



Kapsch TrafficCom

Remuneration Policy for Members of the Executive Board and Supervisory Board.

Adopted in 2020.

This documents contains the remuneration policy for the Executive Board and the Supervisory Board of Kapsch TrafficCom AG (“Kapsch TrafficCom” or the “Company”) and will be referred to in the following as the “Remuneration Policy.”

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1 **Remuneration of Members of the Executive Board.**

1.1 **Fundamentals.**

- > The remuneration ensures that the Executive Board acts in the interests of the business, the employees, shareholders and the Company.
- > The remuneration should promote the Company's strategy.
- > The remuneration takes account of the economic position of the business run by the Company and the corporate group on the one hand and the qualifications, scope of duties and performance of the individual member of the Executive Board on the other.
- > The remuneration takes account of national and international circumstances on the market and the remuneration levels at comparable companies. Only in this way is it possible to ensure that the Company remains attractive for suitable members of the Executive Board in the future.
- > At the same time, the remuneration and employment conditions of the Company's employees should be taken into account in the remuneration of the members of the Executive Board.
- > Variable remuneration for the Executive Board should offer an adequate incentive to perform, but not entice members of the Executive Board to take inappropriate, excessive risks.

1.2 **Remuneration Components**

The remuneration for members of the Executive Board consists of the following:

- > Fixed remuneration
- > Variable remuneration
 - o Profit-based component
 - o Non-financial variable remuneration I
 - o Non-financial variable remuneration II (employee satisfaction)
- > Benefits equally enjoyed by all employees
- > D&O insurance
- > Optional benefits
 - o Company pension plan
 - o Severance payment
 - o Insurance
 - o Continued payment of remuneration in the event of illness or death
 - o Fringe benefits

The Company does not grant any share-based remuneration.

1.3 Fixed Remuneration.

The members of the Executive Board receive fixed annual remuneration that is agreed individually. It should be more than EUR 300,000 (gross) per member of the Executive Board and financial year and may not exceed the value of EUR 1,200,000 (gross). This upper limit, applied to three members of the Executive Board, corresponds to approx. 5% of the personnel expenses of the Company (according to the Austrian Commercial Code) in financial year 2018/19. If a member of the Executive Board works for the Company for less than one financial year or a member of the Executive Board departs prior to the end of a financial year, the indicated limits will be applied proportionately.

The fixed remuneration is usually adjusted once a year in accordance with a recognized index (e.g. in the case of remuneration in euros: the Consumer Price Index calculated by the Austrian Federal Statistical Office [Bundesanstalt Statistik Österreich]; in the case of remuneration in US dollars: US Consumer Price Index [CPI-U] provided by the Bureau of Labor Statistics). The Committee for Executive Board Matters decides on adjustments in excess thereof.

The continuation of the fixed remuneration can be included in the Executive Board contracts if the Executive Board mandate ends prematurely without such being the fault of the Executive Board member. However, this may

- > not amount to more than two total years of remuneration (average over the last two completed financial years) and
- > not compensate more than the remaining term of the employment contract.

The continued payment of remuneration can take the form of monthly payments or in total as a lump sum payment.

Agreements that the Company (represented by the Supervisory Board or the Committee for Executive Board Matters) concludes due to the premature termination of an Executive Board mandate and an Executive Board contract will take account of the circumstances of the departure and the economic situation of the Company.

1.4 Variable Remuneration.

Variable remuneration of the Executive Board consists of a profit-based component and components based on non-financial criteria.

1.4.1 Profit-based Remuneration.

This remuneration component should create suitable incentives for management to act in accordance with the interests of the business and its shareholders, investors and the Company without making it attractive to take excessive risks. The profit-based remuneration is consistent with the Company's strategy of long-term added value and the targets formulated within the strategy. Specifically, the Group's operating income should increase over the long term.

The basis for the profit-based remuneration is the consolidated operating earnings before interest and taxes (EBIT) as reported in the Company's consolidated financial statements. The EBIT is the most important key performance indicator for controlling profitability in the Kapsch TrafficCom Group. The percentage of EBIT to be applied for the calculation of the "bonus entitlement" is agreed individually with the members of the Executive Board.

There will only be an entitlement to the profit-based remuneration component if the EBIT is at least EUR 20 million in a financial year. The amount of the profit-based remuneration to be paid out is limited to the amount of the fixed remuneration (according to Section 1.3). An amount in excess of this shall not be paid out.

Payout Terms.

