

Corporate Governance

Report of the Supervisory Board

Dear shareholders,

The Supervisory Board comprehensively fulfilled all tasks incumbent upon it under applicable law, the Articles of Incorporation and By-Laws in fiscal 2022. We closely supervised, carefully monitored and advised the Executive Board in the management of the company. We were directly involved in a timely manner in all decisions of fundamental importance to the company.

The Executive Board provided the Supervisory Board with regular, timely and comprehensive updates at its meetings as well as verbally and in writing on all issues of relevance to the company. In particular, these include the business performance, business strategy, planning, significant business transactions in the company and the Continental Group, and the related risks and opportunities, as well as compliance issues. The members of the Supervisory Board were also available to the Executive Board for consultation outside the meetings. As chairman of the Supervisory Board, I had regular contact with the members of the Executive Board, in particular with its chairman, and discussed current company issues and developments with them. Pursuant to a suggestion of the German Corporate Governance Code, I also held discussions with investors in 2022 on topics specific to the Supervisory Board.

Meetings of the Supervisory Board and the committees

Meetings of the Supervisory Board took place both virtually and in person in fiscal 2022. In total, the Supervisory Board convened for five ordinary meetings and one extraordinary meeting in 2022, as well as for the strategy meeting. The September and December meetings and the strategy meeting were held in person, while the other meetings took place virtually. At its meetings, the Supervisory Board regularly conferred part of the time in the absence of the Executive Board. In addition to these meetings, the Supervisory Board passed two resolutions by written procedure, one of which was passed only by the shareholder representatives.

The Chairman's Committee held two meetings in the reporting year (one virtually and one in person) and passed two resolutions by written procedure. The Audit Committee met four times virtually in 2022 and passed one resolution by written procedure. The Nomination Committee passed one resolution by written procedure and also prepared the appointment of a new member to the Supervisory Board and the revision of its profile of skills and expertise. The Mediation Committee in accordance with Section 27 (3) of the German Co-determination Act (*Mitbestimmungsgesetz - MitbestG*) was not required to meet in 2022, and neither was the Committee for Related Party Transactions (RPT Committee).

The special committee formed in connection with the Supervisory Board's investigation into the manipulation of emission limits by certain automotive manufacturers (Special Emissions Committee) met twice in the year under review. At its December meeting, the Supervisory Board additionally formed a further special committee to support the Supervisory Board's investigation into irregularities in the production of air conditioning lines and industrial hoses in two business areas of the ContiTech group sector (Special ContiTech Committee). The Special ContiTech Committee did not hold any meetings in the year under review.

There are no other committees. All committees report to the plenary session. The corporate governance statement pursuant to Sections 289f and 315d of the German Commercial Code (*Handelsgesetzbuch - HGB*) starting on page 15 describes their responsibilities in more detail and names their members.

The following overview provides information on the individual attendance of the Supervisory Board members at meetings of the Supervisory Board and its committees.

Individual attendance of Supervisory Board members at in-person and virtual meetings of the Supervisory Board and its committees in fiscal 2022

	Attendance	
	Number of meetings	Percentage
Supervisory Board plenary session		
Prof. Dr.-Ing. Wolfgang Reitzle (chairman)	7 / 7	100
Dorothea von Boxberg (since April 29, 2022)	4 / 5	80
Stefan E. Buchner	7 / 7	100
Dr. Gunter Dunkel	7 / 7	100
Satish Khatau	6 / 7	85.71
Isabel Corinna Knauf	7 / 7	100
Sabine Neuß	7 / 7	100
Prof. Dr. Rolf Nonnenmacher	6 / 7	85.71
Klaus Rosenfeld	7 / 7	100
Georg F. W. Schaeffler	7 / 7	100
Maria-Elisabeth Schaeffler-Thumann (until April 29, 2022)	2 / 2	100
Christiane Benner	7 / 7	100
Hasan Allak	6 / 7	85.71
Francesco Grioli	7 / 7	100
Michael Iglhaut	7 / 7	100
Carmen Löffler	7 / 7	100
Dirk Nordmann	7 / 7	100
Lorenz Pfau	7 / 7	100
Jörg Schönfelder	7 / 7	100
Stefan Scholz	7 / 7	100
Elke Volkmann	7 / 7	100

Chairman's Committee

Prof. Dr.-Ing. Wolfgang Reitzle (chairman)	2 / 2	100
Christiane Benner	2 / 2	100
Georg F. W. Schaeffler	2 / 2	100
Jörg Schönfelder	2 / 2	100

	Attendance	
	Number of meetings	Percentage
Audit Committee		
Prof. Dr. Rolf Nonnenmacher (chairman)	4 / 4	100
Francesco Grioli	3 / 4	75
Michael Iglhaut	4 / 4	100
Dirk Nordmann	4 / 4	100
Klaus Rosenfeld	4 / 4	100
Georg F. W. Schaeffler	4 / 4	100
Special Emissions Committee		
Prof. Dr.-Ing. Wolfgang Reitzle	2 / 2	100
Dirk Nordmann	2 / 2	100
Georg F. W. Schaeffler	1 / 2	50

Key topics dealt with by the Supervisory Board and the Chairman's Committee

At each ordinary meeting of the plenary session, the Executive Board informed the Supervisory Board in detail of the sales, results and employment development in the Continental Group and individual group sectors as well as the financial situation of the company. Where the actual course of business deviated from the defined plans and targets, the Executive Board provided detailed explanations. It discussed the reasons for these deviations and the measures introduced in depth with the Supervisory Board. In addition, the Executive Board regularly informed us about the Continental Group's main raw materials and sales markets and about Continental AG's share price performance. As part of this regular reporting, the Executive Board also went into detail on the impact of the war in Ukraine on the company.

In addition, the work of the Supervisory Board and its collaboration with the Executive Board in the year under review continued to be shaped by the transformation process in the automotive industry and its consequences for the company. Another focus of the Supervisory Board's work was again on the Supervisory Board's investigation into the manipulation of emission limits in vehicles of specific automotive manufacturers, including monitoring of the corresponding investigative proceedings by public prosecutors. The Supervisory Board discussed this at each ordinary meeting. The Special Emissions Committee formed in connection with this matter also met twice in 2022. Finally, the Supervisory Board addressed cybersecurity and the cyberattack on Continental in detail, as well as the irregularities in the production of air conditioning lines and industrial hoses in two business areas of the ContiTech group sector.

At the meeting on **March 17, 2022**, we discussed and subsequently approved the company's annual financial statements and the consolidated financial statements for 2021. We also approved both the decision by the Executive Board to hold the 2022 Annual Shareholders' Meeting virtually and the draft agenda for the Annual Shareholders' Meeting, and resolved the proposed resolutions of the Supervisory Board to the Annual Shareholders' Meeting.

In addition, we discussed the acquisition of US conveyor belt manufacturer WCCO Belting, LLC, Wilmington, Delaware, USA, by the ContiTech group sector and the sale of a product line from the Automotive group sector. Measures from the Supervisory Board's self-assessment in 2021 were also discussed at the meeting, and we resolved to implement the proposed improvement measures. These include, for example, establishing a further regular plenary meeting per fiscal year.

We also passed a resolution on the approval in principle of the reassignment of 24.9% of the shares in ContiTech AG, Hanover, from Continental Pension Trust e. V., Hanover, to the Continental Group. Final approval on this reassignment was resolved by written procedure at the end of May on the recommendation of the Audit Committee.

In addition, we resolved to update the declaration in accordance with Section 161 of the German Stock Corporation Act (*Aktien-gesetz - AktG*) on the recommendations of the German Corporate Governance Code, since the circumstances that required a change to the declaration in connection with the spin-off of Vitesco Technologies Group AG in September 2021 no longer applied.

At the Supervisory Board meeting on **April 29, 2022**, in addition to the ongoing business development, we also discussed in depth the Continental Group's business activities in Russia, particularly with respect to the Tires group sector. We also received reports from the Executive Board on how the company is responding to supply shortages and price increases in the supply of energy.

In implementing concrete measures following the Supervisory Board's self-assessment, an additional ordinary meeting of the Supervisory Board was held for the first time on **June 23, 2022**. The transformation process in the automotive industry was an important topic of discussion at this meeting. In addition, the head of Compliance reported on the future organizational structure for compliance, and the Executive Board provided an update on the Continental Group's current insurance situation.

At the full-day strategy meeting held on **September 21, 2022**, the Executive Board and the Supervisory Board once again discussed in detail the strategic objectives and strategic planning of the Continental Group, the Automotive group sector (with a focus on the Autonomous Mobility business area) and the Tires and ContiTech group sectors, the Continental Group's sustainability requirements and the HR strategy.

action. The Supervisory Board also resolved that a further special committee (the Special ContiTech Committee) would support this investigation.

