
EN5	Energy-Saving Measures.....	16	
EN6	Energy-Saving Measures in Products	16	
EN7	Reduction of Indirect Energy Consumption	16	
EN8	Water Consumption.....	16	
EN9	Water Sources.....	16	
EN10	Percentage of Reclaimed and Reused Water	16	
EN11	Protected Areas.....	16	
EN12	Impact on Protected Areas	17	
EN14	Measures and Plans to Promote Biodiversity	17	
EN16	Greenhouse Gas Emissions.....	17	
EN17	Other Greenhouse Gas Emissions.....	17	
EN18	Initiatives to Reduce Greenhouse Gases	17	
EN19	Emissions of Ozone-Depleting Substances.....	18	
EN20	Other Air Emissions	18	
EN21	Waste Water.....	18	
EN22	Waste.....	18	

EN23 Spills of Hazardous Substances 18
 EN24 Transported Waste Shipped Internationally 18
 EN26 Initiatives to Mitigate the Environmental Impact of
 Products and Services..... 19
 EN27 Reclaimed Products and Packaging..... 19
 EN28 Fines..... 19

Social Performance Indicators

Labor Practices and Decent Work

Corporate Policy and Management Approach 20
 LA1 Information on the Total Workforce 20
 LA2 Employee Fluctuation 20
 LA3 Company Benefits for Full-Time Employees 20
 LA4 Percentage of Employees Covered by Collective
 Bargaining Agreements 21
 LA5 Notice Periods Regarding Operational Changes 21
 LA6 Percentage of Employees Represented in
 Occupational Health and Safety Committees..... 21
 LA7 Accident Statistics 21
 LA8 Company Health Management Programs 21
 LA9 Company Agreements on Occupational Safety 22
 LA10 Training Statistics 22
 LA11 Lifelong Learning and Knowledge Management 22
 LA12 Percentage of Employees Receiving Performance
 Reviews and Development Programs 22
 LA13 Composition of Governance Bodies
 Regarding Diversity and Equal Opportunities..... 23
 LA14 Ratio of Basic Salary of Men and Women 23

Human Rights

Corporate Policy and Management Approach 24
 HR1 Investment Agreements with
 Human Rights Clauses..... 24
 HR2 Percentage of Contractors/Suppliers Subjected
 to Human Rights Screening..... 24
 HR4 Incidents of Discrimination and Action Taken..... 24
 HR5 Operations Entailing a Significant Risk for the
 Employees' Freedom of Association 25
 HR6 Operations Entailing a Significant Risk
 of Child Labor 25
 HR7 Operations Entailing a Significant Risk
 of Forced Labor..... 25

Society

Corporate Policy and Management Approach 26
 SO1 Impact of Operations on
 Local Communities 26
 SO2 Percentage of Business Units Analyzed
 for Corruption Risks 26
 SO3 Percentage of Employees Trained in the
 Identification of Corruption Risks 27
 SO4 Action Taken in Response to Incidents of Corruption 27

SO5 Participation in the Forming of Political Will 27
 SO6 Contributions to Political Parties and Politicians 27
 SO7 Legal Action Against the Company for
 Anti-Competitive Behavior 27
 SO8 Fines or Sanctions Against the Company due
 to Non-Compliance with Laws and Regulations..... 27

Product Responsibility

Corporate Policy and Management Approach 28
 PR1 Product Responsibility for Humans and the
 Environment Across the Entire Life Cycle..... 28
 PR2 Non-Compliance with Requirements Regarding
 Product Responsibility..... 28
 PR3 Legally Required Obligations to Provide
 Information Regarding Product Responsibility..... 29
 PR6 Laws and Standards Relating to Product Advertising..... 29
 PR7 Non-Compliance with Advertising Requirements..... 29
 PR8 Complaints Regarding Breaches of Customer
 Data Privacy 29
 PR9 Fines for Non-Compliance with Legal Requirements
 Regarding Product Usage..... 29

Communication on Progress

to the UN Global Compact..... 30

1. Strategy and Analysis

1.1 Statement from the organization's most senior decision maker

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

We contribute to sustainable mobility with our products, technologies, and services. The goal is to increase the safety, comfort, and energy efficiency of vehicles. We also want to make mobility affordable for everyone. We make significant contributions of benefit to society for a number of additional key industries - such as wind turbines for energy generation or conveyor belt systems to transport materials without harming the environment. For humans, our solutions mean protection, health, and quality of life.

We are convinced that acting in a sustainability-oriented and responsible manner opens our company to change and strengthens its future viability. We therefore consider sustainable management to be a strategic corporate development task. It is vital that sustainability goals and measures create value. This is the only way to ensure their acceptance within the company and their credibility outside the company.

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

Dr. Elmar Degenhart
Chairman of the Executive Board

1.2 Key sustainability risks, opportunities, and impacts

As a global corporation, Continental must take into account a wide variety of risks. There is no ruling out the possibility that these can have a negative impact on our business. In extreme cases, the existence of the company could be jeopardized. We accept calculable risks if the resulting opportunities lead us to expect the achievement of a sustainable growth in value. There is a uniform corporate-wide risk management system for the purpose of early detection, cause analysis, assessment and avoidance or at least minimization of risks. It regulates the recording, assessment, documentation, and reporting of risks and is integrated into the company's strategy, planning, and budgeting processes. The risk management system fully complies with the Corporate Governance Principles of the Continental Corporation and statutory requirements. It is part of the annual audit.

2. Organizational Profile

2.1 Name of the company

Continental Aktiengesellschaft

2.2 Important brands, products, and services

As a supplier of brake systems, systems and components for powertrains and chassis, instrumentation, infotainment solutions, vehicle electronics, tires, and technical elastomers, Continental contributes to enhanced driving safety and global climate protection. Continental is also an expert partner in networked automobile communication.

Below are the important brands for each area:

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

2.3 Business units and corporate structure

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

Automotive Group

- › The Chassis & Safety division (78 locations in 20 countries) develops and produces intelligent systems for an automotive future that does an even better job of protecting life and avoiding injuries; share of sales in 2012: 21 percent.
- › In the Powertrain division (70 locations in 21 countries), we integrate innovative and efficient powertrain system solutions for all present-day and future vehicle categories; share of sales in 2012: 19 percent.
- › The Interior division (97 locations in 25 countries) offers solutions for vehicle information management aimed at increasing driving comfort and safety; share of sales in 2012: 20 percent.

Rubber Group

- › The Tire division (69 locations in 39 countries) has the right tires for every vehicle, from racing bikes to harbor cranes; share of sales in 2012: 29 percent.
- › The ContiTech division (91 locations in 27 countries) develops products made from rubber and plastic that are unique and customized for a wide range of industries; share of sales in 2012: 11 percent.

Several divisions are represented at some locations.

2.4 Corporate headquarters

Hanover, Germany.

2.5 Number/names of countries with major operations

Continental has 291 locations in 46 countries around the world (as at December 31, 2012):

- › Europe: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Kazakhstan, Netherlands, Norway, Poland, Romania, Portugal, Russia, Serbia, Slovakia, Spain, Sweden, Switzerland, Turkey, U.K.
- › North America: Canada, Mexico, U.S.A.
- › South America: Argentina, Brazil, Chile, Ecuador.
- › Africa: South Africa, Tunisia.
- › Asia: China, India, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand.
- › Australia.

The current overview of all locations around the world is available at the following link.

The Continental World at a Glance

http://www.continental-corporation.com/www/portal_com_en/themes/continental/continental_global/

2.6 Ownership structure

Continental is a stock corporation under German law. As of December 31, 2012, 49.90 percent of shares were owned by the Schaeffler Group, Herzogenaurach, Germany, and 50.10 percent were in free float.

Continental AG is listed on the German stock index (DAX).

2.7 Markets served

Continental operates internationally; we have customers in almost all countries of the world (see 2.5). In 2012, the sales breakdown was as follows:

- › Germany: 25 percent
- › Europe (excluding Germany): 30 percent
- › NAFTA: 22 percent
- › Asia: 18 percent
- › Other countries: 5 percent

As an automotive supplier, we generate 72 percent of our sales directly with automotive manufacturers. The other 28 percent of sales are realized with customers from other branches of industry and end users.

2.8 Scale of the reporting organization

In 2012, the corporation's 169,639 employees generated sales amounting to €32.7 billion. This represented an increase of 7.3 percent over the previous year (2011: €30.5 billion). Worldwide, Continental is among the top three in the automotive supply industry.

2.9 Significant changes during the reporting period (size, structure, ownership)

As of September 24, 2012, Continental AG has (once again) been listed on the German stock index (DAX). The ownership structure shows no significant changes vis-à-vis 2011.

2.10 Awards received during the reporting period

During the reporting period, Continental received the following awards:

- › Carbon Disclosure Leadership Index Award for exceptional climate protection activities. In 2012, Continental was awarded 82 points out of a total of 100 and scored very well in a ranking of the approximately 4,000 companies surveyed.
- › ÖkoGlobe 2012 environmental prize in the "energy generation and energy storage" category. The jury presented this award for the MK 100 ESC Premium Hybrid recuperative braking system specially developed for use in hybrid vehicles.
- › Award presented to the Continental's Belgian location in Mechelen - the first company to fulfill all requirements of the

CSR Charter. The award was announced by the provincial administration and the Chamber of Commerce of Antwerp, Belgium.

