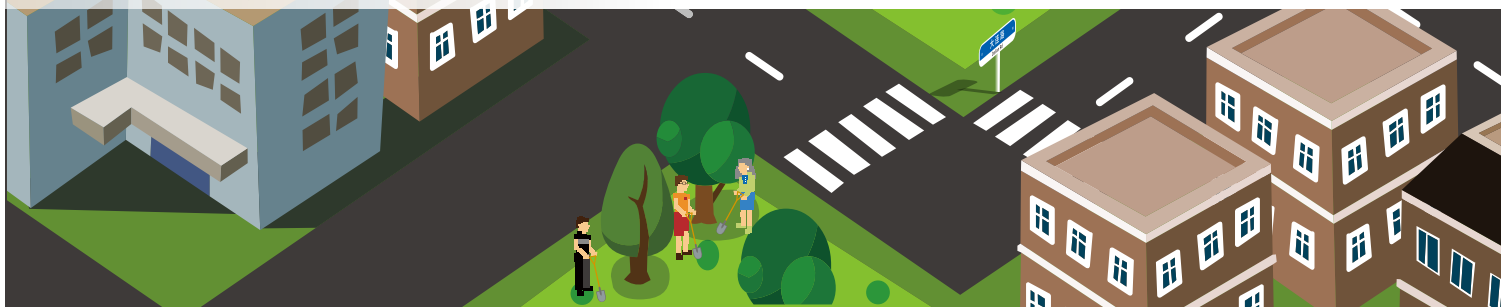


**Continental**   
The Future in Motion

大陆集团 动领未来



# Continental China Sustainability Report 2017



# Foreword



Dear readers,

Sustainable management and social responsibility are part of Continental's fundamental values. They bolster the culture of solidarity while also contributing to forward-looking corporate governance. Since 2012, we have been expressly committed to the 10 principles of the United Nations Global Compact for human and employee rights, environmental protection, and anti-corruption. Acting in a sustainability oriented and responsible manner increases our capacity for innovation and our future viability by opening our company to change and helping identify risks and opportunities at an early stage.

In 2015, Continental defined a comprehensive sustainability program -The "Roadmap 2020" for our four fields of activity (corporate governance and culture, employees and society, environment, and products) contains concrete measures that are also consistent with our three key objectives. Zero accidents; clean air; and enhanced comfort, convenience, information, entertainment, and driving enjoyment.

Our planet and the people on it are facing major challenges. Together with our industry, we have an enormous responsibility. Each year, there are more than 1.2 million road traffic fatalities and China as the largest vehicle market is facing the same road safety and health challenges inside/outside the vehicles. Our advanced driver assistance systems and our tires help to reduce these enormous numbers. Advanced driver assistance systems detect the surrounding environment, keep the vehicle in the lane and on the road, monitor the blind spot, brake autonomously, and call for help in emergencies.

The battle against carbon dioxide emissions has entered a decisive phase. Today, more than seven billion people require mobility. By 2060, this figure will have risen to ten billion. Our latest technologies help reduce fuel consumption in modern combustion engines by more than 20 percent. In addition, we are investing heavily in technologies for zero-emission mobility.

By 2050, more than two-thirds of the world's population will live in large cities, which is also where most of the anticipated two billion vehicles will be found. These vehicles will not only have to meet the specific needs of their users, requiring a high degree of interconnectivity, but will also have to be emission-free. Electric drive systems, in particular, present a solution to this challenge.

Nowadays, we are entering an age of global information society, and China is marching fast. Continental is using the continuously growing possibilities of digitalization to help vehicle manufacturers, industries, and new market participants make mobility as enjoyable as possible. Digitalization presents us with both challenges and opportunities. Challenges with regard to how our work will be organized in the future, as well as opportunities with regard to tapping new markets and development and training for our employees. We are dealing with these areas responsibly.

Our commitment also consists of social responsibility as a corporate citizen. As a technology company, we underpin our commitment to sustainable development in China by actively promoting projects and campaigns in social care, safety, environment and education. We want to create value for the future: for our customers, business partners and stakeholders, as well as our employees and society. With our products, systems and solutions, we are committed to enhancing people's future living standard in China - one that is marked by zero accidents, clean air and sustainability.

A stylized, handwritten signature in black ink, consisting of several fluid, interconnected strokes.

Enno Tang  
President & CEO of Continental China

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- 10 Features
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## Highlights



### Corporate Governance and Corporate Culture 01

- In the 2nd "China Factory of the Year/Excellence in Operations Award" jointly initiated by Auto Business Review and the world-famous consulting firm A.T. Kearney, the Continental Automotive Changchun Plant Moonlake won the "2017 China Factory of the Year for Excellence in Parts Production and Assembly"; while the Continental Automotive Wuhu Longshan Plant won the "2017 China Factory of the Year for Excellence in Digitization". So far, five plants in China have won the award. In 2016, Continental Automotive Systems Changshu Plant, CAS Shanghai Plant and Continental Tires Hefei Plant won the award. This fully demonstrates Continental's excellent strength in production and operation in China.
- Our corporate culture is based on our four values: Trust, Passion To Win, Freedom To Act, and For One Another. These values form a basis that helps guide us in the way we interact with customers and business partners.

### Planet 14



- Continental Automotive Changchun Plant Moonlake became the first plant that won the three-star Green Building Award among all the plants in China.
- In February 2017, Continental Automotive System Changshu Plant achieved the ISO50001 Energy Management Certificate as the first plant among Continental China locations, with joint efforts from the whole energy management team.



### Products and Innovation 17

- By the end of 2017, Continental has 27 manufacturing locations, 17 R&D centers and more than 2,400 engineers in China. From 2010 to 2017, Continental had already filed 3,602 patent applications in China, among which 2,269 were granted.
- Continental received two CES Asia 2017 Innovation Awards in the category Mobile for its 3D Display Surface and in the category Vehicle Technology for its Intelligent Glass Control.
- Continental's Combiner HUD won the 2017 Technology Innovation Award from Automobile & Parts.
- Technology BD-HDI from BU Transmission won the 2016 Material Innovation Award from Automobile & Parts.

### Employees and Society 23



- Continental won a series of employer awards in 2017: "100 Employer Excellence of China", "Excellence in Corporate Training of 2017", "The Transformation Extraordinary Employer Awards of the year", "A Creative and Dynamic Work Environment", "Innovative Practice Award", etc.
- The Youth Safe-Driving Program won the "Invest in Green Future" Corporate Social Responsibility Excellence Awards and More than a Market Award by the German Chamber of Commerce (GCC) in 2016.
- In November 2016, the Mobile Library Project was launched at Loutang Primary School. Out of over 500 books, more than 100 were donated by Continental and its employees and many students in this school are children of employees working at the CAS Shanghai Plant. In June 2017, this program set sail again at Chongqing Daba Primary School.





# Corporate Governance

Continental develops pioneering technologies and services for sustainable and networked mobility of people and their goods. Founded in 1871, the technology company offers safe, efficient, intelligent and affordable solutions for vehicles, machines, traffic and transport.

## Vision and Values

Leading Technology, Driving China's Mobility.

Our  
Vision

### Our Values

Our corporate culture is based on our four values: Trust, Passion To Win, Freedom To Act, and For One Another. These values form a basis that helps guide us in the way we interact with customers and business partners, work with one another, and resolve conflicts of interest.

- » **Trust:** Trust is the basis for everything we do and the prerequisite for our success.
- » **Passion To Win:** Competition is our world, top performance is our goal. We want to create value continuously.
- » **Freedom To Act:** We grow with freedom and its responsibility. We motivate people to self-organize their work and assume responsibility for the results.
- » **For One Another:** We combine our forces and put aside individual interests. In this way, we achieve the greatest possible success for Continental.

## Corporate Governance Principles

Continental uses the Corporate Governance Principles, our BASICS, and the Code of Conduct as a basis for its continuous fight against corruption. Together, they form the basis of responsible corporate management and control that is founded on achieving a long-term increase in value. In accordance with the respective legal conditions of each country, all employees must agree to the Code of Conduct. Our anti-corruption guidelines are intended to increase awareness of compliance with the relevant regulations at all levels and provide guidance in dealing with the issue of gifts and benefits.

Compliance management at Continental encompasses measures for complying with laws and regulations as well as internal directives and codes that we regard as mandatory. In China, we are committed to abiding by all PRC laws and regulations including but not limited to the Criminal Law and its Amendments, the Anti-Unfair Competition Law and the Anti-Monopoly Law.

- **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 September 2012.
- **Principles of our Corporate Social Responsibility:** These provide an overview of our CSR principles.
- **Corporate Governance Principles:** Based on the 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.

## Continental in China

In 1994, Continental came into the China market with our customers. Over the past 24 years, the automotive industry in China has seen many advances in technology, leading to a transition from volume to value. Nowadays, Continental has 27 manufacturing locations, 17 R&D centers, 27 sales offices and more than 25,000 employees in China, providing customized solutions by the five major business divisions for the China market.