The **Chairman's Committee** held two meetings in the year under review, in which it primarily prepared the personnel-related decisions of the plenary session and made recommendations for resolutions. At the first meeting on **March 17, 2022**, this included the recommendation on determined performance bonuses for fiscal 2021, which the plenary session resolved at its following meeting. At the second meeting on **December 14, 2022**, the Chairman's Committee resolved proposals to the Chairman's Committee relating to targets set for the variable remuneration of the Executive Board and to the creation of a new Executive Board function for Integrity and Law. At the end of May, the Chairman's Committee also approved the acquisition of US conveyor belt manufacturer WCCO Belting, LLC, Wilmington, Delaware, USA, by written procedure. This acquisition had previously been discussed at the meeting of the plenary session on March 17, 2022. In September, the Chairman's Committee approved an investment project of the Automotive group sector by written procedure.

Key topics dealt with by the Audit Committee

The Audit Committee was also informed by the Executive Board in detail and on an ongoing basis about sales, results and employment development in the Continental Group and individual group sectors as well as the financial situation of the company. The Executive Board is assisted by the head of Accounting and the head of Group Controlling, who attend the meetings of the Audit Committee and can thereby provide information directly. In addition, the chairman of the Audit Committee is in regular contact with the chief financial officer and the auditor of the Continental Group outside of meetings and has access to senior employees entrusted with tasks relating to accounting, the internal control system, the risk management system, internal auditing and compliance. The chairman of the Audit Committee shares key information with the Audit Committee.

As a focus of each of its quarterly meetings, the Audit Committee talks with the Executive Board about the accounting as at the end of the previous quarter and the outlook for the year as a whole as well as the quarterly statements and the half-year financial report prior to their publication. Another focus of the Audit Committee's work in the past fiscal year was dealing with the company's internal control system and risk management system.

At its meeting on **March 2, 2022**, the Audit Committee discussed the company's annual financial statements and the consolidated financial statements as well as the combined non-financial statement for 2021 with the Executive Board and the auditor, and recommended their approval to the plenary session of the Supervisory Board. The interim financial statements as at June 30, 2022, were reviewed by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hanover branch (PwC), on behalf of the Audit Committee. The work of the Group Compliance and Group Internal Audit group functions and reporting on significant risks and incidents are also regular topics at each meeting. This includes in particular the matters described in more detail in the report on risks and opportunities and in the notes to the consolidated financial statements.

In addition to these recurring topics, at its meeting on **May 4, 2022**, the Audit Committee discussed the reassignment of 24.9% of the shares in ContiTech AG, Hanover, from Continental Pension Trust e. V., Hanover, to the Continental Group, and was updated on the current status of cybersecurity. At the meeting on **August 2, 2022**, acquisition controlling was treated as a special topic of discussion. The Audit Committee also addressed the review of the interim financial statements by auditor PwC at this meeting. In the absence of the Executive Board, the committee discussed with PwC the focal points to be determined in the audit by the Supervisory Board. At the meeting on **November 9, 2022**, the Audit Committee issued the mandate for the audit of the 2022 annual and consolidated financial statements, including the combined non-financial statement, the report on relations with affiliated companies and the remuneration report, to the auditor appointed by the Annual Shareholders' Meeting, PwC. In addition, the Audit Committee defined an approval framework for commissioning the auditor with permissible non-audit services in accordance with the EU Audit Regulation. The Executive Board regularly informs the Audit Committee about the use of this authorization. The Audit Committee discussed the current status of the cyberattack and initial consequences with the Executive Board and addressed the status of implementation of the German Supply Chain Due Diligence Act (*Lieferkettensorgfaltspflichtengesetz*). The perception of Continental on the capital market was also discussed. Finally, the Audit Committee extensively addressed the irregularities in the production of air-conditioning lines and industrial hoses in two business areas of the ContiTech group sector and received reports on the current situation.

Corporate governance

At its meetings on March 17, 2022, and December 14, 2022, the Supervisory Board agreed to an updated declaration in accordance with Section 161 AktG on the recommendations of the German Corporate Governance Code. At its meeting on September 22, 2022, the Supervisory Board approved amendments to the By-Laws of the Supervisory Board and to the By-Laws of the Audit Committee, prompted as a result of the new version of the German Corporate Governance Code. At its meeting on December 14, 2022, the Supervisory Board decided on amendments to its profile of skills and expertise, and passed a resolution on the corresponding skills matrix.

The chairman of the Supervisory Board was notified of potential conflicts of interest by three Supervisory Board members in 2022. In such cases, it is ensured that the Supervisory Board members in question do not participate in discussions of the Supervisory Board and its committees on the topics that could constitute a conflict of interest and also do not receive any information in this regard. These are not significant and long-term conflicts of interest that would require the members to step down. In its opinion, the Supervisory Board also had an appropriate number of independent members, in particular on the shareholder side, as defined in the Code at all times in the period under review. Further information on this topic and on corporate governance in general is included in the corporate governance statement pursuant to Sections 289f and 315d HGB (starting on page 15).

Corporate Governance Statement Pursuant to Sections 289f and 315d of the German Commercial Code (*HGB*)

Responsible corporate governance is what governs the actions of the Executive Board and the Supervisory Board.

Good, responsible corporate governance geared toward sustainable, long-term value creation and in the interests of all stakeholder groups is what governs the actions of the Executive Board and Supervisory Board of Continental AG. The following corporate governance statement pursuant to Sections 289f and 315d of the German Commercial Code (*Handelsgesetzbuch – HGB*) is representative of corporate governance at Continental and is a part of the management report. The remuneration report for fiscal 2022 on the remuneration of the Executive Board and the Supervisory Board together with the auditor's report and the valid remuneration system for the remuneration of the Executive Board are available on Continental's website [📄](#) under Company/Corporate Governance/Executive Board. The valid remuneration system for remuneration of the Supervisory Board is described in the remuneration report for fiscal 2022 and is available on Continental's website [📄](#) under Company/Corporate Governance/Supervisory Board.

Declaration pursuant to Section 161 of the German Stock Corporation Act (*Aktiengesetz – AktG*) and deviations from the German Corporate Governance Code (*Deutscher Corporate Governance Kodex – DCGK*)

In December 2022, the Executive Board and the Supervisory Board issued the following annual declaration pursuant to Section 161 *AktG*:

"The Executive Board and the Supervisory Board of Continental AG declare in accordance with Section 161 German Stock Corporations Act (*AktG*) that the recommendations of the 'Government Commission on the German Corporate Governance Code' in the version dated December 16, 2019 (published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (*Bundesanzeiger*) on March 20, 2020), were complied with since February 18, 2022, with the exception as set out below, and further the recommendations of the 'Government Commission on the German Corporate Governance Code' in the version dated April 28, 2022 (published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (*Bundesanzeiger*) on June 27, 2022) have been complied with and will continue to be complied with, with the exception set out below.

Reference is made to the declaration of the Executive Board and the Supervisory Board of March 2022 as well as to previous declarations in accordance with Section 161 *AktG* and the deviations from the recommendations of the German Corporate Governance Code explained therein.

According to recommendation C.2 of the German Corporate Governance Code, the Supervisory Board shall set an age limit for members of the Supervisory Board. The Supervisory Board does not set an age limit because it does not consider such a general criterion to be appropriate for evaluating the qualifications of a Supervisory Board member.

Hanover, December 2022

Prof. Dr.-Ing. Wolfgang Reitzle
Chairman of the Supervisory Board

Nikolai Setzer
Chairman of the Executive Board"

The declaration of compliance is published in the Company/Corporate Governance section of Continental's [📄](#) website. Earlier declarations pursuant to Section 161 *AktG* can also be found there. Out-of-date corporate governance statements can also be found there for a period of at least five years from the date they were issued.

Key corporate governance practices

The following documents are key foundations of our sustainable and responsible corporate governance:

- › OUR BASICS – Continental AG's corporate guidelines. The vision, mission and values, desired behavior and self-image of the Continental Group; available on Continental's website [📄](#) under Company/Corporate Governance/Vision & Mission.
- › Sustainability ambition; available on Continental's website [📄](#) under Sustainability/Sustainability Framework/Continental's Sustainability Ambition.
- › Compliance with the binding Code of Conduct for all Continental employees. For more information, see Continental's website [📄](#) under Sustainability/Sustainable Corporate Governance/Organization and Management.

Corporate bodies

In line with the law and the Articles of Incorporation, the company's corporate bodies are the Executive Board, the Supervisory Board and the 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 cooperation between the Executive Board, Supervisory Board and Shareholders' Meeting is depicted on the next page.

The Executive Board and its practices

The Executive Board has sole responsibility for managing the company in the interests of the company, free from instructions from third parties in accordance with the law, the Articles of Incorporation and the Executive Board's By-Laws, while taking into account the resolutions of the Shareholders' Meeting. All members of the Executive Board share responsibility for the management of the company jointly. Regardless of this principle of joint responsibility, each Executive Board member is individually 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 jointly develops the company's strategy, agrees it with the Supervisory Board and ensures its implementation.

