



# GRI Report 2014

and UN Global Compact  
Communication on Progress

# Overview of Key Figures for the Continental Corporation

in € millions	2014	2013	Δ in %
Sales	34,505.7	33,331.0	3.5
EBITDA	5,133.8	5,095.0	0.8
in % of sales	14.9	15.3	
EBIT	3,344.8	3,263.7	2.5
in % of sales	9.7	9.8	
Net income attributable to the shareholders of the parent	2,375.3	1,923.1	23.5
Earnings per share in €	11.88	9.62	23.5
Adjusted sales <sup>1</sup>	34,177.6	33,259.1	2.8
Adjusted operating result (adjusted EBIT) <sup>2</sup>	3,874.5	3,737.5	3.7
in % of adjusted sales	11.3	11.2	
Free cash flow	2,014.9	1,818.3	10.8
Net indebtedness	2,823.5	4,289.3	-34.2
Gearing ratio in %	25.6	46.0	
Equity	11,024.6	9,322.2	18.3
Equity ratio in %	36.5	34.8	
Number of employees (as at December 31) <sup>3</sup>	189,168	177,762	6.4
Dividend per share in €	3.25 <sup>4</sup>	2.50	
Share price at year-end <sup>5</sup> in €	175.55	159.40	
Share price (high) <sup>5</sup> in €	183.25	161.90	
Share price (low) <sup>5</sup> in €	136.85	80.66	

<sup>1</sup> Before changes in the scope of consolidation.

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

<sup>3</sup> Excluding trainees.

<sup>4</sup> Subject to the approval of the Annual Shareholders' Meeting on April 30, 2015.

<sup>5</sup> Price quotations of the Continental share in the XETRA system of Deutsche Börse AG

# About This Report

In this document, Continental AG presents its sustainability report for the year 2014. It relates to fiscal year 2014 (January 1 to December 31, 2014) and is aimed at investors, analysts, customers, employees, suppliers, politicians, and public authorities, as well as all other stakeholders that have relations with the company and want to know the values and principles that define our actions.

The report aims to create transparency and therefore present – alongside our wide range of activities and achievements – all those areas in which we need to improve further. Over recent years, we have based the structure and content of this report on the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (version G3.). We have for the first time reported on all additional indicators. Founded in the 1990s, the purpose 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. According to our self-assessment, the Report 2014 complies with application level B. Our company prepares this report voluntarily to create transparency.

However, it is compulsory to prepare the enclosed Communication on Progress to the Global Compact of the United Nations on an annual basis as part of our participation.

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# 1. Strategy and Analysis

## 1.1 Statement from the organization's most senior decision maker

We use our technologies, systems, and services to make mobility and transportation more efficient, safer, more affordable, and therefore more sustainable. With its solutions, Continental contributes to the fulfilment of people's fundamental needs: protecting life and health, improving the quality of life and mobility, protecting nature and the environment, and providing more opportunities to shape one's own future.

Our long-term success is based on our understanding of these needs as well as on mutual trust. Trust is placed in our employees, our business partners, and other stakeholders. The focus on sustainability and responsible conduct that is firmly embedded in the corporation leaves us open to change and sees us strengthening the future viability of our company.

As a signatory of the United Nations Global Compact, we support its ten principles in the areas of human rights, labor, environment, and anti-corruption. Sustainable management and a sense of responsibility for the environment, employees, and society constitute our fundamental values. It strengthens the culture of working with and for one another, it creates trust, and it forms the basis of forward-looking and values-based corporate management at Continental.

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

Dr. Elmar Degenhart

Chairman of the Executive Board

## 1.2 Key sustainability risks, opportunities, and impacts

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

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

More detailed information on this is provided in the "Risks and Opportunities" chapter of our Annual Report 2014.

**Continental Annual Report 2014**



## 2. Organizational Profile

### 2.1 Name of the company

Continental Aktiengesellschaft.

### 2.2 Important brands, products, and services

Continental develops intelligent technologies for transporting people and their goods – as an international automotive supplier, tire manufacturer, and industrial partner that provides sustainable, safe, comfortable, individual, and affordable solutions.

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

Below are the important brands for each area:

- > Technical products: ContiTech, Schwingmetall, Benecke-Kaliko, Phoenix, Continental Elite
- > 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 develops, produces, and markets intelligent systems to improve safety and vehicle dynamics.
- > The Powertrain division designs and engineers innovative solutions for gasoline, diesel, hybrid, and electric drive systems.
- > The Interior division specializes in information management in vehicles.

#### Rubber Group

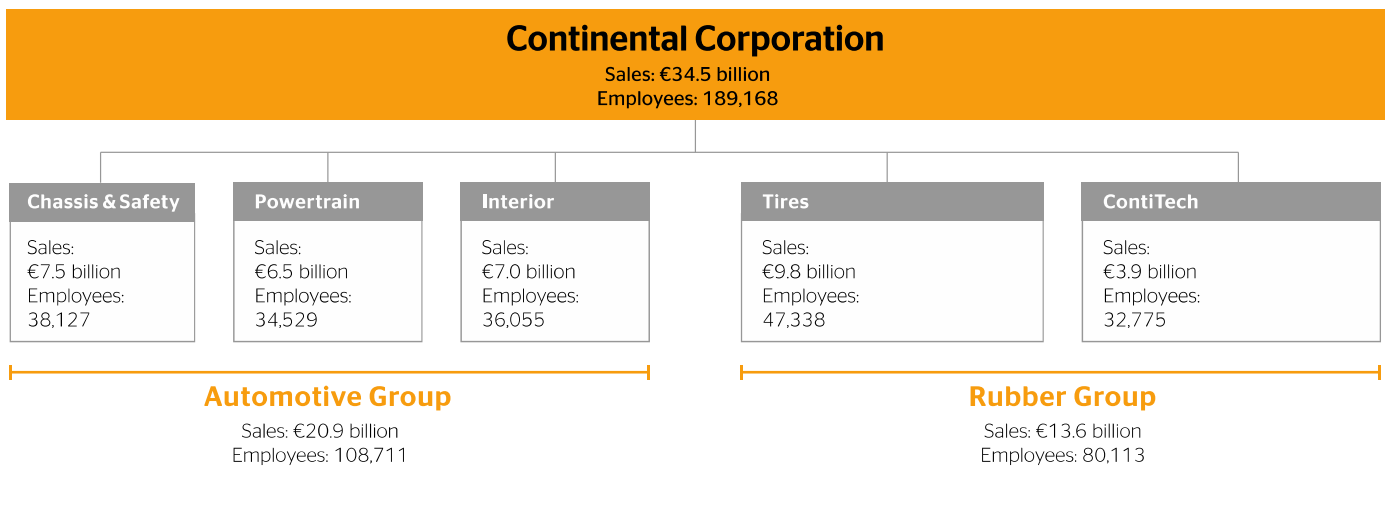
- > The Tire division offers the complete spectrum of tires, ranging from tires for cars, trucks, and buses to specialist products for construction and industrial vehicles to tires for bicycles and motorcycles.

The ContiTech division combines our rubber and plastics activities for numerous key industries.

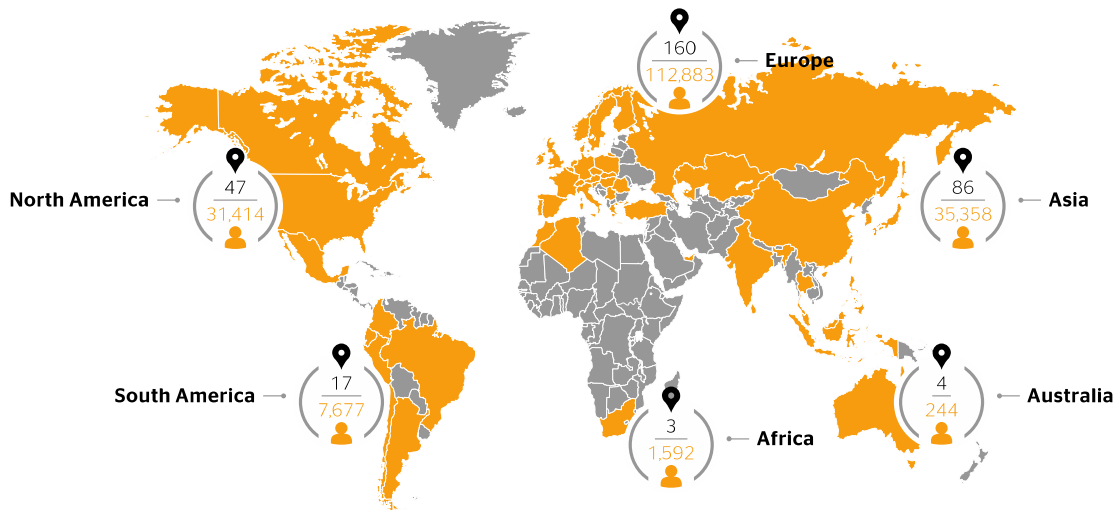
### 2.4 Corporate headquarters

Hanover, Germany.