We not only extend footprints to increase production, but also further develop localization of the entire value chain in China, which strongly sticks to our business strategy - "in the market, for the market". To promote, in particular, our position as a leader in technology and an attractive employer, Continental is focusing on two significant drivers of the digital change in mobility: servitization and mobility services.



Employees  
>25,000



- ★ Headquarters
- 🏭 Manufacturing Locations
- 🔬 Research and Development Centers
- 🏢 Sales Offices

\* Status: December, 2017





## Five Strong Divisions

| Chassis & Safety                                                                                                                                                 | Powertrain                                                                                                                     | Interior                                                                                                                                                  | Tire                                                                                                                                      | ContiTech                                                                                                                                            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Chassis & Safety division develops and produces integrated active and passive driving safety technologies as well as products that support vehicle dynamics. | The Powertrain division develops and produces efficient system solutions for vehicle powertrains to optimize fuel consumption. | Information management in and beyond the vehicle is at the very heart of the Interior division. The product portfolio covers different types of vehicles. | As one of the world's leading tire manufacturers, the Tire division is known for its cutting-edge technology and high quality experience. | The ContiTech division is one of the world's leading suppliers of technical elastomer products and is a specialist in rubber and plastic technology. |

Our organization ensures that central management areas and operating activities are closely coordinated with one another, which makes it possible to respond quickly and flexibly to market conditions and customer requirements. In this way, we ensure that the company's success creates value on a sustainable basis.

## Sustainable Governance

Sustainable management and social responsibility are among our fundamental values. They form the basis of our work; they guide our corporate strategy and they will take us into the future. Our Sustainability Board was established in 2010 to manage sustainability policy and corporate responsibility. It comprises two members of the Executive Board and representatives from various function teams. The council is chaired by the Executive Board member for Human Resources. The Environment area is assigned directly to the chairman of the Executive Board.

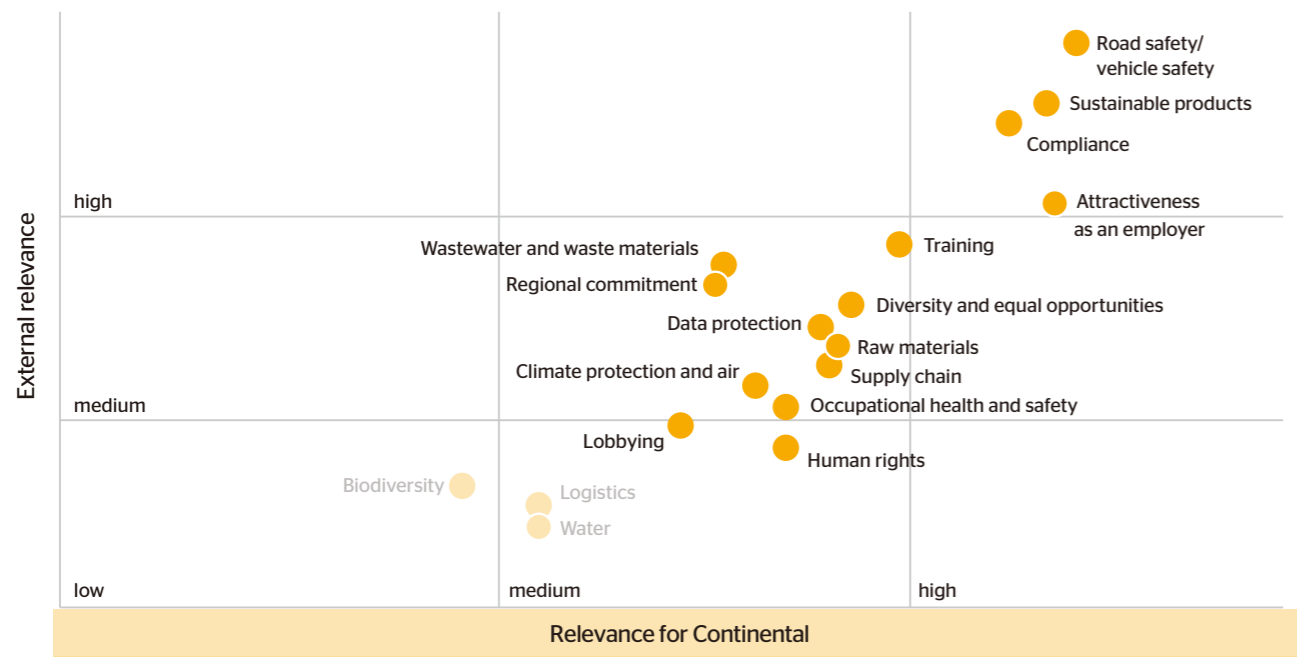
### Sustainable Objective

We consider sustainable management to be a strategic task for corporate development and thus involve all relevant functions in mapping it out. Our sustainability objectives are linked to our core business. These include using resources sparingly, promoting climate protection, and addressing our responsibility to our employees and to society.

### Four Fields Model and Materiality Topics

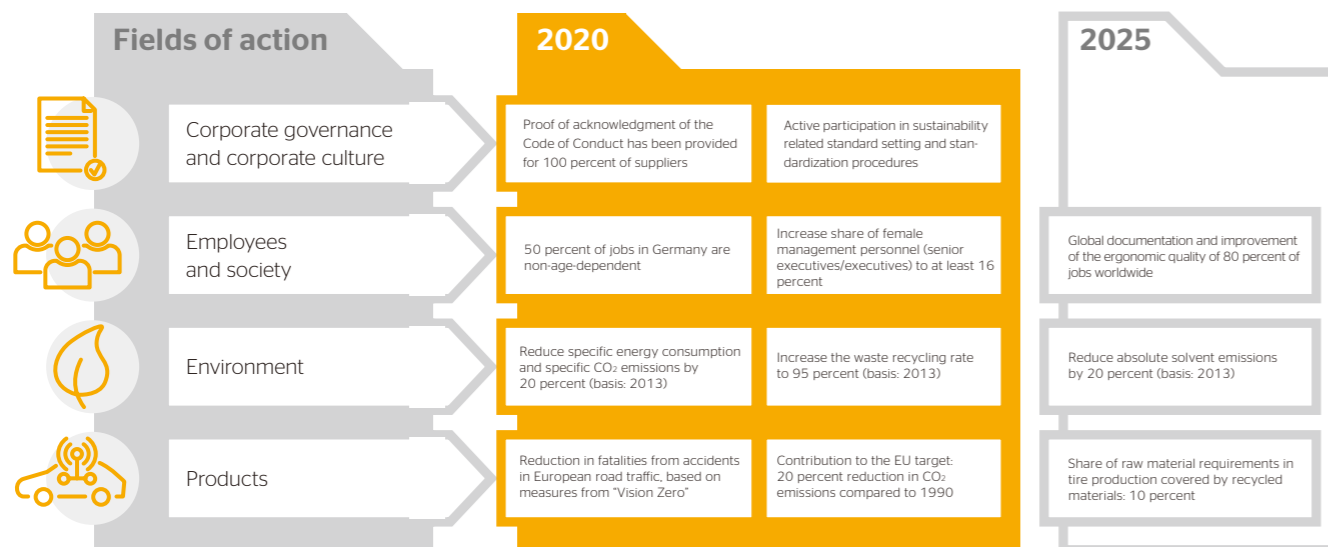
We defined the precise objective for our four dimensions (corporate governance and corporate culture, employees and society, environment, products), which are linked to our core business. In 2015, Continental worked out the issues that are important for the corporation both for the present and the future in the scope of a multistage analysis. For this purpose, 18 sustainability issues from our four key fields of activity were evaluated with respect to their contribution to long-term business success and sustainable development from both an external and an internal perspective.

### Materiality matrix



### Roadmap 2020

We base our performance on both financial and non-financial indicators and criteria. It is crucial that sustainability objectives and measures create value. This is the only way to ensure the acceptance within the company and their credibility outside the company. Therefore, we developed a consolidated sustainability program in 2015 and set ourselves goals for 2020 in order to achieve measurable improvement in our four fields of action. Some of these extend until 2025. These goals form our Roadmap 2020, which is presented in detail in our 2017 sustainability report in accordance with GRI.



### Stakeholder Dialogue

Continental has many points of contact with a very wide variety of stakeholders over the entire value chain. Our stakeholders primarily include our customers, suppliers and partners, our shareholders, employees, society and media. With all stakeholders, we enter into a dialogue marked by fairness and honesty.

| Stakeholder                   | Dialogue Format (Global and Chinese Market)                                                                                                                                                                              |
|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Customers                     | Reputation survey, open days, trade fairs, technology exchange seminar, technical forum, customer scorecard                                                                                                              |
| Suppliers                     | Workshops, open days, supplier conference                                                                                                                                                                                |
| Stockholders and shareholders | Annual shareholders' meeting, annual financial press conference, roadshows, trade fairs                                                                                                                                  |
| Employees                     | Employee surveys, webcasts, pulse checks, town hall meeting, annual meetings, mentoring programs, breakfast meetings, open days, senior executive conferences, recognition dinner, family days, team building activities |
| Society                       | Student surveys, open days, trade fairs, corporate social responsibility activities, safe-driving education programs, campus recruitment                                                                                 |
| Media                         | Press events, salons, media roundtable, media interview                                                                                                                                                                  |

### Continental China Awards

In 2017, through the combined efforts within Continental, each division received many awards from its partners for stable client relationships, excellent product performance and quality, innovation, and good team work. These awards represent the recognition from clients and partners to Continental. Meanwhile, with outstanding performance in manpower investment and management, Continental was awarded multiple prizes for its human resources efforts. Moving forward, we will continue to pursue our "in the market, for the market" strategy to continuously and consistently provide holistic system solutions for China's automotive market, with the target to be a leading technology company worldwide and the most attractive and aggressive employer.





