

Corporate Governance Principles of Continental AG

(convenience translation)

1. Preamble

The purpose of these Corporate Governance Principles (the "Principles") of Continental AG (the "Company") is to further a responsible management of the Company and the Continental Corporation (the "Corporation") focused on value creation. On the basis of applicable law, the German Corporate Governance Code (the "Code") and our Basics, the Principles are intended to make the governance by the Executive Board and the Supervisory Board transparent and understandable and to promote the confidence of investors, customers, employees and the general public in the management and control of the Company as a publicly listed German stock corporation. The Supervisory Board, the Executive Board and all employees of the Corporation understand the Principles as their obligation.

2. Shareholders and General Meeting

2.1 Shareholders

2.1.1 As provided by law and in the Articles of Association, the shareholders exercise their rights, including their right to vote, before and in the General Meeting.

2.1.2 Each share carries one vote (§ 20 para 1 of the Articles of Incorporation).

2.2 General Meeting

2.2.1 The Executive Board submits to the General Meeting the Annual Financial Statements, the Management Report, the Consolidated Financial Statements and the Group Management Report. The General Meeting resolves on the appropriation of net income and the ratification of the actions of the Executive Board and of the Supervisory Board. As a rule, it elects the shareholders' representatives to the Supervisory Board and the auditors.

Furthermore, the General Meeting resolves on the content of the Articles of Incorporation, in particular the purpose of the Company and basic structural matters such as inter-company agreements (as defined in the "Aktiengesetz" (German Stock Corporation Act)) and restructurings, the issuing of new shares and of convertible bonds and bonds with warrants, and the authorization to purchase own shares. It may resolve on the approval of the remuneration system for the members of the Executive Board.

2.2.2 If new shares are issued, the shareholders have a preemptive right in accordance with applicable law corresponding to their share of the equity capital.

2.2.3 Each shareholder is entitled to participate in the General Meeting, to take the floor on matters on the agenda and to submit relevant questions and proposals.

2.2.4 The chairperson of the meeting is responsible for conducting the General Meeting in an expeditious manner. To this end, the chairperson is guided by the fact that an ordinary general meeting is completed after four to six hours at the latest.

2.3 Invitation to the General Meeting, Proxies

2.3.1 At least once a year the Executive Board convenes the General Meeting and proposes the agenda. A quorum of shareholders is entitled to demand the convening of a General Meeting and the extension of the agenda in accordance with applicable law.

The convening notice, as well as the reports and documents required by law for the General Meeting, including the Annual Report, are easily accessible for the shareholders on the Company's internet site in accordance with applicable law together with the agenda.

2.3.2 The Company facilitates the exercising of the shareholders' voting rights and the use of proxies. The Executive Board arranges for the appointment of a representative to exercise any shareholder's voting rights in accordance with instructions; this person is also reachable during the General Meeting.

2.3.3 The Articles of Incorporation provides for the possibility for shareholders to follow the General Meeting by way of modern communication media (e.g. the internet).

3. Cooperation between Executive Board and Supervisory Board

3.1 The Executive Board and the Supervisory Board work together closely for the benefit of the Corporation.

3.2 The Executive Board discusses with the Supervisory Board the Corporation's strategic direction and, in regular intervals, the status of the implementation of the strategy.

3.3 The Articles of Incorporation and the Supervisory Board – the latter if necessary also in an individual case – provide for transactions of fundamental importance which require the approval of the Supervisory Board (§ 14 of the Articles of Incorporation).

3.4 The information of the Supervisory Board is the responsibility of the Executive Board. However, the Supervisory Board must itself ensure that it

obtains sufficient information. To this end, the Supervisory Board has specified the Executive Board's information and reporting obligations in detail.

The Executive Board informs the Supervisory Board regularly, without delay and comprehensively, of all issues relevant to the Corporation with respect to strategy, planning, development of the business, risks, risk management and compliance. The Executive Board reports on deviations of the actual business from previous plans and targets and explains the reasons therefor.

Reports of the Executive Board to the Supervisory Board are submitted, as a rule, in written (including electronic) form. Documents required for decisions of the Supervisory Board are sent to the members of the Supervisory Board in due time before the meeting.

- 3.5 Good corporate governance requires an open discussion between the Executive Board and the Supervisory Board as well as among the members of the Executive Board and of the Supervisory Board. Maintaining complete confidentiality is of paramount importance for this.

All board members ensure that any person whom they retain to assist them observes such obligation of confidentiality in the same way.

