

GRI Report 2011



About the Report

In this document, Continental AG presents its sustainability report for the year 2011. This report is aimed at investors, analysts, customers, employees, suppliers, politicians, and public authorities, as well as all other stakeholders that have relations with the company and want to know the values and principles that define our actions. The report aims to create transparency and therefore present, alongside our wide range of activities and achievements, all areas where there is a certain need for improvement – at least for verifiable proof.

When evaluating the situation and compiling content for this report, we used the Global Reporting Initiative (GRI) Guidelines as a framework. The aim of this initiative, which was founded in the 1990s, is to establish a framework that is accepted around the world in order to facilitate comparison and enhance credibility of the achievements reported by the respective companies and organizations. The third generation of the GRI Guidelines (G3) is currently applicable. These guidelines require information about our values, our organization, and our strategy, as well as information regarding our key performance indicators in the Economic, Environment, and Social categories.

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

Key Performance Indicators in Brief

in € millions	2011	2010	Δ in %
Sales	30,504.9	26,046.9	17.1
EBITDA	4,228.0	3,587.6	17.9
in % of sales	13.9	13.8	
EBIT	2,596.9	1,935.2	34.2
in % of sales	8.5	7.4	
Net income attribute to the shareholders of the parent	1,242.2	576.0	115.7
Earnings per share (in €)	6.21	2.88	115.7
Adjusted sales ¹	30,192.7	26,043.0	15.9
Adjusted operating result (adjusted EBIT) ²	3,043.0	2,521.1	20.7
in % of adjusted sales	10.1	9.7	
Free cash flow	490.5	566.9	-13.5
Net indebtedness	6,772.1	7,317.0	-7.4
Gearing ratio in %	89.8	118.0	
Total equity	7,543.3	6,202.9	21.6
Equity ratio in %	29.0	25.4	
Number of employees (at December 31) ³	163,788	148,228	10.5
Dividend per share in €	1.50	–	
Share price (high) in €	76.28	66.84	
Share price (low) in €	39.44	32.13	

¹ Before changes in the scope of consolidation.

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

³ Excluding trainees.

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1. Strategy and Analysis

1.1 Statement from the organization's most senior decision maker

As one of the world's leading automotive suppliers, Continental's core responsibility is to efficiently and effectively contribute to sustainable mobility with its products, technologies, and services. The goal is to improve the safety and comfort of driving as well as the energy efficiency of the vehicle and to contribute to the vehicle's affordability, together with the customer. For this, Continental relies on its technological leadership and innovation, quality without compromise, and outstanding solutions, products, and services.

Sustainable management and corporate social responsibility are among Continental's fundamental values. Both reinforce the culture of solidarity while simultaneously contributing to forward-looking and values-based corporate management. This includes our abiding by laws and regulations, making thrifty use of resources, supporting climate protection, and addressing our responsibility towards employees and society in all of our locations.

In doing so, we intend to work towards society's continued acceptance of Continental, ensure employee and customer loyalty, and remain consistently attractive for investors and shareholders. Furthermore, we are convinced that acting in a sustainability-oriented and responsible manner opens our our company to change strengthens its future viability. This enables us to identify and take advantage of opportunities early on. It also allows us to recognize risks in good time and to lastingly minimize them.

We consider sustainable management to be a strategic corporate development task and involve all relevant functions in mapping it out. It is vital for us that sustainability goals and measures create value for the company as this is the only way to ensure that they are accepted within the company plausibly championed outside the company. Only then can they further stabilize the company, maintain its capability for development, and ensure its future viability.

Dr. Elmar Degenhart
Chairman of the Executive Board

1.2 Key sustainability risks, opportunities, and impacts

As a global corporation, Continental must take into account a wide variety of risks. Negative impacts on our business as a result of this must not be ruled out. In extreme cases, the existence of the company could be jeopardized. We accept calculable risks if the resulting opportunities lead us to expect the achievement of a sustainable growth in value. A uniform corporation-wide risk management system is in place in order to ensure that risks are detected in time, their causes analyzed, and that the risks are assessed and avoided or at least minimized. It regulates the recording, assessment, documentation, and reporting of risks and is integrated into the company's strategy, planning, and budgeting processes. The risk management system, which fully complies with the Corporate Governance Principles of the Continental Corporation and with statutory requirements, is included in the annual audit.

2. Organizational Profile

2.1 Name of the company

Continental Aktiengesellschaft.

2.2 Important brands, products, and services

As a supplier of brake systems, systems and components for powertrains and chassis, instrumentation, infotainment solutions, vehicle electronics, tires, and technical elastomers, Continental contributes to enhanced driving safety and fuel efficiency. Continental is also an expert partner in networked automobile communication, as well as a partner to many other key industries, for example in rail transport, apparatus engineering, and mining. Below are the important brands for each area:

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

2.3 Business units and corporate structure

The corporation is split into two “groups” that comprise a total of five divisions.

Automotive Group

- “Chassis & Safety” (66 locations in 19 countries) embraces the company’s core competence in networked driving safety, brakes, driver assistance, passive safety, and chassis components; share of sales in 2011: 21 percent.
- “Powertrain” (64 locations in 21 countries) stands for innovative and efficient system solutions for vehicle drivetrains; share of sales in 2011: 19 percent.
- “Interior” (93 locations in 25 countries) combines all activities relating to the presentation and management of information in the vehicle; share of sales in 2011: 20 percent.

Rubber Group

- “Tires” (63 locations in 38 countries) develops and manufactures tires for compact, medium-size, and full-size passenger cars, as well as for SUVs, motorcycles and bicycles. It also develops truck, bus, industrial, and off-road tires for the most diverse applications; share of sales in 2011: 28 percent.
- “ContiTech” (78 locations in 24 countries) develops and produces functional parts, components, and systems for the automotive industry and for other key industries; share of sales in 2011: 12 percent.

Some locations represent several divisions.

2.4 Corporate headquarters

Hanover, Germany.

2.5 Number/name of countries with major operations

Continental has 269 locations in 46 countries around the world (2011):

- Europe (25): Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Ireland, Kazakhstan, the Netherlands, Norway, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Spain, Sweden, Switzerland, Turkey, UK
- North America (3): Canada, Mexico, USA
- South America (4): Argentina, Brazil, Chile, Ecuador.
- Africa (2): South Africa, Tunisia
- Asia (11): China, India, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand
- Australia

You can find the current overview of all locations using the following link.

The Continental world at a glance

http://www.conti-online.com/generator/www/com/en/continental/portal/themes/continental/continental_global/overview_en.html

2.6 Ownership structure

Continental is a stock corporation under German law. As of September 30, 2012, 49.9 percent of shares were owned by Schaeffler Group, Herzogenaurach, and 50.1 percent were free float.

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

2.7 Markets served

Continental operates internationally; we have customers in almost all countries of the world (see 2.5). In 2011, sales could be broken down as follows:

- Germany: 26%
- Europe excluding Germany: 33%
- NAFTA: 19%
- Asia: 17%
- Other countries: 5%

We generate 72 percent of our sales as an automotive supplier with automotive manufacturers directly, and 28 percent with customers from other branches of industry and end users.