## Quality Management

Continental perceives quality as the core competence for our business success in the market. Our ISO/TS 16949 - certified quality management system, which is in place at all of our locations 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). If complaints or concerns related to products manufactured or distributed by Continental arise, the appropriate processes are implemented in accordance with the company directive on product integrity.

### Our Global Quality Understanding including:

#### › Ownership

Quality has priority for all of us at Continental. Together we make this credible by our actions. We all act as role models taking ownership in building and strengthening our continuous improvement culture and creating a One Continental Quality Mindset.

#### › Transparency

Complete and accurate data, available for everyone, enables us to continuously improve and measure true progress for our customers. Transparency allows intelligent decision making and risk management throughout our company.

#### › Execution Discipline

We establish and continuously improve our framework of rules along the chain of value creation. I contribute to and respect our processes and standards across the entire product lifecycle.

#### › Yokoten

We share our experiences and knowledge and apply best practices as part of a learning organization. Structured problem solving and lessons learned sharing create an open and reflective quality mindset.

#### › Robustness

Quality starts with us understanding the customer's expectations. We achieve reliable performance throughout the lifetime of all our products and services.

# 1 QUALITY FIRST

We are recognized by our customers as being a Benchmark in Quality. We are proud of our Quality-Driven Culture and act as One Continental. In 2016, we kicked off a customer satisfaction program for our key accounts, which is much appreciated by customer management team. We will bring all the experience to full play in order to continuously fulfill customers' demands and requirements with high-quality products and services in the following years.



# Feature Story 1

Doing More for Safe Mobility



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

**Vision Zero: Zero Fatalities, Zero Injuries, Zero Accidents** – Continental has made Vision Zero its long-term goal. Safety based on driver assistance systems in conjunction with tires.

## Automated Driving

The future of mobility leads to fully automated driving. With "Integrated Safety", we are enhancing today's passive safety systems by integrating vehicle and surrounding information into our passive safety information. From lane departure warning systems to brake assist (BAS), today's advanced driver assistance systems provide the basis for the automated driving of the future.

Continental is using its full innovative prowess to drive forward this trend and is developing intelligent technologies that take over more and more driving functions – as long as the driver wants them to. **The advantage: increased safety, more comfort, more convenience, and more efficiency.**

### Our Path to Automated Driving:

- > Partially automated driving by 2016
- > Highly automated driving from 2020
- > Fully automated driving from 2025

\* In 2012, we became the first automotive supplier to be granted a test license for automated driving on public roads in the U.S. State of Nevada



## Interview with Ralph Lauxmann, Head of Systems and Technology in Continental's Chassis & Safety Division and Head of the Automated Driving Project Center

**Mr. Lauxmann, how can automated driving contribute to sustainability?**

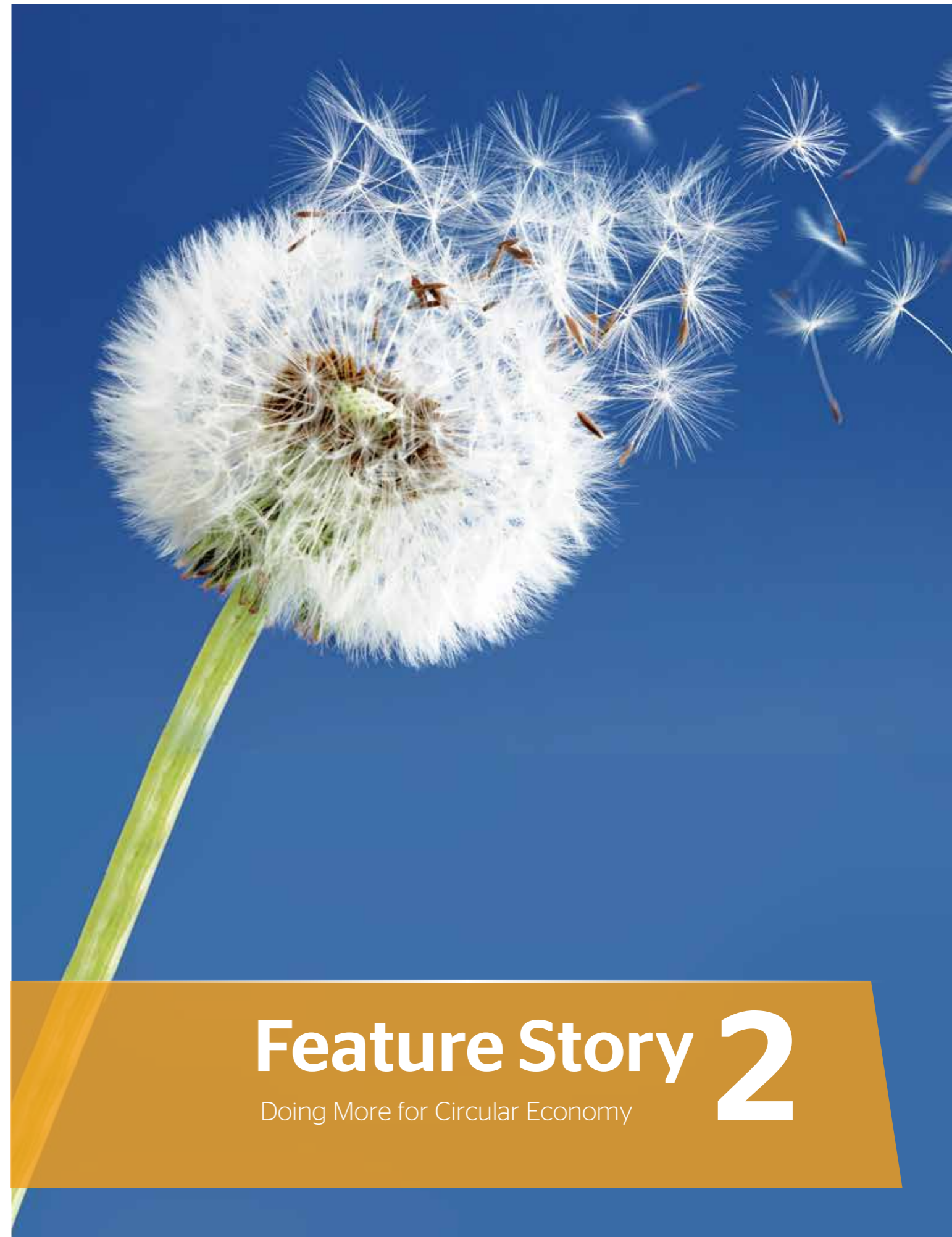
We understand sustainability as meaning that we have a responsibility to make driving even safer and more environmentally friendly. We ensure that the right technical conditions are in place to continuously lower fuel consumption and therefore emissions and to significantly reduce the risk of an accident.

**How does that work?**

One key component of automated driving is sensor technology – from 360-degree cameras to radars and sensors in tires. The additional exchange of data between different vehicles and from traffic mainframes makes it possible to react to changes in the traffic situation at an early stage. This makes for greater safety.

**That sounds like a big work program for traffic infrastructure.**

Yes, but we will have solutions for the main components in the vehicle. These include swarm connectivity for exchanging data, dialog processes between humans and machines, the system architecture of the IT systems, reliability, and finally also acceptance on the part of consumers, as there will be no getting by without this.



# Feature Story 2

Doing More for Circular Economy

**Doing more.**  
For safe mobility.





Our responsibility extends over the entire life cycle of our products - from the raw materials used, product development, and production, to their use and subsequent recycling. Continental conducts development and production according to the best possible standards to minimize the impact on health and the environment.

Continental has also earned itself a reputation as a pioneer in the development and research of innovative and renewable raw materials.

Continental has been taking part in a research project to examine the potential of Russian dandelions as an alternative source of natural rubber for industrial applications. Such a solution would significantly reduce the pressure on conventional rubber supplies.

## Continental LifeCycle™

We produce the tires that protect for the environment. Reusing tire casings means reducing the amount of energy and raw materials that go into the tire manufacturing process - which also brings down prices.

