

**Consolidated Non-Financial Report
(Sec. 267a Austrian Commercial Code).**
Kapsch TrafficCom.



Consolidated Non-Financial Report.

Notes to the report.

Background.

As a listed company with more than 500 employees in the corporate group, Kapsch TrafficCom is required to provide a consolidated non-financial statement. It must contain the information necessary for understanding the business development, the operating result, the position of the Group and the effects of its activities and address, at a minimum, environmental, social and employee concerns, respect for human rights and the fight against corruption and bribery.

Kapsch TrafficCom AG employed on average less than 500 persons in financial year 2019/20. Therefore, the company is not required to submit an additional non-financial statement

Implementation by Kapsch TrafficCom.

Kapsch TrafficCom decided to prepare the consolidated non-financial statement as a separate consolidated non-financial report (the "Report"). In doing so, the company followed the relevant provisions of the Austrian Commercial Code (Unternehmensgesetz). National, union-based or international frameworks were not used.

To avoid redundancies, the report refers to the notes to the 2019/20 Consolidated Financial Statements ("Financial Statements"), the 2019/20 Consolidated Management Report ("Management Report"), and the Consolidated Corporate Governance Report for 2019/20 ("CG Report"). References within this Report are identified by the word "section" in conjunction with the relevant chapter title. All references are written in italics and are preceded by two arrows (>>).

As a rule, the key figures specified were collected for the Kapsch TrafficCom Group. Any restrictions are explained directly in the key figures. The HSSEQ (Health-Safety-Security-Environment-Quality) management team determines the values and collects the documents for the various key figures centrally in coordination with Group controlling. Kapsch TrafficCom distinguishes between:

- > performance indicators – these are target values that are to be achieved by the organization – and
- > reporting indicators – these provide information about the current situation and help to identify undesirable developments at an early stage.

This report has not been audited externally.

Business model.

Kapsch TrafficCom AG is a listed stock corporation under Austrian law. The company headquarters is located at Am Europlatz 2, 1120 Vienna, Austria. The KAPSCH-Group Beteiligungs GmbH holds 63.3% of the shares of Kapsch TrafficCom AG. The remaining shares are held by private and institutional investors.

Kapsch TrafficCom is a provider of intelligent traffic systems in the area of toll collection, traffic management, smart urban mobility, traffic safety, and connected mobility. The company uses end-to-end solutions to cover the entire value-added chain of its customers from a single source: from components to design to system setup and operation. The mobility solutions of Kapsch TrafficCom help to make road traffic in cities and on highways safer, more reliable, more efficient, and more comfortable and also help to reduce environmental pollution. Further information on the company can be found in the Financial Statements ([➤ Note 1 "General information"](#)).

Kapsch TrafficCom has implemented projects in more than 50 countries and has subsidiaries and branch offices in more than 30 countries (including Argentina, Australia, Austria, Belarus, Canada, Mexico, Poland, South Africa, Spain, Sweden, USA). Comprehensive information on the group structure and group companies as well as a list of consolidated companies can be found in the Financial Statements ([➤ Note 1.1 "Group structure and consolidated group"](#)) and ([➤ Note 32 "Interests in subsidiaries"](#)).

Sustainable business model.

Kapsch TrafficCom addresses traffic challenges associated with megatrends ([➤ Management Report, chapter 1.2 "Market for Intelligent Transportation Systems"](#)). The Company's products and solutions help to

- > maintain and further develop existing road infrastructure
- > make efficient use of existing transport routes
- > direct the behavior of road users
- > increase road safety
- > reduce the environmental impact of traffic

Kapsch TrafficCom often makes use of numerous suppliers and subcontractors from the contract country, especially for implementation and operating projects in the toll business. The Company thus makes a contribution to local value creation and creates jobs.

The code of conduct applicable to the entire Kapsch Group (including Kapsch TrafficCom) contains the principles of conduct applicable to management and all employees. The Code was revised in year 2020 and can be viewed on the Kapsch website "<https://www.kapsch.net/kapsch/about-us/code-of-conduct>".



From the management's perspective, Kapsch TrafficCom has a sustainable business model. However, for the Company, it is not only important that the Company's goals are achieved, but also in what manner this is achieved.

„Kapsch TrafficCom is committed to the ten universal principles of the UN Global Compact.“

Georg Kapsch, CEO

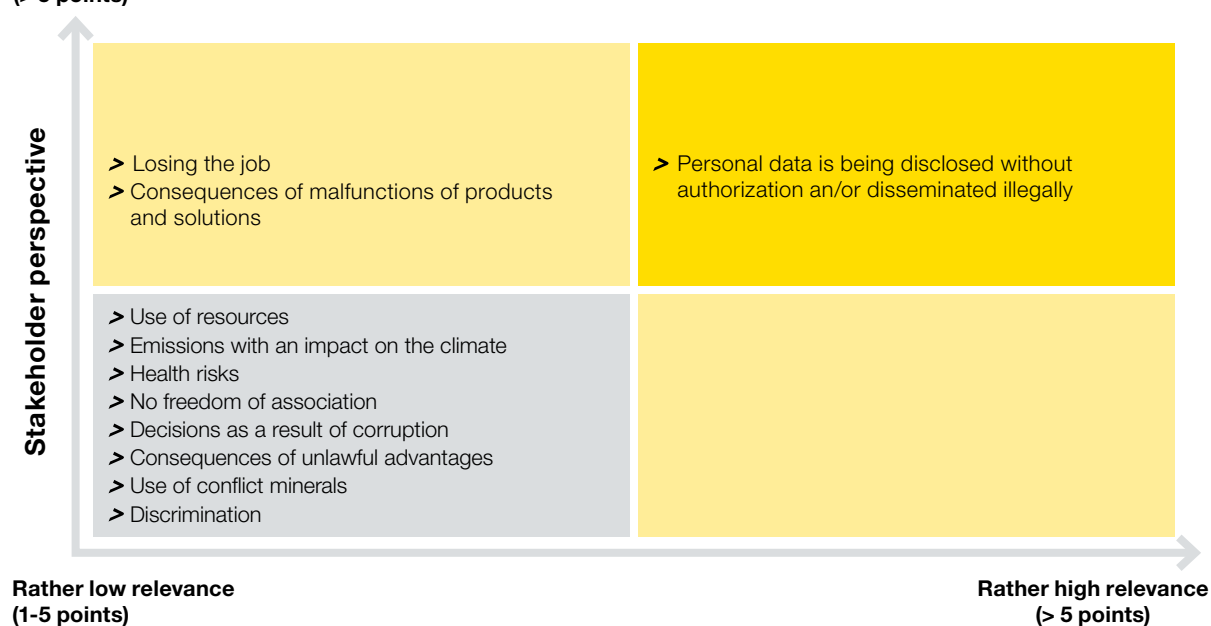
Materiality analysis.