#### Continental Corporation



**Global presence: 317 locations in 50 countries**



📍 Locations    👤 Employees

**2.5 Number/name of countries with major operations**

Continental has 317 locations in 50 countries:

- > Europe (24): Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Ireland, the Netherlands, Norway, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Spain, Sweden, Switzerland, Turkey, UK
- > North America (3): Canada, Mexico, USA
- > South America (6): Argentina, Brazil, Chile, Columbia, Ecuador, Peru
- > Africa (3): Algeria, Morocco, South Africa
- > Asia (13): China, India, Indonesia, Japan, Kazakhstan, Malaysia, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, United Arab Emirates
- > Australia

**2.6 Ownership structure**

Continental is a stock corporation under German law. As of December 31, 2014, 46.0% of shares were owned by the Schaeffler Group, Herzogenaurach (Germany), and 54.0% were in free float (this is attributable to investors in 39 countries). Continental AG is listed on the German stock index (DAX).

**2.7 Markets served**

Continental operates globally; we have customers in almost every country in the world. The regional distribution of sales in 2014:

- > 30% Europe (excluding Germany)
- > 23% Germany
- > 22% NAFTA region
- > 20% Asia
- > 5% Other countries

This distribution is virtually unchanged on the previous year.

**2.8 Scale of the reporting organization**

In 2014, the corporation's 189,168 employees generated sales amounting to €34.5 billion, representing an increase of 3.5 percent over 2013 (€33.3 billion). Worldwide, Continental is among the top three in the automotive supply industry. In 2014, approximately 73 percent of our sales were attributable to automotive manufacturers, and 27 percent to customers from other branches of industry and end users.

**2.9 Key changes in the period under review**

The number of worldwide locations increased from 300 to 317.

## 2.10 Awards received during the reporting period

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

- › This is the second year in a row that Continental has received a sustainability award for performance in technical development. Last year, a prize was awarded for the new retreading system for commercial vehicle tires, while this year the winner was the bus tire Conti Coach HA3 from the Generation 3 line, which was specially developed for use in passenger transport. The International busplaner Sustainability Prize aims to recognize commendable and sustainable product developments from the bus and tourism industry. The prize is given out by the trade magazine busplaner, published by HUSS in Munich. It honors businesses that "combine outstanding economic success with social responsibility and environmental protection - whose sustainable actions lead to further growth and prosperity."
- › The Waltershausen site was awarded a quality rating by the association TOTAL E-QUALITY Deutschland e.V. for its family-friendly offerings. The association praises the support the company gives its employees for familial challenges, allowing for an optimal balance of family and work. "Family-conscious cooperation based on equal opportunity is promoted and made possible by a large number of measures implemented on all levels," the jury explained.
- › Continental and the Fraunhofer Institute for Molecular Biology and Applied Ecology (IME) at the University of Münster were honored with the GreenTec Award 2014 for their co-development project "RUBIN - Industrial Emergence of Natural Rubber from Dandelion." A 60-member jury panel consisting of experts from industry, academia, trade associations, and the media considered this project to be an outstanding example of commitment to the environment and pioneering environmental technology in the category "Automobility."
- › For the third time, employees at the Continental plant in Calamba were honored with the PEP award for environmentally conscious achievements. Conferred annually by the Philippine Economic Zone Authority (PEZA), this award gives recognition to special accomplishments that advance the goal of sustainable environmental compatibility or introduce innovative systems that contribute to a continuous improvement in environmental management systems.
- › Continental won a Human Resources Excellence Award from *Human Resources Manager* magazine. We also showed our strength with our Germany-wide student competition ContiFlugMission, which gave teams of secondary school students from the 8th grade and above a chance to engage in creative, experimental research into rubber as a fuel source with the aid of a motorized rubber airplane. The competition was a playful and technically well-founded way for the students to encounter scientific subjects. A jury of 30 human resources experts from leading German and international companies selected the ContiFlugMission for 1st place in the category Group Trainee Marketing.
- › For their social commitment the employees from the Nörtheim site have received the Albert Schweitzer Prize 2015. For 50 years now, the employees have supported the Albert Schweitzer Familienwerk institution. In his speech, Hanover's mayor, Klaus-Dieter Scholz, said that "soft factors such as social commitment are increasingly gaining ground in our cooler society." ContiTech is a positive example of how the commitment of employees brings "Hanover, Lower Saxony, and the whole of Germany to life."

## 3. Report Parameters

### 3.1 Reporting period

1. January 2014 to December 31, 2014.

### 3.2 Date of the most recent report

September 2014 (for 2013).

### 3.3 Reporting cycle

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

### 3.4 Contact person for questions regarding the report

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

### 3.5 Process for defining report content

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

### 3.6 Scope of the report

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 our production sites included in the worldwide collection system. This covers 175 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. greenfield sites)
- › 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 according to the regulations of IFRS and factors in all locations and companies where controls exist. Operational control exists if Continental has full decision-making power with regard to operations. These companies are fully consolidated in the reported data.

### 3.7 Limitations/scope of the report

See 3.6.

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

In addition to the parent company, the consolidated financial statements include 458 domestic and foreign companies that Continental Aktiengesellschaft incorporates according to the regulations of IFRS 10 or that are classified as a joint arrangement or as associated companies.

### 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

Compared to the previous report, in which we also addressed all additional GRI indicators for the first time, there are no changes.

### 3.11 Changes vis-à-vis previous reports as regards topics, scope, and measurement techniques

Since the Report 2013, changes have been made as regards the production sites included with respect to environmental performance indicators.

Production sites involved exclusively in the internal supply of their own plant were also included in the latest ascertainment of climate-related figures. Changes in the evaluation method influenced specific environmental indicators in other ways. For example, a number of regional emission factors were adjusted and used to determine CO<sub>2</sub> 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.

### Certifications

	Coverage		
	Total locations <sup>1</sup>	ISO 9001 or ISO/TC 16949	ISO 14001
<b>Automotive Group</b>	128	100%	72%
<b>Rubber Group</b>	92	100%	73%

<sup>1</sup> Production sites worldwide

**3.12 GRI Index table**

See page 3 et seq.

**3.13 External audit of claims**

As in previous years, the auditing firm KPMG AG conducted an independent limited assurance engagement for the indicators "direct CO<sub>2</sub> emissions," "indirect CO<sub>2</sub> emissions," and "specific CO<sub>2</sub> emissions per € million in adjusted sales" for the 2014 business year. For the first time, additional absolute and specific indicators of our environmental performance were audited in the same way. These also included "water consumption" and "specific water consumption per € million in adjusted sales," "waste production," "specific waste production per € million in adjusted sales," and "recycling rate (in %) of waste production." Information about economic circumstances as well as facts and figures about the environment and staff chapters are based primarily on information in the Annual Report 2014.

## 4. Governance, Commitments, and Engagement

### 4.1 Governance structure and responsibility for sustainability

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

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

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

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

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

### 4.2 Independence of the Chairman of the Supervisory Board

Like all other members of the Supervisory Board, the Chairman of the Supervisory Board has no executive functions within Continental.

[Continental Annual Report 2014](#)

### 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 dialog between shareholders and employees and the Supervisory Board/Executive Board

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

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

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

Remuneration for Executive Board members consists of fixed remuneration, variable remuneration elements, additional benefits, and retirement benefits.

Each Executive Board member receives fixed annual remuneration paid in twelve monthly installments. After having been increased to usual market levels in 2013, the fixed remuneration will not be adjusted again until 2017 at the earliest.

The Executive Board members also receive variable remuneration in the form of a performance bonus and a share-based long term incentive (LTI). The performance bonus is based on a target bonus that the Supervisory Board determines for each

Executive Board member for 100% target achievement, and is then calculated in line with 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). For 2014, the Supervisory Board had set the target of attaining a specific free cash flow for the corporation. If certain minimum values are not achieved, the performance bonus can also decrease to zero.

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 the performance bonus is based by up to 20% upward or downward. In any event, the performance bonus is capped at 150% of the target bonus.

In addition to the performance bonus, a special bonus can be agreed upon for special projects in individual cases or a recognition bonus can be granted. However, a recognition or special bonus of this kind and the performance bonus together must not exceed 150% of the target bonus, and it is included in the division into immediate payment and deferral.

The variable remuneration is supplemented by granting an LTI that increases the share of long-term components to 60% or more of variable remuneration again on the basis of the target values and thus further strengthens its focus on sustainable development of the company.

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. For a majority of human resources managers, part of the variable remuneration is calculated on the basis of diversity objectives or the sickness absence rate.

#### **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. In the year under review, one member of the Supervisory Board chose not to participate in the discussion or resolution on a matter submitted to the Chairman's Committee, so as to avoid any semblance of a possible conflict of interests. Besides this, no conflicts of interest arose among the members of the Executive Board or the Supervisory Board. In the opinion of the Supervisory Board, it always had a sufficient number of independent members during the reporting period. Furthermore, our Code of Conduct – which likewise addresses the issue of conflicts of interest – is binding for all employees including the Executive Board.

The Annual Report and the financial reporting system in general report in detail about existing controlling shareholders and relations to associated companies and persons.

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

In accordance with the German Co-determination Act (*Mitbestimmungsgesetz – MitbestG*) and the company's Articles of Incorporation, the Supervisory Board comprises 20 members. Half the members of the Supervisory Board are elected by the shareholders in the Shareholders' Meeting, while the other half are elected by the employees of Continental AG and its German subsidiaries. The Supervisory Board has defined goals for its composition which are based on the percentage of women, the percentage of members with international business experience or other international background, the number of independent members, and the percentage of members with industry experience.

