



kapsch >>>
challenging limits

Kapsch TrafficCom

Sustainability Report 2015/16.

Prepared on the basis of the GRI G4 standards on sustainability reporting.

Content.

Foreword By The Chief Executive Officer	3
Our commitment	5
Our financial performance	8
Key financial data	9
Our non-financial performance	10
Sustainable and responsible corporate management	11
Sustainable products and innovation	18
Protecting the environment and resources	24
Committed team	27
Corporate social responsibility	32
Details about the report	35
Glossary	36
GRI Content Index	37



Note.

This report fulfils the requirements for sustainability reporting under the Global Reporting Initiative – GRI Standard G4 (Application Level: Core) for sustainability reports and constitutes our Communication on Progress for the United Nations Global Compact. You can find an overview of the GRI Indicators in the GRI content index on pages 37 to 38, with references to the various sections of the report. At the side of each page we have added a column that refers to this information.

Foreword by the Chief Executive Officer.

Dear reader,

The need to give our corporate actions a sustainable focus is more apparent than ever today. The demands being placed on companies by lawmakers and other stakeholder groups clearly demonstrate this. An example here is that it is now a legal obligation for companies listed on the stock exchange to publish sustainability reports from 2017, thereby taking stock of their non-financial performance. The realization that corporate success cannot be measured by financial figures alone is one that will become increasingly important in the future and requires companies to take the appropriate action.

G4.1.

These trends are particularly important for Kapsch TrafficCom, not least in view of the Company's business model. As such, the need for sustainable corporate governance is an issue we have been addressing closely for many years now. We have indeed been ahead of the times already, preparing and publishing sustainability reports on a voluntary basis in the past. However, sustainability has strategic implications for us extending well beyond mere reporting requirements: Sustainability is an integrated part of our 2020 strategy to safeguard our long-term success and to manage the transformation of our business model from that of a system provider and operator to one in which we provide intelligent mobility and data solutions for business customers and private road users. We measure our success just as much on the basis of environmental and social benchmarks as on economic ones. By means of our products and solutions, we are making a meaningful contribution to the environmentally and resource-sensitive design of transportation systems and, therefore, to the sustainable development of our society. Particularly worthy of mention here is the positive effect on climate protection as a result of using our products and services, such as free-flowing traffic thanks to the Multi Lane Free Flow System (MLFF), usage-based traffic management by means of the Electronic Toll Collecting system (ETC) or new solutions to optimize the search for parking spaces and promote intermodal transport.



Georg Kapsch,
Chief Executive Officer

In addition to this, we are also working hard in our own sphere of influence to minimize our utilization of resources as well as any potential impact on the environment. This report is also aimed at demonstrating this. This is the fifth sustainability report of the Kapsch TrafficCom Group and we have been able to reach a very special milestone here: We have orientated ourselves on the G4 standards of the Global Reporting Initiative for the first time this year. In this context, we carried out a structured materiality process which defines the framework of the report. The associated structured analysis of our areas of activity in respect of sustainability, along with the survey of internal and external stakeholders, enabled us to identify the key areas of activity in respect of sustainability for the Kapsch TrafficCom Group and to focus on these in our reporting. We will continue down this path with increased focus in the coming years as part of our ongoing dialog with stakeholders.

Another highlight of our achievements this year was that we were able to improve on our position in the most internationally renowned rating for climate protection measures, the Carbon Disclosure Project (CDP). As in prior years, we were also involved in the United Nations Global Compact (UNGC), the largest global initiative of socially committed companies. The resulting commitment to comply with the ten principles of the UNGC with regard to human rights, occupational standards and environmental protection, among others, as well as the annual Communication on Progress report, are complied with through the publication of this sustainability report.

We are living through times of change – which requires each and every one of us to change how we think. At the Kapsch TrafficCom Group, we want to confront the challenges associated with this and continue to take the steps needed to create sustainable value for our stakeholders. The following sustainability report will show you in detail how aim to achieve this.

At the same time, we also want to celebrate a special event in 2017 – the 125th anniversary of Kapsch, perhaps the most impressive example of the sustainability of our business model. 125 years during which we have grown to become one of the world's leading technology companies. With some 7,000 employees who are accustomed to giving 125% every day. 125% dedication – this is the motto with which we will embark on a year full of highlights and some surprises.