The payout of the profit-based remuneration is determined by the EBIT in the preceding financial year (“base value”) and is made in three annual tranches, each in November. A member of the Executive Board is entitled to a payment of 60% of the bonus entitlement in the first year; 30% in the second year, and 10% in the third year.

Deferred Payments.

The entitlements to the second and third tranches (“deferred payments”) are tied to future EBIT performance as an incentive to ensure sustainable EBIT performance. To this end, there are corridors that represent deviations from the base value (within the scope of a defined Compound Annual Growth Rate, CAGR) and can result in adjustments to the amounts to be paid out in tranches two and three. Tranches two and three can fall into different corridors.

	Deviation (CAGR)	Consequence
Corridor 1	0% to 25% 0% to -25%	None, payout corresponds to the entitlement
Corridor 2	>25% to 50% <-25% to -50%	Payout will be increased by 25% Payout will be reduced by 25%
Corridor 3	>50% to 80% <-50% to -80%	Payout will be increased by 50% Payout will be reduced by 50%
Beyond Corridor 3	>80% <-80%	Payout will be increased by 100% Payout will be reduced by 100%

Example

A member of the Executive Board is entitled to profit-based remuneration totaling 0.5% of the EBIT. The EBIT in the base year is EUR 40 million.

Bonus entitlement: EUR 40 million x 0.5% = EUR 200,000, divided as follows:

Tranche 1:	EUR 200,000 x 60% = EUR 120,000 (for payout)
Tranche 2:	EUR 200,000 x 30% = EUR 60,000 (entitlement)
Tranche 3:	EUR 200,000 x 10% = EUR 20,000 (entitlement)

EBIT in “base year +1”: EUR 35 million

- > EBIT exceeds the threshold of EUR 20 million (Condition for the vesting of an entitlement)
- > EBIT is 13% below the base value and is consequently within Corridor 1.
- > Tranche 2 will be paid out as planned (EUR 60,000)

EBIT in “base year +2”: EUR 70 million

- > EBIT exceeds the threshold of EUR 20 million (Condition for the vesting of an entitlement)
- > The EBIT rose at a 32% CAGR and is therefore within Corridor 2.
- > For this reason, EUR 20,000 x 1.25 = 25,000 can be paid out if the total of all tranches to be paid out does not exceed the fixed remuneration of the Executive Board member in this financial year.

The Committee for Executive Board Matters can grant proportional profit-based remuneration to a member of the Executive Board whose mandate begins in the course of a financial year. The aforementioned payout terms and deferred payouts are to be applied.

If the mandate of an Executive Board member ends without him or her being at fault, such shall not affect either the amount of the existing bonus entitlements or the payout terms. In the case of deferred payouts, there is, however, no adjustment to EBIT performance. If the mandate ends during the course of a financial year, the member of the Executive Board will be entitled to a proportionate bonus entitlement in this financial year for the months up to his or her departure.

1.4.2 Non-financial Variable Remuneration I.

The Committee for Executive Board Matters sets four non-financial targets for each financial year, with at least two targets covering a multi-year timeframe.

In the selection of the targets, the Committee for Executive Board Matters uses the key performance indicators in the Company's current consolidated non-financial report as a reference point, but can also autonomously define them.

A member of the Executive Board shall be entitled to an amount of EUR 10,000 for the achievement of each target. This remuneration component will be paid out in each November. If an Executive Board mandate ends, the amounts for the targets achieved by the last balance sheet date before the end of the mandate shall apply for the payout. Any entitlements resulting from unachieved multi-year targets shall lapse.

1.4.3 Non-financial Variable Remuneration II (Employee Satisfaction).

Satisfied employees are an essential component for the success of the Kapsch TrafficCom Group. There is therefore an additional variable remuneration component. It is linked to the sustainable achievement of non-financial criteria – specifically to certain results of the employee survey. This survey takes place at intervals that are several years apart. Once the results are available and if all defined criteria have been met, an amount of EUR 10,000 per Executive Board member will be paid out for each year since the last such survey. The condition for the payout is an Executive Board mandate that has been in effect for at least two years.

1.5 Benefits Equally Enjoyed by All Employees.

Kapsch TrafficCom provides certain benefits to all employees. This may include members of the Executive Board, in each case under the same conditions and to the same extent as all other employees. If a benefit is available to a different extent in the future or no longer available in general, this shall apply analogously to the members of the Executive Board. Examples of such a benefit are:

- > Business trip health insurance to cover medical costs on business trips.
- > Business trip emergency help provides support in medical or safety-relevant emergencies. Furthermore, it offers advice on questions about the destination before starting a business trip (particularly on risk factors).