A sustainability council was founded to advise the Executive Board on issues of corporate responsibility and sustainability (see 4.1). This comprises two members of the Executive Board as well as representatives from Environment, Human Relations, Law and Compliance, Corporate Health and Safety, Investor Relations, Corporate Auditing, and Corporate Communications.

#### **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.
- › Code of conduct. We published a new version of the "Continental Code of Conduct" in 17 languages in September 2012.
- › Principles of our corporate social responsibility. These provide an overview of our CSR principles.
- › Corporate Governance Principles. Based on applicable legal provisions, the German Corporate Governance Code, and the corporate guidelines, these principles provide a detailed description of the corporation's managerial and supervisory tasks and processes. These were last updated in December 2013.

#### **Overview of Continental CSR documents**

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

See 4.1.

#### **4.10 Processes for evaluating the Executive Board's sustainability performance**

Information for the assessment of the performance of the Executive Board is provided in 4.5 and in the compensation report of the Annual Report 2014 starting on page 27.

#### 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. A review is held at least four times per year in the audit committee of the Supervisory Board, four times per year in the scope of Supervisory Board meetings, four times per year during Executive Board meetings, and four times per year during meetings of the Compliance and Risk Committee.

The risk management system, which fully complies with the Corporate Governance Principles of the Continental Corporation and with statutory requirements, is included in the annual audit.

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

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

- › Global Compact of the United Nations (since 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 (since May 2010). Goal: to promote company health management.
  - › "Charta der Vielfalt" (German Diversity Charter) (since December 2008). Goal: to promote equal opportunities and diversity in the workforce.
  - › The European Road Safety Charter (since November 2007). Goal: to increase road safety.
  - › World Business Council for Sustainable Development (since 2005). The aim of this alliance is to promote the role of ecological efficiency, innovation, and corporate social responsibility.
- In addition, companies of the corporation have signed further (country-) specific codes or declarations of commitment. For example, Continental Reifen Deutschland GmbH has signed the "Gemeinsame Erklärung Erfolgsfaktor Familie" [joint declaration of the success factor family].
- #### 4.13 Memberships in associations and interest groups
- This section lists the majority of the corporation's memberships. Due to the scope of this document, memberships of the individual subsidiaries and locations (for example, memberships in German chambers of industry and commerce or employers' associations) have not been included.
- › Sustainable Natural Rubber Initiative
  - › Association Connecting Electronics Industries (IPC)
  - › Cyber-Sicherheitsrat Deutschland e.V. [Cyber Security Council Germany]
  - › Deutsche Gesellschaft für Personalführung (DGFP) [German Association for Personnel Management]
  - › Deutsche Kautschukgesellschaft [German Rubber Society]
  - › Deutsche Vereinigung für internationales Steuerrecht [German Association for International Tax Law]
  - › Deutscher Verkehrssicherheitsrat (DVR) [German Road Safety Council]
  - › Deutsches Institut für Kautschuktechnologie (DIK) [German Institute of Rubber Technology]
  - › European Tyre & Rubber Manufacturers' Association (ETRMA)
  - › Forschungsvereinigung Automobiltechnik (FAT) [Research Association of Automotive Technology]
  - › Organisation Werbungtreibende im Markenverband (OWM) [German Advertisers' Association]
  - › Schmalenbach-Gesellschaft für Betriebswirtschaft [Schmalenbach Society for Business Administration]
  - › Stifterverband für die Deutsche Wissenschaft [Donors' Association for German Science]
  - › Verband der Automobilindustrie (VDA) [German Association of the Automotive Industry]
  - › Verband deutscher Sicherheitsingenieure (VDSI) [Association of German Safety Engineers]
  - › Verein Deutscher Ingenieure (VDI) [Association of German Engineers]
  - › Verein zur Förderung des Betrieblichen Brandschutzes Niedersachsen (vfb) [German Association to Promote Operational Fire Protection in Lower Saxony]
  - › Wirtschaftsverband der deutschen Kautschukindustrie (WdK) [Trade Association of the German Rubber Industry]
  - › Wissensfabrik - Unternehmen für Deutschland [Knowledge Factory - Companies for Germany]
  - › World Business Council for Sustainable Development (WBCSD)



› Zentrale zur Bekämpfung unlauteren Wettbewerbs [German Center for Combating Unfair Competition].

#### **4.14 List of stakeholder groups engaged by the company**

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

#### **4.15 Basis for identification of stakeholders**

See 4.14.

#### **4.16 Approaches to stakeholder engagement**

Our shareholders and employees are at the center of our stakeholder engagement. See 4.4 for further information. Continental also maintains ongoing dialog with customers (development partnerships) as well as scientists (research projects). To respond as effectively as possible to the needs of junior employees in its role as an employer, we have been surveying graduates every year since 2004 in Germany, every two years

since 2005 in Romania, and for the first time in 2011 in China and in 2013 in Brazil.

In addition, Continental regularly conducts vehicle user surveys covering aspects such as driving behavior, hybrid technology, and road traffic safety. In 2014, drivers from China, Germany, France, Japan, and the USA were surveyed for the international "Continental Mobility Study 2015." Experts from science and the automotive industry were also interviewed. The emphasis was placed on mobility issues that particularly affect people throughout the world: urbanization, safety, automated driving, connectivity, limited energy resources, and costs.

#### **Continental Student Survey**

#### **Continental Mobility Study**

#### **4.17 Statement on key topics and concerns of the stakeholders**

See 4.16.

# Economic Performance Indicators

## Corporate Policy and Management Approach

Continental is a leading global automotive supplier, tire manufacturer, and industrial partner to other key industries. The market environment is highly competitive, which means there is intense pressure to innovate and keep costs down. The needs and demands of our customers in the individual regions and market segments are changing at an increasing pace. A high level of flexibility and customer focus are therefore key to our success.

Over the long term, market development is being influenced by social trends in the major regions of the world. These trends include the rapid growth of the world's population and the resulting increase in urbanization, demographic change, and – in particular – globalization. In this context, people are striving to achieve a higher standard of living and the need for mobility is on the rise. Four megatrends can be derived from these global developments. They form the foundation of our strategy and our business activities:

- › Safety – For safe mobility
- › Information – For intelligent driving
- › Environment – For clean power
- › Affordable Cars – For global mobility

Our BASICS are fundamental for Continental's lasting success. These corporate guidelines describe the vision, mission, and values that guide our corporate activities and how we interact with one another and with all other stakeholders. We are convinced that our values create value, 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 fiscal year 2014, sales of the Continental Corporation rose by 3.5% to €34.5 billion (previous year: €33.3 billion). Earnings before interest and taxes (EBIT) increased to €3.4 billion (previous year: €3.3 billion). Investments for research and development rose to €2.1 billion (previous year: €1.9 billion).

## EC2 Risks, Opportunities, and Consequences of Climate Change

Potential risks:

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

- › Extreme fluctuations in temperature and natural disaster could result in production downtimes or to interruptions in the supply chain.
- › Due to higher oil prices, for example, the behavior of consumers could change more rapidly than industrial development and production can respond.

Potential opportunities:

- › Shortage of natural resources. Continental relies increasingly on the use of recycling material.
- › New legal regulations to reduce CO<sub>2</sub> emissions. We already generate around a third of our sales with products that are designed to reduce CO<sub>2</sub> emissions.
- › New legal regulations to reduce air pollution. For example, the Powertrain division develops and produces efficient injection systems and cooling water pumps that reduce fuel consumption (and therefore emissions).
- › Rising energy taxes are increasing the demand for fuel-efficient products. Our Powertrain, Tire, and ContiTech divisions focus on this goal in their research and development activities.
- › Introduction of eco-labels for products. With these labels, Continental could advertise its ecologically beneficial products more effectively, thereby setting itself apart from competitors.
- › Hybrid vehicle technology. If this technology gains ground on the market, the demand for the relevant components would rise – Continental is already well-positioned in this future market.

## EC3 The Company's Social Benefits and Pension Obligations

In addition to the statutory pension scheme, the Continental Corporation offers the majority of 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 USA, Canada, and the UK, as well as 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 USA, the UK, Canada, and Germany in the form of contractual trust arrangements (CTAs). The defined benefit obligations of all defined benefit pension plans of the Continental Corporation amounted in 2014 to €5,265.6 million as of December 31. This is offset by separated pension fund assets amounting to €2,035.7 million. The reported pension fund assets do not include the separate assets of the CTA, as they did not meet the status of qualifying

plan assets in accordance with IAS 19 in connection with the acquisition of shares in ContiTech AG.

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 enjoy the benefits of an employer-funded pension plan; at the end of 2014, almost half of all employees were paying into a deferred compensation scheme.

Further information on pensions and similar obligations can be found in the "Notes to the Consolidated Financial Statements" of the Annual Report 2014 as well as in section LA3.

#### Continental Annual Report 2014

#### EC4 Financial Assistance Received from Government

Government subsidies in 2014 amounting to a total of €7.9 million (previous year also €7.9 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 €10.6 million (previous year: €34.5 million) were deducted directly from the acquisition costs.