- › For the second time, the Continental location in Calamba, Philippines, was honored with the PEP Award for its environmentally conscious performance. Conferred annually by the Philippine Economic Zone Authority (PEZA), this award gives recognition to special achievements in the fields of sustainable environmental compatibility and innovative systems for the continuous improvement of environmental management.
- › Continental received a Yellow Angel mobility award from the German Automobile Association (ADAC) for the development of a new type of vehicle battery. This innovative technology earned Continental third place in the "innovation and environment" category.

Continental participates in the Carbon Disclosure Project (CDP), an initiative to improve transparency regarding greenhouse emissions. On behalf of the investors involved in the initiative, the CDP requests environmental protection data and information annually from listed companies. The data collected applies chiefly to management's assessment of climate change and its effects on the company, the systematic recording of CO₂ emissions, and management strategies for reducing these emissions. Continental has been responding to the CDP's extensive catalog of questions since 2009, and our data has been publicly accessible on the CDP's Internet pages since 2011. In 2012, we moved up in the Carbon Disclosure Leadership Index. This motivates us to continue and expand our activities even further.

Carbon Disclosure Project

<https://www.cdproject.net/>

3. Report Parameters

3.1 Reporting period

January 1, 2012, to December 31, 2012.

3.2 Date of the most recent report

December 14, 2012.

3.3 Reporting cycle

Since 2012, Continental has been publishing an annual report in the present format on the Internet.

3.4 Contact person for questions regarding the report

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

3.5 Process for defining report content (essentials, priorities)

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

3.6 Scope of the report

Financial and personnel data covers the entire corporation. Any cases where this does not hold true – certain personnel data, for instance – are indicated. Environmental indicators relate to the individual locations with a certified environmental management system; that is, 155 locations (see also table). The following are not included in the recording of environmental indicators:

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

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

Certifications

	All locations	Coverage		
		ISO 9001 or ISO/ TS 16949	ISO 14001	OHSAS 18001
Automotive Group	104	100%	84.6%	10.2%
Rubber Group	92	100%	74.8%	17.3%

3.7 Constraints/limitations of the report

See 3.6.

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

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

3.9 Measurement techniques and basis of data calculations

See 3.6.

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

None.

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

Since the 2011 report, changes have been made as regards the production sites included. Information provided by the auditing firm KPMG was relied on in determining the current climate-relevant indicators. Production sites involved exclusively in the internal supply of their own plants were therefore also included.

Changes in the evaluation method influenced specific environmental indicators in other ways. For example, regional emission factors were used for the first time to determine CO₂ emissions. This takes account of the fact that natural gas and coal, for example, are natural products with different elemental compositions from region to region. Emission factors relevant to the respective region's primary energy sources must therefore be applied.

3.12 GRI Index table

See page 4.

3.13 External audit of claims

The auditing firm KPMG AG conducted an independent limited assurance engagement for the indicators "direct CO₂ emissions," "indirect CO₂ emissions," and "specific CO₂ emissions per metric ton of product" for the 2012 business year.

Information about economic circumstances, as well as facts and figures about the environment and staff chapters, are based primarily on information from the Annual Report 2012.

4. Governance, Commitments, and Engagement

4.1 Governance structure and responsibility for sustainability

The law and the Articles of Incorporation stipulate that the company's executive bodies are the Executive Board, the Supervisory Board, and the Annual Shareholders' Meeting. As a German stock corporation, Continental AG has a dual management system characterized by a strict division of personnel between the Executive Board, as the management body, and the Supervisory Board as the monitoring body.

The Executive Board has sole responsibility for managing the company independent of 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 Annual Shareholders' Meeting. Notwithstanding the principle of joint responsibility, whereby all members of the Executive Board share equal responsibility for management of the company, the members of the Executive Board are all responsible for the areas entrusted to them. The Chairman of the Executive Board is responsible for the company's overall management and business policy. He ensures management coordination and uniformity on the Executive Board and represents the company to the public. The Executive Board currently has eight members.

In accordance with the *Mitbestimmungsgesetz* (German Co-determination Act) and the company's Articles of Incorporation, the Supervisory Board is comprised of 20 members, half of whom are shareholder representatives and the other half employee representatives. The Supervisory Board appoints the Executive Board and supervises and advises it in the management of the company. The Supervisory Board is directly involved in decisions of fundamental importance to the company. As stipulated by law, the Articles of Incorporation, and 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 its interests vis-à-vis third parties. The Supervisory Board chairman maintains regular contact with the Executive Board and, in particular, with its Chairman, to discuss the company's strategy, business development, and risk management.

A sustainability council comprised of representatives of all relevant corporate functions was founded at the end of 2010 to manage sustainability and corporate responsibility. The council is chaired by the Executive Board member for Human Resources. The sustainability council convenes regularly four times a year for relevant occasions.

4.2 Independence of the Chairman of the Supervisory Board

The other directorships held by the Chairman of the Supervisory Board are specified in each Annual Report (see "Other Directorships -- The Supervisory Board" in the Further Information section of the Annual Report). No conflicts of interest arose during the reporting period.

4.3 Highest governance body among companies without a supervisory board

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

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

Continental maintains systematic and ongoing dialogue with current and potential equity and bond investors. It also remains in dialogue with equity and credit analysts as well as other capital market participants. The issues focused on include past, present, and future business transactions. We intend to simultaneously provide all market participants with relevant and useful information. Our objective is to keep all market participants informed on an ongoing basis. A further focus is personal contact with our private shareholders, schools, and universities. The Annual Shareholders' Meeting also offers shareholders the opportunity for dialogue with the Executive Board and Supervisory Board.

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

Co-determination in the workplace is another element of employee involvement that has a long history at Continental. While employee co-determination is a legal requirement in Germany, it is guided by local circumstances in the other countries in which we operate. Continental's European locations appoint employee representatives to the European Works Council, which has existed since 1992, and convenes once a year for an exchange of experience with the Executive Board member for Human Resources and the employer representatives for each respective country.

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

Each Executive Board member receives fixed annual remuneration paid in twelve monthly installments. The Executive Board members also receive variable remuneration (a performance bonus) linked to the attainment of certain targets relating to the year-on-year change in the Continental value contribution (CVC) and the return on capital employed (ROCE). Further, the Supervisory Board can determine a strategic target at the beginning of each fiscal year. For 2012, the Supervisory Board set a target based on attainment of a specific free cash flow. It is possible that variable remuneration will not be paid if certain minimum values are not achieved.

Annual Report 2012

<http://report.conti-online.com/>

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

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

4.6 Procedures of the executive committees to prevent conflicts of interest

The Supervisory Board has established by-laws that include more detailed provisions on dealing with conflicts of interest. In addition, Continental AG's Corporate Governance Principles also address this issue for the Supervisory Board and Executive Board.

No conflicts of interest arose among the members of the Executive Board or the Supervisory Board in the year under review. In the opinion of the Supervisory Board, it always had a sufficient number of independent members during the reporting period.

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

A sustainability council was founded to advise the Executive Board on issues of corporate responsibility and sustainability (see 4.1).

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

The most important documents at corporation level are:

- › **Corporate guidelines.** Since 1989, our BASICS have been conveying the corporation's vision, values and self-image. They were reformulated at the beginning of 2012.
- › **Code of conduct.** The "Continental Code of Conduct." This was revised in 2012 and a new version was released in 17 languages in September 2012.
- › **Principles of our corporate social responsibility.** These provide an overview of our CSR principles.
- › **Corporate Governance Principles.** Based on applicable legal provisions, the German Corporate Governance Code, and the corporate guidelines, the Corporate Governance Principles provide a detailed description of the company's managerial and supervisory tasks and processes. They were last updated in April 2011.

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

See 4.1.

4.10 Processes for evaluating the Executive Board's sustainability performance

Information for evaluating the Executive Board's performance is provided in section 4.5 as well as in the Annual Report.

4.11 Implementation of the precautionary approach

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

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

The Continental Corporation has signed the following appeals and declarations of commitment:

- › The Global Compact of the United Nations (October 2012). This demonstrates our clear commitment to the Global Compact's ten principles in the areas of human rights, labor, environment, and anti-corruption.

- › The Luxembourg Declaration on Workplace Health Promotion in the European Union (May 2010). Goal: to promote company health management.
- › “Charta der Vielfalt” (German Diversity Charter) (December 2008). Goal: to promote equal opportunities and diversity in the workforce.
- › The European Road Safety Charter (November 2007). Goal: to increase road safety.
- › Bachelor Welcome! - declaration by leading German companies on the changeover to Bachelor’s and Master’s degrees in Germany (June 2004). Goal: to support new university qualifications (Bologna Process).