2.8 Scale of the reporting organization

In 2011, the corporation's 163,788 employees generated sales of €30.5 billion, which was an increase in sales of 17 percent compared with the previous year (2010: €26 billion). Continental is among the top five in the automotive supply industry worldwide.

Consolidated Balance Sheets

http://report.conti-online.com/pages/financial-statements/balance-sheets/balance-sheets_en.html

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

As of September 24, 2012, Continental AG has (once again) been listed in the German stock index (DAX).

2.10 Awards received during the reporting period

During the reporting period 2010/2011, Continental received, inter alia, the following awards:

- Continental AG: Sustainability Prize for 30 years of corporate innovation, awarded by Wirtschaftsclub Rhein-Main (the Rhine-Main Business Club).
- Continental AG: FOKUS 50 plus Award for forward-looking demographic management, awarded by APRIORI - business solutions AG.
- Continental AG: ZI Award – Best Idea Management 2011 (first place in the Automotive Supplier category), conferred by Zentrum Ideenmanagement (the Center for Idea Management).
- Continental AG: Best Practice Award 2010 in the Inspiring Young Talent category for the international Global Engineering Internship Program (GEIP), awarded by the Sachen Machen initiative of the Association of German Engineers (VDI).
- Continental AG: ECPI Ethical EMU Equity (inclusion in the sustainability index).
- Continental AG: Innovation Prize for Climate and Environment (IKU) in the Process Innovations for Climate Protection category for the development of an innovative fuel injector with piezo technology for common rail injection systems of diesel engines (the system reduces fuel consumption); the prize was conferred by the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) and the Federation of German Industries (BDI).
- Continental location in Regensburg: TOP Health Management Award 2011 (Health Management category) for outstanding company health services for employees, awarded by TG LifeConcept in collaboration with the Bavarian Industry Association.

- Continental location in Frankfurt am Main, Rödelheim: Hessian Demography Prize in the Work-Life Balance category (for the company-supported family service program at the location in Frankfurt), awarded by the demographics representative of the Hessian local government.
- Continental location in Guadalajara, Mexico: GEI Mexico Program Award (awarded by SEMARNAT, an association of institutions for sustainable management) and the CNIMME Award for the commitment to climate and environmental protection, awarded by the Asociacion de Industrias Maquiladoras y Manufactureras de Occidente A.C.
- Continental location in Cuautla, Mexico: ESR Award (along with a number of other companies) for social commitment, presented by the Mexican Center for Philanthropy (CEMEFI) and the Alliance for Enterprise Responsibility (ALIARSE).
- Continental location in Calamba, Philippines: PEP Award for exceptional performance in environmental management, awarded by the Philippine Economic Zone Authority (PEZA).
- Continental location in Port Elizabeth, South Africa: Golden Arrow Award for CSR commitment, awarded by the PMR business magazine.

Continental has been answering the CDP's extensive catalog of questions since 2009, and our data has been publicly accessible on the CDP's Internet pages since 2011. In 2012, we moved up in the Carbon Disclosure Leadership Index. This motivates us to continue and expand our activities even further.

Carbon Disclosure Project

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

In the Carbon Disclosure Project (CDP), Continental is participating in an initiative to improve transparency regarding greenhouse emissions. Once a year, the CDP requests data and information on environmental protection from listed companies on behalf of its investors. This applies in particular to the management's assessment of climate change and its effects on the company, the systematic recording of CO₂ emissions, and the management's strategies for reducing these emissions.

3. Report Parameters

3.1 Reporting period

January 1, 2011, to December 31, 2011 (sometimes supplemented with current information from the first three quarters of 2012).

3.2 Date of the most recent report

All reporting to date published continuously on the Internet.

3.3 Reporting cycle

In the future, Continental will use the Global Reporting Initiative (GRI) Guidelines as a framework to create an annual report in the present format and publish it on the Internet.

3.4 Contact person for questions regarding the report

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

3.5 Process for defining report content (materiality, priorities)

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

3.6 Boundaries of the report

Financial and personnel data covers the entire corporation. Any cases where this does not hold true – for

some personnel data, for instance – are indicated. Environmental indicators refer to the individual locations with a certified environmental management system; that is, 168 of the total 224 locations worldwide (see also table). The following are not included:

- Pure mixing plants without tire production activities
- Plants where it is not possible to organize data collection (e.g. Greenfields)
- Locations that are immaterial to the corporation's environmental indicators (e.g. test tracks, research and development centers).

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

	Certifications			
	All locations	ISO 9001 or ISO/TS16949	ISO 14001	OHSAS 18001
Automotive Group	131	100%	75.6%	8.4%
Rubber Group	93	100%	74.2%	16.1%

Certification to ISO 14001 (as at: 31.12.2011):

America: 34 locations

Europe, Middle East, Africa: 92 locations

Asia-Pacific region: 32 locations

This means that 87.9 percent of our production locations worldwide are certified (both groups are represented at some locations).

3.7 Constraints/limitations of the report

See 3.6.

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

In addition to the parent company, the consolidated corporation includes 439 domestic and foreign companies in which Continental Aktiengesellschaft holds a direct or indirect interest of more than 20 percent of the voting rights.

3.9 Measurement techniques and basis of data calculations

See 3.6 and 3.13.

Further explanations

http://www.conti-online.com/generator/www/com/en/continental/csr/themes/gri/hidden/kpmg_explanatory_notes_en.html

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

This is the first systematic report to be compiled in line with the GRI Guidelines.

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

This is the first systematic report to be compiled in line with the GRI Guidelines.

3.12 GRI Index table

See page 4.

3.13 External audit of claims

The auditing firm KPMG AG conducted an independent limited assurance engagement for the indicators “direct CO₂ emissions,” “indirect CO₂ emissions,” and “specific CO₂ emissions per tonne of product” for the 2011 business year.

Independent Assurance Report

http://www.conti-online.com/generator/www/com/en/continental/csr/themes/gri/download/kpmg_independent_assurance_report_en.pdf

Information about economic circumstances, as well as facts and figures about the environment and staff, are based primarily on information from the Annual Report 2011.

4. Governance, Commitments, and Engagement

4.1 Governance structure and responsibility for sustainability

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

The Executive Board has sole responsibility for managing the company free from instructions from third parties in accordance with the law, the Articles of Incorporation, the Executive Board's By-Laws, while taking into account the resolutions of the Annual Shareholders' Meeting. Regardless of the principle of joint responsibility, whereby all members of the Executive Board equally share responsibility for the management of the company, each Executive Board member is responsible for the areas entrusted to them. The Chairman of the Executive Board is responsible for the company's overall management and business policy. He ensures management coordination and uniformity on the Executive Board and represents the company to the public. The Executive Board currently has eight members.

In accordance with the Mitbestimmungsgesetz (German Co-determination Act) and the company's Articles of Incorporation, the Supervisory Board comprises 20 members, half of which are shareholder representatives and the other half employee representatives. The Supervisory Board appoints the Executive Board and supervises and advises it in the management of the company. The Supervisory Board is directly involved in decisions of material importance to the company. As specified by law, the Articles of Incorporation and the Supervisory Board By-Laws, certain corporate management matters require the approval of the Supervisory Board. The Chairman of the Supervisory Board coordinates its work and represents its interests vis-à-vis third parties. He maintains regular contact with the Executive Board, and in particular with its Chairman, to discuss the company's strategy, business development, and risk management. A sustainability council comprising representatives of all relevant corporate functions was founded at the end of 2010 to manage sustainability and corporate responsibility. The council is chaired by the Executive Board

member for Human Resources. The sustainability council regularly convenes four times a year for relevant occasions.