This Report is based on an analysis from financial year 2018/19. It dealt with the impact of the company’s activities on environmental, social and employee issues, on respect for human rights and on the fight against corruption and bribery. The assessment of the Group’s Executive Board was first obtained for this analysis. A stakeholder survey provided an opportunity to include additional aspects and to broaden the assessment of the materiality of the various impacts of the business. This evaluation included the assessments of:

- > more than 1,630 employees worldwide
- > 5 capital market representatives: three analysts, one representative of the IVA – Interessensverband für Anleger (Austrian Shareholder Association), one major investor
- > 7 customers from all regions

Materiality analysis results.

Rather high relevance
(> 5 points)



Perspective of the Executive Board of Kapsch TrafficCom

Based on the predefined answers in the questionnaire, the chart shows the results of the stakeholder survey and the assessment of Kapsch TrafficCom’s Executive Board. The lowest relevance was attributed to the risks “Discrimination due to lack of implementation of the diversity concept” and “Use of conflict minerals in the supply chain”. Both the stakeholders and the Executive Board have considered the risk that personal data may be unlawfully disclosed and/or illegally disseminated as a result of theft, accident or improper handling to be of rather high relevance.

Stakeholders had the opportunity to identify additional risks and assess their relevance. The topic of recycling and waste management was addressed in the process. In those countries in which Kapsch TrafficCom has production sites (Austria and Canada), there are strict legal requirements on how to handle waste. In addition, the Company already takes account of the recyclability of mass products (on-board units) in its product design (>> section “Environment”). However, Kapsch TrafficCom generally has no influence on actual recycling. The products belong to the customers who are responsible for their proper disposal. The significant restrictions on the cross-border transport of waste should be mentioned in this context.

Environment.

Air pollution has significant effects on human health, impacts vegetation and ecosystems, contributes to climate change and damages materials and buildings. Road traffic plays an important role here. According to the European Environment Agency, it is the largest emitter of nitrogen oxide in the EU with a share of 39%. The proportion is 19% for carbon monoxide, 28% black carbon, and 11% for particulate matter. Road traffic is responsible for one fifth of all greenhouse gases in the EU. Moreover, noise pollution in Europe – most frequently caused by traffic – is a major health problem for humans and animals.

In this context, Kapsch TrafficCom offers hardware, software and services that make road traffic more efficient, safer, more reliable, more efficient and more convenient, while reducing environmental impact. The company's products and solutions help to handle traffic flows more efficiently. In addition, Kapsch TrafficCom is also working consistently in its own area of operations, especially at its production sites, to minimize resource consumption and any impact on the environment.

Important risks.

- > **Climate-relevant emissions.** The business activities of Kapsch TrafficCom are associated to a small extent with the consumption of resources and the output of climate-relevant emissions. Without corresponding concepts for environmental and climate protection and their proper implementation, Kapsch TrafficCom would have a greater than necessary impact on the environment. In addition, inefficient use of energy would mean additional costs for the Company.
- > **Customer waste.** Kapsch TrafficCom manufactures road-side radio products and products used in vehicles (e.g., on-board units) in large quantities for customers. The customer is responsible for proper disposal. If the components contain a high degree of non-recyclable components, environmentally friendly recycling is not possible.

Concepts.

Kapsch TrafficCom aims to continuously reduce both the consumption of resources and climate-relevant emissions associated with its business activities.

Guide to sustainable product design.

A comprehensive guide ensures that environmental, economic, social, health and safety aspects are taken into account in the design and development of products in the best possible way and in a structured manner. The contents of the document must be included in the requirement specifications and project tenders. The review and ongoing adaptation is carried out by the responsible HSSEQ point of contact in the Solution Centers and in the Corporate Technology Department.

Climate protection through energy efficiency and careful use of auxiliary materials.

- > **Manufacturing sites.** The aim is to use electricity as efficiently as possible. Processes are optimized and new machines are purchased as required for this purpose. The energy efficiency of machines is taken into account when purchasing new equipment. In addition to energy efficiency, Kapsch TrafficCom also ensures that the highest possible proportion of energy used in production comes from non-fossil sources. No process water is required for production. Water is only needed for kitchens and sanitary facilities. For packaging, Kapsch TrafficCom strives to use materials that are as environmentally friendly as possible.

Environmentally friendly procurement.