1.6 D&O Insurance.

The members of the Executive Board, the Supervisory Board and senior executives at Kapsch TrafficCom are insured against financial loss as part of a directors and officers liability insurance (D&O insurance). Due to the payment of a collective premium, it is not possible to individually categorize the insurance for specific members of the Executive Board. The insurance contract contains standard market conditions; the premiums do not have to be covered by the members of the Executive Board. This insurance is not classified as remuneration in kind subject to income tax according to applicable Austrian law.

1.7 *Optional Benefits.*

1.7.1 **Company Pension Plan.**

The importance of a company pension plan alongside the government pension insurance is increasing. For this reason, Kapsch TrafficCom can agree with the members of the Executive Board that a share of the total remuneration is contributed to an external pension fund in the form of payments. The amount of these contributions shall be agreed individually upon conclusion of the contract and may not exceed EUR 100,000 per year and member of the Executive Board. The pension commitments are defined contribution plans; the Company is not obligated to make additional payments in the case of unsatisfactory investment performance at the pension fund. After the end of a mandate due to the passage of time, an Executive Board member has no further claims against the Company. In the event of premature termination not due to the fault of the Executive Board member, the continued payment of the employer contributions to the pension fund can be contractually arranged for the duration of the remaining period, but for a maximum duration of two years.

1.7.2 **Severance Payment.**

Independently of other benefits, an Executive Board member can be granted an entitlement to a severance payment in his or her Executive Board contract. This can only occur

- a) on the expiration of the Executive Board mandate without another extension or
- b) in the case of premature dissolution of the contract without the existence of misconduct.

The severance payment for a member of the Executive Board may not amount to more than the total remuneration in two years. The underlying total annual remuneration is calculated as the average of the respective total remuneration in the last two financial years. The amount of the contractual severance payment must be reduced in any case

- > by the account balance on the balance sheet date according to the pension fund and
- > any ongoing entitlement to continued payment of the fixed remuneration according to Section 1.3.

1.7.3 **Insurance.**

For members of the Executive Board employed in Austria, insurance (particularly travel accident insurance, accident insurance, supplementary health insurance) can be concluded and its premiums covered by the Company. The total annual premiums may not exceed EUR 10,000 per Executive Board member.

Adequate private insurance can be concluded for Executive Board members that are employed in other countries without comparable government health insurance. The premiums for this are covered by the Company up to an annual maximum amount of EUR 50,000 per Executive Board member.

1.7.4 **Extraordinary Remuneration.**

Extraordinary remuneration is not provided.

1.7.5 Continued Payment of Remuneration in the event of Illness or Death.

In deviation from Section 1.3, paragraph 3, the Executive Board contract can include a special case of illness or accident that allows the entitlements to remuneration to remain in effect in the event of an incapacity to work due to illness or an accident for a maximum of the remaining term of the employment contract.

In the event that an Executive Board member dies, an entitlement to continued payment of the remuneration may be granted for the benefit of the statutory heirs for a maximum of the month of death and the two following months.

1.7.6 Fringe Benefits.

Executive Board members have an entitlement to a company car. A driver can be provided. The company car and the driver can also be used privately.

The Company covers the cost of the standard electronic work equipment (smartphone, notebook, etc.) for office and home use. The secretaries may be used by Executive Board members for private purposes (e.g. the booking of private trips or cultural events, etc.) to the standard extent in the industry.

Kapsch TrafficCom can provide members of the Executive Board with a company apartment or an allowance for housing. A condition for this is that the Executive Board member's place of residence is not in Vienna or within 100 kilometers of Vienna as the crow flies at the time the Executive Board mandate is accepted. The company apartment or allowance for housing may amount to a maximum of EUR 3,500 net per month.

The Company can assume expenses for health care, if not already covered by an insurance, for an amount of up to EUR 1,500 per financial year.

Kapsch TrafficCom may offer members of the Executive Board relevant training for their duties and cover the costs incurred.

1.8 Other Relevant Contractual Provisions.

1.8.1 Term, Termination.

According to Austrian stock corporation law, Executive Board mandates and Executive Board contracts must be limited to a maximum of five years. The Company does not limit this term to a shorter number of years. In the event of termination due to a gross breach of duty, the Supervisory Board can dissolve the mandate and the employment contract without giving notice; it is also agreed by contract in such cases that all payments for the fictitious remaining period, any severance payments, entitlements to variable remuneration components (including "deferred payments") shall be forfeited.