- 3.6 If necessary, the Supervisory Board meets without the Executive Board.
- 3.7 In the event of a takeover offer, the Executive Board and the Supervisory Board will submit a statement of their reasoned position on such offer in accordance with applicable law so that the shareholders can make an informed decision.

After the announcement of a takeover offer the Executive Board may not take any actions until publication of the result that could prevent the success of the offer, unless such actions are permitted under applicable law. In making their decisions, the Executive Board and the Supervisory Board act in the best interest of the Company.

- 3.8 The members of the Executive Board and the Supervisory Board comply with the rules of proper corporate governance. If they violate the due care and diligence of a prudent and conscientious member of the Executive Board or of the Supervisory Board, they are liable to the Company for damages in accordance with applicable law. A business decision does not violate such duties if the member of the Executive Board or of the Supervisory Board could reasonably believe, based on adequate information, that s/he was acting in the best interest of the Company (Business Judgement Rule).

If the Company takes out a D&O (directors' and officers' liability insurance) policy for the Executive Board, a deductible of at least 10% of the loss up to at least the amount of one and a half times the fixed annual

compensation of the Executive Board member is agreed upon in accordance with applicable law. A similar deductible is agreed upon in any D&O policy for the Supervisory Board.

- 3.9 The granting of loans of the Corporation to members of the Executive Board or the Supervisory Board and their relatives requires the approval of the Supervisory Board.
- 3.10 The Executive Board and the Supervisory Board report annually on the Corporation's corporate governance (Corporate Governance Report) and publish this report in connection with the Declaration on Key Management Practices. Comments will also be provided on the suggestions of the Code. Previous declarations of conformity with the Code remain available for viewing on the Company's website for five years.

4. Executive Board

4.1 Responsibilities

- 4.1.1 The Executive Board is responsible for independently managing the Corporation in the interest of the Corporation, thus taking into account the interests of the shareholders, its employees and other stakeholders, with the objective of sustainable value creation.
- 4.1.2 The Executive Board develops the strategic direction of the Corporation, discusses it with the Supervisory Board and ensures its implementation.
- 4.1.3 The Executive Board ensures that all applicable law and the Corporation's internal policies are complied with and procures such compliance by the affiliated companies (Compliance). It shall also institute appropriate measures reflecting the Corporation's risk situation (Compliance Management System) and discloses the main features of those measures. Employees and third parties will be given the opportunity to report, in a protected manner, suspected breaches of law within the Corporation.
- 4.1.4 The Executive Board ensures an appropriate risk management and risk controlling in the Corporation.
- 4.1.5 When filling managerial positions in the enterprise the Executive Board takes diversity into consideration and, in particular, aims for an appropriate consideration of women. The Executive board has set targets for increasing the share of women on the two management levels below the Executive Board in accordance with applicable law.

4.2 Composition and Compensation

- 4.2.1 The Executive Board consists of more than one person and has a chair person. By-laws govern the work of the Executive Board, in particular

set forth the respective areas of responsibility, matters reserved for decision by the Executive Board as a whole and the required majority for Executive Board resolutions.

- 4.2.2 The full Supervisory Board determines the respective total compensation of the individual Executive Board members. The Chairman's Committee submits proposals thereon to the full Supervisory Board. The full Supervisory Board resolves and regularly reviews the Executive Board compensation system.

The total compensation of the members of the Executive Board is determined by the full Supervisory Board in accordance with applicable law in an appropriate amount on the basis of a performance assessment taking into account any payments from affiliated companies. Criteria for determining the appropriateness of compensation are both the tasks of the individual member of the Executive Board, his personal performance, the economic situation, the performance and outlook of the Corporation as well as the comparison with peer companies and the compensation structure otherwise in place in the Company. The Supervisory Board shall consider the relationship between the compensation of the Executive Board and that of senior management and the staff overall, particularly in terms of its development over time. The Supervisory Board determines how senior managers and the relevant staff are to be defined.

If the Supervisory Board calls upon an external compensation expert to evaluate the appropriateness of the compensation, the Supervisory Board ensures that said expert is independent of the Executive Board and the Corporation.

- 4.2.3 The total compensation of the members of the Executive Board consists of the monetary compensation elements, pension awards, other awards, especially in the event of termination of activity, fringe benefits of any kind and benefits by third parties which were promised or granted in the fiscal year with regard to executive work.

The compensation structure must be oriented toward sustainable growth of the Corporation. The monetary compensation elements comprise fixed and variable elements. Variable compensation elements are in general based on a multi-year assessment that shall have essentially forward looking characteristics. Both positive and negative developments shall be taken into account when determining variable compensation components. All compensation components must be appropriate, both individually and in total, and in particular must not encourage taking unreasonable risks. Early disbursement of the variable compensation components should not be permitted.