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

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

#### EC6 Spending on Locally Based Suppliers

Develop locally, purchase locally (where possible and logical from a global sourcing perspective), manufacture and market locally - this is our approach to business. Quality, material, and costs are our key purchase criteria. We use local suppliers if they satisfy these three requirements.

#### EC7 Hiring Local Staff

As a corporation with international operations and locations in 50 countries, we make every effort to ensure that we are a good local employer. We offer attractive jobs, training opportunities, and career paths. Wherever possible, we entrust the task of managing the locations to managers that come from the region and are familiar with the local culture.

#### EC8 Investments for the Welfare of the Local Community

As an international corporation, Continental has a decentralized organization with strong local responsibility. This also applies for its social commitment. As far as possible, charitable projects, donations, and other activities are the responsibility of the decentralized locations and their committed employees. A central obligation to report is not provided for this purpose. Exceptions to this include national challenges such as a committed response to (humanitarian) disasters, where the corporation as a whole evidences its corporate social responsibility.

#### EC9 Indirect Economic Impacts

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

Income tax expense for fiscal year 2014 increased to €622.0 million (PY: €449.6 million); this corresponded to a tax rate of 20.2% following the previous year's rate of 18.3%. The payments for income taxes amounted to €775.0 million (PY: €805.4 million).

# Environmental Performance Indicators

## Environmental Policy and Management Approach

Continental established an environmental management system throughout the corporation more than 20 years ago. From the very beginning, the aims have been to minimize the use of resources and to continue reducing environmental pollution. Initially, the environmental management system focused on the production locations and on manufacturing.

Today, management - under consideration of environmental aspects - is focused on the identified global megatrends, which are also the foundation of the corporation's overall strategy. In addition, the environmental management system is now much more comprehensively defined and established, in that it involves all value chain levels and the complete life cycles of Continental products. Our environmental responsibility thus extends from research and development and purchasing of raw materials to logistics and production, and the use and recycling of our products.

Our service processes are geared toward continually optimizing the use of resources in relation to business volume. We manufacture products that make an active contribution toward protecting the environment and conserving resources throughout their entire duration of use as well as when they are recycled in a final step.

In manufacturing, we are aiming for a 20 percent reduction in relation to business volume of energy and water consumption, CO<sub>2</sub> emissions, and waste generation by 2020 (base year 2013). At the same time, we strive to increase the recycling rate of industrial waste by 2 percent each year.

At the end of 2014, 220 production sites worldwide were in operation, of which about 72% were certified in accordance with the international environmental management standard ISO 14001. Relative to the 175 production sites which are environmentally relevant and used for the acquisition of environ-

mental performance indicators, this figure even rises to approximately 90 %.

At the same time, we are taking action to encourage our suppliers to observe our key environmental principles. Before new suppliers are commissioned, for example, a supplier assessment is conducted using a questionnaire focusing on criteria such as energy consumption, product packaging, plant tidiness and cleanliness, product safety data sheets, environmental certification, and contingency management in the plant. The information is checked as part of the supplier audit. Continental regularly requests valid environment certificates from the large majority of suppliers with which it already has contracts.

## EN1 Materials Used

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

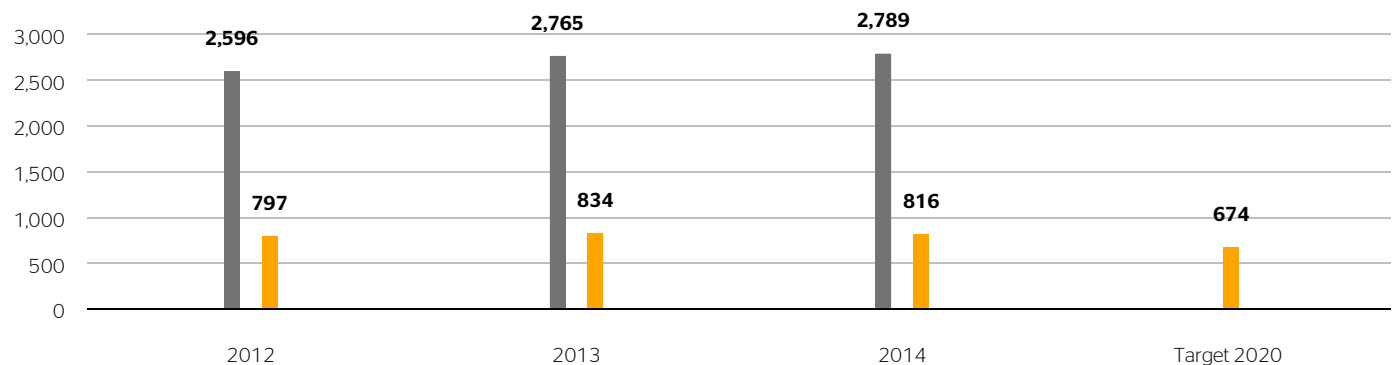
## EN2 Percentage of Recycling Material

The Rubber Group uses production waste generated in physical/chemical processes as reclaim and adhesive mixtures as recyclates. In the Automotive Group, the aluminum alloys and steels contain a high volume of recycled material. We also process recycled plastics. The share of reclaimed materials currently totals approximately 3% of rubber compounds, while the volume of recycled material in steel and aluminum is at least 70%.

## EN3 Direct Energy Consumption

The total energy consumption of the 175 environmentally relevant locations included in the recorded data, of which 159 are certified according to ISO 14001, rose by 1.5% to 27.9 million gigajoules (previous year: 27.5 million gigajoules) due to the increased demand for our products, new product processes,

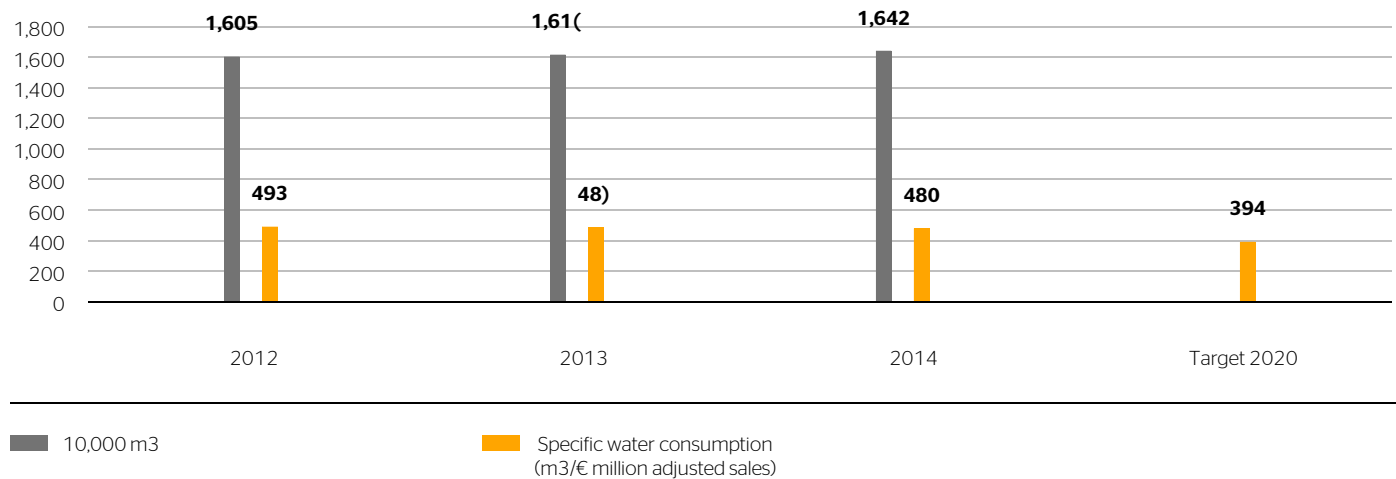
## Energy consumption



■ Waste (10,000 t)

■ Specific energy consumption (GJ/€ million adjusted sales)

**Water consumption**



and the construction of new production locations (greenfield sites). Electricity accounted for 14.3 million gigajoules and fossil fuels for 13.6 million gigajoules.

Energy intensity decreased compared with 2013, declining from 834 to 816 gigajoules per € million in adjusted sales. Our aim: to reduce specific energy consumption to 674 gigajoules per € million in adjusted sales by 2020.

The cited key figures were reviewed by the auditing firm KPMG.

**EN4 Indirect Energy Consumption**

The energy consumption causing CO<sub>2</sub> emissions according to Scope 2 of the Greenhouse Gas Protocol (GHG) can be essentially described with the consumption of electrical energy and supplied steam. In 2014, indirect consumption amounted to €14.3 million gigajoules (PY: 13.9 million gigajoules)

The cited key figures were reviewed by the auditing firm KPMG.

**EN5 Energy-Saving Measures (Additional Indicator)**

Meanwhile, the moderate increase in energy consumption over the past few years (due to increased demand and therefore production) led to a slight decrease in specific energy consumption - from 834 to 816 gigajoules per € million in adjusted sales. This reduction by approx. 1.6% despite an increase in production by 2.1% can be attributed among other things to energy-saving measures and increased energy efficiency. By 2020, we wish to reduce this value to 674 gigajoules per € million in adjusted sales. One of the corporation's strategic environmental objectives is to reduce energy consumption by 20% between 2013 and 2020.

The cited key figures were reviewed by the auditing firm KPMG.