- > **Reduction of environmental effects in upstream processes and in the use of raw and auxiliary materials.** In addition to economic and quality-related aspects, special consideration is given to this criteria in procurement processes. A detailed guide serves as a decision-making aid in procurement and takes particular account of properties such as modular applicability, materials, packaging, durability, recyclability and reparability.
- > **Handling hazardous or harmful substances.** Where possible, the Group avoids the use of hazardous or environmentally harmful substances and products containing such substances. Safety data sheets are used to assess the hazard potential. The procurement of products and raw materials that would have to be disposed of as hazardous substances after processing or use is avoided wherever possible.

- > **Transport.** For bulk goods, rail transport is preferable to truck transport. If quality and economy are comparable, local suppliers are preferred in order to minimize transport routes. In this context, there have been increasing initiatives for back-sourcing from the Asian region in recent years.
- > **Supplier evaluation.** Kapsch TrafficCom is increasingly channeling procurement through the Supply Chain Management Department. If an employee introduces a new supplier, the employee must fill out an impact matrix in which environmental issues are also queried. As part of the onboarding process, each of these suppliers must complete a questionnaire containing, among other things, 41 questions on environmental aspects. This self-assessment must be completed at least every two years. Suppliers in the highest category (A) must undergo a re-evaluation audit at least every three years. Compliance with the self-assessment is also checked. Re-evaluation meetings are held with suppliers in the middle category (B) at least every three years. The self-assessment information is checked for plausibility. Where economically justifiable, suppliers with a qualified environmental management system are given preference. Such a system is mandatory for category A suppliers.
- > **Responsible handling of chemicals.** According to the REACH regulation (Registration, Evaluation, Authorisation and Restriction of Chemicals), all chemicals produced and imported in the EU in quantities over one ton per year must be recorded in a central database. Each product manager is responsible for compliance with REACH during the product release process and, if necessary, must comply with the reporting requirement. In Austria, monitoring is carried out by the chemical inspectors of the federal states.

Raising employee awareness of climate and environmental protection issues.

Potential savings in resource consumption are pointed out in internal communications.

Reduction of business travel.

Oftentimes, a personal conversation cannot be replaced or avoided, but in many cases the possibilities offered by communication technologies can help to avoid business trips. Kapsch TrafficCom has invested in video conferencing systems and uses digital collaboration systems such as Skype for Business, Microsoft Teams and Cisco Teams worldwide.

Leading the climate protection agenda.

Kapsch TrafficCom is seen as an important stakeholder in the climate protection and mobility sectors, both nationally and internationally. One example of the company's role in international efforts to achieve climate-neutral mobility is its involvement in the "Decarbonizing Transport" project. It is coordinated by the International Transport Forum of the OECD and includes a catalog of measures to reduce CO₂ in the transport sector. Kapsch contributes best practice solutions.

In EU projects, experts from Kapsch TrafficCom, together with partners, are developing solutions to measure vehicle emissions at full speed in order to detect exceedances compared to registration (e.g., by tampering with the emission control system). Such a system could allow an ongoing review of emissions and thus be an essential building block in the development towards decarbonized transport.

Overall, Kapsch supports the global Sustainable Development Goals (SDGs) in its climate protection activities, in particular:

- > Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.
- > Goal 11: Make cities and human settlements more inclusive, safer, more resilient and more sustainable.
- > Goal 13: Take urgent action to combat climate change and its impacts.

Employees.

The success of a company depends on the loyalty, motivation and performance of the employees as well as on the ability to recruit sufficiently qualified employees when necessary.

Companies differ in the demands placed on their employees and the way in which the employer deals with this. Kapsch TrafficCom does not see its employees as human resources, but as a team that, though motivated by different personal interests and needs, drives the company forward. At Kapsch TrafficCom, it goes without saying that globally, remuneration is in line with the market.

Kapsch TrafficCom, as a company of Kapsch Group, combines an international orientation with the roots of a modern family business. Entrepreneurship, timely and market-oriented decisions and above-average commitment and dedication characterize the corporate culture. We work with an understanding that is characterized in particular by mutual respect and a pronounced sense of unity. Performance orientation and mutual appreciation lead to close ties between the company and its employees.

Overview.

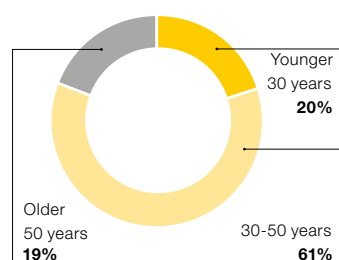
As at March 31, 2020, the Group employed a total of 5,104 people, 123 more than at the balance sheet date of the previous year. The proportion of women in the total workforce was constant at 38%.

Employment relationships.

At Kapsch TrafficCom, on the balance sheet date, 80% of the workforce were salaried employees (previous year: 83%). Workers employed in the production facilities made up 17% of the workforce (previous year: 12%). This increase is mainly due to the new contract for manual tolling in Poland (>> *Management Report, chapter 2.2 „Revenues and earnings“*). About 1% of the workforce was in training and about 2% were inactive.

	March 31, 2019	March 31, 2020	+/-
Employees	4,148	4,097	-51
Workers	607	844	237
In training/education	103	53	-50
Inactive (on parental leave, military service, etc.)	123	110	-13
Total	4,981	5,104	123
thereof part-time	171	258	57

Age structure of Kapsch TrafficCom's workforce



Age structure.

Around 20% (previous year: 23%) of all employees were younger than 30, 61% (as in the previous year) were between 30 and 50 years old, and 19% (previous year: 16%) were more than 50 years old.

Number of employees according to regions.