Georg Kapsch
Chief Executive Officer

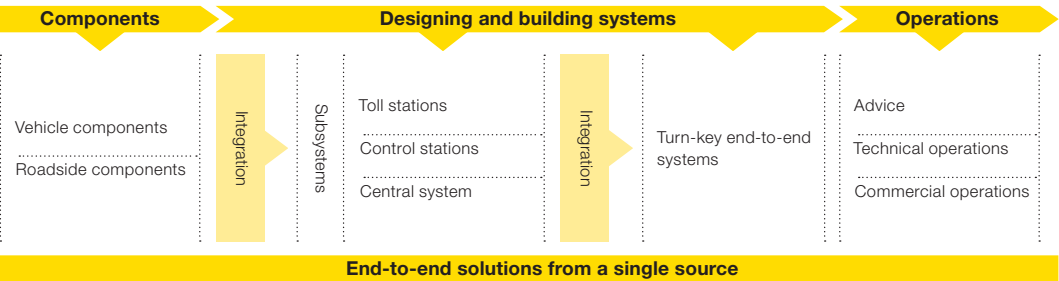
Our commitment.

“We believe that being fit for the future entails regarding key aspects of sustainability as an integral component of our corporate strategy and constantly striving to improve these. By means of our products and solutions, we are making a meaningful contribution to the environmentally and resource-sensitive management of transportation systems and, therefore, to the sustainable development of our society.”

Georg Kapsch

Kapsch TrafficCom is a provider of intelligent transport systems (ITS) in the solution segments of road user charging, traffic management, road safety enforcement, urban mobility and networked vehicles. With its end-to-end solutions, Kapsch TrafficCom covers the entire value-added chain of its customers as a one-stop shop, from components and the design and setting up of systems to their operation. The core business is to design, build and operate electronic toll collection and traffic management systems.