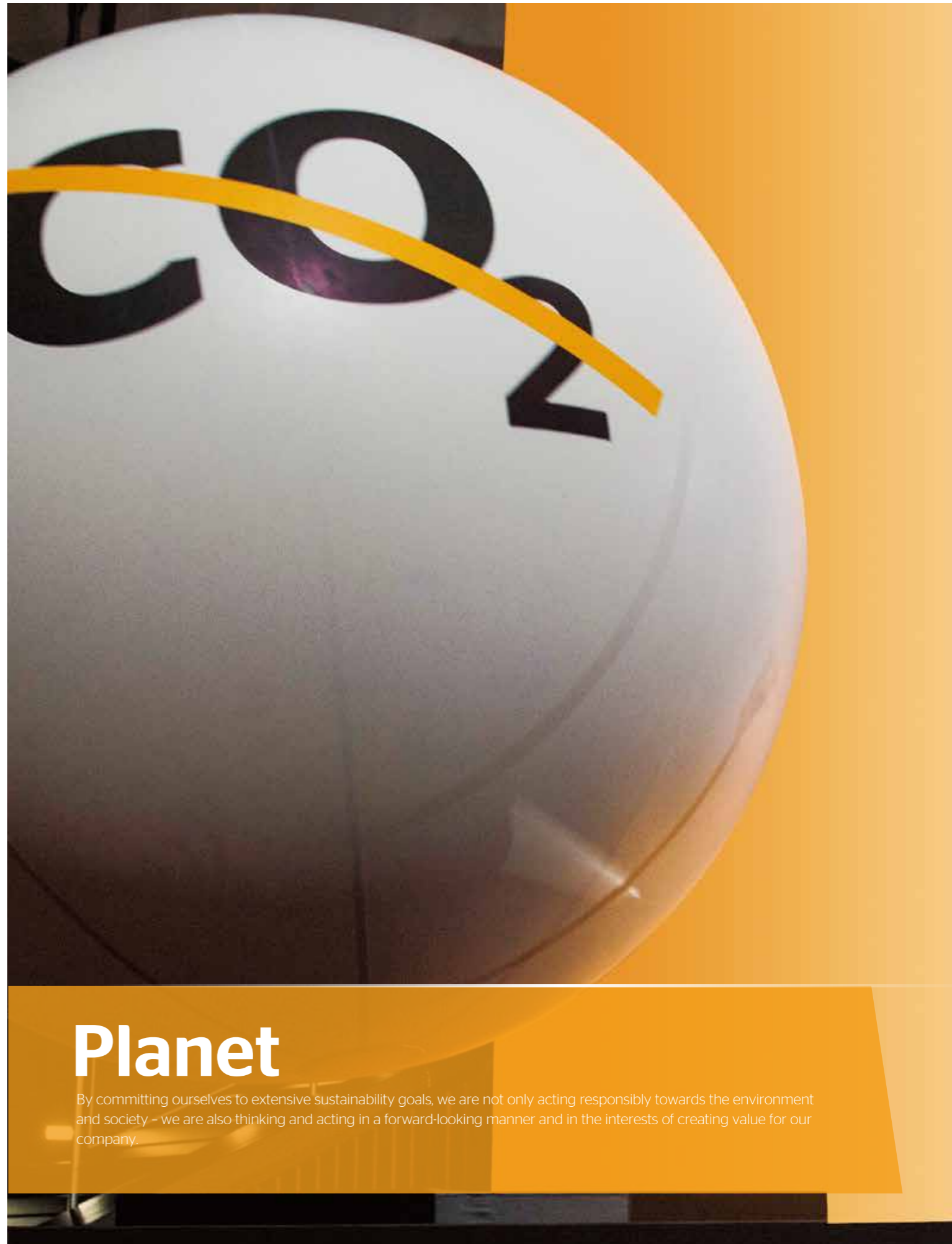
The Continental LifeCycle™ is a retreaded solid rubber tire based on selected casings which have been subjected to exhaustive, standardized quality controls. Following these checks, the tread is removed from the casing and completely replaced, using materials identical to those used in the production of new tires. This way the retreaded tire achieves the highest possible quality standards.



This large-scale recycling initiative will help us reduce the number of scrap tires needing disposal. It will also reduce the amount of resources used in production, while at the same time saving energy and reducing emissions of climate-changing CO<sub>2</sub>. As well as protecting the environment, this will also help customers save money. Because reusing tires is an efficient and eco-friendly solution that cuts production costs. And that, in turn, means lower prices.

## End-of-Life Vehicle

According to the End-of-Life Vehicle (ELV) issued by the European Commission and the European Parliament to protect the environment and reduce the waste generated from vehicle scraps, as well as the corresponding product environmental standards in China, we control and reduce the application of harmful substances in products. Continental China actively responds and complies from the design stage, making full use of IMDS (International Material Data System) and CAMDS (China Automotive Material Data System) platform to ensure the implementation and to meet both the international and domestic environmental standards.



# Planet

By committing ourselves to extensive sustainability goals, we are not only acting responsibly towards the environment and society - we are also thinking and acting in a forward-looking manner and in the interests of creating value for our company.

## Environment Policy and Management Approach

Continental established an environmental management system throughout the corporation more than 30 years ago. It is based on global megatrends, which also form the basis of the corporation's overall strategy. This system incorporates all levels of the value chain and the entire life cycles of Continental products. As a result, our environmental responsibility extends from research and development, the purchasing of raw materials and components, logistics and production, and the use and recycling of our products.

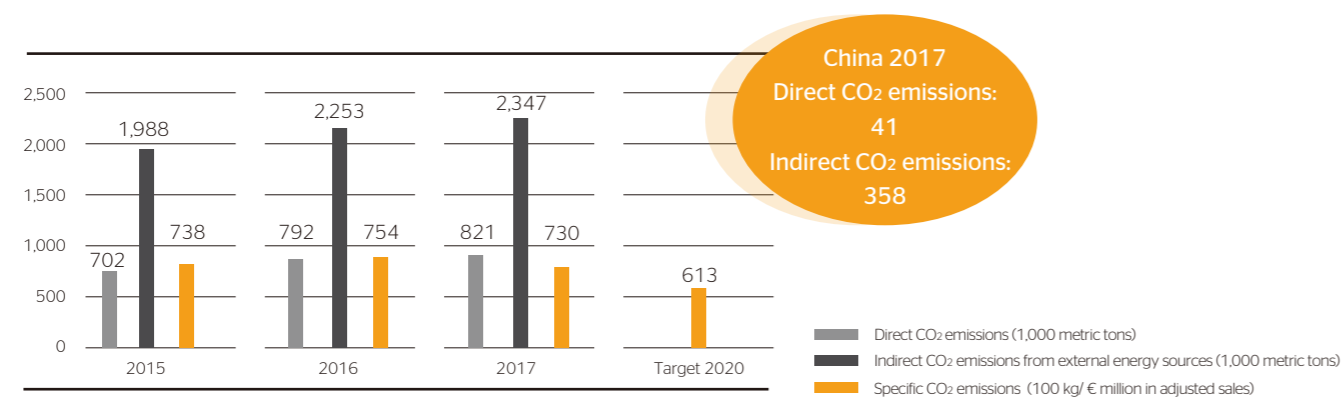
## Environmental Targets and Performance

Continental has set ourselves clear targets: to reduce our CO<sub>2</sub> emissions, energy and water consumption, and waste generation by 20% - in relation to adjusted sales, using 2013 as a basis - by 2020. We also intend to improve our waste recycling and reuse rate by two percentage points a year and make certification to environmental standard ISO 14001 compulsory for our strategic suppliers as well. Under these circumstances, we have defined an extensive catalog of individual measures that all serve the same goal, that is to continuously improve our environmental performance.

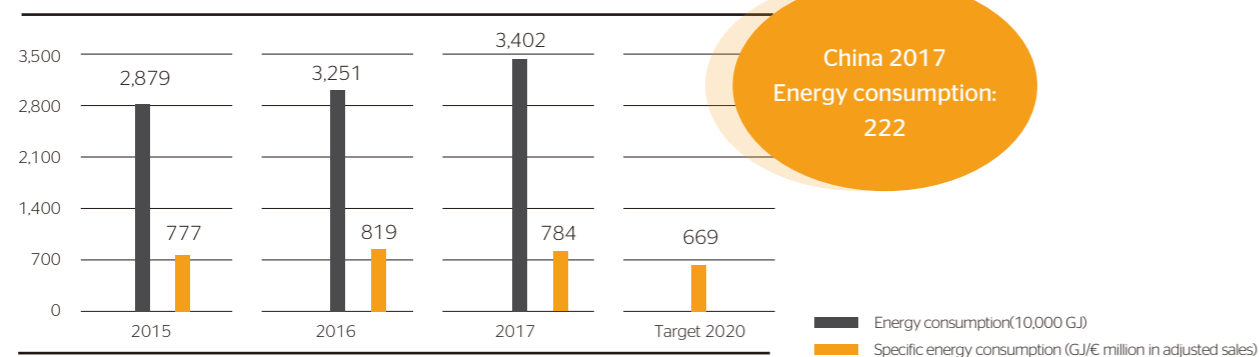
### CO<sub>2</sub> Emissions

Since 2009, we have been responding on an annual basis to the extensive questions of the Carbon Disclosure Project (CDP) regarding our climate protection endeavors. Once a year, the organization publishes the environmental data of specific companies and assesses their environmental performance with respect to CO<sub>2</sub> emissions.