4.2 Independence of the Chairman of the Supervisory Board

The additional mandates of the Chairman of the Supervisory Board are specified in each Annual Report (see appendix "Mandates of the Supervisory Board" of the Annual Report). No conflicts of interest arose during the reporting period.

Annual Report 2011

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

4.3 Highest governance body among companies without a supervisory board

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

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

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

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

Co-determination in the workplace is another element of employee involvement that has a long history

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

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

The remuneration of the Executive Board members consists of the following elements: Each Executive Board member receives fixed annual remuneration paid in twelve monthly installments. The Executive Board members also receive variable remuneration (a performance bonus) linked to the attainment of certain targets relating to the year-on-year change in the Continental value contribution (CVC) and the return on capital employed (ROCE). Further, the Supervisory Board can determine a strategic target at the beginning of each fiscal year. For 2011, the Supervisory Board set a target based on the attainment of a specific free cash flow. It is possible that variable remuneration will not be paid if certain minimum values are not achieved. In order to take into account extraordinary factors that have influenced the degree to which targets are achieved, the Supervisory Board has the right to adjust the established attainment of goals on which the calculation of variable remuneration is based retroactively by 20 percent upward or downward at its due discretion. In any event, the performance bonus is capped at 150 percent of the fixed target bonus. Forty percent of variable remuneration awarded in a fiscal year is paid out in the form of a lump sum as an annual bonus. The remaining 60 percent is converted into virtual shares of Continental AG. Following a holding period of three years after the end of the fiscal year for which variable remuneration is awarded, the value of these virtual shares is paid out, including the value of the dividends distributed over the holding period. The conversion of the variable remuneration into virtual shares and payment of their value after the holding period are based on the average share price for the three-month period immediately preceding the Annual Shareholders' Meeting in the year of conversion or payment. However, the amount paid after the holding period cannot be less

than 50 percent of the value on conversion or more than three times this same value. In addition, the Supervisory Board may revise the amount calculated in such a way by 20 percent upward or downward retroactively to balance out extraordinary developments, for example a noticeable change in the share price that is wholly or mainly due to external influences. In addition to the performance bonus, a special bonus can be agreed for special projects in individual cases, and a recognition bonus can be granted. For energy and environmental managers and operations managers, part of the variable remuneration is based on the extent to which the company's environmental targets have been attained.

4.6 Procedures of the executive committees to prevent conflicts of interest

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

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

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

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

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

The most important documents at the corporate level are:

- **Corporate guidelines:** Our BASICS have been conveying the vision, values, and self-image of the corporation since 1989. They were reformulated at the beginning of 2012.
- **Code of conduct:** Continental's code of conduct defines ethical standards and requirements concerning employee behavior. This was completely revised in 2012, and a new version was released in September 2012.

- **CSR guideline:** The Executive Board decided upon the corporate social responsibility guideline in June 2008. This guideline defines the fundamental values and principles of our voluntary activities in seven points.
- **Corporate Governance Principles:** Based on applicable legal provisions, the German Corporate Governance Code, and the corporate guidelines, the Corporate Governance Principles describe the company's managerial and supervisory tasks and processes in detail. These were last updated in April 2011.
- Bachelor Welcome! – statement from leading German companies on the changeover to Bachelor's and Master's degrees in Germany (June 2004). Goal: To support new university qualifications (Bologna Process).
- The European Road Safety Charter (November 2007). Goal: To improve road safety.
- The Luxembourg Declaration on Workplace Health Promotion in the European Union (May 2010). Goal: To promote company health management.

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 to evaluate the Executive Board's performance is shown in section 4.5 as well as in the Annual Report.

4.11 Implementation of the precautionary approach

A uniform risk management system is in place throughout the Corporation in order to ensure that risks are detected in time, their causes analyzed, and that the risks are assessed and avoided or at least minimized. It regulates the recording, assessment, documentation, and reporting of risks and is integrated into the company's strategy, planning, and budgeting processes. The risk management system, which complies fully with the Corporate Governance Principles of the Continental Corporation as well as with statutory requirements, is included in the annual audit.

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

The corporation has signed the following appeals and declarations of commitment:

- Continental is a member of the United Nations Global Compact. This demonstrates our clear commitment to the Global Compact's ten principles in the areas of human rights, labor, environment, and anti-corruption.

- Charta der Vielfalt [the German Diversity Charter] (December 2008). Goal: To promote equal opportunities and diversity in the workforce.

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 have not been included (for example, memberships in German chambers of industry and commerce or employers' associations).

- World Business Council for Sustainable Development (WBCSD)
- Association Connecting Electronics Industries (IPC)
- European Tyre & Rubber Manufacturers' Association (ETRMA)
- Deutsche Gesellschaft für Personalführung (DGFP) [German Association for Personnel Management]
- Deutscher Verkehrssicherheitsrat (DVR) [German Road Safety Council]
- Deutsches Institut für Kautschuktechnologie (DIK) [German Institute of Rubber Technology]
- Deutsche Kautschuk-Gesellschaft [German Rubber Society]

- Deutsche Vereinigung für Internationales Steuerrecht
[German Association for International Tax Law]
- Forschungsvereinigung Automobiltechnik (FAT)
[Research Association of Automotive Technology]
- Organisation Werbungtreibende im Markenverband
(OWM)
[German Advertisers Association]
- Schmalenbach-Gesellschaft für Betriebswirtschaft
[Schmalenbach Society for Business Administration]
- Stifterverband für die Deutsche Wissenschaft
[Donors' Association for German Science]
- Wissensfabrik – Unternehmen für Deutschland
(Knowledge Factory – Companies for Germany)
- Verband der Automobilindustrie (VDA)
[German Association of the Automotive Industry]
- Verein Deutscher Ingenieure (VDI)
[Association of German Engineers]
- Verband deutscher Sicherheitsingenieure (VDSI)
[Association of German Safety Engineers]
- Verein zur Förderung des Betrieblichen Brandschutz-
es Niedersachsen (vfbb)
[German Association to Promote Operational Fire
Protection in Lower Saxony]
- Wirtschaftsverband der deutschen Kautschukindus-
trie (WdK)
[Trade Association of the German Rubber Industry]
- Zentrale zur Bekämpfung unlauteren Wettbewerbs
[German Center for Combatting Unfair Competition]
- Institut der Norddeutschen Wirtschaft (INW)
[North German Institute of Trade and Industry]
- Förderverein Internationale Schule Hannover Region
[Friends' Association of the International School Han-
nover Region]

4.14 List of stakeholder groups engaged by the company

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

4.15 Basis for identification of stakeholders

See section 4.14.

4.16 Approaches to stakeholder engagement (type/frequency)

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

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

4.17 Statement on key topics and concerns of the stakeholders

See section 4.14.