4.13 Memberships in associations and interest groups

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

- › World Business Council for Sustainable Development (WBCSD)
- › Association Connecting Electronics Industries (IPC)
- › European Tyre & Rubber Manufacturers’ Association (ETRMA)
- › Deutsche Gesellschaft für Personalführung (DGFP) [German Association for Personnel Management]
- › Deutscher Verkehrssicherheitsrat (DVR) [German Road Safety Council]
- › Deutsches Institut für Kautschuktechnologie (DIK) [German Institute of Rubber Technology]
- › Deutsche Kautschukgesellschaft [German Rubber Society]
- › Deutsche Vereinigung für internationales Steuerrecht [German Association for International Tax Law]
- › Forschungsvereinigung Automobiltechnik (FAT) [Research Association of Automotive Technology]
- › Organisation Werbungtreibende im Markenverband (OWM) [German Advertisers’ Association]
- › Schmalenbach-Gesellschaft für Betriebswirtschaft [Schmalenbach Society for Business Administration]
- › Stifterverband für die Deutsche Wissenschaft [Donors’ Association for German Science]
- › Wissensfabrik - Unternehmen für Deutschland [Knowledge Factory - Companies for Germany]

- › Verband der Automobilindustrie (VDA) [German Association of the Automotive Industry]
- › Verein Deutscher Ingenieure (VDI) [Association of German Engineers]
- › Verband deutscher Sicherheitsingenieure (VDSI) [Association of German Safety Engineers]
- › Verein zur Förderung des Betrieblichen Brandschutzes Niedersachsen (vfbb) [German Association to Promote Operational Fire Prevention in Lower Saxony]
- › Wirtschaftsverband der deutschen Kautschukindustrie (WdK) [Trade Association of the German Rubber Industry]
- › Zentrale zur Bekämpfung unlauteren Wettbewerbs [German Center for Combating Unfair Competition]
- › Institut der Norddeutschen Wirtschaft [North German Institute of Trade and Industry]
- › Förderverein Internationale Schule Hannover Region [Friends’ Association of the International School Hanover Region]

4.14 List of stakeholder groups engaged by the company

Our stakeholders are our customers, shareholders and employees, the community, our partners, and our suppliers. We work together with them in a wide range of areas and treat everyone with sincerity and fairness. We offer our employees a working environment that motivates them to perform to the best of their ability.

4.15 Basis for identification of stakeholders

See 4.14.

4.16 Approaches to stakeholder engagement (type/frequency)

In order to respond as effectively as possible in its role as employer to the needs of junior employees, Continental has been surveying graduates every year since 2004 in Germany, every two years since 2005 in Romania, and for the first time in 2011 in China. In addition, Continental also regularly conducts vehicle user surveys on issues such as driving behavior, acceptance of hybrid technology, and road traffic safety.

The corporation’s locations interact with society through a wide range of intensive activities all around the world. Continental also maintains ongoing dialogue with its customers, for example by means of development partnerships, as well as with scientists through research projects.

4.17 Statement on key topics and concerns of the stakeholders

See 4.14.

Economic Performance Indicators

Corporate Policy and Management Approach

With our know-how, our technologies, systems, and products, we play a decisive role in shaping the megatrends in the automotive industry – safety, the environment, information, and affordable cars. We are working to truly realize accident- and injury-free motoring; earth-friendly, resource-thrifty mobility; as well as intelligent and networked road traffic. Statistically speaking, three out of four vehicles on the world's roads feature Continental products, bringing drivers to their destination – safely, economically, and networked.

With our products, we make significant contributions of benefit to society for a number of additional key industries – such as wind turbines for efficient energy generation or conveyor belt systems to transport raw materials without harming the environment. We are an innovation powerhouse for new paths to industrial progress.

Our BASICS are fundamental for Continental's lasting success. These corporate guidelines describe the vision, mission, and values that inform our corporate activities and how we interact with one another and with all other reference groups.

We are convinced that our values create value, as we have been supplying our customers for more than 140 years – not merely with high-performance products, but with forward-looking solutions as well.

EC1 Data on Financial Income

In 2012, sales of the Continental Corporation rose by 7.3 percent to €32.7 billion (2011: €30.5 billion). Earnings before interest and taxes (EBIT) increased to €3,073.4 million (2011: €2,596.9 million). Investments for research and development rose to €1,766.2 million (2011: €1,608.7 million).

EC2 Risks, Opportunities, and Consequences of Climate Change

Risks could be caused by the following:

- › Additional regulations that restrict or limit car traffic with the aim of managing global warming (climate change) could lead to a material decrease in car sales and consequently adversely affect demand for Continental's products and services.
- › Bottlenecks in the availability of raw materials as a result of induced changes to natural raw materials.
- › Production cutbacks due to changes in precipitation intensity and as a result of the effects caused by climate change.

Opportunities can arise from the following:

- › Additional regulations and legislation to reduce CO₂ or mitigate climate change. Indeed, we generate around a third of our sales with products that help lower CO₂ emissions. Using our products helps reduce CO₂ emissions by around 26 grams per kilometer.

- › New guidelines to reduce air pollution. Lower fuel consumption can reduce air pollution. For example, the Powertrain division develops and produces injection systems and cooling water pumps to reduce air pollution.
- › Rising energy taxes – and therefore fuel prices increasingly shift the focus toward fuel-efficient products. These are the main focus of research.
- › The introduction of product labels. This gives Continental the opportunity to highlight the environmental performance of its products and set itself off from the competition.

EC3 The Company's Social Benefits and Pension Obligations

The Continental Corporation offers its employees pension plans in the form of either general or individual benefit- and contribution-oriented plans. The provisions cover the obligations from defined benefit plans, in particular in Germany, the U.S., Canada, the U.K., Austria, France, Mexico, Italy, and Ireland.

Separate pension funds exist to fully or partially finance the company's pension obligations in conjunction with many of the plans. These pension fund assets can only be used to settle pension obligations. The principal funds are in the U.S., the U.K., and Germany in the form of contractual trust arrangements (CTAs).

Our international pension strategy focuses on switching from defined benefit to defined contribution plans in order to offer both employees and the company a sustainable and readily understandable pension system. Continental promotes private contributions made by employees by adding corporate subsidies to the money they invest. The company also encourages employees to pay into a deferred compensation scheme. Almost all employees in Germany are able to enjoy the benefits of an employer-funded pension plan; at the end of 2012, almost one in two employees was paying into a deferred compensation scheme (49 percent).

Continental AG – Pensions and Similar Obligations

http://report.conti-online.com/pages/financial-statements/notes/notes-balance-sheets/pension-liabilities_en.html

EC4 Financial Assistance Received from Government (e.g. Subsidies)

Government subsidies, amounting to a total of €20.1 million (previous year: €29.4 million), that were not intended for investments in fixed assets are shown in the "Other" and function costs sections of the income statement. Government investment grants amounting to €50.8 million (previous year: €6.9 million) were deducted directly from the acquisition costs. The main share of these grants was for the tire plants in Sumter, SC, in the U.S. and Hefei, China.

EC6 Spending on Locally-Based Suppliers

Quality, material, and costs are key purchase criteria. Local suppliers are used if they satisfy the requirements of all three criteria.

EC7 Hiring Local Staff

As a corporation with international operations and locations in 46 countries, we make sure we are a good local employer. This means offering residents attractive jobs, training opportunities, and interesting career paths. Wherever possible, we entrust the task of managing the locations to managers that come from the region and are familiar with the local culture.

EC8 Investments for the Welfare of the Local Community

Companies that want to assert themselves in a global market are faced with constantly changing demands. Competitiveness is no longer merely a question of growth and profitability; it is also a question of corporate social responsibility and the obligations that this entails. Only companies that can reconcile both of these aspects can be successful in the long run. Continental focuses on three areas in its social engagement: social improvement and traffic safety, education and science, and sport.

As a corporation on the global market, Continental has a decentralized organization with strong local responsibility. This applies not only to the business units, but also to the social commit-

ment of the corporation and its branches and that displayed in private initiatives founded and supported by committed company employees. As far as possible, charitable projects, donations, and other activities are, therefore, initiated and supervised at the discretion of the decentralized units. Exceptions to this include national projects and challenges or our committed response to international disasters, where the corporation as a whole evidences its corporate social responsibility. A primary goal of all the activities of the corporation and its employees is direct, fast, and lasting support. For example, in 2012, the corporation gave €100,000 in support of the German "Welthungerhilfe" organization fighting against global hunger.

EC9 Indirect Economic Impacts (Addition)

Continental is a comparatively large employer at its locations and contributes to development of the region and infrastructure by providing jobs and training opportunities, tax payments, and contracts with local suppliers and service providers. In 2012, income tax payments rose to €683.5 million (previous year: €465.6 million).

Environmental Performance Indicators

Environmental Policy and Management Approach

We are facing up to the ecological challenges. Environmental protection is a key management responsibility for us. We began developing environmental management systems around 30 years ago.

At the beginning of the 1990s, we at Continental enunciated the company's responsibility for protecting the environment in our corporate guidelines, the BASICS, and specified this responsibility as an objective in the corporation's ESH (Environment, Safety, Health) policy. By doing so, we acknowledged early on that the global expansion of our corporate activities is also reflected in an increasing use of natural resources, rising energy consumption, and the release of substances into the environment.

At the heart of our ESH policy is a systematic approach to reducing any negative environmental impact, accompanied by an improvement in economic and social conditions. Our strategy for protecting the environment is based on six principles:

- › We practice responsible management of our natural resources.
- › Eco-friendly products are the basis of our long-term economic success.
- › We take into account the ecological impact of our products' entire life cycles - even during their development phase.
- › We continuously and systematically improve our products and production processes.
- › All employees at Continental feel a commitment to environmental protection.
- › Our environmental policy addresses the demands of our customers, our employees, our shareholders, our suppliers, and those actively participating in the social arena in which we operate.