In 2016, Continental was once again given an improved rating compared with the previous year. Our rating was upgraded from level C to level B. This upgrade is testament to our active management for climate protection, and makes us one of the leading companies in the automotive sector.

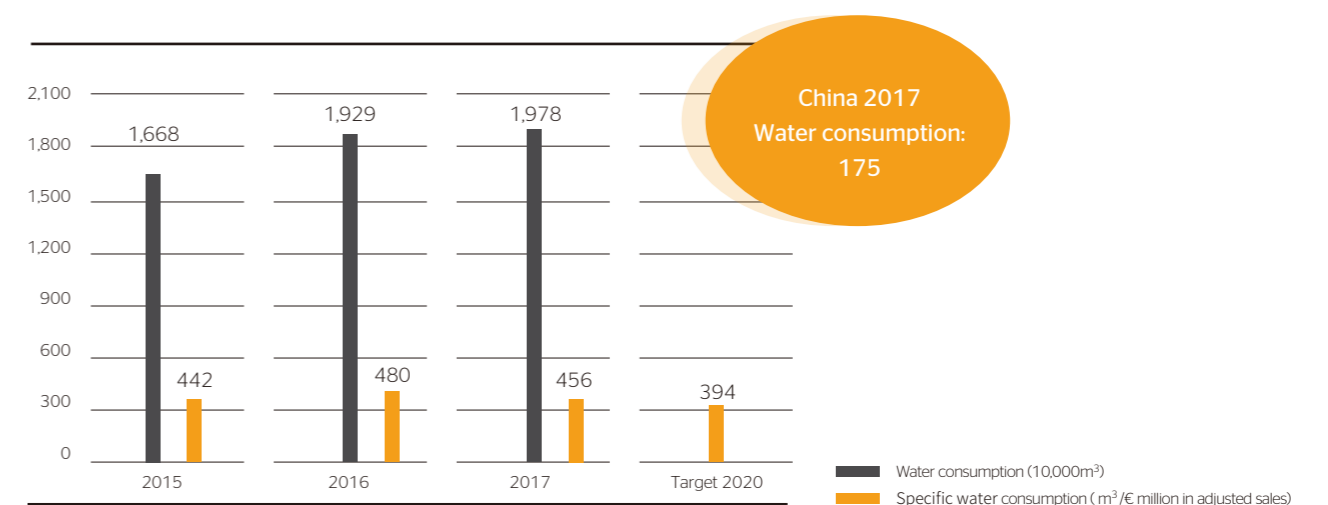


### Energy Consumption

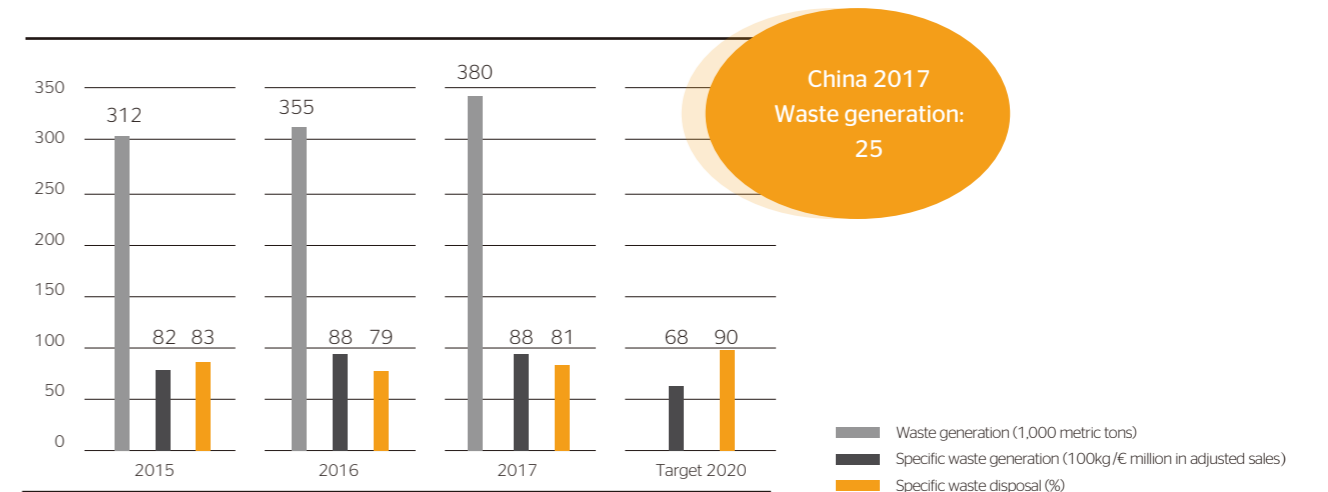


### Water Consumption

Ecological problems and economic risks are closely intertwined. To prepare ourselves to tackle future risks, while at the same time contributing to sustainable development, we place the issue of water higher on our environmental strategy agenda. The action plan contains a detailed water risk analysis and prescribe region-specific objectives for the company locations.



### Waste Generation and Disposal





## Products in Energy Saving and Environmental Protection

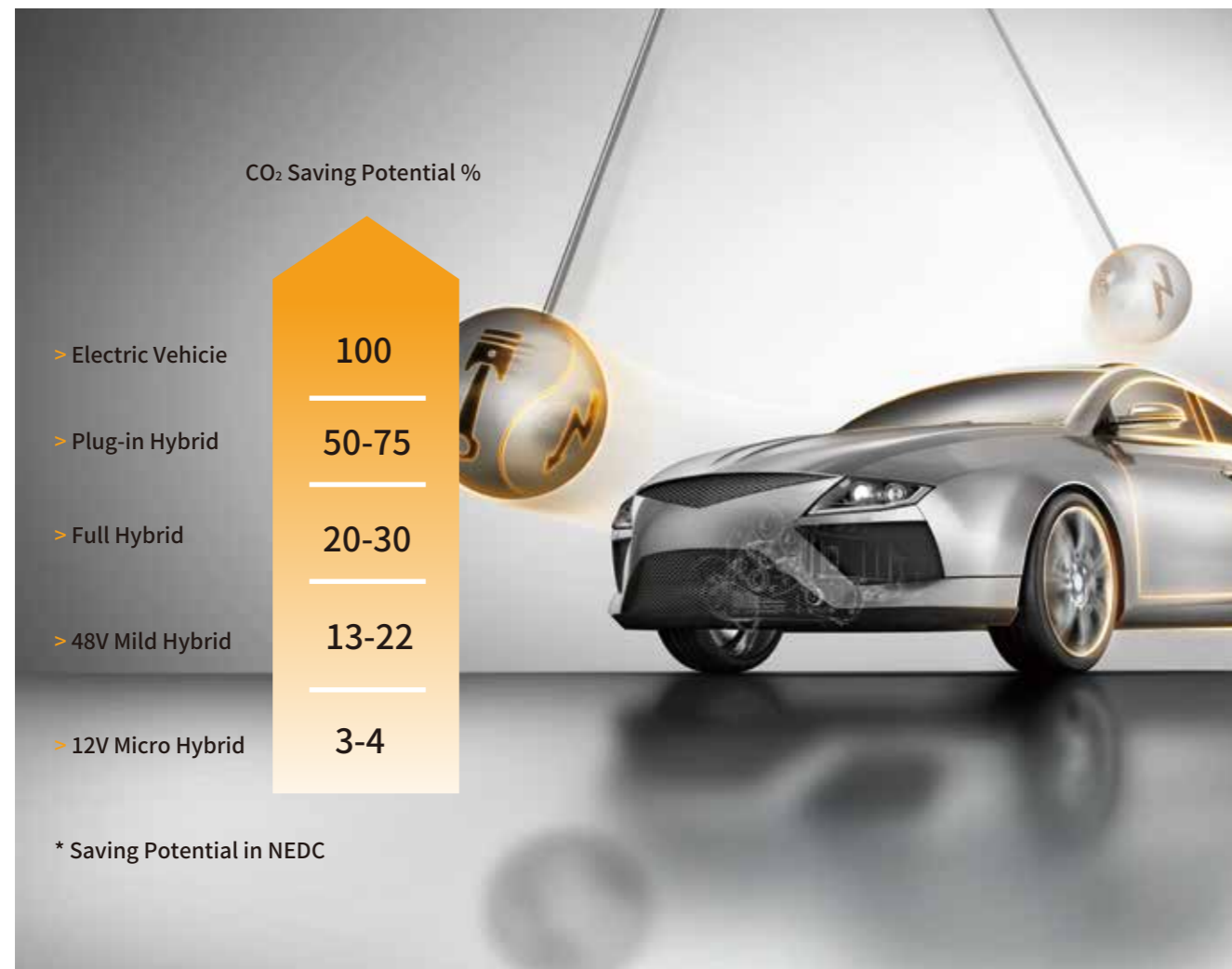
### Electric Mobility

The electrification of power transmission technology has undergone significant development in recent years. Innovative solutions for both gasoline and diesel engines as well as electrified drive systems form the basis for increasingly efficient and low-emission vehicles: through one of its visions - "Clean Power", Continental is demonstrating the possibilities of clean mobility. Closer connectivity ensures more environmentally friendly, intelligent, and comfortable mobility.