Kapsch TrafficCom is a globally active company with a large part of its workforce outside of Austria:

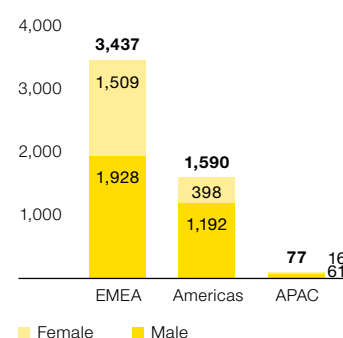
> In EMEA, the Group employed 3,437 people (previous year: 3,426) and therefore the most employees. The countries with the highest number of employees were: South Africa (1,318), Austria (664), Spain (516), Poland (381), Belarus (190) and Sweden (130).

- > Of the total of 1,590 employees (previous year: 1,474) in the Americas region, 790 worked in the USA, 295 in Argentina, 176 in Mexico, 141 in Canada und 134 in Chile.
- > Australia accounted for 73 of the 77 employees (previous year: 81) in the APAC region.

Important risks.

- > Loss of employment if high order volumes are lost in the country of employment
- > Health risk due to accident, illness or in connection with screen work
- > Discrimination due to lack of implementation of the diversity concept.

Employees by regions and sex.



Concepts.

Kapsch Partner Solutions GmbH is a company of Kapsch Group (but not of Kapsch TrafficCom Group). The personnel office located there is globally responsible for the planning and administration of the concepts mentioned here as well as for monitoring the measures taken and reporting to the Executive Board of Kapsch TrafficCom.

Kapsch TrafficCom is a globally operating corporate group with subsidiaries and branch offices in more than 30 countries. The number of employees of a Group company or branch changes with the activities it performs. Since the Company is growing continuously and plans to continue its growth course also in the coming years, a further increase in the number of employees can be expected. In individual cases, however, large projects may expire (e.g., the operation of a nation-wide toll system). In such a case, the Company will seek to minimize the harm to the workforce and to explore new employment opportunities with the contracting authority or another operator. However, Kapsch TrafficCom cannot rule out a loss of employment. In this case, initiatives for the training and further education of employees help to find new employment on the labor market

Education and training.

Kapsch TrafficCom attaches great importance to personnel and organizational development, because the qualifications and commitment of its employees are seen as decisive prerequisites for the company's success. When filling vacant positions, attention is naturally paid to both the applicants' professional as well as social skills. Lifelong learning is expected from employees and promoted by the company. The aim of continuing education is to maintain and expand professional and social skills.

Apprenticeship. Kapsch TrafficCom offers vocational training to young people in Austria. As of the balance sheet date, 19 persons completed an apprenticeship in the areas of "Information Technology – Technology", "Information Technology – Systems Engineering", "Electronics – Information and Telecommunications Technology" or as "Industrial Sales Management Assistant".

Trainee program. For more than 25 years, this program has offered graduates of an economic or technical master's degree program a broad cross-divisional insight into the entire Kapsch Group. Over a period of two years, trainees pass through three to four different divisions or subsidiaries and work as full team members in the departments or implement their own projects. As of the balance sheet date, Kapsch TrafficCom employed six trainees.

Management development. Due to their essential function in team management, the personality of the applicants is already taken into account during the selection and planning of managers. Modular training courses must be completed annually in the course of management training.

Performance review. The annual performance review is a central instrument for personnel and organizational development throughout the Kapsch TrafficCom Group. It strengthens cooperation through structured exchange between managers and employees about their performance over the past twelve months. The performance review also provides a framework for discussing career development perspectives and defining further training measures.

Employee satisfaction.

Kapsch TrafficCom attaches great importance to mutual respect, community spirit and loyalty. The company is convinced that these qualities enable employees to be more effective and perform better and provide a better quality of life. Regular surveys are conducted to evaluate how employees feel about the company. Employees receive a financial participation in the success of the company in recognition of their performance. In addition, Kapsch TrafficCom also puts in place long-term measures that address health care and economic security in retirement.

Employee survey. Kapsch TrafficCom conducts anonymous employee surveys every three years. It is important for management to know what employees think about their company, their work, managers and colleagues, what their expectations are for the future, how they rate the working atmosphere and how satisfied they are with their work. To underline the importance of employee satisfaction for the Executive Board, a financial performance incentive was created for all members of the Executive Board based on the results of the employee survey.

Participation in the success of the company. Kapsch TrafficCom is aware of the contribution of its employees to the company's success and honors this with a maximum total profit share of 5% of profit before tax. Country-specific upper limits are designed to ensure that the distribution is based on purchasing power parity. Distribution is per capita, independent of income and limited to EUR 1,500 per employee.

Health. In order to meet the different needs of the workforce in the various regions as best as possible, Kapsch TrafficCom has decentralized measures to protect employees and promote health. For example, Kapsch TrafficCom AG regularly offers health information, vaccinations, medical check-ups and vision tests. Furthermore, at the Vienna and Klagenfurt sites, a Company doctor is available to the staff.

Employee turnover rate is an important indicator of employee satisfaction. Management uses this quarterly key figure to analyze measures and undesirable developments.

Diversity and the advancement of women.

The diversity concept and information on the promotion of women to the Executive Board, Supervisory Board and executive positions are depicted in the CG Report ([➤ section "Diversity"](#)).

The current low number of female executives at Kapsch TrafficCom has to do with the fact that the proportion of women in technical areas remains comparatively low. From the point of view of a technology company, a broader base of female technicians should be available. Talented female colleagues are valued and can gain leadership positions within the organization. Achieving this to a greater extent than what is the case today requires long-term initiatives: Kapsch TrafficCom

- > cooperates with schools, universities and technical colleges, and
- > is committed to promoting the advancement of women by participating in special programs such as "FIT Frauen in die Technik" (Women in Engineering) or "FEMtech."