A person may be appointed/reappointed to the Executive Board of Kapsch TrafficCom as long as they have not completed their 65th year of life at the time of their appointment/reappointment.

1.8.2 Competition Clauses.

Executive Board contracts may contain competition clauses. They can refer to the

- > Term of office as Executive Board member.
It can be specified that an Executive Board member may not run an independent commercial company or hold a direct or indirect stake in such a company without the written consent of the Company. Furthermore, an Executive Board member can be prohibited from engaging in commercial transactions in the business sector of the Company for his or her own account or for the account of a third party or from undertaking advisory activity of any kind.
- > Time after departure from the Company.
In light of the reason and the terms of the departure, it can be demanded from the departing Executive Board member that he or she will not exercise any independent or employed activity in the business sector of the Company for a period of up to one year after departure without the consent of the Company. Continued payment of remuneration for the length of the restriction on competition can be granted.

1.8.3 Service Inventions.

Executive Board contracts contain provisions on the use of and payments for service inventions.

1.8.4 Clawback Clauses.

The Company is contractually entitled to demand the return of variable remuneration components or not to pay them out if

- > it is discovered that these remuneration components were paid out or calculated on the basis of obviously incorrect data;
- > the Executive Board mandate and employment contract are dissolved prematurely due to cause for which the Executive Board member is responsible (particularly due to a gross breach of duty), although the demand for repayment of variable remuneration is possible for a maximum of up to three years.

2 Remuneration of Members of the Supervisory Board.

2.1 Fundamentals.

- > The Remuneration Policy for the Supervisory Board aims to adequately compensate members for their tasks and responsibility. This should make it possible to acquire and retain appropriately qualified persons for this work.
- > Highly-qualified Supervisory Board members are necessary so that they can properly fulfill their Supervisory Board duties and act as a sparring partner for management. This is intended to promote the business strategy and the long-term development of the Company.
- > When drafting the Remuneration Policy for the Supervisory Board, the remuneration and employment conditions of the employees at Kapsch TrafficCom were not taken into account due to their lack of relevance.

2.2 Remuneration.

The Supervisory Board consists of the members elected at the Annual General Meeting (“Capital Representatives”) and the members appointed by the Works Council. The latter exercise their duty voluntarily on account of mandatory statutory provisions and do not receive any remuneration for their work.

The total remuneration is divided between the Capital Representatives, the amount of which is determined at the Annual General Meeting. The allocation of this amount is the responsibility of the Chair of the Supervisory Board. He/She shall take account of the duties handled by the Capital Representatives (e.g. chair work, membership on committees). The remuneration for the members of the Supervisory Board can be paid out monthly, quarterly or annually.

The Company expects that members of the Supervisory Board will also handle their duties outside of regular meetings (e.g. in the form of circular resolutions). For this reason, Kapsch TrafficCom considers the paying of meeting fees to be inappropriate.

Members of the Supervisory Board are not entitled to any bonuses, incentive systems, share-based remuneration or other variable remuneration components. These would only encourage members to take risks and would contradict the purpose of this body.

2.2.1 Expenses and Infrastructure.

Members of the Supervisory Board are reimbursed for travel expenses.

All Capital Representatives can make use of the office infrastructure (particularly the printers, fax, phone) and secretary support in exercising their duties at the headquarters of the Company. Kapsch TrafficCom also assumes the costs for phone and video conferences if they are connected with the work as Capital Representative on the Supervisory Board at Kapsch TrafficCom.

Kapsch TrafficCom may offer members of the Supervisory Board relevant training for their duties and cover the costs incurred.

2.2.2 D&O Insurance.

The members of the Supervisory Board, the Executive Board and senior executives at Kapsch TrafficCom are insured against financial loss as part of a directors and officers liability insurance (D&O insurance). Due to the payment of a collective premium, it is not possible to individually categorize the insurance for specific members of the Supervisory Board. The insurance contract contains standard market conditions; the premiums do not have to be covered by the members of the Supervisory Board. This insurance is not classified as remuneration in kind subject to income tax according to applicable Austrian regulations.

2.3 *Term of Office.*

Unless determined otherwise at the Annual General Meeting, the term of office for Capital Representatives runs until the end of the Annual General Meeting that discharges the Supervisory Board for the quarter of the financial year after the election. A person may be appointed/reappointed to the Supervisory Board of Kapsch TrafficCom as long as they have not completed their 75th year of life at the time of their appointment/reappointment.

The appointment of the Capital Representatives can be revoked at the Annual General Meeting prior to the end of the term of office. The resolution requires a simple majority.