The amount of compensation shall be capped, both overall and for individual compensation components. The variable compensation components shall be related to demanding, relevant comparison parameters.

Such targets or comparative parameters will not be changed retroactively.

For pension schemes, the Supervisory Board shall establish the level of provision aimed for in each case – also considering the length of time for which the individual has been an Executive Board member – and take into account the resulting annual and long-term expense for the company.

Promises for payments in case of an early termination of an Executive Board member's contract as a result of a change of control do not exist.

The Chairman of the Supervisory Board informs the General Meeting once about the basic principles of the compensation system and then about any changes to them.

- 4.2.4 The total compensation of each member of the Executive Board is disclosed by name, divided into fixed and variable compensation components. The same applies to promises of benefits that are granted to a Executive Board member in case of premature or statutory termination of the office or that have been changed during the financial year. Disclosure may be dispensed with if the General Meeting has passed a resolution to this effect by three-quarters majority.
- 4.2.5 Disclosure is made in the Notes or the Management Report. A compensation report which is part of the Management Report outlines the basic principles of the compensation system for Executive Board members in a plainly understandable manner.

The compensation report also includes information on the nature of the fringe benefits provided by the Company.

4.3 Conflicts of Interest

- 4.3.1 Members of the Executive Board are bound by the Corporation's best interests. They must not pursue personal interests in their decisions, are subject to a comprehensive non-competition obligation during their employment for the Corporation and must not use business opportunities intended for the Corporation for themselves.
- 4.3.2 Members of the Executive Board and employees may not, in connection with their work, demand nor accept from third parties any unlawful advantages for themselves or for any other person nor grant third parties unlawful advantages. Such obligation is further specified in the Code of Conduct of the Continental Corporation.
- 4.3.3 All members of the Executive Board will disclose conflicts of interest to the Supervisory Board without delay and inform the other members of the Executive Board thereof. All transactions between the Corporation and the members of the Executive Board as well as related persons or

companies must comply with standards customary in the sector. The Supervisory Board represents the Company in transactions with members of the Executive Board in accordance with applicable law. Important transactions with persons or companies closely related with a member of the Executive Board require the approval of the Supervisory Board.

- 4.3.4 Members of the Executive Board may take on positions outside the Corporation, especially supervisory board mandates, only with the approval of the Supervisory Board.

5. Supervisory Board

5.1 Responsibilities

- 5.1.1 The Supervisory Board is responsible for advising and supervising the Executive Board regularly in the management of the Corporation. It must be involved in decisions of fundamental importance to the Corporation.

- 5.1.2 The Supervisory Board appoints and dismisses the members of the Executive Board. The Supervisory Board respects diversity when appointing members of the Executive Board. The Supervisory Board sets a target for the share of women on the Executive Board in accordance with applicable law. Together with the Executive Board, the Supervisory Board ensures a long-term succession planning. The Supervisory Board has delegated the preparation of the appointment of a member of the Executive Board as well as of the discussion of the conditions of the employment contracts of the members of the Executive Board including their compensation to a committee.

A re-appointment of a member of the Executive Board prior to one year before the end of the appointment period with a simultaneous termination of the current appointment will only take place under special circumstances. As a rule, a member of the Executive Board will not be appointed or re-appointed for a period extending beyond her/ his reaching the statutory standard retirement age.

- 5.1.3 The Supervisory Board has adopted its own by-laws.

5.2 Responsibilities of the Chairman of the Supervisory Board

The Chairman of the Supervisory Board is elected by the Supervisory Board from its ranks. He coordinates the work within the Supervisory Board, chairs its meetings and represents the Supervisory Board externally.

The Chairman of the Supervisory Board will be available – within reasonable limits – to discuss Supervisory Board-related issues with investors.

Between meetings, the Chairman of the Supervisory Board is in regular contact with the Executive Board, in particular its Chairman, and consults with it on issues of strategy, planning, business development, the risk situation and risk management and compliance of the Corporation. The Chairman of the Supervisory Board will be informed by the Chairman of the Executive Board without delay of important events which are essential for the assessment of the situation and development as well as for the management of the Corporation. The Chairman of the Supervisory Board has then to inform the Supervisory Board and, if necessary, shall convene an extra-ordinary meeting of the Supervisory Board.

5.3 Formation of Committees

5.3.1 The Supervisory Board has formed sufficiently qualified committees. The committee chairperson reports regularly to the Supervisory Board on the work of the respective committee.