**EN6 Energy-Saving Measures in Products (Additional Indicator)**

In light of increasingly scarce resources, we believe it is our duty to develop sustainable solutions for tire production in order to reduce the demand for natural resources and therefore also lower the energy requirement of products. In the year under review, operations at the new ContiLifeCycle plant in Hanover-Stöcken for retreaded truck and bus tires (including a recycling plant for rubber from used tires) have picked up speed. More than 100 new jobs have since been created there. Unique in this combination throughout the sector worldwide, the plant concludes the tire production cycle and will leverage the synergies from retreading and rubber recycling. Thanks to the recycling process developed by Continental, the volume of recycled materials in new tires can be almost doubled (from the current 3% to 6% or more). In the European Union, 39% of old tires (either whole or shredded) are currently used in the cement industry. There they are used as an energy source (approx. 75%) and a source of secondary raw materials (approx. 25%). Another 37% of the annual volume of old tires is processed further to create technically high-quality secondary raw materials. They are used to produce materials for the construction of sports facilities and roads, for example.

The flagship project HECO<sub>2</sub> (Highly Efficient CO<sub>2</sub>), initiated in the automotive sector, consistently exploits the light-weight design of our products, resulting in a significant conservation of raw materials as well as fuels in motor vehicle operation. An additional aspect of this development initiative is the conservation of energy through more energy-efficient components. Together with energy recovery and efficiency management in vehicle operation, this leads to considerable savings.

### **EN7 Reduction of Indirect Energy Consumption (Additional Indicator)**

See EN5 and EN6.

### **EN8 Water Consumption**

In 2014, the demand for water rose slightly by 1.6% to 16.4 million cubic meters (PY: 16.2 million cubic meters). Here too, the reason for the rise was increased production. In contrast, specific consumption (per million € in adjusted sales) declined slightly compared with 2013, increasing from 487 to 488 cubic meters per € million in adjusted sales. By 2020, we intend to lower our specific water consumption to 394 cubic meters per € million in adjusted sales.

The cited key figures were reviewed by the auditing firm KPMG and verified with an ISAE 3000 certificate.

### **EN9 Water Sources (Additional Indicator)**

A total of 24% of water consumed in 2014 originated from surface water, 37% from the public drinking water network, and 39% from our own wells.

### **EN10 Percentage of Reclaimed and Reused Water (Additional Indicator)**

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

### **EN11 Protected Areas**

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

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

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

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

### **EN12 Impact on Protected Areas**

Continental is not aware of any negative impact.

### **EN13 Habitats Protected or Restored (Additional Indicator)**

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

### **EN14 Measures and Plans to Promote Biodiversity (Additional Indicator)**

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

### **EN15 Number of Red List Species Affected (Addition)**

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

### **EN16 Greenhouse Gas Emissions**

Total CO<sub>2</sub> emissions of the included locations amounted to 2.64 million metric tons in 2014 (PY: 2.52 million metric tons). That corresponds to an increase of 4.8%, due in part to the 2.1% rise in production, new product launches with associated launch-related effects, and virtual increases through the adjustment of local/regional emission coefficients. Direct CO<sub>2</sub> emissions (Scope 1 according to the Greenhouse Gas Protocol) in 2014 amounted to 662,000 metric tons (PY: 659,000 metric tons); indirect emissions from external energy sources (Scope 2) rose from 1.86 million metric tons to 1.97 million metric tons. This yields a specific figure of 77.1 metric tons of CO<sub>2</sub> emissions per million € in adjusted sales (PY: 75.9 metric tons). By 2020, we want to reduce this figure to 61.3 metric tons per million € in adjusted sales.

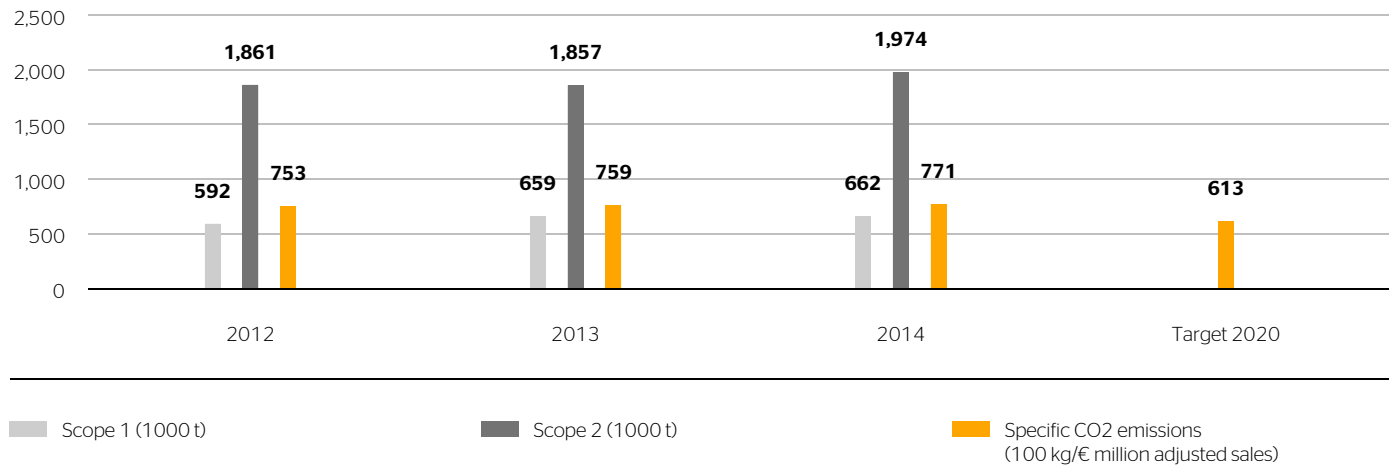
The data we have recorded relates to all environmentally relevant manufacturing facilities over which Continental AG has operational control (a total of 175 corporate locations).

The cited key figures were reviewed by the auditing firm KPMG and verified with an ISAE 3000 certificate.

### **EN17 Other Greenhouse Gas Emissions**

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

**CO<sub>2</sub> emissions**



**EN18 Initiatives to Reduce Greenhouse Gases (Additional Indicator)**

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

We have been responding to the CDP's extensive catalog of questions on our commitment to climate protection every year since 2009. The process is linked to a public ranking of our company. In the most recent assessment published in October 2014, Continental yet again achieved a record high with 80 points in the automotive supply industry group. Further information can be found in our response to the CDP (see link).

**CDP**

**EN19 Emissions of Ozone-Depleting Substances**

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

**EN20 Other Air Emissions**

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

**EN21 Waste Water**

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

**EN22 Waste**

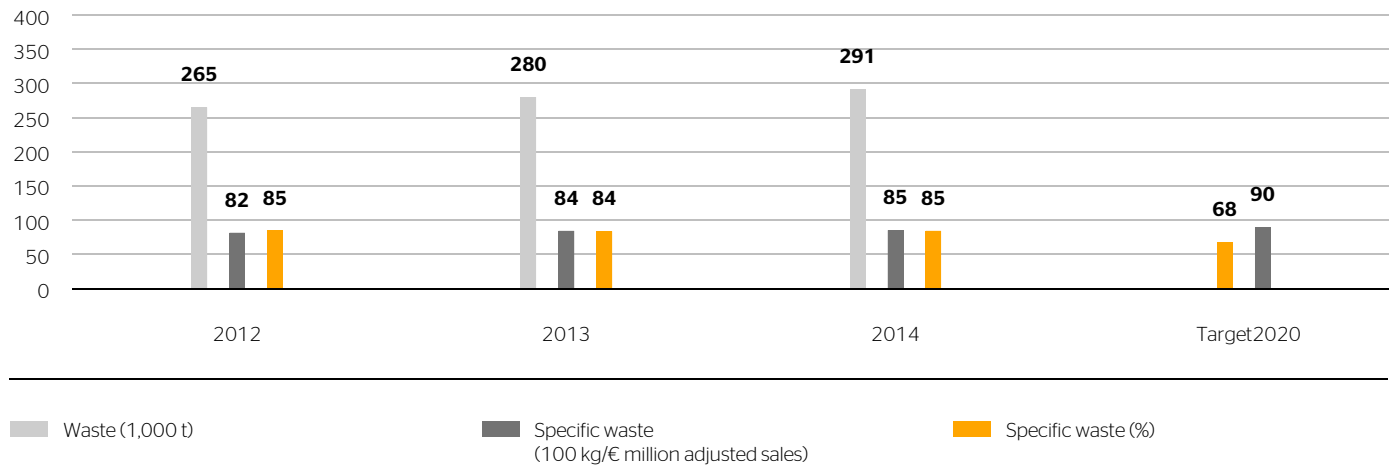
In 2014, the corporation produced 291,000 metric tons of waste (previous year: 280,000 metric tons). The increase of approx. 5% is the result of an increase in production volume (2.1%) and the consolidation of waste collection. The specific waste volume per million € in adjusted sales thus remained nearly constant at 8.5 metric tons (previous year: 8.4 metric tons) despite the increase in sales of 2.1%. In 2014, we recycled (or sent for recycling) around 85% of waste. We are striving for a specific waste volume of 6.8 metric tons per million € in adjusted sales and a recycling rate of over 90% by 2020.

The cited key figures were reviewed by the auditing firm KPMG.