As of December 31, 2012, 155 production sites worldwide were certified in accordance with the international environmental management standard ISO 14001. This translates into 79 percent of all environmentally relevant production locations.

Certification to ISO 14001:

- America: 36 locations
- Europe, Middle East, Africa: 95 locations
- Asia-Pacific region: 38 locations

We are, moreover, making sure that our suppliers also operate in line with key environmental principles. Before new suppliers are commissioned, for example, a supplier assessment is conducted using a questionnaire focusing on criteria such as energy consumption, product packaging, plant tidiness and cleanliness, product safety data sheets, environmental certification, and contingency management in the plant. The information is subsequently checked as part of the supplier audit. Continental regularly requests valid environment certificates from the large majority of suppliers with which it already has contracts. At the end of 2012, around 4,400 suppliers were certified to ISO 9001 and over 1,900 to ISO 14001.

EN1 Materials Used

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

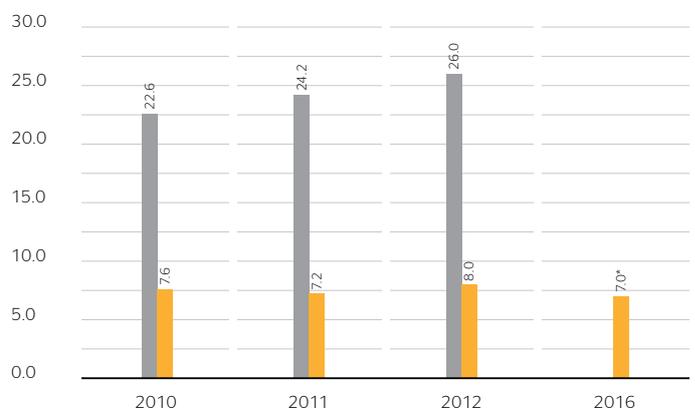
EN2 Percentage of Recycling Material

In the Rubber Group, we use reclaimed material and belt steel with a high volume of recycled material. In the Automotive Group, the aluminum alloys and steels already contain a high volume of recycled material. Recycled plastics are also processed. We cannot provide more specific information on quantities until 2013.

EN3 Direct Energy Consumption

Due to the economic upturn, the increased demand for our products, and the accounting changes outlined in section 3.11, total energy consumption rose by 7.4 percent from 24.2 million gigajoules (2011) to 26.0 million gigajoules (2012).

Energy consumption



■ Energy consumption in millions of GJ
 ■ Specific energy consumption in GJ per metric ton of product

*Continental environmental goal

EN4 Indirect Energy Consumption

Not currently recorded centrally.

EN5 Energy-Saving Measures (Addition)

The increase in energy consumption over the past few years (due, in part, to increased production) likewise gave rise to an increase in specific energy consumption from 7.2 to 8.0 gigajoules per metric ton of product. This increase also came as a result of the changes made to the accounting conditions (see 3.11). By 2016, we aim to reduce this figure to 7.0 gigajoules per metric ton of product.

EN6 Energy-Saving Measures in Products (Addition)

In fall 2012, construction began for a new production facility for retreaded truck and bus tires as well as for a recycling line for rubber from used tires. Unique in this combination throughout the sector worldwide, the plant concludes the tire production cycle and will leverage the synergies from retreading and rubber recycling. The ContiLifeCycle plant at the Hanover-Stöcken site in Germany will create more than 100 new jobs. In light of increasingly scarce resources, we believe it is our duty to develop sustainable solutions for tire production and retreading. We are now able to integrate raw materials from old tires back into the production process for new or internally renewed tires in a targeted and controlled manner. With its new recycling line, Continental is pursuing a novel approach to recycling old tires in an economically and ecologically sound manner.

In the European Union, currently 41 percent of all old tires are used - together with other ground rubber products - to generate energy in the cement industry. Another 35 percent of the annual amount of old tires is "downcycled" and processed to become less technically sophisticated products, such as injection-molded plastic products for example.

The recycling process developed by Continental enables high amounts of recycled rubber to be reintegrated into the production of new tires and retreaded tires. Thanks to the new process, the proportion of recycled material in new tires can be nearly doubled.

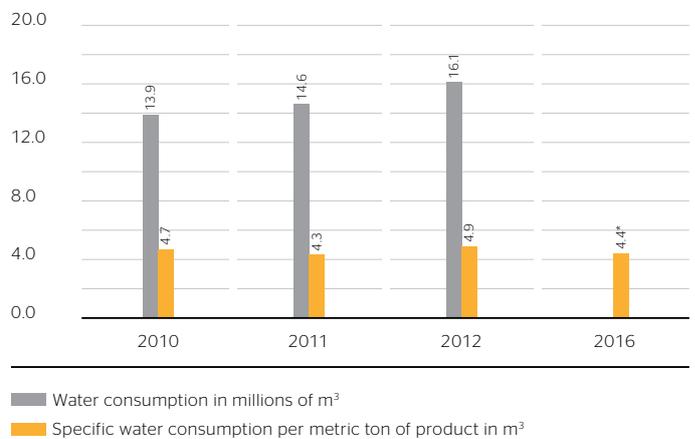
EN7 Reduction of Indirect Energy Consumption (Addition)

See EN5 and EN6.

EN8 Water Consumption

In 2012, the demand for water rose by 1.5 million cubic meters to 16.1 million cubic meters. Here too, the reason for the rise was increased production. In contrast, specific demand (per metric ton of product) over the past few years has decreased continuously from 5.2 cubic meters (2009) to 4.9 cubic meters (2012). By 2016, we want to reduce water consumption to 4.4 cubic meters.

Water consumption



EN9 Water Sources (Addition)

Total water consumption in 2012 was 16.1 million cubic meters. Of this, 24 percent originated from surface water, 37 percent from the public drinking water network, and 39 percent from our own wells.

EN10 Percentage of Reclaimed and Reused Water (Addition)

No data currently available.

EN11 Protected Areas

Nuremberg, Germany: As a user of hazardous substances, the Nuremberg site is subject to the environmental protection law. The nearest protected areas according to Natura 2000 are:

- FFH (flora-fauna habitat) area approx. 1 kilometer away
- Bird sanctuary approx. 1 kilometer away
- Water protection area 500 meters east (Zone III A) and approx. 1 kilometer southeast (Zone 2)

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

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

Adrspach, Czech Republic: This site is located in the Broumovsko nature reserve.

EN12 Impact on Protected Areas

Continental is not aware of any negative impact.

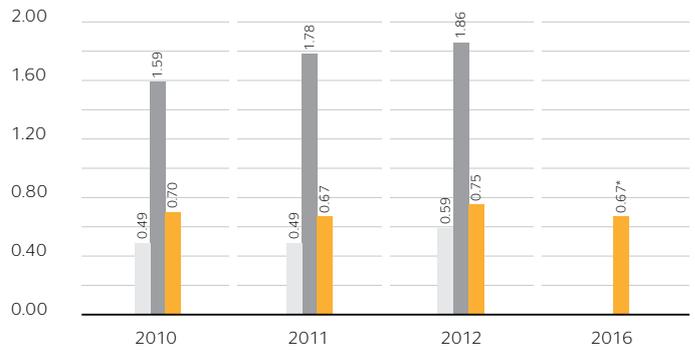
EN14 Measures and Plans to Promote Biodiversity (Addition)

The issue of biodiversity affects us to the extent that we vigorously promote the use of renewable raw materials such as natural rubber and plant-based oils. Many of our components – piezo injection valves for conventional gasoline and diesel engines, for example – work just as well with biofuels. A wide range of components suitable for conventional fuels and biofuels (bio-ethanol) are available. While this helps to conserve resources and, in turn, contributes to climate protection, the associated monocultures can negatively impact biodiversity. We are aware of this problem.

EN16 Greenhouse Gas Emissions

Total CO₂ emissions in 2012 amounted to 2.45 million metric tons, an 8 percent increase over the previous year (2011: 2.27 million metric tons) – a direct consequence of increased production and the changed limits for the determination of climate-relevant data (see 3.11). Direct CO₂ emissions (Scope 1 according to the Greenhouse Gas Protocol) in 2012 amounted to 590,000 metric tons (2011: 490,000 metric tons); indirect emissions from external energy sources (Scope 2) amounted to 1.86 million metric tons (2011: 1.78 million metric tons). This yielded a specific figure of 750 kilograms per metric ton of product in 2012 (2011: 670 kilograms per metric ton). By 2015, we want to reduce this specific value to 670 kilograms of CO₂ per metric ton of product.

CO₂ emissions



Legend:
 - Direct CO₂ emissions in millions of metric tons (light grey bar)
 - Indirect CO₂ emissions from external energy sources in millions of metric tons (dark grey bar)
 - Specific CO₂ emissions per metric ton of product in metric tons (orange bar)

*Continental environmental goal

EN17 Other Greenhouse Gas Emissions

No – or negligible quantities of – methane, nitrous oxide, and fluorocarbons are used in production; usage continues to fall.

EN18 Initiatives to Reduce Greenhouse Gases (Addition)

Climate protection is at the heart of environmental protection and is a key element of our corporate strategy. We see it as part of our responsibility and invest in research and technology to reduce CO₂ emissions. We also work on products and systems that reduce the emissions of other pollutant gases – from air conditioning systems, for instance. Through the increased use of renewable raw materials, we are also helping to conserve natural resources.