KTCwomen@kapsch. A group of committed employees has founded the "women@kapsch" initiative. This initiative aims to support global cooperation, stimulate regional initiatives to promote women in leadership positions, and share experiences. The aim is to promote women and increase their potential. A higher number of female executives is not only important for women; it is in the interest of the entire organization to work in a modern, open environment where talent is encouraged. The company launched a mentoring program in 2019 as part of KTCwomen@kapsch. In the process, 15 tandem teams were formed, each with a female mentee and a mentor. The program is planned for a period of nine months. The mentors share their professional know-how and leadership experience in order to encourage their mentees to actively use their skills and develop their potential.

The growth of the proportion of women in management positions is surveyed by Group Controlling on a monthly basis and reported to the Executive Board and Human Resources.

COVID-19 pandemic.

The management of Kapsch TrafficCom has activated existing business continuity plans in view of the exceptional international situation. Furthermore, the company has established a temporary business continuity organization. This focused on handling the effects of the pandemic on the Group and enabled a rapid response to current developments.

A number of measures were implemented specifically for employees:

- > Setting up a coronavirus infopoint with all necessary information and answers to general and business-specific questions, as well as contact details for specific questions (business, IT, travel and health).
- > Setting up a corona hotline for urgent questions.
- > Making arrangements for work from home according to local regulations and conditions.
- > Introducing appropriate protection and disinfection measures for the employees who had to be physically present in offices, production facilities, or on project sites.
- > Restricting travel in accordance with national regulations.
- > Provision of various guidelines, guides and templates.

In this challenging situation, Kapsch TrafficCom benefited from its outstanding IT infrastructure (software and hardware).

Human rights and anti-corruption measures.

The fight against human rights violations and corruption of any kind is an important issue at Kapsch TrafficCom. These topics are also becoming more relevant because the company is growing globally and is therefore also active in countries with a high value in Transparency International's Corruption Perception Index (CPI). Corruption and human rights violations can have serious consequences for the company and its employees: loss of contracts and exclusion from future tenders, fines, reputational damages and criminal proceedings against the company and employees involved.

Important risks.

- > Corruption can tempt representatives of public authorities or companies to make decisions that are not in the best interests of the community or organization. In addition, corruption is usually associated with other offenses, such as tax evasion.
- > Unlawful advantages to or from Kapsch TrafficCom employees may have serious consequences in terms of employment, civil and criminal law.
- > Since only around 28.8% of the workforce is covered by a collective agreement, there is a risk that not all employees are granted the right to freedom of association (collective agreement).

Concepts.

Company culture.

A strong corporate culture has developed at Kapsch over the course of the many years of company activity (since 1892). Management wants to keep this a high priority despite growth, internationalization and changing conditions. The Kapsch Group Code of Conduct (<http://kapsch.net/kapsch/about-us/code-of-conduct>) contains the principles, values and codes of conduct according to which Kapsch should act. For various topics covered by the Code of Conduct, additional mandatory guidelines and other regulations exist on global and/or regional and/or country levels. Key principles mentioned in the Code of Conduct are, for example:

- > Kapsch respects and protects human dignity.
- > Unfair business practices such as corruption and bribery are prohibited.
- > Kapsch prohibits torture, slavery, human trafficking and child labor.
- > Harassment at work (including sexual harassment) is not tolerated.
- > Discrimination, particularly on grounds of gender, origin, religious or sexual orientation, is prohibited.

The global responsibility of the Human Relations department in Austria (>> section "Employees") ensures that high standards (in particular the observance of human rights) are observed throughout the global organization.

Guidelines and training.

There are internal guidelines on various aspects of corruption prevention which are regularly reviewed and adjusted if necessary. These guidelines also define responsibilities for compliance and the consequences of non-compliance. In addition, reporting channels are defined for whistleblowing and suspected cases of violations of the regulations. Kapsch TrafficCom employees have access to the globally applicable guidelines on the intranet and the HSSEQ platform.

Compliance organization.

A multi-level compliance organization has been set up at Kapsch TrafficCom for comprehensive monitoring of protective measures. The Executive Board is supported by the Compliance Officer in corruption prevention matters. The latter, in turn, works with various departments and managers in the organization depending on the subject area. The Executive Board submits an Anti-Corruption Report to the Supervisory Board each year.

Kapsch TrafficCom is introducing a new ERP (Enterprise Resource Planning) system throughout the Group. The system is used for standardized daily automated comparisons of business partners with embargo and sanctions lists. These lists contain, among other things, persons and companies that are connected to human rights violations. It is planned to largely complete the rollout of the new ERP system by the end of financial year 2020/21.

Kapsch Group's Internal Audit department may also audit Kapsch TrafficCom on behalf of the Executive Board, regarding, among others, the processes of the internal control system and their compliance, as well as regarding fraud and corruption.

Social responsibility.

Kapsch TrafficCom's social responsibility has two dimensions: its own products and solutions and its commitment to the community and the general public.

Products and solutions. They can only remain competitive in the long term if they deliver added value for customers and end users, and ultimately also benefit society and the environment. The Company's service portfolio directly addresses the social aspects of safety, environmental and climate protection and quality of life:

Commitment to the community. Modern communication platforms and channels make it possible to exchange opinions and information worldwide and in real time, occasionally without the participation or even knowledge of those who are the subject of the conversation. The growing group of direct and indirect sub-publics continues to gain in importance. They increasingly act as correctors or drivers. At the same time, companies are viewed more critically. A company must therefore see itself as part of society and regularly question what role it plays in society and what its social acceptance and business model are.

Important risks.