**EN23 Spills of Hazardous Substances**

In the event of failures, there may be minor emissions of fuels/oils.

**Waste generation and recovery**



**EN24 Transported Waste Shipped Internationally (Addition)**

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

**EN25 Water Bodies Affected by Discharges of Water and Runoff**

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

**EN26 Initiatives to Mitigate the Environmental Impact of Products and Services**

In 2014, about 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 CO<sub>2</sub>. In the past few years, for example, we have managed to substantially reduce the weight of our brake components while at the same time enhancing braking performance. In addition, we are continuously improving the average rolling resistance of our tires - without compromising on safety. Our piezo injection valves for conventional gasoline and diesel engines reduce CO<sub>2</sub> emissions by up to 20%. 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 CO<sub>2</sub> emissions from cars and trucks. Hybrid drives for cars can lower CO<sub>2</sub> emissions by 10 to 25%, depending on the hybrid type and application conditions.

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

**EN27 Reclaimed Products and Packaging**

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

**EN28 Fines**

Financial penalties, legal disputes, and claims for damages are disclosed in the Annual Report 2014 (see "Other Disclosures" of the Annual Report, page 220).

**EN29 Environmental Impacts of Transportation (Additional Indicator)**

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

**EN30 Environmental Protection Expenditures and Investments (Additional Indicator)**

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



# Social Performance Indicators

## Labor Practices and Decent Work

### Corporate Policy and Management Approach

In the past 10 years, the number of Continental employees has grown by over 100,000 employees. New business areas and new international markets have been tapped into and integrated in the corporation. On the global labor markets, the competition for specialist and managerial staff is growing due to a reduction in the working population. We are continually developing our 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 fields of action "employees and corporate culture".

In dialog with our employees, we used a number of measures to strengthen our corporate culture, characterized by our four values: Trust, Passion To Win, Freedom To Act, and For One Another, and firmly embed it in our corporation. Only in an inspiring environment can we successfully create optimal development opportunities for our employees.

We see our employees not as resources but as individuals whose skills and abilities are recognized as our organization's most valuable asset. For this reason we now see our HR work as "human relations," not "human resources." This emphasizes a holistic approach to HR work with the focus firmly on people. The new name is intended to make it clear that our work is about relationships with one another and the values that we put into practice and exemplify. The change affects not only the HR department but the entire company. It is about the way in which executives and managers interact with their employees. It is about our work atmosphere and the way we work together in the company.

### LA1 Information on the Total Workforce

At the end of 2014, Continental employed 189,168 women and men in 50 countries, almost two-thirds of them in Europe (and half of them in Germany). The number of employees rose by 11,406 over the previous year. In 2014, Continental employed 11,465 temporary workers. The percentage of women in the global workforce\* was 27.3%, in executive positions 10.0%.

At the end of 2014, 2,026 young people were undergoing training with us. The percentage of trainees in Germany remained stable at more than 4.1%. In 2012, we concluded an agreement specifying that, in the future, young trainees will receive employment contracts of indefinite duration following completion of their training with us.

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

In 2014, our workforce\* was subdivided into the following age groups:

- > Up to 25 years: 12% (PY: 13%)
- > 26-35 years: 34% (33%)
- > 36-45 years: 27% (27%)
- > 46-55 years: 20% (20%)
- > 56-65 years: 7% (7%).

### LA2 Employee Fluctuation\*

As at December 31, 2014, we had a corporation-wide fluctuation of 4.1% (previous year: 3.7%). The average job tenure worldwide was 9.3 years (Germany: 14.8 years). Around 95% of employees form the core workforce.

Employee fluctuation differs by country and region:

- > Asia: 8.1% (PY: 8.3%)
- > Germany: 1.0% (1.1%)
- > Europe (excluding Germany): 3.5% (2.8%)
- > NAFTA: 6.5% (5.7%)
- > South America: 3.2% (2.4%)
- > Other: 1.7% (1.6%)

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

In 2011, the Continental Executive Board decided to introduce an annual value sharing bonus for all employees worldwide. A 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 proposition of the Continental

\*The recording scope does not yet cover all employees worldwide. At the end of 2014, 172,000 employees were included (previous year: 155,500). This represents a coverage of 96%. The worldwide standardization of the HR systems is currently being pushed forward in a project.

Corporation in the business year in question. The total volume of the value sharing bonus for 2014 was around €130 million (previous year: €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.

In addition, Continental offers a long-term account model to management personnel in all affiliated German companies as well as to all employees, who fall within the area of validity of the collective agreement of the chemical industry. This model offers both the option of a flexible transition to retirement pension and possible leave for qualification measures, parental leave, and care periods.

See also EC3.

#### LA4 Percentage of Employees Covered by Collective Bargaining Agreements

Continental observes the HR policy of the "Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy" of the International Labour Organization (ILO). This declaration includes the employees' right to freedom of association. At Continental, 70% of employees work in countries that are members of the Organisation for Economic Co-operation and Development (OECD) and are expected to comply with the aforementioned principle. In Germany, collective bargaining agreements have been reached for almost 90% of the core workforce.

#### LA5 Notice Periods Regarding Operational Changes

The Executive Board reports to the Supervisory Board on matters regarding (upcoming) operational changes in the corporation, informing the employee representatives at the same time.

Continental ensures that employees are informed about major operational changes early on. There were no such changes in 2014. At the locations and in the business units of Continental AG, employee representatives are elected on the basis of the respective legislation. These representatives likewise inform Continental about changes at an early stage. We comply with all legal regulations relating to notice periods as well as those governed separately by collective bargaining agreements.

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

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

#### LA7 Accident Statistics

Absence and accident rates reflect the success of preventative occupational health and safety measures in the corporation. With regard to illness-related absences, the encouraging trend in the past few years stabilized in 2014: On average, each employee was absent for 3.6% of contractually agreed working time. In 2009, it was 4.0% (see table). The number of industrial accidents per million hours worked has fallen considerably in the past few years: from 5.0 (2009) to 3.0 (2014). As a result, the number of hours lost per million hours worked reduced from 845 to 486 hours during the same period. Fortunately, there were no fatal occupational accidents in 2014.

Due to the highly varying products and production methods, the accidents are recorded and evaluated on a local level only and are differentiated according to the type of injury. The data is not recorded and consolidated for the corporation.

#### LA8 Company Health Management Programs

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 im-

#### Accident statistics

	2009	2010	2011	2012	2013	2014
Absences due to sickness <sup>1</sup>	4.0	3.8	3.5	3.5	3.5	3.6
Accident rate <sup>2</sup>	5.0	4.6	4.2	3.6	3.3	3.0
Time lost <sup>3</sup>	845	729	638	574	472	486

<sup>1</sup> Absences due to sickness = paid and unpaid absences as a percentage of contractual working hours.

<sup>2</sup> Accident rate = number of industrial accidents worldwide resulting in the loss of one or more working-day equivalents per million hours worked.

<sup>3</sup> Time lost = number of hours lost (worldwide) due to accidents per million hours worked.

portance to workplace health promotion (WHP). In keeping with the "Luxembourg Declaration," we intensively promote the introduction of a holistic, systematic, and integrated company health management system at all of our locations worldwide.

At many of our locations, employees can not only use the company medical services, but also get involved in a variety of measures relating to workplace health promotion covering areas such as physical activity, diet, and relaxation. They can also take part in health screening. Our "Healthy Leadership" programs, which were developed to give managers health skills and provide "stress control" techniques to improve employees' abilities to deal with stress, were expanded. Thanks to the "Employee Assistance Program" implemented by an external service provider, we help employees with work-related or personal problems while ensuring their anonymity.

Work-related illnesses are recorded locally at the respective locations. With respect to work-related illnesses, emphasis should be placed on prevention. Regular risk assessments are carried out for all workplaces worldwide to determine and evaluate risks. If determined risks are considered to be too high, suitable technical, organizational, or HR measures are taken to reduce them. Over the last few years, more and more emphasis has also been placed on ergonomic stresses. In the meantime, workplaces in production areas in Germany are evaluated ergonomically. The program is presently being rolled out worldwide.

#### **LA9 Company Agreements on Occupational Safety (Additional Indicator)**

The "Safety and Health" (SH) department is responsible for occupational safety at the corporate level and reports directly to the Executive Board member for HR. Our goal for occupational safety: zero accidents and no operation-related illnesses ("we go for zero incidents"). The Continental ESH Management System meets the international standard for occupational safety management OHSAS 18001. A total of 28 locations worldwide are certified according to OHSAS 18001. Company agreements on occupational health and safety are concluded at the company and/or site level in Germany.

#### **LA10 Training Statistics**

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

#### **LA11 Lifelong Learning and Knowledge Management (Additional Indicator)**

Lifelong learning is particularly challenging in times of demographic change. In the words of our corporate guidelines: "We promote lifelong learning along with personal and professional development. We make knowledge available to everyone in our company as quickly as possible and offer mutual support for enabling swift adjustment to changes within our environment." Continental supports this with a comprehensive range of training programs and the Employee Suggestion System. "Continental Ideas Management" encourages and calls for the commitment and motivation of our employees and gives them a proac-

tive role in improving their own working environment. Their commitment is rewarded with bonuses and special campaigns.