Our products and technologies reduce the energy consumption of vehicles and significantly contribute to the sustainability of individual mobility. On the one hand, we do this by reducing the weight of our products so that less energy is required to power the entire vehicle. On the other hand, continuous improvements in our products – for example in the rolling and friction resistance of tires, engines, and transmissions – also help. These improvements mean less energy is required to overcome such resistance, which, in turn, results in a reduction in CO₂ emissions.

We have been responding to the Carbon Disclosure Project's (CDP) extensive catalog of questions since 2009. The process is linked to a public ranking of our company by the CDP organization. In the most recent assessment published in October 2012, Continental is among the German companies showing the greatest improvement over the previous year.

More information can be found in the "Investor Response" from Continental on the CDP website.

Carbon Disclosure Project

<https://www.cdproject.net/en-US/Results/Pages/Company-Responses.aspx?company=3818>

EN19 Emissions of Ozone-Depleting Substances

A few of our sites outside the area covered by European legislation produce minimal, unforeseen emissions (leaks) of ozone-depleting substances from air conditioning systems. Continental, of course, complies with legal requirements in these countries to discharge such substances.

EN20 Other Air Emissions

In addition to CO₂ from on-site boiler houses, sites operating such facilities emit minimal fuel- and combustion-related nitrogen oxide, sulfur dioxide, and dust. Sulfur dioxide is emitted only when sulfur-containing fuels (oil) are used; usage of such fuels is generally kept to a minimum.

In rubber processing, VOCs (volatile organic compounds) are used to a certain extent in order to improve surface adhesion. Continental has launched a number of projects aimed at promoting a changeover to other substances and the extensive avoidance of VOCs.

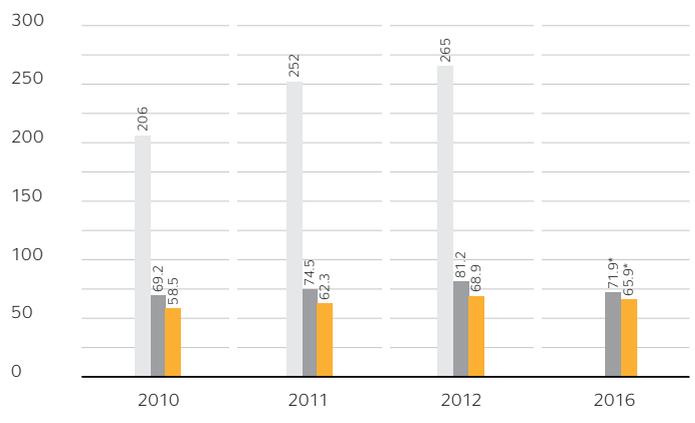
EN21 Waste Water

Continental does not record the quantity of discharged waste water. It is less than the total water consumption, since it is used as cooling water and is therefore subject to evaporation losses (see EN9). Waste water treatment plants ensure, moreover, that surface water pollution is minimized. Waste water from sanitary facilities is discharged directly into the public sewage system.

EN22 Waste

In 2012, the corporation produced 265,000 metric tons of waste (2011: 252,000 metric tons). This sharp rise of 5 percent over the previous year can be attributed to increased production volume. The specific waste volume per metric ton of product has, in turn, also increased to 81.2 kilograms (2010: 73.6 kilograms). In 2012, we recycled (or sent for recycling) around 85 percent of the waste produced. The recycling rate per metric ton of product rose to 68.9 kilograms (2010: 62.3 kilograms).

Waste generation and recovery



■ Waste generation in thousands of metric ton
■ Specific waste generation per metric ton of product in kg
■ Specific waste recovery per metric ton of product in kg

*Continental environmental goal

EN23 Spills of Hazardous Substances

Minor spills of propellants/oils do occur, although these are not currently reported centrally.

EN24 Transported Waste Shipped Internationally (Addition)

Continental does not export any waste. We have contracts with professional waste recyclers who collect and recycle or dispose of waste on our behalf.

EN26 Initiatives to Mitigate the Environmental Impact of Products and Services

We invest in research and technologies for the reduction of CO₂ emissions – both in production and in the use of products. Among other things, we work on products and systems that reduce the emissions of other pollutant gases – from air conditioning systems, for instance. Through the increased use of renewable raw materials (natural rubber, plant-based oils), we are also helping to conserve natural resources.

Continental reduces the energy consumption of vehicles by using innovative technologies. We do this, firstly, by reducing the weight of our products so that less energy is required to power the vehicle. Secondly, however, continuous improvements in our products – for example in the rolling and friction resistance of tires, engines, and transmissions – also help. These improvements mean less energy is required to overcome such resistance. This also reduces CO₂ emissions.

In the past few years, we have managed to reduce the weight of our brake components substantially while at the same time enhancing braking performance. We aim to continuously lower the average rolling resistance of our tires – without restricting any of the tires' safety features.

Our piezo injection valves for conventional gasoline and diesel engines reduce CO₂ emissions by up to 20 percent. What is more, our telematics systems and optimized hose lines reduce climate-relevant emissions.

Our products for the automotive industry shall continue to help reduce CO₂ emissions from cars and trucks. Hybrid drives for cars can lower CO₂ emissions by 10 to 25 percent, depending on the hybrid type and application conditions.

Continental products also contribute to climate protection in non-automotive applications. For example, our conveyor belts with optimized rolling resistance (energy-optimized conveyor belts or EOBs) significantly reduce the energy required for open-cast coal mining.

Innovative Conti®Thermo-Protect insulation protects industrial equipment from heat loss even in inaccessible places and thereby reduces the use of fossil fuels for heating purposes.

In 2012, approximately one-third of our sales – around €11 billion – were for products that are exceptionally energy-efficient or demonstrably lead to reduced emissions of pollutants or CO₂ emissions.

EN27 Reclaimed Products and Packaging

Continental has no take-back obligation for original equipment components, as the law assigns responsibility for this to the vehicle manufacturers. In many European countries, we do reclaim old tires in accordance with national laws.

EN28 Fines

Not currently recorded centrally.

Social Performance Indicators

Labor Practices and Decent Work

Corporate Policy and Management Approach

In the past 10 years, the number of Continental employees has grown by over 100,000. The company has tapped new business areas and new international markets and integrated these into the corporation. On the global labor markets, the competition for specialist and managerial staff is growing due to a reduction in the working population. We are continually developing our HR strategy to enable our company to take on the growing internal and external challenges involved in HR work. Our HR strategy is focused on the two dimensions: “employees” and “corporate culture.”

Employee development and training enjoy high priority at Continental and form the basis for the long-term success of our company. Responsibility for our employees is therefore a central component of the corporation’s commitment as an employer. We afford our employees the best possible advancement and training opportunities.

Our HR work is based on the following six strategic areas:

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

All divisions and sites implement the appropriate measures.

LA1 Information on the Total Workforce

At the end of 2012, Continental employed 169,639 women and men in 46 countries, almost two-thirds of them in Europe (and half of them in Germany). The number of employees rose by 5,851 over the previous year. The percentage of women as a proportion of the global workforce* was 28.6 percent (in Germany: 21.7 percent). The percentage of women occupying management positions worldwide was 8.0 percent. In 2012, Continental employed 10,668 temporary workers.

The number of young trainees at our German sites rose slightly from 1,884 in 2011 to 1,987 at the end of 2012. The percentage of trainees in Germany remained stable at 4.3 percent.

In 2012, we concluded an agreement specifying that, in the future, young trainees will receive employment contracts of indefinite duration following completion of their training with us.

In 2012, the percentages of employees by age group were as follows*:

- Up to 25 years: 14 percent
- 26 to 35 years: 32 percent
- 36 to 45 years: 27 percent
- 46 to 55 years: 20 percent
- 56 to 65 years: 7 percent

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

LA2 Employee Fluctuation*

In 2012, corporation-wide fluctuation was 3.9 percent (2011: 5.0 percent). The average job tenure worldwide is 8.7 years (Germany: 14.6 years). Around 94 percent of employees form the core workforce.

Employee fluctuation differs by country and region:

- Asia: 7.0 percent (2011: 11.5 percent)
- Germany: 1.2 percent (2011: 1.8 percent)
- Europe (excluding Germany): 3.3 percent (2011: 3.6 percent)
- NAFTA: 6.3 percent (2011: 8.4 percent)
- South America: 4.8 percent (2011: 5.8 percent)
- Rest: 3.1 percent (2011: 3.0 percent)

LA3 Company Benefits for Full-Time Employees (Addition)

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

Our international pension strategy is focusing on switching from defined benefit to defined contribution plans in order to offer both employees and the company a sustainable and readily understandable pension system. Continental promotes private contributions made by employees by adding corporate subsidies to the money they invest. Continental also encourages employees to pay into a deferred compensation scheme, whereby employees relinquish part of their earned income. Continental then invests this in the company pension scheme. As a consequence of the agreement concluded by the negotiating part-

*The recording scope does not yet cover all employees worldwide. It currently includes 138,000 employees in 23 countries, which equates to a coverage of 87 percent. The worldwide standardization of the HR systems is currently being implemented in a project, which is slated for completion sometime in 2014.

ners in the German chemical industry and in the metal industry, the former tax-free contributions to capital formation are now to be granted specifically and exclusively for retirement pension schemes. An increase in the participation rate is also expected here in the future. Dependable basic conditions for the pre-tax deferred compensation scheme in tax and social security law are crucial here.