- > Malfunctions and failures of Kapsch TrafficCom products can lead to non-optimal control of traffic flows. In extreme cases this could provoke accidents.
- > Conflict minerals could be used in the supply chain.
- > Personal data could be disclosed without authorization and/or processed unlawfully due to theft, accident, or improper handling.

Concepts.

Kapsch TrafficCom pursues a socially relevant mission, namely to make increasing road traffic safer, more reliable, more efficient and more comfortable and to reduce the associated environmental impact. The protection of personal data also plays an important role in an increasingly digitized world.

Beyond these operational areas of activity, the company assumes social responsibility, mainly organized by Kapsch Group. In Austria, this commitment to society focuses on promoting health and development and supporting educational, artistic and cultural institutions.

The activities of international subsidiaries are aimed at local conditions and may also include, for example, support for sports activities. Kapsch TrafficCom also operates in emerging and developing countries. From the company's point of view, it is important to be seen as an equal partner there. This includes meeting local social requirements for companies and not exploiting any position of strength.

Innovative and high quality product portfolio.

Kapsch TrafficCom is actively facing the challenges of its dynamic markets and is constantly expanding its product portfolio with innovative solutions. The company pursues the goal of global quality and innovation leadership in line with its overall strategy. The company's success to date is understood as a mission and obligation to continue to create competitive advantages and added value for customers and partners.

Patents protect the intellectual property rights of Kapsch TrafficCom. By including the patent analysis in the development process, the risk of patent infringements is minimized. The patent monitoring system analyses patent applications from competitors and in relevant technology segments.

More detailed information on research and development activities can be found in the Management Report ([-> chapter 3.1 „Research and development“](#)).

Customer proximity.

Customer proximity is a key success factor. It is determined by the Group's local presence, which is ensured by branches and representative offices in more than 30 countries. Kapsch TrafficCom creates an additional dimension of proximity through intensive, respectful cooperation with international project partners and customers as well as through the conscious promotion of regional value creation. Participation in industry events and trade fairs makes an important contribution to promoting

exchange with customers. Furthermore, the marketing and sales departments conduct periodical surveys to learn about customer satisfaction. Based on the results of such surveys, effective measures for continuous improvement of customer satisfaction are promptly defined and implemented.

Procurement: Handling conflict minerals.

From Kapsch TrafficCom's perspective, a company's social responsibility includes vetting the suppliers it buys from (>> section: "Environment"). In addition to price, quality and environmental aspects, the topics of human rights, corruption and social aspects are also relevant. As part of the supplier evaluation process, Kapsch TrafficCom asks whether control mechanisms are in place to ensure compliance with the "OECD Guidelines for the exercise of due diligence to promote responsible supply chains for minerals from conflict and high risk areas". Suppliers must also explain their risk assessment model and how they avoid the use of minerals whose production is influenced by wars.

Open dialog.

Kapsch TrafficCom is committed to an open dialog with civil society and its bodies. Particularly in the course of the constant expansion of the network of business partners and the development of new markets and dialog publics, the company promotes local and intercultural dialog through a high degree of transparency towards the general public, the media, interest groups, politics, the capital market and of course, employees.

Various digital communication channels are used and networked with classic media to ensure open and transparent communication. Participation in trade fairs, lectures at conferences and events as well as numerous publications by experts are part of the communication measures. Active international press work with a focus on industry media and localized communication in individual countries is supported by the use of social media such as Facebook, Twitter, LinkedIn, the company's own website, and YouTube. The Kapsch TrafficCom website provides comprehensive information about the company, various technical solutions and numerous reference projects.

The annual media resonance analysis provides information on the tonality of reporting on Kapsch TrafficCom.

Kapsch TrafficCom uses a variety of communication channels for regular communication with various interest groups. Topicality, transparency and fairness are always in the foreground:

- > Especially developed online portals and service hotlines have been set up for customers. In addition, customer surveys are conducted annually.
- > Existing and potential shareholders are supported by the Investor Relations department.
- > There is also a lively exchange with non-governmental organizations relevant to the industry such as motor clubs and interest groups.
- > The active involvement of employees and employee representatives takes place through regular information events and the use of online media. Reference is also made here to the employee survey (>> section „Employees“).

Kapsch TrafficCom is a member of more than 40 organizations to safeguard its own interests and to actively contribute to discussions on current industry issues. In addition to regulatory and legal issues and because of the company's business purpose, the focus is on aspects of intelligent transport systems.

Information security.

The topic of information security is deeply anchored in the organization. This is necessary because the software solutions from Kapsch TrafficCom process customer and user data. The Company is aware of its responsibility in dealing with this information and is also anxious to protect its own data against unauthorized access. Risks and current threats are continuously assessed so that targeted measures can be taken. These typically aim at the three dimensions of humans, process and technology.

Security policy. Kapsch TrafficCom has formulated the following two guiding principles for the targeted use of security measures:

- > Information security should promote and support business processes:
- > Security measures should be based on the recognized state of the art. The global orientation in this context defines ISO 27001 as the standard reference for the implementation and operation of information security.

Risk management. As the core process of ISO/IEC 27001, Kapsch TrafficCom has a uniform risk management process for information security that is integrated into the corporate risk management. The structured approach to the consideration of risks in connection with information security is derived from the business processes of Kapsch TrafficCom and therefore represents a holistic approach. The risk management process is implemented at all integrated companies, regardless of whether they are formally ISO/IEC 27001 certified or not.

Vulnerability management. In cooperation with the other companies of the Kapsch Group, Kapsch TrafficCom monitors via various channels whether any security-relevant vulnerabilities appear in the systems. In addition, active measures are taken, such as regular and automated vulnerability testing of external and internal systems as well as penetration tests.