In 2014, nearly 450,000 ideas were submitted, of which around 390,000 were put into effect. These led to savings of more than €126 million. Idea management is one example of how the management and values culture is put into practice at Continental and shows that values really do create value. Human Relations therefore sees idea management as being at the heart of the learning organization. To further increase the success of idea management, we are working on a new efficient system that is expected to be introduced in 2016.

See also LA12.

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

As a matter of principle, all employees participate in the talent management process. In this framework, annual employee dialogs are held and development plans are devised. In order to support the development process, Continental offers systematic programs worldwide for the different target groups. These programs include:

- › Corporate Entry Program: a tailored package for new employees with a university degree. It offers comprehensive insight into the corporation and helps them to hone their qualifications profile.
- › Assessment and Development Center: for the identification and promotion of management personnel
- › Management development programs: preparation of managers for the next higher level with respect to social skills, management skills, and management culture.
- › International Management Program: experienced managers handle challenging corporate projects at a high academic level.
- › BIG SIX Radar: 360° feedback process to help managers identify strengths and development potential - open to all 15,000 managers in the corporation.

In addition, a large number of training, qualification, and development programs, especially in technical areas, are offered at the locations and in the different countries. We perform regular checks to determine the effectiveness and sustainability of these measures.

#### **LA13 Composition of Governance Bodies Regarding Diversity and Equal Opportunities**

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

In accordance with the recommendations of the German Corporate Governance Code, the Supervisory Board of Continental AG has specified a number of targets for its composition.

Among other things, the aim is to increase the percentage of women in the Supervisory Board to 20% over the medium term (this had already been achieved by the scheduled election in 2014). The Supervisory Board is keen to ensure that women are afforded appropriate consideration when it comes to appointments to the Executive Board. In 2014, one woman was on the Executive Board (responsible for the area of HR and also director of labor relations).

Around 3,000 employees worldwide occupy a management position (executive or senior executive position). The proportion of women occupying these positions was 10% in 2014 (previous year: 9%). Continental wants to raise this figure to 16% by 2020.

Around 70% of our employees work outside Germany and 40% outside Europe. The many different nationalities of the employees working at the locations also contributes to this highly international nature. An important aim at all locations is to achieve a balanced ratio of local to international managers. This

is in line with market requirements as well as the current global understanding. The proportion of local and international managers fluctuates according to the region; in 2014, the percentage of foreign managers in the corporation was 40%.

From September 2014 to March 2015, we held a Diversity Leadership training course to sharpen our managers' awareness of the issue of diversity management in a targeted way. The focus of the training course was not primarily placed on the definition and detailed description of diversity, but rather on the issue of the "unconscious bias" and the effects of unconscious distortions of perception on decision-making and management behavior. The training course was targeted at the 3,000 top management personnel at Continental worldwide (executives and senior executives); the international training course was conducted exclusively by internal trainers.

#### **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 collective agreements with the IG Metall and IG BCE trade unions. No such differentiation is made for non-pay-scale employees either.

# Social Performance Indicators

## Human Rights

### Corporate Policy and Management Approach

The "Universal Declaration of Human Rights" of the United Nations requires each individual, every organ of society and, by extension, economic agents and businesses, to contribute towards the observation of these rights. This is a primary concern at Continental as well. We are convinced that a commitment to observing human rights and the strengthening of political freedoms encourage a society's economic development, particularly by improving investment opportunities, freedom of movement and educational prospects.

As an international corporation, we at Continental are committed to actively promoting the observance of human rights where we can. The guiding principle here is that a company and its regional branches can only contribute towards compliance with human rights as a complement to politics, not as a replacement of it. The corporation ensures that it does not contribute towards any human rights infringements within its sphere of influence, particularly with regard to forced, compulsory, or child labor. This is firmly embedded in our principles of corporate social responsibility and our Supplier Code of Conduct and is reinforced by our participation in the Global Compact of the United Nations.

### HR1 Investment Agreements with Human Rights Clauses

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

### HR2 Percentage of Contractors/Suppliers Subjected to Human Rights Screening

Continental maintains a network of approx. 4,300 suppliers for production materials, with approx. 2,800 in the Automotive Group and approx. 1,500 in the Rubber Group. In 2014, we procured 65% of all materials and about 70% of the total purchasing volume from companies headquartered in states belonging to the Organisation for Economic Co-operation and Development (OECD), where human rights violations are not expected to occur.

In addition to the commitment of suppliers to comply with the Code of Conduct, raw materials suppliers are subject to review prior to initiating a supply relationship. The goal is to review suppliers on the basis of different criteria to verify their sustainable "supply suitability." Apart from technological and financial criteria, the suppliers are also evaluated with respect to general corporate issues. Plant visits are also carried out in the scope of the review to obtain an impression of the prevailing work conditions. This is integrated into the review if apparent deficits are

ascertained. A supply relationship can be suspended in extreme cases if defined countermeasures should not yield the desired success.

### Continental Supplier Code of Conduct

### HR3 Human Rights Training for Employees (Additional Indicator)

September 2014 saw the completion of our e-learning training course on our Code of Conduct, which also includes human rights issues. Of the approximately 59,000 employees invited, a total of 98% took part worldwide.

### HR4 Incidents of Discrimination and Action Taken

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

All employees or stakeholders who become aware of illegal or dubious activities can report this to our compliance and anti-corruption hotline. In the year under review, 45 of the 196 incidents reported via the hotline related to HR issues (including discrimination and harassment).

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

As a company conducting operations and procuring goods at an international level, we cannot exclude this risk. We can assume, however, that 70% of our purchasing volume for production materials is with suppliers based in OECD countries who therefore respect and enable their employees' freedom of association.

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

### HR6 Operations Entailing a Significant Risk of Child Labor

See HR5.

**HR7 Operations Entailing a Significant Risk of Forced Labor**

See HR5.

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

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

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

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

# Social Performance Indicators

## Society

### Corporate Policy and Management Approach

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

In addition to our corporate guidelines, the BASICS, and the Corporate Governance Principles, this is also reflected in our Corporate Social Responsibility Principles and Code of Conduct. In accordance with the respective legal conditions of each country, all employees must agree to the Code of Conduct. Our anti-corruption guideline is intended to increase awareness of compliance with the relevant regulations at all levels and provide guidance in dealing with gifts and benefits.

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

### SO1 Impact of Operations on Local Communities

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

### SO2 Percentage of Business Units Analyzed for Corruption Risks

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

Continental does not carry out any specific corruption-related audits. Corruption-related issues are also reviewed in each general audit in the scope of the general audit catalog. Based on our risk analysis, we consider the following to be corruption risks: facilitation payments, consultants or intermediaries and slush funds, contributions in business practice that do not agree with internal requirements, especially with high-value hospitality and kick-back scenarios in purchasing and sales.

Employees and third parties can report potentially suspicious cases via the compliance and anti-corruption hotline, which are dealt with by the Corporate Auditing and Compliance departments. In the reporting period, 196 situations were reported to the hotline, with processing completed for 157 of these.

Communications to the compliance and anti-corruption hotline	196
Of these related to	
HR issues (including discrimination and harassment)	45
Anti-corruption/bribery	36
Business integrity/interest conflicts	18
Fraud, money laundering, export control, etc.	10
Theft, sabotage, vandalism	11
Accounting	9
Environment, occupational health and safety	7
Antitrust law	3
Miscellaneous	57

### Compliance & Anti-Corruption Hotline

#### SO3 Percentage of Employees Trained in the Identification of Corruption Risks

The Head of the Corporate Compliance department reports regularly to the Executive Board, every quarter to the audit committee of the Supervisory Board, and annually at the plenary meeting of the Supervisory Board about, among other issues, measures and procedures for the organization of anti-corruption.

In the scope of our risk-based on-site training plan, we hold general compliance training courses on the topics of antitrust law and corruption prevention. Among the roughly 190,000 employees worldwide, around 15,000 employees at all levels have received on-site training between the beginning of 2011 and the end of 2014. In addition to management personnel from the various business units, those that are trained in particular include employees from Purchasing, Sales, and Business Development.

We also have an electronic learning program, available in ten languages, on compliance and the Code of Conduct.

#### SO4 Action Taken in Response to Incidents of Corruption

In the reporting period, 36 entries were made via the compliance and anti-corruption hotline under the category anti-corruption/bribery. Among these entries, seven have been confirmed so far. They have been punished by disciplinary measures such as extraordinary termination.

**SO5 Participation in the Forming of Political Will**

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

**SO6 Contributions to Political Parties and Politicians (Additional Indicator)**

As a matter of principle, 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. Since the year under review, a "Political Action Committee" (PAC) has been

active in the USA which manages donations from Continental employees who are US citizens and passes them on to the politicians and political parties.

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

Information on this is provided in the Annual Report 2014 (see "Other Disclosures" of the Annual Report) and, if necessary, our interim financial reports.

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

See SO7.



# Product Responsibility

## Corporate Policy and Management Approach

Our responsibility extends over the entire life cycle of our products – starting with the raw materials used, product development, and manufacture, to their use and subsequent recycling. To minimize the impact on health and the environment, Continental assumes development and production in accordance with the best possible standards. 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, they form the basis on which we fulfill the diverse range of requirements placed on us, for example by our customers (such as reducing the fuel consumption of vehicles).