A significant global reduction in CO<sub>2</sub> emissions, and in fuel consumption, of between 20% and 35% is required by 2020. Electrification of the powertrain will play a key role in achieving this. Combustion engines will dominate until 2020, after which hybrid and electric vehicles will gain in importance. Continental has invested in the development and optimization of climate friendly systems and components for alternative drives for more than ten years already. Despite the current dampening of the euphoria surrounding electric mobility, we expect it to be marketable in the long term.

### Electrification Tailored to Fit

Continental has developed a portfolio of components for the electrification of the powertrain in varying degrees, while maintaining driving comfort and dynamics. With the experience of more than a decade in the development and production of electric drivetrain components, Continental is continuously advancing market development.



### The 48-volt Hybrid System

Continental's 48 Volt Eco is able to offer up to 13% fuel saving on average in NEDC tests, and even more in real driving conditions. About 21% fuel savings has been the result of an independent test, done by the German TV station VOX. A further fuel reduction of 3-4% and more energy-efficient driving can be reached by connecting the 48-volt car to Continental's eHorizon - the connected energy manager (CEM).



### Power Density Tailor-Made for the Chinese Market

Continental has developed a new electric drive featuring an innovative concept that combines the electric motor, reducer, and inverter in one, resulting in more efficient component use. Because of its compact packaging, the new electric drive is not only lighter, but also more powerful than comparable concepts. Furthermore, the electric drive system is scalable and covers all performance levels in the range of roughly 80 to 130kW. As a result, it can be used in a wide range of vehicles, from Plug-In Hybrids to powerful electric vehicles.



**Doing more.**  
For clean power.





### Air Spring Systems in Railway

Hydro bushing and rubber-cushioned - further reduce vibrations and disruptive noises.

With its air spring systems, ContiTech is one of the world's leading suppliers to the rail vehicle industry. One of the new products featured in the range for the China market is the hydro bushing. What is unique about this is that the component has two chambers in a longitudinal direction, which contain a fluid medium. When integrated into rail vehicles, the component reduces wear and tear, increasing the service life of wheels and rails alike.

Another product is the ContiTech resilient wheel, whose advantages come into play predominantly in public transport in both urban and suburban and rapid transit rail vehicles. It minimizes impacts that would otherwise be transferred from the rails to the bogie, and reduces material wear and tear between the wheels and the track. It also enhances comfort and allows vehicles to operate with low noise production.

### Lightweight and Environmentally Friendly Surface Materials

Continental interior materials produced by Benecke-Hornschuch Surface Group protect people as well as the environment. Xpreshn HD™, for instance, is an especially health-friendly product and it has won Lightweight Innovation Award from Automobile & Parts in September 2017.



## Xpreshn HD™

Lightweight and Environmentally Friendly

#### Product Benefits

- › Up to 60% lighter in weight
- › Xpreshn HD™ compact foils have 31% better CO<sub>2</sub>-balance than PVC slush skins
- › High grain retention and homogeneous surface appearance
- › High aging resistance
- › Free of halogens and plasticizers
- › Low-emission



## Green Manufacturing

In addition to the eco-friendly products and services such as "48 Volt Eco Drive" and Continental Tires' remarkably low rolling resistance, Continental is also emphasizing this commitment to the environment in our daily operations. Some of Continental's 27 plants stand out in the exemplary act of green manufacturing, creating a green living environment through product, technology and operations management.

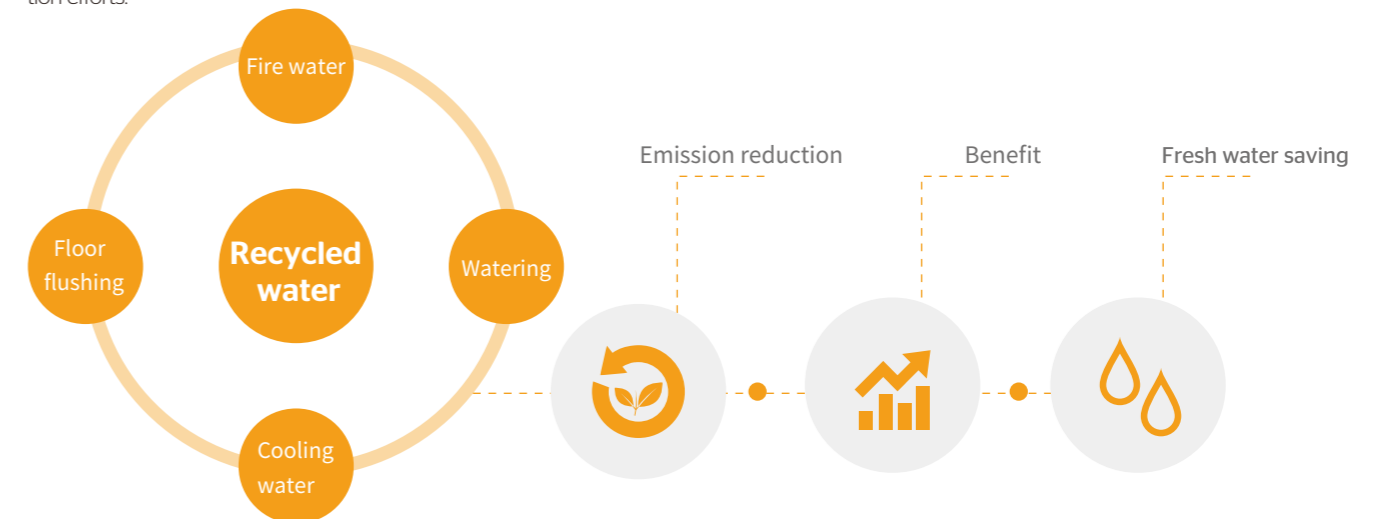
### Continental Tires Hefei Plant:

#### Solar power station on rooftop

At Continental Tires Hefei Plant, a solar photovoltaic power station project was initiated at the end of 2014. On the roof of Hefei plant in an area that equals 10 standard football fields, a photovoltaic power station is built to provide at least 5.5 million kW of green power annually. This solar power station will provide part of the electricity needed for the plant manufacturing operations. As a result, the Hefei plant's carbon dioxide emissions will be reduced by up to 2,480 tons per year, equivalent to saving 2,452 tons of coal, planting 330 thousand trees, or saving 24.52 million liters of fresh water.

#### Zero waste water discharge

Continental's various environmental indicators for its manufacturing operations in Hefei make it an industry leader in China. Since its establishment in 2010, the plant is equipped with fully modernized production facilities that incorporate up-to-date eco-friendly techniques, operating tire production with zero waste water discharge and dry filter. The company receives annual awards by Hefei for its energy-saving and environmental protection efforts.



## Continental Tires Hefei Plant

### Curing Emission Treatment

#### Emission reduction

- Pioneer in tire industry for curing emission treatment. Efficiency is above 50%

#### Process innovation

- Pioneer in tire industry to use dry type for odor treatment



### Plants In Changchun

Continental has been developing in China for more than 20 years since it entered China in 1994. Changchun was one of the earliest cities where Continental established plant in the China market and a very important global production base of Continental. Changchun location provides a wide portfolio of products related to Powertrain, Chassis & Safety and Interior.



In 2016, we awarded our internal Green Label Plant Award in a global context for the first time. The aim of this award is to increase sustainability in production.

Changchun Jingkai Plant was the first plant in China receiving this award due to its outstanding performance in sustainable production.



Meanwhile, Continental Automotive Changchun Plant Moonlake strictly controls production and imposes strict requirements on green, environmental protection and corporate social responsibility. The plant received the award of three-star Green Industrial Building Label in November 2015.

#### About the Green Building Label Certification

A Green Industrial Building means an industrial building that maximally saves resources (land, energy, water, and materials), reduces pollution, protects environment and provides applicable, healthy, safe, and high-efficiency space throughout the entire lifecycle of the building. Green Industrial Buildings are classified into three star levels, with the three-star level being the highest classification.