Each member of the Supervisory Board can resign from their office without requiring good cause by giving notice of termination four weeks in advance, and may do so by written notice sent to the Company. Reelection of departing Supervisory Board members is permitted.

Besides the appointment resolutions at the Annual General Meeting, there are no contractual relationships under labor law between the Company and the members of the Supervisory Board.

The members of the Supervisory Board appointed by the Works Council can be recalled by the Works Council at any time.

3 *Drafting of Remuneration Policy.*

3.1 *Preparation by the Committee for Executive Board Matters.*

The Company has a Committee for Executive Board Matters. This committee handles the remuneration of the members of the Executive Board and the content of the employment contracts of members of the Executive Board. The Committee for Executive Board Matters consists exclusively of two Capital Representatives, including the Chair of the Supervisory Board. They have appropriate experience in connection with the remuneration of Executive Board members due to their many years of pertinent work.

For the Supervisory Board plenum, the Committee for Executive Board Matters prepared a well-founded proposal for the adoption of the resolution on the Remuneration Policy for members of the Executive Board and Supervisory Board of Kapsch TrafficCom.

In the event of a conflict of interest involving a member of the Committee for Executive Board Matters in connection with the preparation of the Remuneration Policy, the preparation of the Remuneration Policy will be handled by the Supervisory Board as a whole. A Supervisory Board member who is involved in a conflict of interest will not participate in the preparation of the Remuneration Policy and will withhold his or her vote during voting.

3.2 *Adoption of Resolution.*

At the Supervisory Board meeting of June 15, 2020, the Supervisory Board adopted the Remuneration Policy for the Executive Board and the Supervisory Board as proposed by the Committee for Executive Board Matters. It should be noted that the remuneration paid to members of the Supervisory Board must be set at the Annual General Meeting. In regards to the Remuneration Policy for the Supervisory Board, the adoption of the resolution at the Annual General Meeting therefore has a binding character.

The Supervisory Board shall present the Remuneration Policy to the ordinary Annual General Meeting on September 9, 2020, for a vote. The result has the character of a recommendation and cannot be contested.

Thereafter, the Remuneration Policy shall be presented to the Annual General Meeting at least every fourth financial year for a vote.

4 Review and Revision of the Remuneration Policy.

The Committee for Executive Board Matters annually reviews the Remuneration Policy to see whether there is a need for amendments due to changes in the macroeconomic conditions, a change in the Company's economic position or its strategy or on account of a change in the corporate governance standards. If need be, the Committee for Executive Board Matters shall propose such changes in the Remuneration Policy to the Supervisory Board. If the Supervisory Board adopts changes, they will be proposed at the next ordinary Annual General Meeting for a non-binding vote.

Furthermore, if recommended by the Committee for Executive Board Matters, the Supervisory Board explicitly reserves the right to deviate from the aforementioned target parameters agreed (KPIs and/or target corridors) in situations that will result or could result in a material disadvantageous change to the course of business, the operating business, the assets or the business prospects of the Company.

This includes in particular general economic crises that negatively impact more than just a specific market region of Kapsch TrafficCom and cause a substantial deterioration in the target parameters defined here. The Supervisory Board reserves the right to adjust the originally defined target parameters to the targets of a crisis management program. This should ensure that the Supervisory Board will support the efforts of the Executive Board to fight the impact of a global event by means of reasonable incentives in the interests of all stakeholders of the Company.

The Supervisory Board can adjust the Remuneration Policy without having the Annual General Meeting adopt another resolution if

- > relevant new or amended legal provisions are implemented as a result of this or
- > a correction of a typing or formatting error is required.

5 *Glossary.*

Base value	EBIT in the preceding financial year
Bonus entitlement	EBIT multiplied by a percentage that represents the profit-based entitlements of a member of the Executive Board
CAGR	Compound Annual Growth Rate
D&O insurance	Liability insurance for directors and officers
Deferred payments	Payments that are postponed
EBIT	Earnings before interest and taxes
EUR	Euro (currency)
Company	Kapsch TrafficCom AG
Capital representatives	Members of the Supervisory Board elected at the Annual General Meeting
Kapsch TrafficCom	Kapsch TrafficCom AG
KPI	Key performance indicator
MM	millions
UGB	<i>Unternehmensgesetzbuch</i> [Austrian Commercial Code]
Remuneration Policy	This remuneration policy for the Executive Board and the Supervisory Board of Kapsch TrafficCom AG

For the Supervisory Board of Kapsch TrafficCom AG



Dr. Franz Semmernegg
Chair of the Supervisory Board

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