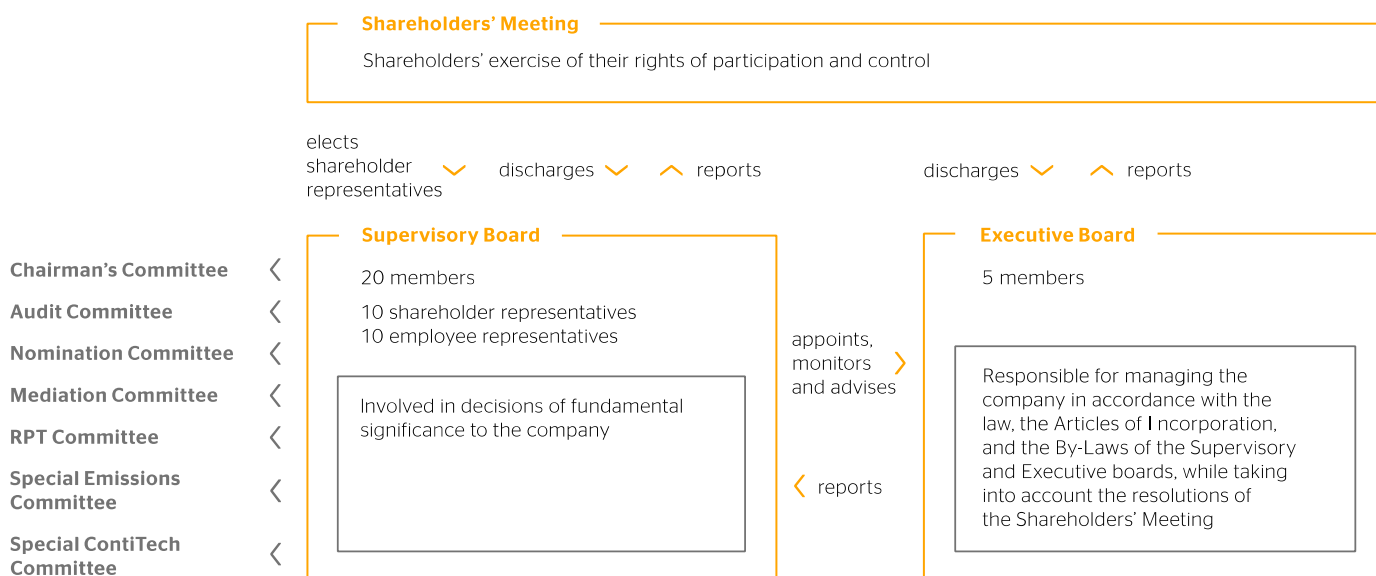
The Executive Board had five members as at December 31, 2022, and as at the date of this statement. Information on areas of responsibility and resumes of the Executive Board members are available on Continental's website [📄](#) under Company/Corporate Governance/Executive Board. From May 1, 2023, the Executive Board will be expanded to six members following the Supervisory Board's decision to create a new Executive Board function for Integrity and Law on December 14, 2022 (for details, see the report of the Supervisory Board, page 12). The first time a person is appointed to the Executive Board, his or her term as a rule is three years only. As a rule, a member of the Executive Board is not appointed beyond the statutory retirement age.

Only under exceptional circumstances will a member of the Executive Board be reappointed earlier than one year prior to the end of their term of appointment with simultaneous annulment of their current appointment. More information on the members of the Executive Board and their memberships to be disclosed pursuant

to Section 285 No. 10 *HGB* can be found on page 219 and on Continental's website [📄](#) under Company/Corporate Governance/Executive Board.

The Executive Board has By-Laws that regulate in particular the allocation of duties among the Executive Board members, key matters pertaining to the company and its subsidiaries that require a decision to be made by the Executive Board, the duties of the Executive Board chairman, and the process in which the Executive Board passes resolutions. The Executive Board By-Laws are available on Continental's website [📄](#) under Company/Corporate Governance/Executive Board. The Supervisory Board By-Laws on the basis of the Articles of Incorporation require the consent of the Supervisory Board for significant actions taken by management.

Corporate bodies of the company



The Executive Board has established separate boards for the Automotive, Tires and ContiTech group sectors. This measure supports the decentralization of responsibility that the global organization of the company seeks to achieve, and relieves the burden on the Continental Group Executive Board. In addition to establishing these boards, the Executive Board has delegated to them decision-making powers for certain matters that affect only the relevant group sectors.

The boards for the three group sectors each comprise the Executive Board member responsible for the group sector in question as their chairman, the heads of the relevant business areas within the group sector, as well as further members from among the central functions of the relevant group sectors.

The Supervisory Board and its practices

The Supervisory Board appoints the members of the Executive Board and collaborates with the Executive Board to develop a long-term succession plan. The Supervisory Board discusses this at least once a year without the Executive Board. In order to become acquainted with potential successors, the Supervisory Board, in consultation with the Executive Board, offers them the opportunity to deliver presentations to the Supervisory Board.

The Supervisory Board supervises and advises the Executive Board in managing the company. This includes, in particular, issues relating to the company's strategy, planning, business development, risk situation, risk management, compliance and sustainability. The Supervisory Board is directly involved in decisions of material importance

to the company. As specified by law, the Articles of Incorporation or 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 it vis-à-vis third parties. Within reasonable limits, he is prepared to talk to investors about issues specific to the Supervisory Board. He maintains regular contact between meetings with the Executive Board, and in particular with its chairman, to discuss issues relating in particular to the company's strategy, business development, risk situation, risk management and compliance.

Composition of the Supervisory Board

The Supervisory Board comprises 20 members in accordance with the German Co-determination Act (*Mitbestimmungsgesetz - MitbestG*) and the company's Articles of Incorporation. Half the members of the Supervisory Board are elected individually by the shareholders in the Shareholders' Meeting (shareholder representatives), while the other half are elected by the employees of Continental AG and its German subsidiaries (employee representatives). Both the shareholder representatives and the employee representatives have an equal duty to act in the interests of the company. The Supervisory Board's chairman must be a shareholder representative. He has the casting vote in the event of a tie.

The current Supervisory Board was constituted on April 26, 2019. The term of office of the Supervisory Board members lasts until the end of the 2024 Annual Shareholders' Meeting. The chairman of the Supervisory Board is Prof. Dr.-Ing. Wolfgang Reitzle who, in accordance with the German Corporate Governance Code, is independent of the company and its Executive Board. The Supervisory Board does not include any members who previously belonged to the Executive Board of Continental AG, who exercise an executive function or advisory role at a major competitor of Continental, or who have a personal relationship with such a competitor.

The company has set up an informational program that provides newly elected members of the Supervisory Board with a thorough overview of the company's products and technologies as well as finances, controlling and corporate governance at Continental.

The Supervisory Board has drawn up its own By-Laws that supplement the law and the Articles of Incorporation with more detailed provisions, including provisions on Supervisory Board meetings, the duty of confidentiality, the handling of conflicts of interest and the Executive Board's reporting obligations, and a list of transactions and measures that require the approval of the Supervisory Board. The Supervisory Board By-Laws are available on Continental's website [under Company/Corporate Governance/Supervisory Board](#). The Supervisory Board also consults on a regular basis in the absence of the Executive Board. Before each regular meeting of the Supervisory Board, the representatives of the shareholders and of the employees each meet separately with members of the Executive Board to discuss the upcoming meeting.

The Supervisory Board regularly reviews how effectively it and its committees have fulfilled their responsibilities. It recently carried out such a review in 2021 with the help of an external consultant. This confirmed the Supervisory Board's efficient and professional approach to its work in the past years. The Supervisory Board has

adopted the recommendations that resulted from the 2021 self-assessment and, among other things, resolved to hold an additional regular meeting each fiscal year and to coordinate more closely with the Executive Board, including outside of meetings.

Profile of skills and expertise for the Supervisory Board

In accordance with recommendation C.1 of the German Corporate Governance Code, the Supervisory Board has prepared a profile of skills and expertise and specified targets for its composition.

The Supervisory Board as a whole should possess the skills and expertise described in more detail below. It is not expected that all Supervisory Board members possess all skills and expertise. Instead, each area of expertise must be covered by at least one Supervisory Board member. The Supervisory Board assumes that all Supervisory Board members possess the knowledge and skills required for the proper performance of their duties and the characteristics necessary for successful Supervisory Board work. In particular, these include integrity, commitment, capacity for discussion and teamwork, sufficient availability and discretion.

- ▶ **Internationality:** Due to Continental AG's global activities, its Supervisory Board requires international professional or business experience. This means professional training or operational activity abroad. International professional and business experience with regard to Asian markets is also desirable.
- ▶ **Industry experience:** The Supervisory Board should have professional experience in the automotive industry or other industries in which the company operates. In particular, the Supervisory Board wants to increase its expertise in business areas that are important to the company's strategy. Therefore, professional knowledge or experience of information technology, software, telecommunications, mobility services, digital business models or related areas should be available.
- ▶ **Financial expertise:** The Supervisory Board should possess financial knowledge and experience pursuant to Section 100 (5) *AktG* as well as recommendation D.3 of the German Corporate Governance Code, i.e. in the areas of accounting, internal control and risk management systems, and the audit of financial statements.
- ▶ **Corporate governance and board experience:** Members of the Supervisory Board should have experience as a member of the supervisory board or executive board of a German listed company or as a member of such a body of a foreign listed company.
- ▶ **Sustainability expertise:** The Supervisory Board should have in-depth knowledge and experience in the sustainability issues that are relevant to the company.
- ▶ **Organizational and human resources development:** The Supervisory Board should have expertise in the area of HR strategy, HR management and labor relations, and in particular knowledge and practical experience in the transformation of companies, including the impact on changing skills requirements for staff.