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

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

In development and production, we work to the highest standards in order to minimize the impact of our production activities and products on health and the environment to the greatest extent possible. When consuming raw materials, we ensure that natural resources are used carefully. Our 14 product life cycle assessments (11 in the Rubber Group, 3 in the Automotive Group) provide important information here. In production, we plan to reduce energy and water consumption, CO<sub>2</sub> emissions, and waste by 2020 (basis year: 2013). At the same time, we are endeavoring to increase the recycling rate of industrial waste year on year by 2%. See also EN 3, 8, 16, 22.

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

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

On the subject of CO<sub>2</sub> reduction in motor vehicles: The cross-divisional flagship project HECO<sub>2</sub> is devoted to the reduction of the CO<sub>2</sub> emissions of vehicles. The project structure emphasizes the issues of thermodynamics, rolling resistance, energy consumption, 48V system prospects, energy management, energy recovery, and simulation and efficiency management. The goal is to apply innovative and integrated concepts to drive the technological development of the vehicle fleets of automotive manufacturers forward in such a way that the ambitious CO<sub>2</sub> reduction goals targeted worldwide can be realized. The scope of the project extends as far as 2025.

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

Continental is continually subject to product liability lawsuits and other proceedings in which customers and third parties accuse the company of alleged infringement of its duty of care, non-compliance with warranty obligations, or material defects. From 2006 to the end of 2014, the total costs for dealing with such claims and proceedings amounted to less than €50 million annually.

## PR3 Legally Required Obligations to Provide Information Regarding Product Responsibility

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

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

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

There were no known cases of non-compliance in the 2014 fiscal year.

## PR5 Practices to Measure Customer Satisfaction (Additional Indicator)

In the 2014 fiscal year, Continental did not conduct any customer surveys.

**PR6 Laws and Standards Relating to Product Advertising**

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

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

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. No major instances of non-compliance arose during the period under review.

**OWM-Code of Conduct****PR8 Complaints Regarding Breaches of Customer Data Privacy**

We received no complaints regarding customer data privacy in fiscal year 2014.

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

In fiscal year 2014, there were no known violations which resulted in monetary fines due to non-compliance with laws and regulations related to the provision and use of products and services.

# Communication on Progress to the UN Global Compact

Since 2012, Continental AG has participated in the Global Compact of the United Nations (UN), which defines ten basic principles of corporate social responsibility for companies (human rights, labor, environment, and anti-corruption) and requires its member companies to actively support this. The table displays the guidelines and management systems we use to support the implementation of these principles. It also summarizes our progress in their implementation in 2014.

Principle	Guidelines and systems	Corrective actions	Figures for 2014
<b>Human Rights</b>			
<b>Principle 1:</b> Support of human rights	<ul style="list-style-type: none"> <li>› BASICS corporate guidelines</li> </ul>	<ul style="list-style-type: none"> <li>› Participation in the events and discussions of the German Global Compact Network and other institutions.</li> </ul>	<ul style="list-style-type: none"> <li>› September 2014: Completion of the e-learning training course on our Code of Conduct, which also includes human rights issues. Of the approximately 59,000 employees invited, a total of 98% took part worldwide.</li> </ul>
<b>Principle 2:</b> Elimination of human rights violations	<ul style="list-style-type: none"> <li>› Principles of corporate social responsibility</li> <li>› Code of Conduct</li> <li>› Supplier Code of Conduct</li> </ul>		
<b>Labor</b>			
<b>Principle 3:</b> Upholding of freedom of association and right to collective bargaining	<ul style="list-style-type: none"> <li>› BASICS corporate guidelines</li> <li>› Principles of corporate social responsibility</li> </ul>	<ul style="list-style-type: none"> <li>› Continental follows the "Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy" of the International Labor Organization (ILO) and the values outlined therein for its HR policy.</li> </ul>	<ul style="list-style-type: none"> <li>› Around 70% of Continental's employees are employed in member states of the Organization for Economic Cooperation and Development (OECD).</li> </ul>
<b>Principle 4:</b> Elimination of all forms of forced and compulsory labor	<ul style="list-style-type: none"> <li>› Supplier Code of Conduct</li> </ul>		<ul style="list-style-type: none"> <li>› We can assume, however, that 70% of our purchasing volume for production materials is with suppliers based in OECD countries who therefore respect and enable their employees' freedom of association.</li> </ul>
<b>Principle 5:</b> Abolition of child labor			
<b>Principle 6:</b> Elimination of discrimination	<ul style="list-style-type: none"> <li>› BASICS corporate guidelines</li> <li>› Principles of corporate social responsibility</li> <li>› Code of Conduct</li> <li>› Supplier Code of Conduct</li> <li>› Member of the "Charta der Vielfalt" (German Diversity Charter)</li> </ul>	<ul style="list-style-type: none"> <li>› Core areas: promotion of gender and international diversity.</li> <li>› Medium-term goal: 20% women on the Supervisory Board.</li> <li>› Goal for 2020: 16% women in management positions (2013: 9%).</li> </ul>	<ul style="list-style-type: none"> <li>› The percentage of international managers in the corporation in 2014 stood at 40% (2013: 40%), although the workforce has grown.</li> <li>› In 2014 we held a Diversity Leadership training course to sharpen our managers' awareness of the issue in a targeted way. The focus of the training course was not primarily placed on the definition and detailed description of diversity, but rather on the issue of the "unconscious bias" and the effects of unconscious distortions of perception on decision-making and management behavior.</li> </ul>

Principle	Guidelines and systems	Corrective actions	Figures for 2014
<b>Environment</b>			
<b>Principle 7:</b> Precautionary environmental protection	<ul style="list-style-type: none"> <li>› Continental environment strategy</li> <li>› Environmental management systems certified to ISO 14001 at 90% of environmentally relevant locations</li> <li>› Principles of corporate social responsibility</li> <li>› Continental mission</li> </ul>	<ul style="list-style-type: none"> <li>› Extensive investment in research and technology to reduce energy consumption and CO<sub>2</sub> emissions.</li> <li>› Fourteen product life cycle assessments prepared so far in order to gain detailed information about environmental impact.</li> <li>› Energy- and resource-efficient production processes.</li> </ul>	<ul style="list-style-type: none"> <li>› Commissioning of new co-generation plants at the German Northeim and Aachen sites.</li> <li>› Commissioning of the new solar power plant at the site in Hefei, China</li> </ul>
<b>Principle 8:</b> Promotion of greater environmental responsibility	<ul style="list-style-type: none"> <li>› Continental environmental policy</li> <li>› Environmental management systems certified to ISO 14001 at 90% of environmentally relevant locations</li> <li>› Principles of corporate social responsibility</li> <li>› Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>› Participation in CDP questionnaire. The process is linked to a public ranking of the company by the CDP (Climate Disclosure Leadership Index).</li> <li>› Continental regularly assesses the level of certification to ISO 14001 of the majority of the suppliers with which it already has contracts.</li> <li>› New suppliers are surveyed and assessed using a questionnaire on environmental aspects.</li> </ul>	<ul style="list-style-type: none"> <li>› Expansion of the energy conservation program "Be Energy Efficient" (BEE) to the sites in Sumter, USA and Port Elizabeth, South Africa. BEE is intended to boost employees' awareness of energy conservation measures.</li> </ul>

Principle	Guidelines and systems	Corrective actions	Figures for 2014
<b>Principle 9:</b> Diffusion of environmentally friendly technologies	<ul style="list-style-type: none"> <li>› Continental environmental policy</li> <li>› Continental mission</li> </ul>	<ul style="list-style-type: none"> <li>› Extensive investment in research and technology to reduce energy consumption and CO<sub>2</sub> emissions.</li> <li>› Increase in energy efficiency across all phases of the product life cycle.</li> <li>› Promotion of the use of renewable raw materials such as natural rubber and vegetable oils.</li> <li>› Continental is a member of the Sustainable Natural Rubber Project working group of the International Rubber Study Group and is involved in research projects on the topic of quiet traffic.</li> </ul>	<ul style="list-style-type: none"> <li>› In 2014, we generated one-third of our sales (approximately €11 billion) with products that are exceptionally energy-efficient or lead to demonstrably reduced emissions of pollutants or CO<sub>2</sub> emissions.</li> <li>› The project HECO<sub>2</sub> (Highly Efficient CO<sub>2</sub>) exploits the light-weight design of our products, resulting in a significant conservation of raw materials, as well as fuels in motor vehicle operation. An additional aspect of this development initiative is the conservation of energy through more energy-efficient components. Together with energy recovery and efficiency management in vehicle operation, this leads to considerable savings.</li> </ul>

### Anti-corruption

<b>Principle 10:</b> Measures against corruption	<ul style="list-style-type: none"> <li>› Code of Conduct</li> <li>› Anti-corruption guideline</li> </ul>	<ul style="list-style-type: none"> <li>› Compliance department.</li> <li>› Training programs for employees.</li> <li>› E-learning program on anti-corruption and antitrust law (compulsory for all employees with a PC workstation).</li> <li>› Compliance hotline for employees and external persons.</li> </ul>	<ul style="list-style-type: none"> <li>› By the end of 2014, around 15,000 employees at all levels took part in an on-site course on antitrust law and corruption prevention.</li> </ul>
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