# People

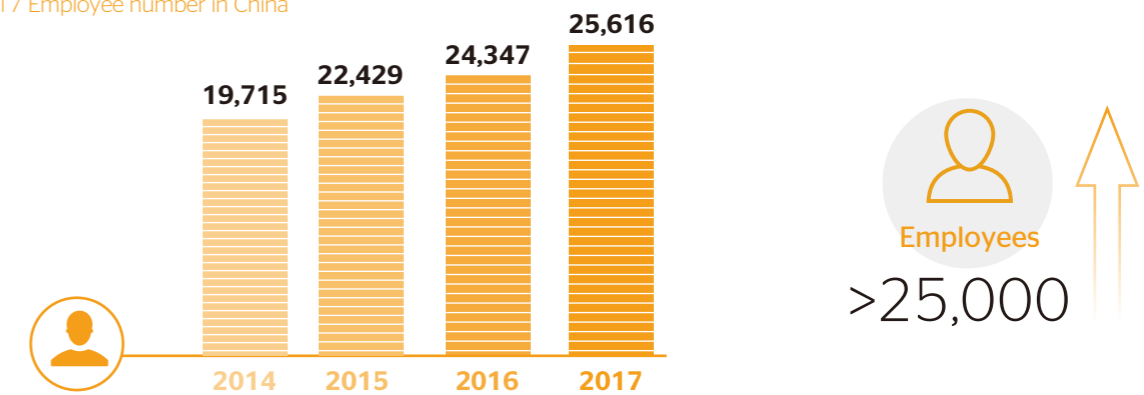
Our people, our culture, our future – employees and corporate culture guarantee the success of our company. Personnel work is an important part of our company's value creation. Respecting people, valuing their achievements, and fostering their ability are the foundations of our HR work.

## China Workforce

### Employees in China

We position ourselves as an attractive employer, who can offer more than a safe salary. We aim to provide our employees with an atmosphere of openness, flat hierarchies and international mobility. We currently have over 25,000 employees in China.

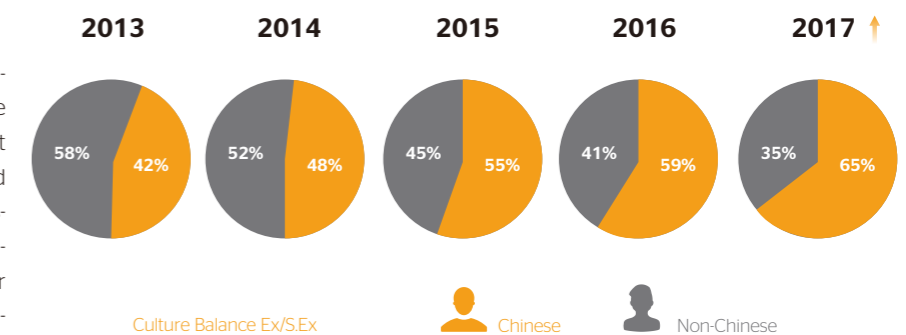
2014-2017 Employee number in China



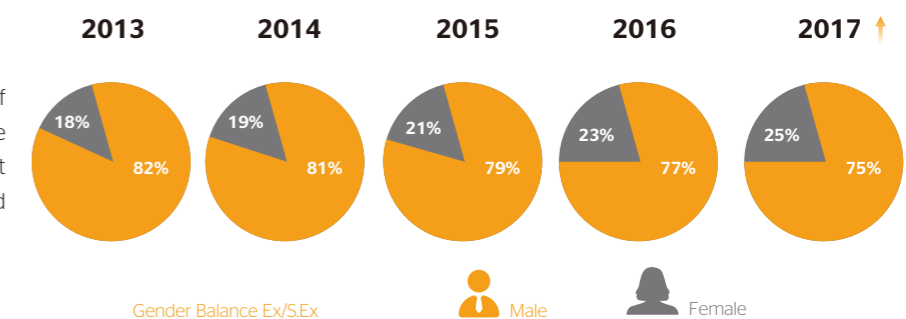
### Diversity and Equal Opportunities

Continental is committed to equal opportunities for all employees, regardless of age, gender, nationality, religion, skin color, or sexual orientation. For us, it is the abilities and potential within people themselves that count.

Equal opportunities and increasing diversity - we attach particular importance to these issues in our selection procedures and talent development. This is because we need diversity in terms of perspectives, characteristics, experience, and cultures for the innovative capability of our entire company. Our activities are currently focused on internationality and a balanced gender ratio.



The diversity of leadership team - today, 65% of our management team in China does not come from overseas. The percentage of women at management level in China has also increased again - from 23% in 2016 to 25% in 2017.



### HR Policy and Programs

Our HR policy is holistic and based on working with and for one another. In our collaboration, we attach great importance to relationships with one another and to ensuring that the shared corporate values – Trust, Passion To Win, Freedom To Act, and For One Another – are put into practice. These values form the basis for our corporate culture and shape the way in which we interact with each other and with our customers and partners. We are convinced that values create value for our company. Continuous development of our corporate culture is therefore a vital part of ensuring our future viability and creating value.

Our HR policy is founded on two strategic pillars within which we implement different HR projects and initiatives. Based on these two pillars, we systematically develop our HR work further – and make it fit for the future:

> With “Industrialize Best Fit,” we are industrializing HR management in the context of our “best fit” concept in order to meet our considerable need for employees with the right skills and abilities – now and in the future.

> “Enable Transformation” supports digital transformation at Continental so that we can make the most of the opportunities of digitalization throughout the corporation.

Continental always devotes itself to establishing a flexible working environment and company culture. From October 2016, Continental has started trying to provide 3 flexible working solutions in China, including: Flex Time, Mobile Work and Part Time. Company hopes to help employees to achieve the work and life balance through the flexible working measures.



- 1 Flex Time measure provides one working time model that allows employees plan and arrange the working hours with more flexibility in consideration of business operation, customer requirement and individual situation.
- 2 Mobile Work allows employees to work from home or an alternative work site to accomplish the work.
- 3 Part Time allows the employees commonly work fewer hours per week than in a full-time job. Part-time is feasible as a reduction of working hours over a defined period of time. It helps to establish a balance between career ambitions and personal goals.

From October 2016, the test run of flexible working solutions has started in 3 pilot locations in Shanghai. During the 2 months of pilot period, more than 100 employees enjoyed the benefits brought by the future-oriented flexible working solutions, by applying for Mobile Work or Part Time.

According to an internal survey, employees highly recognized the flexible working solutions. They acknowledged that these solutions reflect that our company culture is humanistic. The mobile work can effectively help saving the commuting time for employees, and thus help them better balance work and life.

### Staff Welfare and Benefits

We are well aware that it is the employees who ensure Continental's long-term success and add value. Compensation & Benefits provides value-based remuneration structures that motivate supervisors to deliver top performance. Anyone with a question about job grading, how to calculate corporate profit-sharing bonuses, remuneration structures and salary scales, the Group Executive Bonus Policy, Group LTI Policy or Group Conti Value Sharing Bonus Program is welcome to contact our team at any time.

### Talent Management and Organizational Development (TMOD)



Talent Management (focusing on “Industrialize Best Fit”) and Organizational Development (focusing on “Enable Transformation”) are two key fields for the implementation of our HR strategy. Oriented towards our four company values and our management philosophy, meanwhile to support China employees and managers, Talent Management and Organization Development offers not only global standard leadership development programs from Corporate, but country-specific programs as well in China. Two examples of local initiatives are:

#### JUMP

Aiming to systematically support and develop young employees to get first experience in cross-functional project management and build a nationwide network, JUMP consists of project work supplemented by training and teambuilding.

#### CADRE I

Designed for senior managers with strong development willingness, CADRE I provides advanced knowledge and skill, fosters Continental China leadership strength and prepares our senior leaders for their future tasks through tailor-made training topics and action-learning projects, cross divisionally and cross functionally.







**Gao Zhongyan**

Head of PL E PM China  
Continental Automotive Changchun Co., Ltd.

**“ My Heart is Filled with Gratitude**

I joined the company in 1995. During the past two decades, I've worked in different departments and functions of the company - Production, Quality, Logistics and R&D. Professionally, starting from a workplace green land, I have grown into a manager - the professional knowledge and skills, independent and logical thinking ability as well as management competencies are all gained with the experiences in Continental. Deepest in my heart I feel the gratitude and appreciation towards the company for the great platform and many valuable opportunities provided to us.



**Xia Xin**

Body & Security  
Customer Center Director - S6 CC5



Because Continental provides employees with professional and comprehensive trainings where I will learn a lot from.” This is the answer that most candidates gave when asked why they wanted to join Continental. Absolutely, based on my 13 years of work experience in Continental, I proudly agree with this answer.

From the basic training at the beginning, to the skill training in the workplace, as well as the subsequent project management training and even executive leadership training, Continental always endues the trainings with professionalism and timeliness. I attended the CARDR2 course recently. This training offered me the opportunity to learn the latest business model development, get acquainted with the elites from different divisions, and comprehend the latest Corporate global development strategy. I really appreciate Continental's training concepts and guidelines. And I highly recommend all staff to attend every training, even under stressful and competitive conditions. Because all the trainings are significant for personal comprehensive capability building, and company sustainable development.



**Summer Intern Program**

In 2016, Continental launched the Summer Intern Program and "Continental Intern Family". "Continental Intern Family" is a community which aims to provide all interns serving at Continental with a platform for experience sharing and personal development. We hosted a variety of activities to help interns with career development. According to our history data, more than 900 interns joined Continental during 2014-2017.