The Supervisory Board has specified the following targets for its composition:

- › The number of members of the Supervisory Board who have the required international experience should at a minimum remain constant. Eleven members currently have international experience.
- › An appropriate number of members with industry experience should be maintained. This applies to 16 of the members.
- › The Supervisory Board should have an appropriate number of members on the shareholder side whom it deems to be independent in accordance with the German Corporate Governance Code. Taking into account the ownership structure, a Supervisory Board member is therefore considered independent if they are independent of the company and its Executive Board, and also independent of a controlling shareholder. The independence of shareholder representatives was assessed in accordance with the German Corporate Governance Code by shareholder representatives on the Supervisory Board. As part of the assessment of independence from the Executive Board and the company, it was taken into account that four shareholder representatives will have been members of the Supervisory Board for more than 12 years in 2023. It was also taken into consideration in the assessment of independence from any controlling shareholder that two Supervisory Board members are linked to the controlling shareholder, the IHO Group, Herzogenaurach, Germany. As determined in the assessment by the shareholder representatives on the Supervisory Board, the Supervisory Board still has an appropriate number of members on the shareholder side who are independent in accordance with the German Corporate Governance Code. This assessment is based on the following considerations:
 - › More than half of the shareholder representatives should be independent of Continental AG and its Executive Board. In the assessment of the independence of the four shareholder representatives that have been on the Supervisory Board for more than 12 years, given the former and ongoing administration of the members in question, the shareholder representatives overall see no grounds to accept changing the existing assessment of independence. The shareholder representatives currently on

the Supervisory Board are therefore all, without exception, independent of Continental AG and its Executive Board.

- › At least five shareholder representatives should be independent of the controlling shareholder, the IHO Group, headquartered in Herzogenaurach, Germany. The shareholder representatives independent of the controlling shareholder are:
 - › Prof. Dr.-Ing. Wolfgang Reitzle
 - › Dorothea von Boxberg (as of April 29, 2022)
 - › Stefan E. Buchner
 - › Dr. Gunter Dunkel
 - › Satish Khatau
 - › Isabel Corinna Knauf
 - › Sabine Neuß
 - › Prof. Dr. Rolf Nonnenmacher
- › In its nominations for election to the Supervisory Board, the Supervisory Board as a rule does not nominate candidates who have already held this position for three full terms of office at the time of the election.
- › The Supervisory Board has not stipulated an age limit as recommended in recommendation C.2 of the German Corporate Governance Code. It does not consider such a general criterion to be suitable for evaluating the qualifications of a candidate's nomination to the Supervisory Board.

According to Section 96 (2) *AktG*, the Supervisory Board of Continental AG is also subject to the requirement that at least 30% of its members be women and at least 30% be men. The company reports on this on page 22, in accordance with Section 289f (2) Nos. 4 to 6 *HGB*.

In its nominations of candidates for election to the Supervisory Board, the Supervisory Board takes into account the requirements of the profile of skills and expertise for the board as a whole as well as the aforementioned targets.

Committees of the Supervisory Board

The Supervisory Board currently has five committees with decision-making powers: the Chairman's Committee, the Audit Committee, the Nomination Committee, the committee formed in accordance with Section 27 (3) *MitbestG* (the Mediation Committee) and the committee for the approval of company transactions with related persons (Committee for Related Party Transactions) (Section 107 (3) Sentence 4; Section 111b (1) *AktG*).

Key responsibilities of the **Chairman's Committee** are preparing the appointment of Executive Board members and concluding, terminating and amending their employment contracts and other agreements with them. However, the plenum of the Supervisory Board alone is responsible for establishing the total remuneration of the Executive Board members. Another key responsibility of the Chairman's Committee is deciding on the approval of certain transactions and measures by the company as specified in the Supervisory Board By-Laws. The Supervisory Board has conferred some of these participation rights on the Chairman's Committee, each member of which may however, in individual cases, demand that a matter again be submitted to the plenary session for decision. The members of the Chairman's Committee are Prof. Dr.-Ing. Wolfgang Reitzle (chairman); his vice chairperson, Christiane Benner; Georg F. W. Schaeffler; and Jörg Schönfelder.

The **Audit Committee** primarily deals with the audit of the accounts, the monitoring of the accounting process and the effectiveness of the internal control system, the risk management system and the internal audit system, the audit of the financial statements (including sustainability reporting and examination thereof) and compliance. In particular, the committee deals with the preliminary examination of Continental AG's annual financial statements and the consolidated financial statements, and makes its recommendation to the plenary session of the Supervisory Board, which then passes resolutions pursuant to Section 171 *AktG*. Furthermore, the committee discusses the company's draft interim financial reports. It is also responsible for ensuring the necessary independence of the auditor and deals with additional services performed by the auditor. The committee engages the auditor, determines the focus of the report as necessary, negotiates the fee and regularly reviews the quality of the audit. The chairman of the Audit Committee regularly consults with the auditor on the progress of the audit and reports on this to the committee. The committee also regularly consults with the auditor without the Executive Board. It also gives its recommendation for the Supervisory Board's proposal to the Annual Shareholders' Meeting for the election of the auditor. The Audit Committee is also responsible for the preliminary audit of non-financial reporting and for the engagement of an auditor for its review, if any. The chairman of the Audit Committee is Prof. Dr. Rolf Nonnenmacher. He is independent in all respects as defined in the German Corporate Governance Code. As an auditor with many years of professional experience in management positions, he has in-depth knowledge and experience in auditing. Another committee member, Klaus Rosenfeld, is also a financial expert, and as chief financial officer in a number of companies has in-depth knowledge and experience in accounting and internal control and risk management systems. The other members are Francesco Grioli, Michael Iglhaut, Dirk Nordmann and Georg F. W. Schaeffler. Neither a former Executive Board member nor the chairman of the Supervisory Board may act as chairman of the Audit Committee.


The **Nomination Committee** is responsible for nominating suitable candidates for the Supervisory Board to propose to the Annual Shareholders' Meeting for election. In addition, the committee must propose targets for the Supervisory Board's composition and profile of skills and expertise and review both regularly. The Nomination Committee consists entirely of shareholder representatives, specifically the two members of the Chairman's Committee, Prof. Dr.-Ing. Wolfgang Reitzle (chairman) and Georg F. W. Schaeffler; the chairman of the Audit Committee, Prof. Dr. Rolf Nonnenmacher; and Isabel Corinna Knauf.

In accordance with Section 31 (3) Sentence 1 *MitbestG*, the **Mediation Committee** becomes active only if the first round of voting on a proposal to appoint a member of the Executive Board or to remove a member by consent does not achieve the legally required two-thirds majority. This committee must then attempt mediation before a new vote is taken. The members of the Chairman's Committee are also the members of the Mediation Committee.

The **Committee for Related Party Transactions (RPT Committee)** deals with transactions between Continental AG and a related person, where these transactions require the prior consent of Continental AG's Supervisory Board in accordance with Sections 111a and 111b *AktG*. Transactions in this case require the prior consent of the Supervisory Board. In addition to the chairman of the Supervisory Board, Prof. Dr.-Ing. Wolfgang Reitzle, and the chairman of the Audit Committee, Prof. Dr. Rolf Nonnenmacher, the Committee for Related Party Transactions includes two further members elected by the Supervisory Board from among the employee representatives where necessary.

The **Special Emissions Committee** and the **Special ContiTech Committee** support the Supervisory Board's investigations into the manipulation of emission limits by certain automotive manufacturers and irregularities in the production of air conditioning lines and industrial hoses in two business areas of the ContiTech group sector, respectively. In particular, the special committees are available to external law firms as a point of contact, source of information and recipient of reports, regularly report to the plenary session on the investigations and prepare any resolutions required for the plenary session or committees. The members of the Special Emissions Committee are Prof. Dr.-Ing. Wolfgang Reitzle, Georg F. W. Schaeffler and Dirk Nordmann. The members of the Special ContiTech Committee are Prof. Dr.-Ing. Wolfgang Reitzle, Prof. Dr. Rolf Nonnenmacher and Dirk Nordmann.

Finally, the Supervisory Board has formed a group of experts that deals with sustainability issues relevant to Continental. The group of experts comprises two shareholder representatives and two employee representatives.

More information on the members of the Supervisory Board and its committees can be found on pages 220 and 221. Current resumes, which are updated annually, are available on Continental's website  under Company/Corporate Governance/Supervisory Board. They also contain information on how long each member has held their position on the Supervisory Board.