5.3.2 The Supervisory Board has formed an Audit Committee (*Prüfungsausschuss*) which is in particular responsible for monitoring the accounting, the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the audit of the Annual Financial Statements as well as compliance.

The Audit Committee also monitors the independence of the auditor and concerns itself with the services rendered additionally by the auditor, the issuing of the audit mandate to the auditor, the determination of auditing focal points and the fee agreement. The Chairman of the Audit Committee has special knowledge and experience in the application of accounting principles and internal control processes. He must be independent and cannot be a former member of the Executive Board of the Company whose appointment ended less than two years before. The Chairman of the Supervisory Board does not preside over the Audit Committee (*Prüfungsausschuss*).

5.3.3 The Supervisory Board has formed a Nomination Committee composed solely of shareholder representatives which recommends suitable candidates to the Supervisory Board for its proposals to the General Meeting.

5.4 Composition and Compensation

5.4.1 The Supervisory Board has to be composed of members who, as a whole, have the knowledge, abilities and experience necessary to discharge their responsibilities properly.

The Supervisory Board has specified concrete objectives regarding its composition, and prepares a profile of skills and expertise for the entire Board. Whilst considering the specifics of the enterprise, the composition of the Supervisory Board will appropriately take into account the international activities of the enterprise, potential conflicts of interest, the

number of independent members of the Supervisory Board as defined in Section 5.4.2 of the Code and a regular term limit to be specified for the members of the Supervisory Board as well as diversity. Furthermore, the composition of the Supervisory Board is governed by § 96 para. 2 German Stock Corporation Act and § 25 Introductory Act to the German Stock Corporation Act as amended by the Act for the Equal Participation of Women and Men in Leadership Positions in Private Enterprises and in the Public Service.

Proposals by the Supervisory Board to the General Meeting will take these objectives into account, while simultaneously aiming at fulfilling the overall profile of required skills and expertise of the Supervisory Board. The status of the implementation will be published in the Corporate Governance Report. This report will also provide information about what the Supervisory Board regards as the appropriate number of independent Supervisory Board members representing shareholders, and the names of these members.

When making its proposals to the General Meeting concerning the election of new members of the Supervisory Board, the Supervisory Board shall satisfy itself that the respective candidates can devote the expected amount of time required. The proposal for a candidate will be accompanied by a curriculum vitae, providing information on the candidate's relevant knowledge, skills and experience; it will be supplemented by an overview of the candidate's material activities in addition to the Supervisory Board mandate, and will be updated annually for all Supervisory Board members and published on the Company's website.

In its proposals to the General Meeting, the Supervisory Board shall disclose the personal and business relations of each individual candidate with the enterprise, the executive bodies of the company and with a shareholder holding a material interest in the company.

The disclosure is limited to those circumstances which, in the opinion of the Supervisory Board, a shareholder judging objectively would consider material for his election decision.

- 5.4.2 The Supervisory Board shall include what it considers an adequate number of independent members; the Supervisory Board shall thereby take into account the shareholder structure. According to Section 5.4.2 of the Code, a Supervisory Board member is not to be considered independent, if s/he has personal or business relations with the company, its executive bodies, a controlling shareholder or an enterprise associated with the latter which may cause a substantial and not merely temporary conflict of interests. Not more than two former members of the Executive Board shall be members of the Supervisory Board. Members of the Supervisory Board shall not accept directorships or similar positions or consultancies for any competitor of the Corporation.

- 5.4.3 Elections to the Supervisory Board are conducted on an individual basis. An application for the appointment of a Supervisory Board member by the court will be limited in time to the next general meeting. The shareholders will be informed about proposed candidates for the chair of the Supervisory Board.
- 5.4.4 Executive Board members may not become members of the Supervisory Board of the company within two years after the end of their appointment unless they are appointed upon a motion presented by shareholders holding more than 25% of the voting rights in the Company. In such case appointment to the chairmanship of the Supervisory Board shall be an exception which must be explained to the General Meeting.
- 5.4.5 Each member of the Supervisory Board ensures that s/he has sufficient time to perform her/his mandates. A member of the Management Board of a publicly listed company shall not accept more than a total of three supervisory board mandates in unaffiliated listed companies or supervisory bodies of unaffiliated companies which make similar requirements.

The members of the Supervisory Board take on the necessary training and further education measures required for their tasks on their own. They shall be supported by the company appropriately.

- 5.4.6 The compensation of the members of the Supervisory Board is set forth in the Articles of Incorporation (§ 16 of the Articles of Incorporation). The chair and deputy chair positions in the Supervisory Board are taken into account.