Economic Performance Indicators

Corporate Policy and Management Approach

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

We make significant contributions to benefit society for a number of additional key industries – such as wind turbines for efficient energy generation or conveyor belt systems to transport raw materials without harming the environment. We are a driving force behind innovation and new paths to industrial progress.

Our BASICS are the basis for Continental's lasting success. These corporate guidelines describe our vision, our mission, and our values that define our corporate activities and the way 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 2011, sales of the Continental Corporation rose by around 17 percent to €30.5 billion (2010: €26 billion). Earnings before interest and taxes (EBIT) was €2,6 billion (2010: €1,9 billion). Global investments for research and development amounted to €1.6 billion (2010: €1.45 billion).

Further information on operating costs, payments to investors and governments

http://report.conti-online.com/pages/financial-statements/financial-statements_en.html

EC2 Risks, opportunities, and consequences of climate change

Risks could be caused by the following:

- Additional regulations restricting or limiting car traffic with the aim of managing global warming (climate change) could lead to a material decrease in car sales

and, consequently, adversely affect demand for Continental's products and services.

- Bottlenecks in the availability of raw materials as a result of induced changes to natural raw materials.
- Production cutbacks due to changes in precipitation frequency.

Opportunities can arise from the following:

- Additional regulations and legislation to reduce CO₂ or mitigate climate change. We generate around a third of our sales with products that help lower CO₂ emissions. Using our products helps reduce CO₂ emissions by around 26 grams per kilometer.
- New guidelines to reduce air pollution. Lower fuel consumption can reduce air pollution. For example, the Powertrain division develops and produces injection systems and cooling water pumps to reduce air pollution.
- Rising energy taxes and therefore fuel prices increasingly shifts the focus toward fuel-efficient products. These are the main focuses of research and development in our Powertrain, Tire, and ContiTech divisions.
- The introduction of product labels gives Continental the opportunity to demonstrate the environmental performance of its products and stand out from the competition.

Further explanations:

Carbon Disclosure Project

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

EC3 The company's social benefits and pension obligations

The Continental Corporation offers its employees pension plans in the form of defined benefits and defined contributions, either as general or individual plans. The provisions cover the obligations from defined benefit plans, in particular in Germany, the USA, Canada, the UK, Austria, France, Mexico, Italy, and Ireland.

Separate pension funds exist to fully or partially finance the company's pension obligations for 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, and Germany in the form of contractual trust arrangements (CTAs).

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. The company also encourages employees to pay into a deferred compensation scheme. Almost all employees in Germany are able to enjoy the benefits of an employer-funded pension plan; at the end of 2011, more than one in two employees were paying into a deferred compensation scheme (52%).

Continental AG – Pension liabilities and other post-employment benefits

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

EC4 Financial assistance received from government (e.g. subsidies)

Government subsidies, amounting to a total of €29.4 million (previous year: €23 million), that were not intended for investments in fixed assets, are shown in the other income and in function costs of the income statement. Government investment grants amounting to €6.9 million (previous year: €13.9 million) were deducted directly from the acquisition costs (as of December 31, 2011).

EC6 Spending on locally-based suppliers

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

EC7 Hiring staff from the local community

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

EC8 Investments for the welfare of the local community

Our world is constantly changing. Therefore, the de-

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

As a corporation on the global market, Continental has a decentralized organization with strong local responsibility. This applies not only to the business units but also to the social commitment of the corporation and its branches, as well as the private initiatives founded and supported by committed company employees. Charitable projects, donations, and other activities are therefore initiated and supervised as far as possible at the discretion of the decentralized units. Exceptions to this include national projects and challenges or our commitment in the event of international disasters. In such matters, the corporation practices its corporate social responsibility as a whole. A primary goal of all the activities of the corporation and its employees is direct, fast, and lasting support. For example, in 2011 the corporation provided €250,000 emergency aid immediately to support the people in the regions destroyed by the earthquakes and tsunami in Japan.

EC9 Indirect economic impacts (Addition)

Continental is a comparatively large employer at all of its locations and contributes to development of the region and infrastructure by providing jobs and training opportunities, tax payments, and contracts with local suppliers and service providers. In 2011, income tax payments amounted to €465.6 million.

Environmental Performance Indicators

Environmental Policy and Management Approach

We are facing up to the variety of ecological challenges and regard environmental protection as a key management responsibility that is also reflected in our operating business. For instance, we are continually aligning the production, quality, and performance of our products with environmental soundness. The obligation to protect the environment applies to every one of our employees. Our technologies and products make a substantial contribution to environmental protection.

At the heart of our environment policy is a systematic approach to the reduction of environmental impact, accompanied by an improvement in economic and social conditions. At Continental, the responsibility for protecting the environment is specifically implemented worldwide in the ESH Policy (Environment, Safety, Health). The Principles of Environmental Protection are used as a guideline and yardstick for all Company activities of relevance to the environment.

Our strategy for protecting the environment is based worldwide on six principles:

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

Continental's environmental management system was developed and successively introduced worldwide in 1992 based on the BASICS. Since then, 168 production sites – or 75 percent of all production sites – have been certified in accordance with the international environmental management standard ISO 14001.

Moreover, we are making sure that our suppliers also operate in line with key environmental principles. Before new suppliers are commissioned, for example, a supplier assessment is conducted using a questionnaire focusing on criteria such as energy consumption, product packaging, plant tidiness and cleanliness, product safety data sheets, environmental certification, and contingency management in the plant. Continental regularly requests valid environment certificates from the large majority of suppliers with which it already has contracts. At the end of 2010, around 2,800 suppliers were recorded. Of these, around 35 percent used an ISO-14001-certified environmental management system.

EN1 Materials Used

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

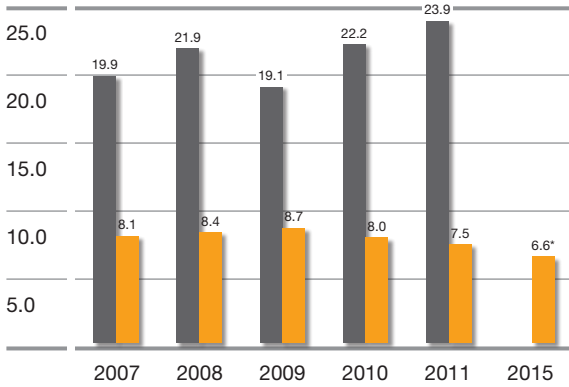
EN2 Percentage of Recycling Material

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

EN3 Direct Energy Consumption

We do not currently make a distinction between direct and indirect consumption. Due to the economic upturn and increased demand for our products, total energy consumption rose by 8 percent from 22.2 million gigajoules (2010) to 23.9 million gigajoules (2011).

Energy consumption



■ Energy consumption in millions of GJ
 ■ Specific energy consumption per tonne of product in GJ
 * Continental environmental goals

EN4 Indirect Energy Consumption

See EN3.

EN5 Energy-Saving Measures (Addition)

While total energy requirements over the past few years have risen (due to increased production), specific demand has fallen considerably in the past two business years from 8.7 gigajoules per tonne of product (2009) to 7.5 gigajoules (2011). By 2015, we aim to reduce this figure to 6.6 gigajoules per tonne of product.