Continental sustainability reporting topic areas

	Continental sustainability ambition topic areas	Material reporting topic areas for the non-financial statement in accordance with Sections 315b and 315c HGB in conjunction with Sections 289b to 289e HGB	Allocation of material reporting topic areas to non-financial aspects in accordance with Section 289c (2) HGB
Four focus areas of sustainability ¹	Carbon neutrality	X	Environmental matters
	Emission-free mobility and industries	X	Environmental matters
	Circular economy	X	Environmental matters
	Responsible value chain	X	Environmental matters, employee matters, social matters, respect for human rights
Eight sustainability essentials ²	Good working conditions	X	Employee matters, respect for human rights
	Green and safe factories	X	Environmental matters, employee matters, respect for human rights
	Innovations and digitalization		-
	Benchmark in quality	X	Environmental matters, social matters
	Safe mobility		-
	Long-term value creation		-
	Sustainable management practice	X	Anti-corruption and bribery matters, employee matters
	Corporate citizenship		-

¹ For our four focus areas, we are committed to achieving our strong, visionary ambitions by 2050 at the latest, together with our partners along the value chain.

² Our eight sustainability essentials are at the core of our sustainability management.

Management, organization and responsibilities

Within the Executive Board, the Executive Board member for Group Human Relations (director of Labor Relations) and Group Sustainability is responsible for sustainability. Sustainability management within the Continental Group is regulated by a dedicated internal sustainability policy.

The Group Sustainability group function is further supplemented by sustainability functions in the group sectors as well as coordinators in several business areas and countries. The key sustainability functions were expanded and strengthened in 2022.


The Group Sustainability Steering Committee is responsible for assessing interdepartmental issues, weighing up risks and opportunities and discussing relevant Executive Board decisions in advance. In fiscal 2022, it consisted of the entire Executive Board as well as the heads of the sustainability functions at corporate level and group sector level as well as the heads of other relevant group functions. The committee is chaired by the Executive Board member for Group Human Relations (director of Labor Relations) and Group Sustainability and managed by the head of the Group Sustainability group function. Some of the group sectors have their own interdepartmental sustainability committees, which are coordinated by the relevant sustainability functions.

The sustainability performance indicators are consolidated in the Continental Group's sustainability scorecard, which is approved annually by the Group Sustainability Steering Committee on behalf of the Executive Board. The scorecard is based on defined quality criteria for the indicators, is continuously developed further and

establishes the formal basis for integrating sustainability into other corporate processes.

The topic of sustainability is also an integral part of the Continental Group's strategy development. Significant investments must be reviewed and assessed as to their contribution to sustainability as a standard part of the approval process. For the Automotive, Tires and ContiTech group sectors, detailed roadmaps for the implementation of sustainability ambitions in the relevant topic areas are under development.

Remuneration

The Executive Board and managers are measured against the achievement of sustainability goals. Long-term remuneration components (long-term incentive - LTI) are thus linked to sustainability aspects. The LTI plans are updated on an annual basis. For more information, see the remuneration report on our website under  Company/Executive Board.

Cultural change

In order to support cultural change in the organization, we stepped up internal communication with respect to sustainability in fiscal 2022, held numerous events and further integrated the topic into key internal event formats for managers. These events include the annual Global Sustainability Conference, which is attended by Continental employees from all over the world.

Results of the concept

The waste for recovery quota was at 85% in fiscal 2022 (PY: 81%). This was mainly due to the successful implementation of local projects as well as to market conditions, which allowed for increased waste recovery.

Circular economy performance indicator	2022 ²	2021 ²
Waste for recovery quota in % ¹	85	81

¹ Definition: proportion of waste that has been sent for material recycling, thermal recovery or any other form of recycling or reuse.

² Contains a small amount of imputed data for parts of the Continental Group that did not report data directly.

For more information on the circular economy, see the integrated sustainability report on our website at www.continental-sustainability.com.

Responsible value chain

Our ambition

As set out in our sustainability ambition, we strive for 100% responsible sourcing and business partnerships by 2050 at the latest, together with our partners along the value chain.

Our understanding of a responsible value chain thus refers to our supply chain and customer relationships and to our own locations.

Of central importance for our ambition are the requirements and speed of transformation of our customers, industries and markets as well as the resulting transformation opportunities and risks.

Concept

In the reporting year, a comprehensive management system for ensuring due diligence within a responsible value chain was developed and launched. The global implementation of the system in stages is designed to achieve continuous improvement and to respect both human and environmental rights along the value chain. This covers both Continental's own operations and in particular those of direct suppliers. For this purpose, responsibilities, rules and processes are clearly defined, including control mechanisms. The management system is guided by specific commitments in the areas of labor standards, occupational health and safety, the environment, safety practices and land rights. The aim of the system is to ensure the corresponding laws are observed and recognized, in particular the requirements under the German Supply Chain Due Diligence Act (*Lieferkettensorgfaltspflichtengesetz*). It is also aimed at systematically applying due diligence procedures, reducing risks, supporting the implementation of customer requirements and supplementing the existing internal control system.

Within the system, our Business Partner Code of Conduct defines the fundamental requirements, among others for our suppliers, and for their suppliers, including with regard to human rights, working conditions, environmental protection, conflict minerals and anti-corruption. The Code of Conduct is updated regularly to reflect changes or adjustments to legislation. For suppliers of natural rubber, our sourcing policy for sustainable natural rubber additionally applies. Violations of our rules can be reported via the Integrity Hotline, which is available around the clock and worldwide.

When Continental is notified about violations of our Business Partner Code of Conduct, these will be checked, and, if necessary, further appropriate measures will be initiated necessary. Where business partners are proven to have violated our Business Partner Code of Conduct, Continental requests and monitors remedial measures and reserves the right to terminate the business relationship as a last resort.

Sustainability aspects are also taken into consideration at various other points in supplier management. For example, selected suppliers are evaluated based on various criteria using self-assessment questionnaires, which we collect via the generally accepted sustainability platforms for our industries, such as EcoVadis and NQC. These questionnaires are reviewed annually at the corporate level. Furthermore, selective local audits or other audit activities – such as in relation to the existence of management systems – are also carried out.

We also continue to develop our approach for the responsible value chain in dialog with external stakeholders and support the development of industry-wide standards, for example through our participation in industry dialog with the German government on human rights in the automotive industry. Here, we have worked in particular to cultivate a shared understanding of industry risks and due diligence requirements. We are also involved in initiatives and associations such as econsense, the Responsible Business Alliance (RBA) and the Global Platform for Sustainable Natural Rubber (GPSNR).

Responsible sourcing is the responsibility of the relevant purchasing organizations, which are established at Continental by group sector, product group and country, for example. A corporate purchasing network regularly deals with responsible sourcing topics as well. The Group Quality group function coordinates the management of conflict minerals, including the corresponding reporting processes.

Results of the concept

To further increase transparency and sustainability in Continental's natural rubber supply chain, the joint venture "Rubberway," which was founded in 2019, was rolled out further for the digital risk analysis of the upstream supply chain. The joint project with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in the Indonesian province of West Kalimantan, which has been in place since 2018, was also further expanded. The aim of the project is to jointly drive forward the implementation of a digital system for the traceability of natural rubber from the project region. By optimizing the supply chain and offering training in the sustainable cultivation of natural rubber, smallholders are supported in boosting the quantity, quality and yield of their produce and in this way improving their income. In addition, a cultivation strategy designed around sustainability prevents clearing and deforestation, thereby conserving valuable resources. As part of a development project with Security Matters (SMX), Continental is working on testing a tamper-proof means of verification of the geographical origin of natural rubber using marker technologies. In fiscal 2022, field testing was successfully completed, and the marker substance could be verified beyond doubt throughout the entire tire production process.

As at December 31, 2022, 1,009 valid supplier self-assessment questionnaires were available via the two sustainability platforms EcoVadis and NQC (PY: 631). This corresponds to a completion rate of 63% of suppliers selected for this process (PY: 53%). The increase in the number of available valid supplier self-assessment questionnaires and the higher completion rate are due to the onboarding of ContiTech suppliers in EcoVadis and the follow-up activities with suppliers to update and renew their self-assessment questionnaires.

Responsible value chain performance indicator	2022	2021
Number of available valid supplier self-assessment questionnaires (as at December 31) ¹	1,009	631

¹ Based on the self-assessment questionnaires via the sustainability platforms EcoVadis and NQC completed by suppliers selected for this process.

We present further performance indicators for the implementation of a responsible value chain with regard to our own locations in the sections on good working conditions as well as green and safe factories in this combined non-financial statement.

For more information on the responsible value chain, see the integrated sustainability report on our website at www.continental-sustainability.com.

Good working conditions

Our ambition

As set out in our sustainability ambition, we provide inspiring, healthy and fair working conditions.

Concept

The Continental Group's Code of Conduct sets out the foundation for good working conditions as the basis of our global collaboration, including respect for human rights and fair working conditions. Employees receive training on compliance with the Code of Conduct. The management system being rolled out for a responsible value chain also includes the company's own activities (see responsible value chain).

Our HR strategy is geared toward meeting staffing requirements in terms of both quantity and quality. The two HR strategy initiatives "Industrialize Best Fit" and "Enable Transformation" are therefore focused on efficiently and effectively bringing together the right people and positions and shaping the digital and technological transformation and cultural shift toward new forms of collaboration. Workforce planning, the search for, diagnostic selection and development of talent (in particular in the areas of software and IT), the promotion of employee diversity and lifelong learning, the further development of the management culture and the flexibilization of working hours are therefore essential action fields of strategic HR work.