Nearly all of the employees at the German sites have a company pension plan; of these, half also pay into a deferred compensation scheme.

LA4 Percentage of Employees Covered by Collective Bargaining Agreements

Continental adheres to the "Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy" of the International Labor Organization (ILO) and the HR policy values outlined therein; the ILO declaration includes, among other things, the employees' freedom of association.

At Continental, 71 percent of employees work in countries that belong to the Organisation for Economic Co-operation and Development (OECD), where the aforementioned right is granted as a result. In Germany, collective bargaining agreements have been reached for almost 85 percent of the core workforce.

LA5 Notice Periods Regarding Operational Changes

The 20-strong Supervisory Board of Continental AG maintains equal representation in accordance with German law, with ten employee representatives and ten employer representatives. The Executive Board reports to the Supervisory Board on matters regarding (upcoming) operational changes in the corporation, thereby informing the employee representatives at the same time. Continental ensures that employees are informed early on as to major operational changes. No major changes were made in 2012.

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

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

LA7 Accident Statistics

Absence and accident rates reflect the success of preventive occupational health and safety measures in the corporation. With regard to illness-related absences, the encouraging trend in the past few years stabilized in 2012: Each employee was absent for an average of just 3.5 percent of his/her contractually agreed working time; the figure last year was likewise 3.5 percent (see table). The number of accidents per million hours worked has fallen considerably in the past five years and

dropped to 3.6 percent in 2012. The total number of hours lost as a result was 574 per million hours worked; last year's figure was 638. This positive result is overshadowed by a fatal work-related accident.

Absences and accident rates

	2012	2011	2010	2009	2008	2007
Absences due to sickness¹	3.5	3.5	3.8	4.0	4.0	4.1
Accident rate²	3.6	4.2	4.6	5.0	5.7	6.4
Hours lost³	574	638	729	845	942	884

¹ Time lost due to sickness = paid and unpaid absences as a percentage of contractual working hours.
² Accident rate = number of industrial accidents worldwide resulting in the loss of one or more working-day equivalents per million hours worked.
³ Time lost = number of hours lost due to accidents per million hours worked.

LA8 Company Health Management Programs

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

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

At many of our sites, employees can not only use the company medical services, but also get involved in a variety of measures relating to workplace health promotion covering areas such as physical activity, diet, and relaxation. They can also take part in health screening. The focus is currently on a program of preventive measures to promote mental well-being, which we are rolling out internationally with the aim of helping our employees to improve and maintain their mental well-being and, therefore, to prevent mental illness and burnout syndrome. In addition to a stress management module for all employees and one-to-one support in the form of "Employee Assistance Programs," we are also providing our managers with intensive training on how to stay healthy in management positions.

Another area of focus, particularly in Germany, is on the systematic documentation and improvement in the ergonomics of our production work stations with the help of the "Stress Documentation System" (SDS). This has been introduced across the board at the German sites. Against a background of demographic change, this improvement in workplace quality is one of the bases on which we can continue to offer efficient tasks without any restrictions to our older employees in the production facilities as well as ensure a healthy aging process. In this connection, we have - in 2013 - already achieved our internal target of making 30 percent of our production workplaces suitable for workers of all ages by 2015. The process is being rolled out further in view of the ever-rising percentage of older employees. International implementation has begun for the ergonomics program. With focus on the divisions' central engineering departments in particular, the aim is for all new workstations at the global locations - built with centralized control and equipment - to fulfill the latest ergonomic requirements. With the help of the SDS, the first locations in Portugal and Slovakia have also begun assessing the ergonomics at existing workstations and launching the improvement process.

LA9 Company Agreements on Occupational Safety (Addition)

The "Safety and Health" (SH) department is responsible for occupational safety at the corporate level and reports directly to the Executive Board member for HR. Our goal in occupational safety is "zero incidents." Now, 25 of the 210 sites worldwide are certified in accordance with OHSAS 18001, the international standard for occupational health and safety management. Company agreements on occupational safety are concluded at site level in Germany.

LA10 Training Statistics

There is no information on the average annual number of training or advanced training hours, or the employees or employee category receiving such. See also LA12.

LA11 Lifelong Learning and Knowledge Management (Addition)

In the words of our corporate guidelines BASICS: "We promote lifelong learning along with personal and professional development. We make knowledge available to everyone in our company as quickly as possible and offer mutual support for enabling swift adjustment to changes within our environment." Continental supports this by providing a comprehensive range of further training programs and a company suggestions management system, which was introduced back in 1930. "Continental Ideas Management" encourages and calls for the commitment and motivation of our employees and gives them a proactive role in improving their own working environment. Their commitment is rewarded with bonuses and special campaigns.

In 2012, more than 400,000 ideas were submitted, of which around 80 percent were put into effect. These led to savings of more than €130 million. The Continental locations in Rubi, Spain, and Icheon, Korea, took the lead internally, with 95 and 100 percent employee participation respectively and averages of 68 and 53 implemented ideas per employee.

Lifelong learning is particularly challenging in times of demographic change. The HR departments therefore work together with the specialist departments to specifically address further qualification for employees using individual and customized programs.

See also LA12.

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

In principle, development programs are envisaged for 99,000 employees. The aim is for 95 percent of these employees to have their own individual development program by 2013.

Our personal development programs allow us to offer current and future employees the ideal basis for their successful professional and personal development.

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

We offer our industrial employees training activities based on established standards at all our production locations. We perform regular checks to determine the effectiveness and sustainability of these measures.

“BASICS live” is the name of our global employee survey conducted at regular intervals. It is an important tool for improving corporate culture and cooperation within the corporation. The employees use it to assess their general level of satisfaction with Continental and the quality of management in the corporation. In addition to corporate-wide issues, the various divisions and sites have the opportunity to address issues pertaining to their respective situation.

More than 80 percent of all employees worldwide took part in “BASICS live 2011,” subtitled “Be heard and improve together.” On a scale of 1 (low) to 5 (high), the employees indicated which of various statements were, in their opinion, applicable. Below are a few of the results from the 2011 survey:

- › “Acting ethically plays an important role at Continental”: 4.05 (2008: not asked).
- › “I am proud to work for Continental”: 4.04 (2008: 3.99).
- › “Continental treats all employees equally, regardless of nationality, culture, religion, gender, or age”: 3.86 (2008: 3.80).
- › “Continental is committed to helping its employees achieve a healthy life/work balance”: 3.42 (2008: not asked).

In 2012, work focused on analyzing survey results and implementing potential improvements. To this end, workshops were held in all divisions, at which various measures were developed. Focal areas for the many different activities arose in the areas of employee development, communication, departmental/divisional strategy, and development of our corporate culture. The results of the “BASICS live” analyses are also incorporated into training courses and workshops – among other things – that are held to communicate our “BASICS” corporate guidelines. Regular information is provided on the implementation of the measures.

LA13 Composition of Governance Bodies Regarding Diversity and Equal Opportunities

As an internationally active corporation, Continental is committed to treating all employees equally, regardless of age, gender, nationality, religion, skin color, or sexual orientation. For us, it is the abilities and potential within people themselves that counts. This is expressed in our corporate guidelines as well as through our signing of the German “Diversity Charter.” This initiative aims to promote the acceptance, appreciation, and integration of diversity within the company and is officially supported by the German Chancellor.

We are currently focusing on achieving a good mix of female and male employees as well as increasing international diversity within the corporation and at the individual locations.

A total of around 3,000 employees worldwide occupy a management position (executive or senior executive position). The proportion of women occupying these positions was 8 percent in 2012. Continental wants to double this figure by 2020. One woman currently sits on the Executive Board; she is responsible for the area of HR and is also an industrial relations director.

Around 70 percent of our employees work outside Germany and 40 percent outside Europe. However, internationality also arises from the various nationalities of employees working together at a location. An important aim is to create a balanced relationship between local and international managers in order to strengthen both the market requirements and global understanding. The proportion of local and international managers fluctuates according to the market. The total proportion of international managers in the corporation is 33 percent.

In accordance with the recommendations of the German Corporate Governance Code, the Supervisory Board of Continental AG has specified a number of targets for its composition. Among other things, the aim is to increase the percentage of women in the Supervisory Board to 20 percent over the medium term. By the next scheduled election in 2014, this figure is to be at least 15 percent. The Supervisory Board is likewise mindful of diversity in appointments to the Executive Board. It is especially keen here to ensure that women are afforded appropriate consideration.

LA14 Ratio of Basic Salary of Men and Women

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

Social Performance Indicators

Human Rights

Corporate Policy and Management Approach

Continental supports compliance with human rights wherever and whenever it can. As part of its sustainability activities, Continental is involved in a number of voluntary initiatives, by means of which it takes responsibility for ensuring that human rights are put into practice. We are of the firm opinion that a company and its regional branches can only contribute toward compliance with human rights as a complement to politics, not as a replacement for it. We ensure that no human rights are infringed upon within our sphere of influence, particularly with regard to forced or child labor. This is firmly embedded in our principles of corporate social responsibility and our Supplier Code of Conduct. We have also committed ourselves to upholding this obligation with the signing of the UN Global Compact.