**Intern Activities**

**Lunch & Learn:**

We provide office skills or soft skills tranings to our intern students each quarter, and you will also get to meet other intern buddies during a casual luncheon - have fun while learning!

**Volunteer Activities:**

You will be able to participate in our Corporate Social Responsibility Programs, to create value at work and beyond. Let's make the world a better place.



**Intern Benefits**

**Intern Green Pass Program:**

If you wish to continue working for Continental after your graduation, let us know! Once your supervisor approves your internship performance, we will help you deliver your profile to the relevant recruiter.

**Half-year Reward:**

Any intern student who serves at Continental for 6 months or above, will be rewarded.

**Intern Referral Program:**


If any of your friends would like to work for Continental as well, do recommend them to us. Successful referral will be rewarded.





### Occupational Safety and Health Management

The overriding objective of occupational safety and health management at Continental is the prevention of accidents and workplace - related illness ("We go for zero incidents"). To achieve this, we rely on an ESH management system that meets the OHSAS 18001 Occupational Health and Safety Management System.

|  | 2015                       | 2016 | 2017 | 2015                   | 2016 | 2017 |
|-------------------------------------------------------------------------------------|----------------------------|------|------|------------------------|------|------|
|                                                                                     | Accident rate <sup>1</sup> |      |      | Time lost <sup>2</sup> |      |      |
| Continental China                                                                   | 1.0                        | 0.9  | 0.8  | 145                    | 204  | 170  |

1. Accident rate: Number of industrial accidents resulting in the loss of one or more working-day equivalents per million hours worked.  
2. Time lost: Number of hours lost due to accidents per million hours.



**OHSAS 18001**  
Health and Safety Management System

Unfortunately, two accidents occurred in 2016, in which one Continental employee and one employee of an external service provider suffered fatal injuries. Both accidents occurred in China. Continental took all necessary steps to investigate the accidents thoroughly. All locations were informed of the accidents and their causes. Measures were developed in interdisciplinary and international teams and communicated within the corporation to prevent similar types of accidents in the future.

### China Activities: Your Health - Continental Cares

Organized by the ESH department, this year's Health Week was conducted at the company's China headquarters, Springs Center and Jiading Tech Center (JTC) in August 2017, providing health knowledge and advice on healthy lifestyles to the employees and enhancing their health awareness. The week-long activity included more than 9 themed health lectures and 13 interactive sessions that attracted more than 600 employees. The physical and mental health of employees is a primary concern for Continental and is a leading factor contributing to the success of Continental's sustainable achievements in China. Your Health, Continental Cares!







# Philanthropy

Operating globally entails taking on social responsibility on a global level. By being committed to social responsibility, we are making a positive contribution to society while also creating value for our company. Continental China takes the initiatives on road safety, education, social welfare, etc. We take on social responsibility mostly on a decentralized basis. Charitable projects, activities and donations are predominantly set up and organized by dedicated employees and supported by the company.

## Road Safety: Youth Safe-Driving Program

Road Safety is a topic which has drawn the attention worldwide. With the high occurrences of road accidents in recent years, we strongly believe that it's time for us to figure out a way in order to reduce road traffic accidents. Even as an innovative technology company, Continental insists that safety can never be guaranteed if we merely rely on the development of technology; we regard it as a serious communication task. By doing so, we are endeavoring to make every effort to call for the safety awareness of the whole society so that the safe driving concept will be truly influencing their behaviors; so that each one will care safe driving and "Vision Zero" will be more than a dream but a reality.

Launched in the year 2012, Continental initiated the Youth Safe-Driving Program with joint efforts of Safe Kids China under the theme of "Be a Responsible Young Driver". This program aims to encourage people to understand and experience the concept of "safe driving" by learning right safe driving habits: no alcohol driving, no road rage, no speeding, no distractions, driveway safety, and using safety belt. The program developed a "train the trainer" mechanism and has formed a team of well-educated volunteer trainers that span across all of our partner universities and Continental locations.



In 2016, the program continued rolling out in the universities and locations to help young people to form good driving habits by education and experiential learning (no alcohol driving, no speeding, no distraction, driveway safety, using safety belt).

- Lasting 5 years
- More than 450 core volunteers
- Approached around 85,000 youths
- Rolling out in 14 cities, 16 universities and 10 Continental locations
- Videos of road rage covering large-scale public displays in various regions of Shanghai and benefiting millions of audiences



### Local Education: Mobile Library Program

In June 2017, Continental's Library Program set sail again at Chongqing Daba Primary School. Ten employee volunteers from Continental China Headquarters, Chongqing Plant and Chongqing R&D Center brought thousands of books and their love to Daba Primary School located in the remote area in Chongqing (250 km from downtown). Some books were voluntarily donated by Chongqing local colleagues. In the activity, volunteers installed new desks and bookshelves for school library, classifying books and providing Lego lessons full of creativity, which set free children's imagination about future cars. The Library Project not only provides books to fulfill their desires for knowledge, but also helps them expand their vision and shape a more promising future.



**Quote from an employee volunteer:**  
"Although the Continental volunteer pool was established only in 2016, I am proud to join this valuable family to help others with my efforts as long as my time permits." "I hope Continental can organize more public service activities to carry forward the spirit of selfless dedication and willingness to help."



Since 2013, Continental's extensive corporate social responsibility has included activities supporting local education, for example, the CEP Changchun plant continuing to support a local school, the Hefei Tire Plant advocating safe riding to students, and the Wuhu plant donating one reading room every year, as well as activities in the plants in Shanghai, Yancheng, Chongqing and Guizhou. Up to today, Continental has donated more than 8,000 books, benefiting nearly 10,000 children, which represents our responsibility and focus on youth education.



# 2016

## Changshu

In December, visited Welfare Institution of Children with warm hearts.

## Hefei

- > In January, supported community art education for children with hearing impairment.
- > In October, partnered with Hefei College to cultivate new-generation talents.
- > In May, raised funds and visited nursing home to help the elderly residents twice.

## Wuhu

In May, built a new loving library to support local education.

## Changchun

In June, volunteered in the "Protecting the Environment for a Better Future" activity.

## Shanghai

- > In April, supported "Run for Road Safety" activity.
- > In September, celebrated the fifth anniversary of Youth Safe-Driving Program.
- > In October, sponsored Formula Society of Automotive Engineers(FSAE) for its seventh consecutive year.
- > In November, unveiled a new reading room and launched a mobile library project to continue its support to local education.

# Continental China Community Activities in 2016/17

# 2017

**Changchun** In January, donated warmers, cushions and safety tip stickers to Bus 315 team.

**Shanghai** In April, participated in Daning Lingshi Park "Run for Road Safety" activity.

**Yunnan & Tibet** In April and May, participated in the "Safety Campaign promotion to Yunnan and Tibet".

**Ningbo** In May, participated in the special campaign of "Join Hands to Build a Beautiful Ninghai".

**Changzhou** In May, initiated Walking for a Bag of Milk activity.

**Shanghai** In May, donated 500 Sets of Student Utensils to Loutang Primary School.

**Chongqing** In June, set up a Library to Chongqing Daba Primary School.

**Shanghai** In June, initiated Green Running activity.

**Changshu** In June, visited Changshu Municipal Children's Welfare Institution to accompany the kids for Children's Day.

**Changchun** In July, visited Shuangyang District to carry out directional donor activities.

**Lianyungang** In September, donated 65 second-hand computers to Guanyun Special Education School.

**Changchun** In November, donated teaching supplies and living goods to Anlong Primary School.

**Guizhou** In November, donated 1,000 books and school supplies to Baolin Primary School.

**Shanghai** In December, participated blood donation without repayment and raised hands for love.

Tibet

Chongqing

Guizhou

Yunnan

Changchun

Lianyungang

Yancheng

Changzhou

Changshu

Shanghai

Ningbo

Hefei

Wuhu



## About this report

This report addresses the various stakeholders of the Continental Group's enterprises in China and discloses the opportunities, challenges and efforts to achieve sustainable development in the process of creating value together with our stakeholders.

### Report Scope

This report covers the Continental Corporation and its domestic company and joint ventures in China.

### Report Period

This report relates to the year of 2016 and 2017, which is from January 2016 to December 2017, and also covers the previous year or reflect the 2018 principles and practices.

### Report Form

This report is available in printed and electronic versions. Please visit [www.continental-corporation.com](http://www.continental-corporation.com) for the electronic version.

### Report Feedback

If you have any questions or suggestions regarding this report, please send an email to [07hifmdr.lu@continental-corporation.com](mailto:07hifmdr.lu@continental-corporation.com) or call **021-60803613**.



## Reader Feedback Form

### Dear readers:

Thank you for reading the Continental China Sustainability Report 2017.

We deeply value the chance to hear your feedback on this report as well as on the sustainability development of Continental in China. Your advice and opinions are vitally important bases for our sustainability performance improvement.

You are welcomed to scan the QR code to fill out the feedback form. We respect your privacy and will make sure your personal information is protected.