We are tackling the impact of our Transformation 2019–2029 structural program, which among other things is associated with the transformation in mobility and is likely to change up to 23,000 jobs worldwide, with targeted training measures for the employees affected. New career prospects and employment opportunities are to be opened up on the internal as well as the external employment markets.

Those responsible for HR are the HR functions at Continental Group, group sector, business area and country level, which work together in a global network. A special network of country coordinators for labor relations is also part of this organization.

We measure the success of HR work against the OUR BASICS Live Sustainable Engagement index, which is calculated on the basis of the annual employee survey. The index measures employee agreement on topics such as whether they personally back the company values and whether they are proud to work for Continental. Other performance indicators we consult are the sickness rate and the unforced fluctuation rate. The sickness rate measures sickness-related absence relative to contractual work time, and the unforced fluctuation rate measures the voluntary departure of employees from the company relative to the average number of employees.

The OUR BASICS Live Sustainable Engagement index has also been part of the LTI plans for the members of the Executive Board and managers since fiscal 2020. The sickness rate is also part of this, although only for the plans launched in fiscal 2020. For more information, see the remuneration report on our website [under Company/Corporate Governance/Executive Board](#).

Results of the concept

In fiscal 2022, the Sustainable Engagement index was 80% (PY: 80%) and therefore on par with the previous year.

The sickness rate was unchanged at 3.7% (PY: 3.7%). For the unforced fluctuation rate, we recorded a slight increase to 7.8% (PY: 7.0%).

Information about personnel expenses in fiscal 2022 (i.e. wages and salaries, social security contributions and pension and post-employment benefit costs) can be found in Note 9 of the notes to the consolidated statement of income in this annual report. Employee benefits such as pensions, post-employment benefits and long-term bonus payments are broken down in Note 29 of the notes to the consolidated statement of financial position.

Benchmark in quality

Our ambition

As set out in our sustainability ambition, we are recognized by our customers and society as being a benchmark in quality by ensuring safe and sustainable products.

Concept

The decisive factor in becoming a benchmark in quality is a quality-oriented company culture. Our quality policy sets out guidelines for product and process quality at Continental. Product recalls, product liability claims and proceedings as a result of quality defects represent a business risk that we want to avoid due to the resulting losses of sales, costs, and loss of customer and market acceptance. For more information, see the report on risks and opportunities in this annual report.

Local management systems drive forward the implementation of these guidelines. The concrete organizational and technical requirements can be found in the relevant quality management manuals for the group sectors. The extent of these certifications is assessed on an annual basis as to how many employees they cover with respect to quality management systems. The number of new field quality events is used as an effectiveness indicator for our quality management. A field quality event is a risk-minimizing measure for a product manufactured and/or sold by Continental on the basis of a safety-related defect and/or non-compliance with regulations that was initiated by Continental, a customer and/or an authority.

The Group Quality group function as well as the quality functions at various levels in the Continental Group, which work together in a global network, are responsible for the strategic, corporate-wide quality management process.

Results of the concept

As at December 31, 2022, certified quality management systems covered 83% of our employees throughout the Continental Group (PY: 84%).

Thirty new field quality events were identified in fiscal 2022 (PY: 36).

Benchmark in quality performance indicators	2022	2021
Quality management system certification (ISO 9001 or similar) ¹		
Employee coverage (as at December 31) in %	83	84
New field quality events (as at December 31) ²	30	36

¹ Valid certification and concluded recertification processes were counted, as well as ongoing recertification processes, if the achievement of recertification was considered highly probable.

² Definition: a field quality event is a risk-minimizing measure for a product manufactured and/or sold by Continental based on a safety-related defect and/or non-compliance with regulations that was initiated by Continental, a customer and/or an authority.

Information about the scope of warranty and product liability claims in fiscal 2022 can be also found in Note 38 of the other disclosures in the notes to the consolidated financial statements.

For more information on benchmark in quality, see the integrated sustainability report on our website at www.continental-sustainability.com.

Sustainable management practice

Our ambition

As set out in our sustainability ambition, we implement effective management processes, fair business practices and responsible corporate governance with a balanced view of different perspectives.

Concept

Group Compliance, which is divided into a central team and regional functions, is responsible for preventing violations in the areas of corruption, antitrust law, money laundering and data protection. This structure is supplemented by compliance coordinators in the countries and at the locations. The fundamental principles of compliance management are set out in the Continental Group's compliance manual.

Continental strives for a holistic compliance management system based on a comprehensive analysis of potential compliance risks, followed by the implementation of appropriate policies and procedures, training, consulting, monitoring and controls that lead to ongoing lessons learned and system improvements. The Integrity Hotline and an ombudsman's office are on hand to offer support in the detection of violations.

As a further cornerstone for sustainable management practice, we are committed to promoting employee diversity, which we understand as internationality, a balanced gender ratio, and a range of experiences and age categories. We have set ourselves the corporate target of increasing the share of female executives and senior executives to 25% by 2025 and to up to 30% by 2030.

We intend to achieve this in particular by promoting cultural change in the organization through the expansion of women's networks and the holding of diversity workshops and specific events. Gender diversity – the share of female executives and senior executives – has also been part of the LTI plans for the members of the Executive Board and global managers since fiscal 2020. For more information, see the remuneration report on our website [under Company/Corporate Governance/Executive Board](#).

For more information on sustainable management practice and our diversity concept, see the Corporate Governance section of this annual report. For more information on compliance, see the "Structure of the internal control system" section in the report on risks and opportunities.

Report on Risks and Opportunities

The overall situation is analyzed and managed corporate-wide using the risk and opportunity management system.

The management of Continental is geared toward sustainably increasing the value of each individual operating unit. We evaluate risks and opportunities continually and responsibly to achieve our goal of adding value.

We define risk as the possibility of internal or external events occurring that can have a negative influence on the attainment of our strategic and operational targets. As a global corporation, Continental is exposed to a number of different risks, in particular due to the transformation in the mobility industry, that could impair business and, in extreme cases, threaten the company's existence. At the same time, this transformation also presents opportunities that we intend to consistently seize, as described in the Strategy of the Continental Group section. We accept manageable risks if the resulting opportunities are expected to result in sustainable growth in value. We consider growth in value in terms of the Continental Value Contribution (CVC) system described in the Corporate Management section.

Continental's Internal Control System

The governance systems at Continental comprise the internal control system, the risk management system and – as part of the risk management system – the compliance management system. The risk management system in turn also includes the early risk identification system in accordance with Section 91 (2) of the German Stock Corporation Act (*Aktiengesetz – AktG*).

The Executive Board is responsible for the governance systems, which include all subsidiaries. The Supervisory Board and its Audit Committee monitor the effectiveness of these systems.

Structure of the internal control system

In order to operate successfully as a company in a complex business environment and to ensure the effectiveness, efficiency and propriety of all processes and compliance with the relevant legal and sub-legislative regulations, Continental has established an internal control system that encompasses all relevant business processes.

Key elements of the corporate-wide internal control system are the clear allocation of responsibilities and system-inherent controls in the respective process flows. The two-person rule and separation of functions are fundamental principles of this organization. Continental's management also issues guidelines to ensure that all business processes are conducted in an economical, orderly and legally compliant manner.

Based on these fundamental principles and the globally applicable guidelines, the internal control system at Continental follows the Three Lines Model.

In the **first line**, system-inherent controls are configured in the company's IT systems to support the orderly and economical execution of all process flow transactions in accordance with the corporate-wide guidelines. At the same time, these transactional controls help to identify risks and deviations that require separate consideration. As the controls and process flows established in the first line apply to Continental's operating business, they are generally put in place at the level of our operating units, such as our subsidiaries, business areas and group sectors.

In the **second line** of our internal control system, guidelines for process flows are developed, implemented and updated and compliance with controls and guidelines is monitored. Responsibility for this lies primarily with the group functions, in addition to the business areas and group sectors. The responsibilities include, for example, the risk management system and the compliance management system. In order to perform this supervisory and monitoring function, an integrated reporting system has been established that includes, for example, the financial reporting internal control system (Financial Reporting ICS), the general risk management system, the compliance risk management system and the tax compliance management system. The supervisory and monitoring function is performed on the basis of regular reports and supplemented as needed with effectiveness tests as part of self-audits and regular internal and external reviews.

The compliance management system plays an important role within the second line of defense by helping to prevent, detect and respond to compliance violations. The Group Compliance group function is responsible for the compliance management system. The chief compliance officer reports directly to the chairman of the Executive Board. The work done by Group Compliance focuses mainly on preventing and detecting corruption, fraud and other property offenses, violations of antitrust and competition law and money laundering; implementing data protection; and responding to compliance violations. For other legal areas in which there is a risk of compliance violations, responsibility for appropriate and effective compliance management lies with the respective functions, which are supported in these tasks by Group Compliance.

An effective culture of compliance is the basis for prevention. It begins with setting an appropriate "tone from the top" by the Executive Board and management and, in addition to risk analysis, includes in particular employee training, compliance consulting and the internal publication of guidelines.