EN6 Energy-Saving Measures in Products (Addition)

Continental won the Innovation Prize for Climate and Environment (IKU) 2010, jointly presented for the second time by the Federal Environment Ministry and the Federation of German Industries, for our all-new diesel injection system. The piezo injector, whereby the nozzle needle is driven directly and without hydraulic support, can control the injection process even more precisely and in turn reduce fuel consumption by up to 5 percent. In addition to reducing fuel consumption, however, output, torque, and ride comfort are enhanced.

In vehicles, every gram counts if you want to increase fuel efficiency and reduce CO₂ emissions. Our new fixed-caliper brake for medium-duty vehicles saves up to 1.5 kilograms per wheel in comparison with the currently widespread floating-caliper brake. However, the use of lightweight materials must not cause problems in other areas. To eliminate the squeaking associated with fixed-caliper brakes, for example, development of our

new fixed-caliper design drew on the experience gained with our floating-caliper brakes.

Cars in the lower price segment are in particularly great demand in booming developing countries, such as India or China. The special challenge here is to achieve quick and efficient reductions in consumption and, in turn, emissions. So we have developed a new control unit that makes it possible for vehicle manufacturers to also offer models of the ultra-compact category with an automatic start-stop system with little investment within a very short development time. Since the engine automatically switches off when the vehicle is at a standstill (for example, in a traffic jam or at traffic lights) and then restarts smoothly when the driver wants to move off again, Continental expects this product to reduce fuel consumption in urban traffic by up to 15 percent.

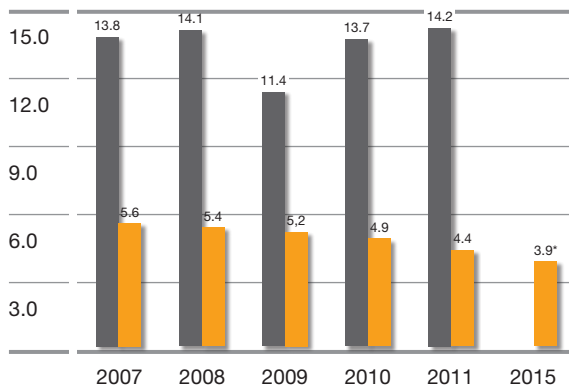
EN7 Reduction of Indirect Energy Consumption (Addition)

See EN5 and EN6.

EN8 Water Consumption

The demand for water in 2011 rose by 500,000 cubic meters to 14.2 million cubic meters. This was also due to increased production. In contrast, specific demand (per tonne of product) over the past few years has decreased continuously from 5.2 cubic meters (2009) to 4.4 cubic meters (2011). By 2015, we want to reduce water consumption to 3.9 cubic meters. For information on the sources please see EN9.

Water consumption



■ Water consumption in millions of m³
 ■ Specific water consumption per tonne of product in m³
 * Continental environmental goals

EN9 Water Sources (Addition)

Total water consumption in 2011 was 14.2 million cubic meters. Of this, 24 percent originated from surface water, 37 percent from the public drinking water network, and 39 percent from our own wells.

EN10 Percentage of Reclaimed and Reused Water (Addition)

No data currently available.

EN11 Protected Areas

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

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

Babenhausen: On the site premises in front of the administrative building is the “Magersandrasen” nature reserve (FFH). This area is inspected annually in the presence of the nature conservation authority.

Hannover-Stöcken: This site is located on the edge of an FFH area.

Adrspach (Czech Republic): This site is located in the “Broumovsko” nature reserve.

EN12 Impact on Protected Areas

Continental is not aware of any negative impacts.

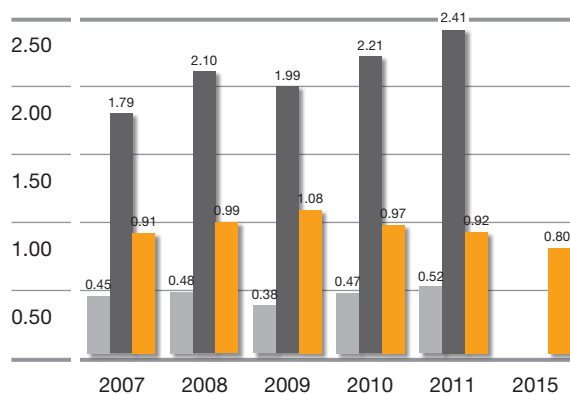
EN14 Measures and Plans to Promote Biodiversity (Addition)

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

EN16 Greenhouse Gas Emissions

Total CO₂ emissions in 2011 amounted to 2.93 million tonnes, a 9-percent increase on the previous year (2010: 2.68 million tonnes) – a direct consequence of increased production. Direct CO₂ emissions (Scope 1) in 2011 amounted to 520,000 tonnes (2010: 470,000 t); indirect emissions from external energy sources (Scope 2) amounted to 2.41 million tonnes (2010: 2.21 t). This yielded a specific figure of 920 kilograms per tonne of delivered goods in 2011 (2.8% less than in 2010). By 2015, we want to reduce this specific value to 800 kilograms of CO₂ per tonne of product.

CO₂ emissions



Direct CO₂ emissions in millions of tonnes
 Indirect CO₂ emissions from external power stations in millions of tonnes
 Specific CO₂ emissions of product in tonnes
 * Continental environmental goals

Explanatory notes to the calculation of emissions

http://www.conti-online.com/generator/www/com/en/continental/csr/themes/gri/hidden/kpmg_explanatory_notes_en.html

EN17 Other Greenhouse Gas Emissions

In production, no – or very low quantities of – methane, nitrous oxide, fluorocarbons, and sulfur hexafluoride are used in production; usage continues to decrease.

EN18 Initiatives to Reduce Greenhouse Gases (Addition)

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

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

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

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

Carbon Disclosure Project

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

EN19 Emissions of Ozone-Depleting Substances

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

EN20 Other Air Emissions

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

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

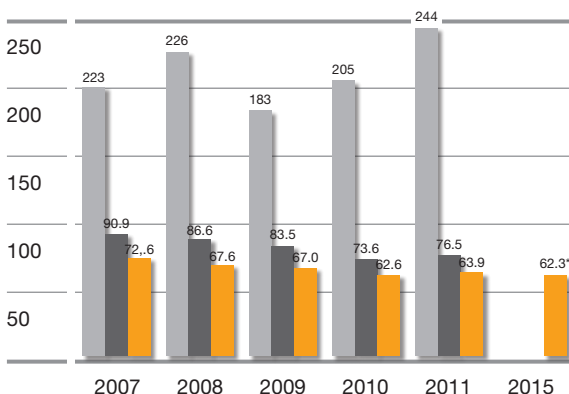
EN21 Waste Water

Continental does not record the quantity of discharged waste water. It is less than the total water consumption, since it is used – among other things – as cooling water and is therefore subject to evaporation losses (see EN9). Furthermore, waste water treatment plants ensure that surface water pollution is minimized.