HR1 Investment Agreements with Human Rights Clauses

When investing in the construction of new sites, we ensure that we uphold the principles of the Global Compact. The same applies to the acquisition of companies. As part of the due diligence check, which must be conducted beforehand, ecological and social aspects are also considered.

HR2 Percentage of Contractors/Suppliers Subjected to Human Rights Screening

Continental operates a network of around 5,000 suppliers for production materials (around 3,700 in the Automotive Group and 1,300 in the Rubber Group). In 2012, we obtained 65 percent of production materials from companies headquartered in states belonging to the Organisation for Economic Co-operation and Development (OECD), where infringements are not expected to occur. Around 10 percent of total purchases in the Automotive Group were made from the three most important suppliers; in the Rubber Group, this figure was 15 percent.

Continental regularly assesses the level of certification to ISO 14001 (environmental management) of the vast majority of the suppliers with which it already has contracts. This information is incorporated in the internal assessment system. Of roughly 5,000 suppliers of production material, 4,400 were certified to ISO 9001 and over 1,900 to ISO 14001 at the end of 2012.

Supplier assessments are conducted by means of a questionnaire before an order is placed with a new supplier. The assessment focuses on aspects such as energy consumption, packaging, workplace hygiene, safety data sheets, environmental certification, and contingency management in the plant. We also encourage our suppliers to obtain similar data from their (upstream) suppliers.

Since 2011, Continental has obligated all of its suppliers and service providers to uphold Continental's "Supplier Code of Conduct". This encompasses ten points, including respect for human rights, anti-corruption, product safety, health and environmental protection, and data protection. Our suppliers promise to observe these principles and are required to report any infringements to the anti-corruption hotline run by Continental.

Continental Supplier Code of Conduct

http://www.continental-corporation.com/www/download/portal_com_en/themes/global_sourcing/download/supplier_code_of_conduct_en.pdf

HR4 Incidents of Discrimination and Action Taken

The following is firmly embedded in our Code of Conduct that applies to all employees: "We are proud of the diversity the worldwide business of Continental offers. We will treat our fellow employees, potential employees, suppliers, customers, and any

other persons with whom we conduct business with fairness and respect, refraining from any discrimination, harassment and other improper behavior with respect to gender, age, race, skin color, ethnicity or national origin, citizenship, religion or religious beliefs, physical or mental disability, veteran status, sexual orientation, or any other characteristics protected by applicable law.”

This means that dealings with employees and the opportunities open to them is based solely on their achievements, skills, and other characteristics relating to the requirements of the relevant workplace. We expect our employees to contribute to a working atmosphere characterized by respect and a spirit of collaborative partnership.

Infringements are not currently recorded centrally.

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

As a company conducting operations and procurement activities at an international level, we cannot exclude the above-mentioned risk. We can guarantee, however, that 65 percent of our purchasing volume for production materials is with the suppliers based in OECD countries who are thus obliged to respect and enable their employees’ freedom of association. For this percentage of purchasing volume, we can furthermore guarantee that the risk of child or forced labor is excluded.

Our Supplier Code of Conduct obligates all suppliers and service providers to respect human rights as defined, for example, in the “Universal Declaration of Human Rights” of the United Nations and the “Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy” of the International Labor Organization (ILO), including the prohibition of forced and

child labor and the upholding of employees’ freedom of association within the framework of the applicable laws.

HR6 Operations Entailing a Significant Risk of Child Labor

See HR5.

HR7 Operations Entailing a Significant Risk of Forced Labor

See HR5.

Social Performance Indicators

Society

Corporate Policy and Management Approach

One of our basic values is Trust. Trust assumes integrity, honesty, and incorruptibility. Management and employee compliance with all the legal requirements that apply to Continental AG and its subsidiaries as well as all internal regulations has therefore long been our goal and is part of our corporate culture. This is reflected not only in our corporate guidelines, the BASICS, and the Corporate Governance Principles, but also in the corporate social responsibility principles and the Code of Conduct that applies to all employees. In accordance with the respective legal conditions of each country, all employees must agree to the Code of Conduct. National teams led by the local compliance coordinators are in charge of implementation. The 2012 revised version of the Code of Conduct is available in 17 languages and should be signed by all employees by the end of 2014.

We also adopted an anti-corruption guideline in 2012. At all management levels and among all staff, it is intended to increase awareness of compliance with anti-corruption legislation and provide guidance in dealing with the issue of gifts and benefits.

We at Continental face up to our social responsibilities and respect the laws and cultures of every country in which we operate. We are good corporate neighbors, respecting the interests of those who live and work near our facilities. Thanks to our profitable performance, we provide secure jobs. Our voluntary engagement focuses on three areas where we position ourselves on the basis of our business model, our challenges, or our self-image and where we aim to promote sustainable development: social well-being and traffic safety, education and science, and sport.

In 2012, we also adopted a new donations policy. This policy establishes a corporate framework for charitable donations. Continental has always felt that it has a responsibility to society and fully supports commitment to charitable causes. The new policy is intended to help employees exercise this commitment in an even better and more conspicuous fashion.

SO1 Impact of Operations on Local Communities

Continental is a comparatively large employer at many of its locations and makes a significant contribution to regional development and infrastructure by providing jobs and training opportunities, tax payments, and contracts with local suppliers and service providers.

As a corporation on the global market, Continental has a decentralized organization with strong local responsibility. This applies not only to the business units but also to the social commitment of the corporation and its branches, and that expressed in private initiatives that are founded and supported by committed company employees. Charitable projects, donations, and other activities are therefore initiated and supervised, as far as possible, at the discretion of the decentralized units. Exceptions to this include national projects and challenges or our commitment in the event of international disasters. In such matters, the corporation as a whole gives evidence of its corporate social responsibility. A primary goal of all the activities on the part of the corporation and its employees is direct, fast, and lasting support. In 2012, for example, the corporation immediately provided €250,000 in emergency aid to support the reconstruction of areas destroyed by severe floods in Germany.

SO2 Percentage of Business Units Analyzed for Corruption Risks

The Executive Board is committed to a zero tolerance policy, particularly with regard to corruption and antitrust, and has explicitly reaffirmed its position on a number of occasions. The basis of the Compliance Management System (CMS) is a comprehensive analysis of the compliance risks potentially associated with structures and procedures, a market situation, or activity in particular geographical regions. This takes into account, among other things, the results of a regular corporate-wide risk inventory as well as external sources such as the annual Corruption Perception Index from Transparency International.

In terms of operations, the Compliance organization is managed by the head of the Compliance department. The person holding

this position is subordinate to the corporate compliance officer, who reports directly to the chief financial officer. The Compliance department focuses on preventing non-compliance with antitrust and competition law, corruption, fraud, and other property offenses.

In 2011, Continental had Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft audit the conception of its Compliance Management System for anti-corruption, competition/antitrust law, fraud, and other property offenses units. The audit was carried out in accordance with audit standard PS 980 of the Institut der Wirtschaftsprüfer (IDW). Ernst & Young issued an unqualified audit opinion.

The corporation has set up a compliance & anti-corruption hotline to give employees as well as third parties outside the corporation the opportunity to report instances of non-compliance with legal regulations, its fundamental values, and ethical standards. Employees, customers, and suppliers can use this hotline anonymously if they have information regarding suspect activities undertaken by Continental.

Compliance & Anti-Corruption Hotline

http://www.continental-corporation.com/www/portal_com_en/themes/continental/anti_corr/anti_korr_einleitung_en.html

SO3 Percentage of Employees Trained in the Identification of Corruption Risks

In 2012, the Executive Board adopted a comprehensive anti-corruption guideline as well as a donations policy.

Prevention is one of the main pillars of our Compliance Management System. In particular, this involves the provision of training for employees, with great importance attached to holding attendance-based courses.

In spring 2012, we established an electronic learning program on the topic of antitrust law and have introduced it in over 30 countries so far. All employees around the world with computer-

based workstations are obliged to take part in the program, which is available in ten languages. Around 40,000 invitations to the program have been sent out so far. All senior managers and managers have already taken part.

SO4 Action Taken in Response to Incidents of Corruption

In the period under review, a very small number of instances of corrupt behavior occurred in the company. These cases were dealt with by means of disciplinary action, extending through to termination for cause – depending on the circumstances, with criminal charges also being raised.

SO5 Participation in the Forming of Political Will

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

SO6 Contributions to Political Parties and Politicians (Addition)

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

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

Information on legal action due to alleged non-compliance with antitrust law is provided in the Notes to the consolidated financial statements, no. 34 (Annual Report 2012, p. 236 ff.) and, if necessary, our interim financial reports.

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

Information on fines or sanctions due to non-compliance with laws and regulations is provided in the Notes to the consolidated financial statements, no. 34 (Annual Report 2012, p. 236 ff.) and, if necessary, in our interim financial reports.

Social Performance Indicators

Product Responsibility

Corporate Policy and Management Approach

Our product responsibility extends over a product's entire life cycle - starting with the raw materials used, product development and manufacture and on through to use and subsequent recycling. Continental assumes development and production according to the best possible standards to minimize the impact on health and the environment. It is up to customers to ensure that products are used for their intended purpose. Our ISO 9001-certified quality management system, which is in place at all of our sites worldwide and is subject to regular recertification, contains detailed specifications regarding product safety and quality. After all, this is the basis on which we fulfill the diverse range of demands in the area of product responsibility primarily placed on us by the manufacturer. This includes minimizing the fuel consumption of vehicles.