Management of security incidents. Kapsch TrafficCom has a centrally organized process with communication chains and escalation structures for security incidents. This ensures that such incidents are dealt with professionally and promptly.

Business continuity management. During the course of the COVID-19 crisis, Kapsch TrafficCom demonstrated, in cooperation with the Kapsch Group, that the established mechanisms for crisis and emergency management work. Productivity within the company was seamlessly maintained thanks to the good combination of technology and processes.

Awareness. One of the most important pillars in the active management of information security is raising awareness among employees. A training program exists for this reason, which is supplemented by periodic mailings and intranet messages on current topics. Occasional e-mails simulating phishing are used to practice what has been learned.

Protection of personal data.

All Kapsch TrafficCom locations in the European Union and all locations providing deliveries or services to/in the EU where personal data is processed are subject to the provisions of the EU General Data Protection Regulation (EU GDPR). Kapsch TrafficCom has structured itself as follows.

Conception. The company relies on a two-pillar model: Data protection management for the planning of measures and the execution of tasks as well as data protection monitoring to monitor compliance with regulations. As far as possible, structures of existing information security management systems (ISO 27001) and quality management systems (ISO 9001) are used.

Training. Corporate management has received comprehensive training and the specialist departments have been specifically trained for their areas of responsibility in order to ensure that data protection tasks are broadly anchored in the Group. Basic training has been set up for the entire workforce.

Processes. In accordance with the "Privacy By Design" requirement, Kapsch TrafficCom has integrated data protection risk management into the processes for designing and developing products and solutions. The company also revised the process for exercising the rights of data subjects and the process to be used in the case of data corruption.

Transparency. When collecting personal data, the company complies with the extended information requirements of the EU GDPR. This means that data subjects will now be informed more fully about the processing of their data.

Deletion periods. All deletion periods for personal data were checked and adjusted if necessary.

Non-financial key figures.

Environment.

The name of the key figure “Percentage of computer workstations equipped with Skype for Business” has been revised and is now referred to as “Percentage of computer workstations equipped with digital collaboration systems”.

	2018/19	2019/20	2020/21 goals
Percentage of computer workstations equipped with digital collaboration systems ¹⁾	100%	100%	Keep at 100%
Electricity consumption at all locations with about 5,000 m ² or more (incl production) in MWh ²⁾	7,255	7,310	Maintain on a constant level
CO ₂ emissions at all locations with about 5,000 m ² or more (in tons of CO ₂ equivalents) due to electricity consumption and heating ²⁾	2,176	2,543	Maintain on a constant level
Product recyclability for RF (Radio Frequency) field products and in-vehicle products ³⁾	83.5%	85.8%	Sustainably higher than 80%
Product recyclability for video and sensor products ³⁾	n.a.	89.7%	Sustainably higher than 80%

¹⁾ Applies to all group companies whose IT is fully integrated into the Group IT. This includes all companies except, in particular, SIMEX, Integración de Sistemas, S.A.P.I. de C.V. (Mexico), Electronic Toll Collection (Pty) Ltd., TMT Services and Supplies (Pty) Ltd., and Kapsch TrafficCom South Africa (Pty) Ltd. (South Africa), Intelligent Mobility Solutions Limited (Zambia), FLUIDTIME Data Services GmbH (Austria), and tolltickets GmbH (Germany).

²⁾ The following locations are relevant:

- > a building in Cape Town (South Africa): approximately 20,300 m²
- > the headquarters in Vienna (Austria): approximately 16,800 m²
- > the production site in Vienna (Austria): approximately 11,800 m²
- > the production site in Mississauga (Canada): approximately 6,300 m²
- > a site in Jönköping (Sweden): approximately 5,700 m² (previous year: approximately 5,000 m²)

³⁾ Only for products manufactured by Kapsch TrafficCom, no products included which are sourced from third parties. Calculated as an average across the various products.

Employees.

	2018/19	2019/20	2020/21 goals
Consumption of training budget ¹⁾	82.9%	54.5%	100%
Conducting performance reviews ²⁾	about 75.5%	about 47.6%	100% per financial year
Proportion of women in leadership positions ³⁾	21.8%	25.0%	Further increase; 2023 > 30%
Employee turnover rate ⁴⁾	8.9%	12.0%	Keep under 10%
Number of fatalities as a result of work-related injury ⁵⁾	0	0	0
Rate of fatalities as a result of work-related injury ⁶⁾	0.0	0.0	0.0
Number of high-consequence work-related injuries (excluding fatalities) ^{5) 7)}	2	1	0
Rate of high-consequence work-related injuries ⁸⁾	0.3	0.1	0.0
Number of recordable work-related injuries ⁵⁾	45	42	0
Rate of recordable work-related injuries ⁹⁾	6.8	4.7	0.0

¹⁾ In financial year 2019/20, the training budget amounted to about EUR 3.9 million (previous year: about EUR 3.3 million).

²⁾ Calculation: number of employee performance reviews conducted: number of employees at balance sheet date.

³⁾ Refers to all management levels, including team leaders.

Calculation: number of female managers : total number of managers.

⁴⁾ Calculation: Employee-initiated departures : average number of employees excluding sold/shutdown business units. In financial year 2019/20, the latter related to Kapsch Telematic Services spol. s.r.o., Czech Republic, and Streetline Inc., USA (previous year: Kapsch Road Services Sp. z o.o., Poland).

⁵⁾ Injuries or fatalities as a result of commuting incidents are only included if the transport has been organized by Kapsch TrafficCom.

⁶⁾ Calculation: number of fatalities as a result of work-related injury : number of hours worked x 1,000,000;
number of hours worked in financial year 2019/20 = 8,909,748 (previous year: 6,658,004).