In the course of risk analysis, the business activities of Continental are examined for compliance risks within the scope of top-down as

well as bottom-up review processes. The risk of compliance violations arises primarily from organizational structures and workflows, the given market situation and activities in certain geographical regions. Furthermore, findings from investigations by the Group Internal Audit group function as well as discussions with management and employees at all hierarchical levels are taken into account. This risk analysis is not a one-off procedure, but is performed annually and continuously updated.

Prevention is also fostered by consultation on specific matters with Group Compliance and by the internal publication of guidelines on topics such as anti-corruption (including giving and receiving gifts as well as donations and sponsoring), antitrust and competition law, anti-money laundering and data protection. In training events, Group Compliance addresses topics directly related to everyday compliance issues and challenges.

Continental introduced the Business Partner Code of Conduct to prevent compliance violations by suppliers, service providers, representatives or similar third parties. This must be recognized as a basic requirement for doing business with Continental.

In the context of detection, Continental has set up an Integrity Hotline to give employees and third parties outside the Continental Group the opportunity to report violations of legal regulations, its fundamental values and ethical standards. Information on any kind of potential violations, including accounting manipulation, can be reported anonymously via this hotline. The hotline is available worldwide in many different languages. The company's investigating units rigorously pursue any and all substantiated leads.

Detection also includes the support of regular and incident-related audits conducted by Group Internal Audit. Compliance-related issues are regularly the subject of audits by Group Internal Audit.

Responses are aimed at implementing measures as a consequence of identified compliance violations. Group Compliance is involved in decision-making on measures that may be required, including thorough analysis to ensure that isolated incidents are not symptoms of failings in the system. In this way, corresponding gaps can be closed preventively and the compliance management system, as well as the internal control system, can be systematically developed.

The **third line** of our internal control system is our Group Internal Audit group function.

Group Internal Audit serves an independent and objective auditing and advisory function, applying a systematic approach to help review, assess and improve the adequacy and effectiveness of the organization's governance systems. Continental's Executive Board authorizes Group Internal Audit to conduct audits in all regions, companies or functions of Continental AG and its affiliated, fully consolidated subsidiaries worldwide.

Group Internal Audit prepares an annual risk-oriented audit plan that is submitted to Continental's Executive Board for review and approval. In addition to its planned general audits, Group Internal Audit also conducts special investigations. These are based on tips and information about fraudulent acts received from internal or

external sources such as the Integrity Hotline or the ombudsman's office.

Group Internal Audit regularly reports its audit and investigation results to the Executive Board and the Audit Committee. Significant risks and potential improvements to internal controls are presented as part of the reporting to the aforementioned bodies. The implementation by management of the measures recommended in the course of audits is also monitored by Group Internal Audit and reported to the Executive Board and the Audit Committee.

Appropriateness and effectiveness of the internal control system

The three-tier structure of the internal control system at Continental and the associated guidelines and processes introduced worldwide fundamentally ensure that the relevant business processes are performed properly, economically and in compliance with legal regulations. Nevertheless, an internal control system cannot provide complete protection, particularly if internal controls and guidelines are intentionally circumvented. To proactively prevent and detect such circumvention, Continental has established monitoring functions at the various levels of the internal control system. Group Internal Audit assumes a particularly important role in this regard. Internal monitoring of compliance with internal controls is supplemented by information we receive from external audits, for example as part of ISO certifications, customer and supplier audits, company audits, customs audits and IT audits. These findings are taken into account when updating and making necessary adjustments to our internal control system.

Continental's Executive Board is kept continuously informed of the results of internal audit activities, external audits and governance system reporting, all of which form the basis for the Executive Board's assessment of the appropriateness and effectiveness of the internal control system.

The increased volatility of our business environment, the transformation of the automotive industry, the ever faster pace of technological development and the necessary consideration of sustainability aspects have shown that an internal control system must be continuously adapted to changing conditions. This increasingly complex environment has made it particularly vital to reassess the individual sub-areas of the internal control system in order to achieve a comprehensive overview and structure defined by uniform specifications. To this end, a comprehensive project to analyze the internal control system has been initiated.

Main characteristics of the internal control and risk management system with respect to the accounting process (Sections 289 (4) and 315 (4) of the German Commercial Code (*Handelsgesetzbuch - HGB*))

Pursuant to Sections 289 (4) and 315 (4) *HGB*, the main characteristics of the internal control and risk management system with respect to the accounting process must be described. All parts of the risk management system and internal control system that could have a material effect on the annual and consolidated financial statements must be included in the reporting.

Risk management and monitoring

For each risk identified, the responsible management team initiates appropriate countermeasures which, for material risks, are also documented in the GRC system. The GRC Committee monitors and consolidates the material risks and suitable countermeasures at the corporate level. It regularly reports to the Executive Board and recommends further measures if needed. The Executive Board discusses and resolves the measures and reports to the Supervisory Board's Audit Committee. The responsible bodies continually monitor the development of all identified risks and the progress of actions initiated. Group Internal Audit regularly audits the risk management

process, thereby continually monitoring its effectiveness and further development.

Opportunity management

As part of our opportunity management activities, we assess market and economic analyses and changes in legal requirements (e.g. with regard to fuel consumption and emission standards as well as safety regulations). In addition, we deal with the corresponding effects on the automotive sector and other relevant markets, our production factors and the composition and further development of our product portfolio.

Material Risks

The order of the risk categories and individual risks presented within the four risk groups reflects the current assessment of the relative risk exposure for Continental and thus provides an indication of the current significance of these risks. If no quantitative information on the amount of damage is provided, the assessment is carried out on the basis of qualitative criteria. Unless the emphasis is placed on a specific group sector, the risks apply to all group sectors.

Financial Risks

Continental is exposed to risks in connection with its financing agreements and the syndicated loan.

Continental is subject to risks in connection with its financing agreements. Risks arise from the bonds that Continental AG and Conti-Gummi-Finance B.V., Maastricht, Netherlands, have issued as part of the Debt Issuance Programme (DIP). These financing agreements contain covenants that could limit Continental's capacity to take action as well as change-of-control provisions.

In order to finance current business activities as well as investments and payment obligations, a syndicated loan agreement is in place, from which risks may arise. Under the terms of the syndicated loan agreement, the lenders have the right to demand repayment of the loan in the event of a change of control at Continental AG.

The requirements for and consequences of a change in control in accordance with the terms of the bonds or the syndicated loan agreement are described in detail in the Additional Disclosures and Notes Pursuant to Sections 289a and 315a HGB section on pages 85 and 86. The loans and bonds cited here could also immediately become due and payable if other financing agreements of more than €75.0 million are not repaid on time or are prematurely called for repayment.

The committed volume of the syndicated loan consists of a revolving tranche of €4.0 billion (due in December 2026). As at the end of fiscal 2022, €300.0 million of the revolving tranche had been utilized.

Continental is exposed to risks associated with changes in currency exchange rates and hedging.

Continental operates worldwide and is therefore exposed to financial risks that arise from changes in exchange rates. This could result in losses if assets denominated in currencies with a falling exchange rate lose value and/or liabilities denominated in currencies with a rising exchange rate appreciate. In addition, fluctuations in exchange rates could intensify or reduce fluctuations in the prices of raw materials in euros, as Continental sources a considerable portion of its raw materials in foreign currency. As a result of these factors, fluctuations in exchange rates can influence Continental's earnings situation.

External and internal transactions involving the delivery of products and services to third parties and companies of the Continental Group can result in cash inflows and outflows that are denominated in currencies other than the functional currency of the respective subsidiary of the Continental Group (transaction risk). To the extent that cash outflows of the respective subsidiary of the Continental Group in any one foreign currency are not offset by cash flows resulting from operational business in the same currency, the remaining net exchange-rate risk is hedged against on a case-by-case basis using the appropriate derivative instruments, particularly currency forwards, currency swaps and currency options with a term of up to 12 months.

Moreover, Continental is exposed to exchange-rate risks arising from external and internal loan agreements that result in cash inflows and outflows denominated in currencies other than the functional currency of the respective subsidiary of the Continental Group. These exchange-rate risks are in general hedged against by using appropriate derivative instruments, particularly currency forwards, currency swaps and cross-currency interest-rate swaps. Any hedging transactions executed in the form of derivative instruments can result in losses.

In order to quantify the possible effects of transaction-related exchange-rate risks from financial instruments on the earnings position of the Continental Group, transaction currencies with a significant exchange-rate risk within the next 12 months are identified

During a cyberattack that was discovered in August 2022, attackers infiltrated parts of Continental's IT systems and copied several terabytes of data before the attack could be stopped. Continental subsequently received ransom demands from the alleged attackers, who threatened to publish the copied data. Continental did not respond to the demands. The hacker group published a list of the data that it claimed to have in its possession. With the support of external cybersecurity experts, Continental is conducting an investigation into the incident and the data affected. It cannot be ruled out that the incident could lead to fines and possible claims for damages given the data protection laws and non-disclosure agreements in force. Continental's business activities were not affected by the attack at any point, and Continental maintains full control over its IT systems.

Although Continental has taken appropriate precautions to manage the risks associated with system and network disruptions and corresponding attacks, a prolonged outage in a computer center or telecommunication network or a comparable incident could result in systems or networks becoming unexpectedly unavailable over an extended period. The measures taken to minimize such risks include technical and organizational precautions such as duplicated data storage and contingency plans, as well as suitable training measures that are continuously expanded, particularly to raise awareness of the growing threat from cybercrime.