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

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

To minimize the impact on health and the environment, Continental assumes development and production in accordance with the best possible standards. For their part, customers ensure that products are used for their designated purpose.

When using raw materials, we endeavor to utilize natural resources in a conscientious manner; our now 14 product life cycle assessments (11 in the Rubber Group, 3 in the Automotive Group) provide important information here. In production, we plan to reduce energy and water consumption, CO₂ emissions, and waste by 3 percent year on year by 2016 (basis year: 2012). At the same time, we are endeavoring to increase the recycling rate of industrial waste year on year by 2 percent.

To work together with customers on improving product recyclability, the relevant information concerning each product is compiled, evaluated, and made available to the customer. In the Automotive Group, for example, this is achieved by means of a recycling passport, which includes component drawings, material data, and dismantling steps for the products. This form of

information processing has proven to be extremely practicable and has made a considerable contribution to improving the recyclability of our products.

Special attention is devoted to the energy efficiency of our products. We want them to help cut energy usage and CO₂ emissions during their usage phase. In 2012, approximately one-third of our sales - around €11 billion - were for products that are exceptionally energy-efficient or lead to demonstrably reduced emissions of pollutants or CO₂ emissions (see EN26).

We are driving forward the use of renewable raw materials such as natural rubber and plant-based oils. This conserves resources and contributes to climate protection. Many of our components - piezo injection valves for conventional gasoline and diesel engines, for example - work just as well with biofuels. This, too, is of benefit to the environment. A wide range of components suitable for conventional fuels and biofuels (bioethanol) are available.

Continental is involved in national and European initiatives for reducing tire and road noise, including the SILENCE research project of the European Union (EU), as well as the "Quiet Traffic" and "Quiet Road Traffic" projects across Germany.

PR2 Non-Compliance with Requirements Regarding Product Responsibility (Addition)

Time and again, Continental is subject to product liability lawsuits and other proceedings in which customers and third parties accuse the company of alleged infringement of its duty of care, non-compliance with warranty obligations, or material defects. These also include claims based on alleged breaches of contract, product recalls, and government fines. Detailed information on this can be found in the current Annual Report. From 2006 to the end of 2012, the total costs for dealing with all such claims and proceedings amounted to less than €50 million annually.

Annual Report 2012 - Other Disclosures

http://report.conti-online.com/pages/financial-statements/notes/other-disclosures/litigation-compensation-claims_en.html

PR3 Legally Required Obligations to Provide Information Regarding Product Responsibility

A standardized marking obligation for motor vehicle tires has applied within the EU since November 2012. This is aimed at enhancing road safety while reducing fuel consumption: the

EU tire label uses three criteria to indicate a tire's environmental and safety-relevant characteristics. Continental welcomes this new consumer information. Our customers can also access the values online.

The New EU Tire Label

http://www.continental-tires.com/www/tires_de_en/themes/tirelabel/

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

PR6 Laws and Standards Relating to Product Advertising

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

PR7 Non-Compliance with Advertising Requirements (Addition)

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

OWM - Code of Conduct

<http://www.owm.de/index.php?id=53>

PR8 Complaints Regarding Breaches of Customer Data Privacy

Data protection at Continental is regulated in a corporate guideline designed to ensure that personal data is handled correctly in the corporation as a whole and in all of our subsidiaries worldwide. This requires the definition of standardized data pro-

tection and security standards in accordance with the EU data protection directive regarding the processing of personal data in all corporate companies, particularly those "in third countries" (i.e. mainly those outside the EU). This ensures that the required level of data protection is in place in these countries, too, and that adequate guarantees regarding the protection of personal rights and the exercising of such rights are in place in accordance with the EU data protection directive.

The guidelines act as a framework for how corporate companies - particularly those in "third countries" - process personal data relating to potential or current employees, customers, suppliers, other business partners, potential customers, and other affected parties.

PR9 Fines for Non-Compliance with Legal Requirements Regarding Product Usage (Addition)

See PR2.

Communication on Progress to the UN Global Compact

Continental AG has been participating in the UN Global Compact since 2012. The Global Compact is based on ten principles in the areas of human rights, labor, environment, and anti-corruption. This table displays the guidelines and management systems Continental employs to support the implementation of the Global Compact's principles. It also summarizes the progress made in their implementation in 2012.

Principle	Guidelines & systems	Measures	Results in 2012
Human rights			
Principle 1: Support of human rights	<ul style="list-style-type: none"> › BASICS corporate guidelines › Principles of corporate social responsibility 	<ul style="list-style-type: none"> › Participation in the events and discussions of the German Global Compact Network 	<ul style="list-style-type: none"> › In the future, trainees will receive employment contracts of indefinite duration following completion of their training.
Principle 2: Elimination of human rights violations	<ul style="list-style-type: none"> › Supplier Code of Conduct 		
Labor			
Principle 3: Upholding of freedom of association and right to collective bargaining	<ul style="list-style-type: none"> › BASICS corporate guidelines › Principles of corporate social responsibility › Supplier Code of Conduct 	<ul style="list-style-type: none"> › Continental follows the "Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy" of the International Labor Organization (ILO) and the HR policy values outlined therein. 	<ul style="list-style-type: none"> › At Continental, 71% of employees work in OECD countries that guarantee the right to freedom of association. In Germany, collective bargaining agreements have been reached for almost 85% of the core workforce.
Principle 4: Elimination of all forms of forced and compulsory labor			
Principle 5: Abolition of child labor			
Principle 6: Elimination of discrimination	<ul style="list-style-type: none"> › BASICS corporate guidelines › Principles of corporate social responsibility › Employee Code of Conduct › Supplier Code of Conduct › Member of the "Charta der Vielfalt" (German Diversity Charter) 	<ul style="list-style-type: none"> › Core areas: promotion of gender and international diversity › Medium-term goal: 20% women on the Supervisory Board › Goal for 2020: 16% women in management positions (currently 8%) 	<ul style="list-style-type: none"> › Since 2011, one woman has been represented on the eight-strong Executive Board.
Environment			
Principle 7: Precautionary environmental protection	<ul style="list-style-type: none"> › Continental environmental policy › Environmental management systems certified to ISO 14001 at all environmentally relevant locations › Principles of corporate social responsibility › Continental mission 	<ul style="list-style-type: none"> › Extensive investment in research and technology to reduce energy consumption and CO₂ emissions › A total of 14 product life cycle assessments prepared so far in order to gain detailed information about environmental impact › Energy- and resource-efficient production processes 	<ul style="list-style-type: none"> › Investments for research and development increased to €1,766.2 million (2011: €1,608.7 million).

Principle	Guidelines & systems	Measures	Results in 2012
Principle 8: Promotion of greater environmental responsibility	<ul style="list-style-type: none"> › Continental environmental policy › Environmental management systems certified to ISO 14001 at all environmentally relevant locations › Principles of corporate social responsibility › Employee Code of Conduct 	<ul style="list-style-type: none"> › Response to the Carbon Disclosure Project's (CDP) questionnaire, a process linked to a public ranking of the company by the CDP organization › Continental regularly assesses the level of certification to ISO 14001 of the majority of the suppliers with which it already has contracts. › New suppliers are surveyed and assessed using a questionnaire comprising numerous environmental aspects. 	<ul style="list-style-type: none"> › In the most recent CDP assessment published in October 2012, Continental is one of the German companies showing the greatest improvement from the previous year. › Of 5,000 suppliers of production materials, over 1,900 were certified to ISO 14001 at the end of 2012.
Principle 9: Diffusion of environmentally friendly technologies	<ul style="list-style-type: none"> › Continental environmental policy › Continental mission 	<ul style="list-style-type: none"> › Extensive investment in research and technology to reduce energy consumption and CO₂ emissions › Increase in energy efficiency across all phases of the product life cycle › Promotion of the use of renewable raw materials such as natural rubber and plant-based oils › Continental is a member of the "Nachhaltiger Naturkautschuk" [Sustainable Natural Rubber] working group and is involved in the EU's "SILENCE" research project as well as in projects across Germany on the topic of quiet traffic. 	<ul style="list-style-type: none"> › In fall 2012, construction began for a new production facility for retreaded truck and bus tires as well as for a recycling line for rubber from used tires. › In 2012, around one-third of the corporation's sales - around €11 billion - were for products that are exceptionally energy-efficient or demonstrably lead to reduced emissions of pollutants or CO₂ emissions.
Anti-corruption Principle 10: Measures against corruption	<ul style="list-style-type: none"> › Code of Conduct › Anti-corruption guideline 	<ul style="list-style-type: none"> › Compliance department › Training programs for employees › E-learning program on antitrust law: program in ten languages, mandatory for all employees at computer-based workstations › Hotline for employees and external persons 	<ul style="list-style-type: none"> › Revision of the Code of Conduct and adoption of the new anti-corruption guideline in 2012 › Rollout of e-learning program on antitrust law (beginning spring 2012): all managers and senior managers took part

Continental Aktiengesellschaft
Vahrenwalder Strasse 9
30165 Hanover
Germany
www.continental-corporation.com