EN22 Waste

In 2011, the corporation produced 244,000 tonnes of waste (2010: 205,000 tonnes). This sharp rise of 19 percent on the previous year can be attributed to the increased production volume. In turn, the specific waste volume per tonne of product has also increased to 76.5 kilograms (2010: 73.6 kg). In 2011, we recycled (or sent for recycling) around 83 percent of the waste produced. The recycling rate per tonne of product rose to 63.9 kilograms (2010: 62.6 kg).

Waste generation and recovery



- Waste generation in thousands of tonnes
- Specific waste generation per tonne of product in kg
- Specific waste recovery per tonne of product in kg

* Continental environmental goals

EN23 Spills of Hazardous Substances

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

EN24 Transported Waste Shipped Internationally (Addition)

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

EN26 Initiatives to Mitigate the Environmental Impact of Products and Services

In past years, we have managed, for instance, to reduce the weight of our brake components substantially while at the same time enhancing braking performance. We aim to continuously lower the average rolling resistance of our tires – without restricting any of the tires’ safety features. Our piezo injection valves for conventional gasoline and diesel engines – awarded the 2005 German Innovation Prize – reduce CO₂ emissions by up to 20 percent. In addition, telematics systems and optimized hose lines help reduce climate-relevant emissions even further.

Our products for the automotive industry shall continue to help reduce CO₂ emissions from cars and trucks. Hybrid drives for cars can lower CO₂ emissions by another 10 to 25 percent, depending on the hybrid type and application conditions. Continental’s products also contribute to climate protection in non-automotive applications: For example, our conveyor belts with optimized rolling resistance (Energy Optimized Conveyor Belts or EOBs) significantly reduce the energy required for open-cast coal mining.

In 2011, around one-third of our sales – around €10 billion – were for products that are exceptionally energy-efficient or demonstrably lead to reduced emissions of pollutants or CO₂.

EN27 Reclaimed Products and Packaging

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

EN28 Fines

Fines are currently not recorded centrally.

Social Performance Indicators

Labor Practices and Decent Work

Corporate Policy and Management Approach

Employee development and training enjoy a high priority for Continental. Our around 170,000 employees all over the world form the basis for the long-term success of our company. Responsibility for our employees is therefore a central component of the corporation's commitment as an employer. We afford our employees the best possible advancement and training opportunities.

Attracting young, talented staff is one of our strategic priorities. After all, Continental is committed to establishing a leading position on markets characterized by strong competition. In light of the rapid technological developments on these markets, attracting first-class employees and their training receives the utmost attention from the company's management.

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

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

All divisions and sites implement the appropriate measures.

LA1 Information on the Total Workforce

At the end of 2011, Continental employed 163,788 women and men in 46 countries all over the world, two-thirds of them in Europe (half of them in Germany). The number of employees rose by 15,560 from the previous year. The percentage of women as a proportion of the global workforce* was 28 percent (in Germany: 21.8%). The percentage of women occupying management positions worldwide was 8.1 percent. In 2011, Continental employed 13,971 temporary workers.

The number of young trainees at our German sites rose slightly from 1,837 in 2010 to 1,884 at the end of 2011. The percentage of trainees in Germany remained stable at 4.2 percent. Nearly every one of the young people who start their professional career here is taken on by us once their training is complete.

In 2011, the percentages of employees by age group were as follows*:

- Up to 25 years: 14%
- 26 – 35 years: 31%
- 36 – 45 years: 27%
- 46 – 55 years: 21%
- 56 – 65 years: 7%

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

LA2 Employee Fluctuation*

In 2011, corporation-wide fluctuation was 5 percent (2010: 4.7%). The average job tenure worldwide is 9.6 years (Germany: 14.6 years). Around 90 percent of employees form the core workforce.

*The recording scope does not yet cover all employees worldwide. It currently includes 103,000 employees in 11 countries, which equates to a coverage of 63 percent. The worldwide standardization of the HR systems is currently being implemented in a project, which is scheduled for completion during the course of 2013.

Employee fluctuation differs by country and region:

- Asia: 11.5%
- Germany: 1.8%
- Europe (excluding Germany): 3.6%
- NAFTA: 8.4%
- South America: 5.8%
- Rest: 3.0%

LA3 Company Benefits for Full-Time Employees (Addition)

In 2011, the Executive Board decided to introduce an annual profit sharing program for all employees worldwide. A corporate-wide agreement to this effect was concluded with the corporate Works Council in Germany. The program allows employees of the corporation to participate directly in the success of the company by receiving a bonus. The amount they receive depends on the absolute value proposition of the Continental Corporation in the business year in question. The total volume of profits distributed for 2011 was around €70 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, which is then invested by Continental in the company pension scheme. As a consequence of the agreement concluded by the negotiating partners in the German chemical industry and in the metal industry, the former tax-free contributions to capital formation are now to be granted specifically and exclusively for retirement pension schemes. Dependable basic conditions for the pre-tax deferred compensation scheme in tax and social security law are crucial here.

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

LA4 Percentage of Employees Covered by Collective Bargaining Agreements

Continental follows the “Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy” of the International Labor Organization (ILO) and the HR policy values outlined therein; the ILO declaration includes, among other things, the employees’ freedom of association.

At Continental, 71 percent of employees work in countries that belong to the OECD and where the aforementioned right is granted as a result.

LA5 Notice Periods Regarding Operational Changes

The 20-strong Supervisory Board of Continental AG maintains equal representation in accordance with German law: Ten employee representatives and ten employer representatives. The Executive Board reports to the Supervisory Board on matters regarding (upcoming) operational changes in the corporation, thereby informing the employee representatives at the same time. Continental ensures that employees are informed at an early stage of major operational changes. No major changes were made in 2011.

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

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

LA7 Accident Statistics

Absenteeism and accident rates reflect the success of preventive occupational health and safety in the corporation. With regard to illness-related absences, the encouraging trend of the past few years continued in 2011 as well: Each employee was absent for an average of just 3.5 percent of his/her contractually agreed working time; the figure last year was 3.8 percent (see diagram). The number of accidents per million hours worked fell by 42 percent in the past five years to 4.2 (2011). The total number of hours lost as a result was 638 per million hours worked; last year’s figure was 729. This positive result is overshadowed by the fatal work-related accident in our tire plant in Romania.

Absences/Accident rate/Hours lost

	2011	2010	2009	2008	2007	2006
Absences due to sickness ¹	3.5	3.8	4.0	4.0	4.1	4.0
Accident rate ²	4.2	4.6	5.0	5.7	6.4	7.3
Hours lost ³	638	729	845	942	884	950

¹Time lost due to sickness = paid and unpaid absences as a percentage of contractual working hours

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

³Time lost = number of hours lost due to accidents per million hours worked

LA8 Company Health Management Programs

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

Continental is among the signatories of the Luxembourg Declaration on Workplace Health Promotion in the European Union. It was adopted by all members of the European Network for Workplace Health Promotion (ENWHP) in 1997 to promote health and occupational safety in the companies of member states and to encourage member states to attach greater importance to workplace health promotion (WHP). In keeping with the Luxembourg Declaration, we intensively promote the implementation of a holistic, systematic, and integrated company health management system at all of our sites worldwide. At many of our sites, employees can not only use the company medical services, but also get involved in a variety of measures relating to workplace health promotion covering areas such as physical activity, diet, and relaxation. They can also take part in health screening. The focus is currently on a program of preventive measures to promote mental wellbeing, which we are rolling out internationally with the aim of helping our employees to improve and maintain their mental wellbeing and, therefore, to prevent mental illness and burnout

syndrome. In addition to a stress management module for all employees and one-to-one support in the form of “Employee Assistance Programs,” we are also providing our managers with intensive training on how to stay healthy in management positions. Another area of focus, particularly in Germany, is on the systematic documentation and improvement of the ergonomics of our production workstations with the help of the “Stress Documentation System,” which has been introduced across the board in the German sites. Against a background of demographic change, this improvement in workplace quality is one of the bases on which we ensure that our production facilities are suitable for workers of all ages. This program, too, will be rolled out internationally next year.