Members of the Supervisory Board receive a fixed as well as a performance related compensation (§ 16 para. 2 of the Articles of Incorporation). The performance-related compensation is oriented to a sustainable growth of the enterprise.

The individual compensation of each member of the Supervisory Board is reported in the compensation report as part of the Management Report, distinguishing between fixed and variable components. Other payments by the Corporation to any member of the Supervisory Board or benefits granted for services provided individually, including consulting and agency services, if any, will be reported separately.

- 5.4.7 If any member of the Supervisory Board participated only in half or less of the meetings of the Supervisory Board or its committees, to which she or he belongs, during a business year, such fact will be noted in the report of the Supervisory Board. Participation by telephone or video conference is also considered as such, but this should not be the rule.

5.5 Conflicts of Interests

- 5.5.1 All members of the Supervisory Board are bound by the Corporation's best interests. No member of the Supervisory Board may pursue personal interests in her/his decision or use business opportunities intended for the Corporation for her/himself.
- 5.5.2 Each member of the Supervisory Board will inform the Chairman of the Supervisory Board of any conflict of interest, in particular resulting from a consulting or directorship function with customers, suppliers, lenders or other third parties.
- 5.5.3 In its report to the General Meeting, the Supervisory Board will report on any conflicts of interest which have occurred and the actions taken with respect thereto. Material conflicts of interest which are not merely temporary with respect to any member of the Supervisory Board will result in the termination of her/his mandate in accordance with applicable law.
- 5.5.4 Consultancy and other service or work product agreements between a member of the Supervisory Board and the Company require the Supervisory Board's approval in accordance with applicable law.

5.6 Review of Efficiency

The Supervisory Board reviews regularly the efficiency of its activities.

6. Transparency

- 6.1 Ceteris paribus, the Company treats all shareholders equally with respect to information. All material new facts disclosed to financial analysts and similar recipients will also be made available to the shareholders without delay.
- 6.2 As part of the regular public relations activities, the Company publishes the dates of the publication of the Annual Report and interim financial information as well as the dates of the General Meeting, of the annual financial press conference and analysts conferences timely in advance in a "financial calendar" on its internet page.

7. Accounting and Audit of Financial Statements

7.1 Accounting

- 7.1.1 Shareholders and third parties are informed by the Consolidated Financial Statements and the Group Management Report, as well as by the interim financial information. The Consolidated Financial Statements and the Group Management Report as well as interim financial information

are prepared in accordance with the International Financial Reporting Standards (IFRS).

- 7.1.2 The Consolidated Financial Statements and the Group Management Report are prepared by the Executive Board and examined by the auditor and the Supervisory Board. The Executive Board discusses interim financial information with the Audit Committee prior to publication. The Consolidated Financial Statements and the Group Management Report are publicly available within 90 days after the end of the business year and the interim financial information are publicly available within 45 days of the end of the relevant reporting period.
- 7.1.3 The Corporate Governance Report contains information on stock option programs and similar securities-based incentive systems of the Company, to the extent this information is not already provided in the Annual Financial Statements, the Consolidated Financial Statements or the compensation report.
- 7.1.4 In the Consolidated Financial Statements, notes on the relationships with shareholders considered to be "related parties" pursuant to the applicable accounting regulations will be provided.

7.2 Audit of Financial Statements

- 7.2.1 Prior to submitting a proposal for election, the Audit Committee will obtain a statement from the proposed auditor stating whether and which business, financial, personal or other relationships exist between the auditor, its executive bodies or head auditors on the one hand and the Corporation and the members of its executive bodies on the other hand that could compromise the auditor's independence. Such statement includes to what extent other services were performed for the Corporation during the past year or which are contracted for the following year, especially in the consulting area.

The Supervisory Board agrees with the auditor that the Chairman of the Audit Committee will be informed immediately of any grounds for disqualification or partiality occurring during the audit, unless such grounds are eliminated immediately.

- 7.2.2 The Supervisory Board issues the mandate to the auditor and agrees the auditor's fee.
- 7.2.3 The Supervisory Board agrees with the auditor to report without delay on all facts and events which are important for the responsibilities of the Supervisory Board and which come to the auditor's knowledge in the course of the audit.

The Supervisory Board agrees with the auditor to inform it or to note in the auditor's report if, in the course of the audit, the auditor comes across

facts which show a misstatement by the Executive Board and the Supervisory Board with respect to the Code.

- 7.2.4 The auditor participates in the deliberations of the Supervisory Board on the Annual Financial Statements and the Consolidated Financial Statements and reports on the essential results of its audit.