⁷⁾ High-consequence means a work-related injury from which the employee cannot, does not, or is not expected to recover fully to pre-injury health status within six months. Fatalities are excluded.

⁸⁾ Calculation: number of high-consequence work-related injuries (excluding fatalities) : number of hours worked x 1,000,000;
number of hours worked in financial year 2019/20 = 8,909,748 (previous year: 6,658,004).

⁹⁾ Calculation: number of recordable work-related injuries (including fatalities) : number of hours worked x 1,000,000;
number of hours worked in financial year 2019/20 = 8,909,748 (previous year: 6,658,004).

The training budget was used significantly less in the 2019/20 financial year than in the previous year. A major reason for this development was the increasingly worsening financial results and cost-cutting measures introduced. These also affected external training costs. Towards the end of the financial year and at the beginning of new financial year 2020/21, the measures taken to deal with the COVID-19 pandemic had a negative impact on training activities.

One of the main reasons for the significant decline in the number of employee performance reviews was a lower rate in the USA. Due to the strained employee situation (>> *Management Report, chapter 2.1 "Business performance 2019/20"*), colleagues focused their full attention on processing customer projects. As a result, employee performance reviews often came up short. In addition, many vacant positions were filled in the second half of the financial year. No performance reviews have yet been conducted with these new employees. The personnel situation is expected to remain strained for most of financial year 2020/21. Nevertheless, management will exert influence on colleagues in the USA so that the rate of completed employee performance reviews does not continue to fall, but rather rise again if possible. In Austria, the number of employee performance reviews held was also disappointing. For this reason, management will also take a motivational role and emphasize the importance and value of the exchange between employees and managers. In Poland, the number of employees rose sharply in the second half of the year due to the new order for manual tolling (>> *Management Report, chapter 2.2 "Revenues and earnings"*). No performance reviews have yet been conducted with these new employees.

Human rights and anti-corruption measures.

	2018/19	2019/20	2020/21 goal
Proven significant claims or proceedings, sanctions or fines against Kapsch TrafficCom Group companies in connection with corruption or human rights violations.	0	0	0

Social responsibility.

Until last year Kapsch TrafficCom used the key figure "Percentage of product complaints for on-board units". As this figure was repeatedly extremely low (2018/19: 0.4%), the Executive Board decided not to report this figure further because it lacked significance.

	2018/19	2019/20	2020/21 goals
Expenses for research and development as a percentage of revenues ¹⁾	About 15%	About 18%	Approx. 10% or higher
Average tonality of media coverage of Kapsch TrafficCom ²⁾ (5 = positive, 4 = somewhat positive, 3 = neutral, 2 = somewhat negative, 1 = negative)	3.9	2.8	Approaching 4.0
Proportion of employees who have finished the training regarding the general data protection regulation	31.6%	34.7%	Progress further towards 100%

¹⁾ Calculation: expenses for research & development : revenues.
The definition of which expenses should be assigned to research and development was revised in financial year 2019/20. The most significant change is that expenses for IPR management are no longer included. The research ratio thus includes expenses for customer-specific developments as well as for product management, development support and generic developments; (>> *Management Report, Chapter 3.1 "Research and development"*). As a result of the revision of this key figure, the figure for the 2018/19 financial year changed only slightly, so that no adjustment of the previous year's figure was necessary.

²⁾ Source: Media resonance analysis by META Communication International.

Media coverage of Kapsch TrafficCom in financial year 2019/20 focused on the early termination of the German infrastructure charge projects and the overall disappointing economic development in the reporting period. For this reason, the tonality of media coverage suffered significantly. The disputes concerning the award of the nation-wide truck toll system in the Czech Republic already had a negative impact in the previous year.

Management expects improved financial figures again for the 2020/21 financial year. In addition, Kapsch TrafficCom is striving to communicate the added societal value of the company's products and solutions through media more than it had in the past. A specific example is the Kapsch TrafficCom Index: 9,000 citizens in nine countries answer more than 80 questions representative of the population. The impacts of congestion and environmental pollution from road traffic in urban and rural areas on people's lives were derived from this index.

In view of the investigative committee on the passenger vehicle toll in Germany, management expects further, partly critical reporting on Kapsch TrafficCom.

The number of people who have completed the online training on the General Data Protection Regulation has increased, but not to the extent hoped for. Management will make greater efforts to ensure that this training is completed.

Vienna, June 15, 2020

The Executive Board



Georg Kapsch
Chief Executive Officer



André Laux
Executive Board member



Alfredo Escribá Gallego
Executive Board member

Kapsch TrafficCom

Kapsch TrafficCom is a provider of intelligent transportation systems in the fields of tolling, traffic management, smart urban mobility, traffic safety and security, and connected vehicles. As a one-stop solution provider, Kapsch TrafficCom offers end-to-end solutions covering the entire value creation chain of its customers, from components and design to the implementation and operation of systems. The mobility solutions supplied by Kapsch TrafficCom help to make road traffic safer and more reliable, efficient, and comfortable in urban areas and on highways while helping to reduce pollution.

Kapsch TrafficCom is an internationally renowned provider of intelligent transportation systems thanks to the many projects it has brought to successful fruition in more than 50 countries around the globe. As part of the Kapsch Group, Kapsch TrafficCom has subsidiaries and branches in more than 30 countries. It has been listed in the Prime Market of the Vienna Stock Exchange since 2007 (ticker symbol: KTCG). In financial year 2019/20, the about 5,100 employees of Kapsch TrafficCom generated revenues of EUR 731 million.

>>> www.kapsch.net