LA9 Company Agreements on Occupational Safety (Addition)

The “Safety and Health” (SH) department is responsible for occupational safety at corporation level and reports directly to the Executive Board member for HR. Our goal in occupational safety is “zero incidents.” Now, 26 of the 201 sites worldwide are certified in accordance with OHSAS 18001, the international standard for occupational health and safety management. Company agreements on occupational safety are concluded at the site level in Germany.

LA10 Training Statistics

No specific data has been recorded for this. See also LA11.

LA11 Lifelong Learning and Knowledge Management (Addition)

In the words of our corporate guidelines BASICS: “We promote lifelong learning along with personal and professional development. We make knowledge available to everyone in our company as quickly as possible and offer mutual support for enabling swift adjustment to changes within our environment.” Continental supports this by providing a comprehensive range of further training programs and a company “suggestions management” system, which has been introduced in the majority of our sites. “Continental Ideas Management” (CIM) encourages and calls for the commitment and motivation of our employees and gives them a proactive role in improving their own working environment. Their commit-

ment is rewarded with bonuses and special campaigns. In 2011, the corporation successfully implemented a good 310,000 ideas from its workforce (2010: 307,000). These enable annual savings of €120 million, which makes a huge difference when it comes to company earnings! These figures are testament to the creativity and commitment of our workforce.

In recognition of this success, in May 2011, Continental received the “Best Ideas Management 2011” award conferred by the Center for Ideas Management.

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

In 2011, 84 percent of the 99,000 employees who qualify for a personal development program were assigned one. The target figure is 95 percent – we want to achieve this by 2013.

Over the past few years, Continental has set up a number of personal development programs. They allow us to offer current and future employees the ideal basis for their successful professional and personal development.

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

- **BIG SIX-Radar:** 360° feedback for managers that covers the aspects of vision, entrepreneurship, execution, action, learning, and interaction.

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

“BASICS live” is the name of our global employee survey, which we conduct every three years (since 2006). It is an important tool for improving the corporate and collaborative culture within our corporation. The employees assess their general level of satisfaction with Continental and the quality of management in the corporation. In addition to corporation-wide issues, the various divisions and sites have the opportunity to address issues pertaining to their respective situation.

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

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

BASICS live provides us with important information about where room for improvement still exists.

LA13 Composition of Governance Bodies Regarding Diversity and Equal Opportunities

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

A total of 2,400 employees worldwide occupy an "Executive" or a "Senior Executive" position. The percentage of women occupying these positions – 8,1 percent (2011) – remains unsatisfactory and Continental wants to double this figure by 2020. One woman currently sits on the Executive Board; she is responsible for HR and is also an industrial relations director.

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 Supervisory Board wants to increase the percentage of women in the Supervisory Board to 20 percent over the medium term. By the next scheduled election in 2014, this figure is to be at least 15 percent. When it comes to appointing the Executive Board as well, the Supervisory Board is mindful of diversity and is especially keen here to ensure that women are afforded appropriate consideration.

The promotion of women is a key element of our diversity management program. In 2010, we added "diversity" as a key performance indicator (KPI) to HR management's balanced scorecard. This indicates the number and proportion of women occupying executive positions, thereby laying the foundation for a comprehensive analysis of the global employment of foreign and female specialists and managers. In the initiatives, we focus on tools to reconcile work and family, staff development and staff recruiting. Measures include child care opportunities such as location-based membership in child care associations, nursery places and child care during

emergencies and holidays, as well as individual contractual solutions, such as flexible working hours, part time contracts, and home office agreements.

In Germany, we fulfill the legally required percentage – 5 percent – of employees with serious disabilities.

LA14 Ratio of Basic Salary of Men and Women

Our bargaining partners – the IG BCE and IG Metall unions – see equal pay as absolutely essential. For non-pay-scale employees too, we also use equal remuneration tables for men and women. The fact that at Continental a woman has, since 2011, occupied the position of Executive Board member for HR will also help to ensure compliance with the principles of equal treatment, with regard to remuneration as well.

Social Performance Indicators

Human Rights

Corporate Policy and Management Approach

Continental sees itself as duty-bound to actively support human rights wherever and whenever it can. As part of the sustainability policy, Continental is involved in a number of voluntary initiatives, including public-private partnerships, with which we take responsibility for ensuring that human rights are put into practice. We are of the firm opinion that a company and its regional branches can only contribute toward compliance with human rights as a complement to politics, not as a replacement of it. We ensure that no human rights are infringed within our sphere of influence, particularly with regard to forced or child labor. We have also committed ourselves to upholding this obligation with the signing of the UN Global Compact.

HR1 Investment Agreements with Human Rights Clauses

When investing in the construction of new sites, we ensure that we uphold the principles of the Global Compact.

The same applies to the acquisition of companies. As part of the due diligence check, which must be conducted beforehand, ecological and social aspects are also considered.

HR2 Percentage of Contractors/Suppliers Subjected to Human Rights Screening

Continental operates a network of around 5,400 suppliers worldwide (around 3,700 in the Automotive Group and 1,650 in the Rubber Group). In 2011, 72 percent of purchases were made from companies headquartered in states belonging to the OECD, where infringements are not expected to occur. Around 10 percent of total purchases in the Automotive Group were made from the

three most important suppliers; in the Rubber Group, this figure was 18 percent.

Continental regularly assesses the level of certification to ISO 14001 (environmental management) of the vast majority of the suppliers with which it already has contracts. This information is incorporated in the internal assessment system. At the end of 2011, around 2,800 of the 5,400 suppliers had been recorded. Of these, around one-third operated an environmental management system certified to ISO 14001. Ninety percent were certified to quality standard ISO 9001.

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

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

Continental Supplier Code of Conduct

http://www.conti-online.com/generator/www/com/en/continental/portal/themes/global_sourcing/download/supplier_code_of_conduct_en.pdf

HR4 Incidents of Discrimination and Action Taken

Our worldwide Code of Conduct stipulates the following: “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, with no retaliation, free of discrimination and harassment on the basis of 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.”

Infringements are not currently recorded centrally.

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

As a company conducting operations and procurement activities at an international level, we cannot exclude the above-mentioned risk. But for 72 percent of our purchasing volume, however, we can guarantee that the suppliers respect and enable their employees’ freedom of association because they are based in OECD countries and are obliged to respect such freedoms. For this percentage of purchasing volume, we can furthermore guarantee that the risk of child or forced labor is excluded.