Should the precautions taken prove insufficient to adequately protect the systems, networks, products and information, Continental could suffer considerable damage and disadvantages as a result of outages or the knowledge and use of its information by third parties.

Continental is exposed to risks in connection with its pension commitments.

Continental provides defined benefit pension plans in Germany, the USA, the UK and certain other countries. As at December 31, 2022, the pension obligations amounted to €5,170.0 million. These existing obligations are financed predominantly through externally invested pension plan assets. In 2006, Continental established legally independent trust funds under contractual trust arrangements (CTAs) for the funding of pension obligations of certain subsidiaries in Germany. In 2007, Continental assumed additional CTAs in connection with the acquisition of Siemens VDO. As at December 31, 2022, Continental's net pension obligations (defined benefit obligations less the fair value of plan assets) amounted to €2,105.7 million.

Continental's externally invested plan assets are funded by externally managed funds and insurance companies. While Continental generally prescribes the investment strategies applied by these funds and takes these into account when selecting external fund managers, it does not have any influence over their individual investment decisions. The assets are invested in different asset classes, including equity, fixed-income securities, real estate and other investment vehicles. The values attributable to the externally invested plan assets are subject to fluctuations in the capital markets that are beyond Continental's influence. Unfavorable developments in the capital markets could result in a substantial coverage shortfall for these pension obligations, resulting in a significant increase in Continental's net pension obligations.

Any such increase in Continental's net pension obligations could adversely affect Continental's financial condition due to an increased additional outflow of funds to finance the pension obligations. Also, Continental is exposed to risks associated with longevity and interest-rate changes in connection with its pension commitments, as an interest-rate decrease could have an adverse effect on Continental's liabilities under these pension plans. Furthermore, certain US-based subsidiaries of Continental have entered into obligations to make contributions to healthcare costs of former employees and retirees. Accordingly, Continental is exposed to the potential risk that these costs may increase in the future.

If the discount rates used to calculate net pension obligations were to decrease by 0.5 percentage points at the end of the year, all other things being equal, this would lead to a rise in net pension obligations of anywhere from €300 million to €400 million which could not be reduced by taking measures to minimize risk. However, this would not affect EBIT.

Continental is exposed to risks associated with warranty and product liability claims.

In its quality strategy, Continental has defined the framework conditions for all quality-related activities and ascribes the highest priority to quality. However, Continental is constantly subject to product liability claims and proceedings alleging violations of due care, violation of warranty obligations or material defects, and claims arising from breaches of contract due to recalls or government proceedings. Any such lawsuits, proceedings and other claims could result in increased costs for Continental. Moreover, defective products could result in loss of sales and loss of customer and market acceptance. Such risks are insured up to levels considered economically reasonable by Continental, but its insurance coverage could prove insufficient in individual cases. Additionally, any defect in one of Continental's products (in particular tires and other safety-related products) could also have a considerable adverse effect on the company's reputation and market perception. This could in turn have a negative impact on Continental's sales and income. Moreover, vehicle manufacturers are increasingly requiring a contribution from their suppliers for potential product liability, warranty and recall claims. In addition, Continental is subject to continuing efforts by its customers to change contract terms and conditions concerning the contribution to warranty and recall cost. Furthermore, Continental manufactures many products pursuant to OEM customer specifications and quality requirements. If the products manufactured and delivered by Continental do not meet the requirements stipulated by its OEM customers at the agreed date of delivery, production of the relevant products is generally discontinued until the cause of the product defect has been identified and remedied. Under certain circumstances, this could lead to losses of sales and earnings. Furthermore, Continental's OEM customers could potentially claim damages, even if the cause of the defect is remedied at a later point in time. Moreover, failure to fulfill quality requirements could have an adverse effect on the market acceptance of Continental's other products and its market reputation in various market segments.

The quantifiable risks from warranty and product liability claims as at December 31, 2022, taking into account provisions, amounted to between €100 million and €200 million.

Continental is exposed to risks from trade restrictions, sanctions and export controls.

Due to the global alignment of the economic activity of the Continental Group, there are business risks with respect to embargoes, sanctions and export controls. As a global company, Continental also has business relations with customers and partners based in countries that are – or may be in the future – subject to export restrictions, embargoes, economic sanctions or other forms of trade restrictions. In addition to the fundamental influence that such restrictions have on the business activity of the Continental Group, violations of relevant provisions may lead to considerable penalties, administrative sanctions, damage to the company's reputation, as well as claims for damages. Continental may also be forced, through new trade restrictions, to limit or put an end to business activity in certain countries or regions.

Continental could be adversely affected by property loss and business interruption.

Fire, natural hazards, terrorism, power failures or other disturbances at Continental's production facilities or within Continental's supply chain – with customers and with suppliers – can result in severe damage and loss. Such far-reaching negative consequences can also arise from political unrest or instability. Due to climate change, the probability of natural hazards, in particular extreme weather events, is expected to continue to rise and the extent of damage to increase. The risks arising from business interruption, loss of production or the financing of facilities are insured up to levels considered economically reasonable by Continental, but its insurance coverage could prove insufficient in individual cases. Furthermore, such events could injure or damage individuals, third-party property or the environment, which could, among other things, lead to considerable financial costs for Continental.

Continental is exposed to risks in connection with its interest in MC Projects B.V.

Continental and Compagnie Financière Michelin SAS, Clermont-Ferrand, France (Michelin), each hold a 50% stake in MC Projects B.V., Maastricht, Netherlands, a company to which Michelin contributed the rights to the Uniroyal brand for Europe as well as for certain countries outside Europe. In turn, MC Projects B.V. licensed to Continental certain rights to use the Uniroyal brand on or in connection with tires in Europe and elsewhere. Under the terms of the agreement concluded in this connection, both the agreement and the Uniroyal license can be terminated if a major competitor in the tire business acquires more than 50% of the voting rights of Continental AG or of its tire business. Furthermore, in this case Michelin also has the right to acquire a majority in MC Projects B.V. and to have MC Projects B.V. increase its minority stake in the manufacturing company Continental Barum s.r.o., Otrokovice, Czechia – one of Continental's largest tire plants in Europe – to 51%. These events could have an adverse effect on the business and earnings position of Continental's Tires group sector.

Legal and Environmental Risks

Continental could be threatened with fines and claims for damages for alleged or actual unlawful behavior.

Despite the compliance management system in place at Continental, the global nature of the Continental Group's business activities means there is a possibility that unlawful behavior (e.g. corruption, fraud, violations of antitrust and competition law, money laundering) could occur in individual cases or that Continental could be accused of unlawful behavior. This alleged or actual unlawful behavior could lead to fines or claims for damages. Significant proceedings in this context are outlined below.

In May 2005, the Brazilian competition authorities opened investigations against Continental's Brazilian subsidiary Continental Brasil Industria Automotiva Ltda., Guarulhos, Brazil (CBIA), following a complaint of anticompetitive behavior in the area of commercialization of tachographs. On August 18, 2010, the Brazilian antitrust authorities determined an "invitation to cartel" and imposed a fine of BRL 12 million (around €2.1 million) on CBIA, which was then reduced to BRL 10.8 million (around €1.9 million). CBIA denies the accusation that it has infringed Brazilian antitrust law. Although the court of first instance appealed to by CBIA upheld the decision, on CBIA's further appeal the next higher court annulled this decision and remanded the matter. In case an infringement of Brazilian antitrust law is found, third parties may, in addition, claim damages from CBIA.

On October 2, 2006, South African antitrust authorities received a complaint from a third party accusing several South African tire manufacturers of alleged antitrust behavior, including Continental Tyre South Africa (Pty) Ltd., Port Elizabeth, South Africa (CTSA), a subsidiary of Continental. On August 31, 2010, the South African antitrust authorities came to the conclusion that CTSA had violated South African antitrust law and referred the matter to the responsible antitrust court for a decision. CTSA denies the allegation of infringements of South African antitrust law. However, the tribunal could impose a fine of up to 10% of CTSA's sales. In addition, third parties may also claim damages from CTSA in case of an infringement of South African competition law.

As a result of investigations by the US Department of Justice (DOJ) and the Korea Fair Trade Commission (KFTC) in connection with the suspected involvement in violations of US and South Korean antitrust law in the instrument cluster business, which came to light in 2012, the KFTC imposed a fine on Continental Automotive Electronics LLC, Bugang-myeon, South Korea (CAE), at the end of 2013, the final amount of which was set in 2018 at KRW 32,101 million (around €23.9 million). In the USA, CAE and Continental Automotive Korea Ltd., Seongnam-si, South Korea, agreed to pay a fine of US \$4.0 million (approximately €3.7 million) in 2015. In the proceedings relating to class action lawsuits filed in the USA and Canada for alleged damages resulting from the antitrust violations, settlements totaling US \$5.0 million (around €4.7 million) were concluded in the USA in 2018 and settlements totaling CAN \$0.6 million (around €0.4 million) concluded in Canada in 2020. The risk of investigations by other antitrust authorities into this matter and