Our “Supplier Code of Conduct” obligates all suppliers and service providers to respect human rights as defined, for example, in the “Universal Declaration of Human Rights” of the United Nations and the “Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy” of the International Labor Organization (ILO), including the prohibition of forced and child labor and the upholding of employees’ freedom of association within the framework of the applicable laws.

HR6 Operations Entailing a Significant Risk of Child Labor

See HR5.

HR7 Operations Entailing a Significant Risk of Forced Labor

See HR5.

Social Performance Indicators

Society

Corporate Policy and Management Approach

One of our basic values is Trust. Trust takes integrity, honesty, and incorruptibility. Compliance with all the legal requirements that apply to Continental AG and its subsidiaries and all internal regulations by management and employees ("compliance") has therefore long been our goal and is part of our corporate culture. In addition to our corporate guidelines, the BASICS, and the Corporate Governance Principles, this is reflected in the Corporate Social Responsibility (CSR) declaration and the Code of Conduct that applies to all employees.

Continental faces up to its social responsibilities and respects the laws and cultures of every country in which it operates.

We are good corporate neighbors, respecting the interests of those who live and work near our facilities. Thanks to our profitable performance, we provide secure jobs. Our voluntary engagement focuses on three areas where we position ourselves on the basis of our business model, our challenges, or our self-image and where we aim to promote sustainable development: Social improvement and traffic safety, education and science, and sport.

SO1 Impact of Operations on Local Communities

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

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

its branches, and of private initiatives that are founded and supported by committed company employees. Charitable projects, donations, and other activities are therefore initiated and supervised as far as possible at the discretion of the decentralized units. Exceptions are cross-regional projects and challenges as well as our commitment in the event of an international disaster. In such matters, the corporation practices its corporate social responsibility as a whole. A primary goal of all the activities of the corporation and its employees is direct, fast, and lasting support. For example, in 2011 the corporation provided €250,000 emergency aid immediately to support the people in the regions destroyed by the earthquakes and tsunami in Japan.

SO2 Percentage of Business Units Analyzed for Corruption Risks

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

In terms of operations, the Compliance organization is managed by the Head of the Compliance department. She is subordinate to the corporate compliance officer, who reports directly to the chief financial officer. The department focuses on preventing non-compliance with antitrust and competition law, corruption, fraud, and other property offenses.

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

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

Compliance & Anti-Corruption hotline

http://www.conti-online.com/generator/www/com/en/continental/portal/themes/continental/anti_corr/anti_korr_einleitung_en.html

SO3 Percentage of Employees Trained in the Identification of Corruption Risks

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

SO4 Action Taken in Response to Incidents of Corruption

In the period under review, a very small number of instances of corrupt behavior occurred in the company. These cases were reported to the relevant authorities. Disciplinary measures, including extraordinary dismissal, were taken.

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 Section 4.13).

SO6 Contributions to Political Parties and Politicians (Addition)

Continental acts in a politically neutral manner and does not give any donations or other monetary contributions to political parties, politicians, or related associations (e.g. voting associations).

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

Information on legal action due to alleged non-compliance with antitrust law is provided in the Appendix to the consolidated financial statements, no. 34 (Annual Report 2011, p. 252 ff.).

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

Information on fines or sanctions due to alleged non-compliance with laws and regulations is provided in the Appendix to the consolidated financial statements, no. 34 (Annual Report 2011, p. 252 ff.).

Social Performance Indicators

Product Responsibility

Corporate Policy and Management Approach

Our product responsibility extends over a product's entire life cycle. This begins with the raw materials used and covers development, production, use, and subsequent recycling of the product. Continental takes on the development and production according to the best possible standards to minimize the impact on health and the environment, while customers ensure that products are used for their designated purpose. Our ISO 9001-certified quality management system, which is in place at all of our sites worldwide and is subject to regular re-certification, contains detailed specifications regarding product safety and quality. After all, it is the basis on which we fulfill the diverse range of demands placed on us by the manufacturer primarily in the area of product responsibility.

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

PR1 Product Responsibility for Man and the Environment Across the Entire Lifecycle

When using raw materials, we endeavor to utilize natural resources in a conscientious manner; our now 14 product life cycle assessments (11 in the Rubber Group, 3 in the Automotive Group) provide important information here. In production, we plan to reduce energy and water consumption, CO₂ emissions, and waste by three percent year on year by 2015 (basis year: 2010). At the same time, we are endeavoring to increase the recycling rate of industrial waste year on year by two percent.

To work together with customers on improving product recyclability, the relevant information concerning each product is compiled, evaluated, and made available to

the customer. In the Automotive Group, for example, this is achieved by means of a recycling passport, which includes component drawings, material data, and dismantling steps for the products. This form of information processing has proven to be extremely practicable and has made a considerable contribution to improving the recyclability of our products.

Special attention is paid to the energy efficiency of our products. We want them to help cut energy usage and CO₂ emissions during their usage phase. In 2011, around one-third of our sales – around €10 billion – were for products that are exceptionally energy-efficient or demonstrably lead to reduced emissions of pollutants or CO₂ emissions (see EN26).

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

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

Continental is constantly 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, as well as claims from alleged breaches of contract, product recalls, and government fines. Detailed information on this can be found in the current Annual Report. From 2006 to the end of 2011, the total costs for dealing with all such claims and proceedings amounted to less than €50 million.

Annual Report 2011 – Other Disclosures

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

PR3 Legally Required Obligations to Provide Information Regarding Product Responsibility

A standardized marking obligation for motor vehicle tires has applied within the 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 welcomes this new consumer information. Our customers can also access the values online.

The New EU Tire Label

<http://www.conti-online.com/generator/www/de/en/continental/automobile/themes/tirelabel/eu-tire-label.html>

The EU's REACH directive (Registration, Evaluation, and Authorization of Chemicals) is relevant for Continental's Rubber Group and Automotive Group. This directive stipulates detailed obligations to provide the registration authority ECHA in Helsinki with information relating to specific substances. A substantial portion of the substances delivered to Continental had to be registered by December 2010. To do this, comprehensive data on issues such as toxicity to humans, danger to the environment, and the safe use of the substance must be collected in reports and submitted to ECHA.

PR6 Laws and Standards Relating to Product Advertising

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

PR 7 Non-Compliance with Advertising Requirements (Addition)

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

OMW – Code of Conduct (only in German)

<http://www.owm.de/pdf/coc/CodeofConduct.pdf>

PR8 Complaints Regarding Breaches of Customer Data Privacy

Data protection at Continental is regulated in a corporate guideline designed to ensure that personal data is handled correctly in the corporation as a whole and in all of our subsidiaries worldwide. This requires the definition of standardized data protection and security standards in accordance with the EU data protection directive regarding the processing of personal data in all corporate companies, particularly those in "third countries" (i.e. mainly those outside the EU). This ensures that the required level of data protection is also in place in these countries and that adequate guarantees regarding the protection of personal rights and the exercising of such rights are in place in accordance with the EU data protection directive.

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

PR 9 Fines for Non-Compliance with Legal Requirements Regarding Product Usage (Addition)

See PR2.

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