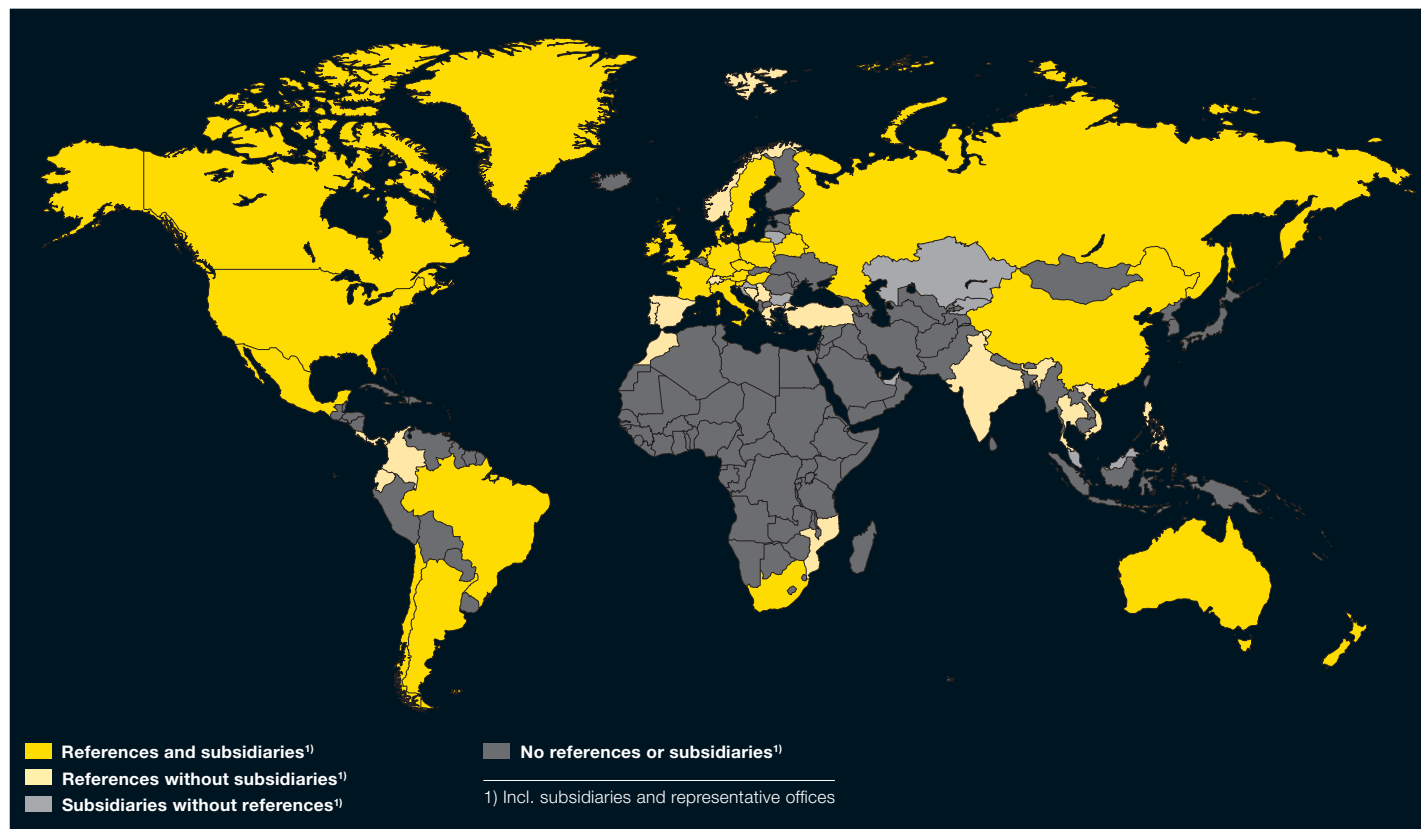
G4.4



Reference projects in 44 countries on all continents make Kapsch TrafficCom a recognized supplier of ITS worldwide. As part of the Kapsch Group, a family-owned Austrian technology company founded in 1892, Kapsch TrafficCom, with its head office in Vienna, Austria, has subsidiaries and branch offices in 30 countries, has been listed on the Vienna Stock Exchange since 2007 (KTCG) and generated revenues of EUR 526 million in the 2015/16 fiscal year with over 3,700 employees.

G4.5; G4.6; G4.7; G4.9

Subsidiaries and representative offices.



As a successful group of companies, the Kapsch Group is accustomed to looking ahead. However, 2017 is a year in which it is also time to look back – in celebration of the 125th anniversary of Kapsch. This success story is one on which the entire group of companies can look back with pride:

- > 125 years in which we have achieved a lot. Together.
- > 125 years in which we have always given more than was expected of us.
- > 125 years in which we questioned the status quo and pushed back boundaries.
- > 125 years in which we have developed into a leading global technology company. With around 7,000 employees who are accustomed to giving 125% every day: 125% imaginative power, 125% innovative spirit, 125% passion.

Sustainability and corporate responsibility.

Our understanding of sustainability is based on the three pillars of environmental, social and commercial (economic) sustainability. Only if all three can be found in equal measure in the corporate strategy will we be able to remain successful over the long term. The issues and areas of activity we need to tackle here include the following:



Our sustainability agenda.

Sustainable management.		> Our commitment to sustainable corporate management is underpinned by our involvement in the United Nations Global Compact (UNGC), the largest global initiative of socially committed companies, as well as our implementation of the Global Reporting Initiative (GRI) standards. All sustainability agendas are managed by means of a structured sustainability management framework and our integrated management system.
Sustainable products.		> By means of these products and solutions, we are making a meaningful contribution to the environmentally and resource-sensitive management of transportation systems and, therefore, to the sustainable development of our society. In particular, using our products and services has a positive impact on climate protection.
Protecting the environment and resources.		> It is our goal to continuously reduce the consumption of resources and the release of climate-relevant emissions associated with our business activity. Areas of action in which we aim to make improvements every year include energy consumption, use of resources, paper consumption, environmentally friendly procurement and emissions resulting from travel and transportation.
Committed team.		> We believe that the commitment, talent and engagement of our employees represent key success factors that must be safeguarded and developed. The guiding principle here is a well-developed corporate culture that places emphasis on responsibility, respect, performance, discipline, transparency, freedom, dynamism, and family.
Corporate social responsibility.		> We acknowledge our responsibility to society in many different ways. To this end, we have been supporting selected cultural and social institutions and projects for many years: Supporting artists and cultural partnerships is just one example of our commitment, in addition to the annual Kapsch art calendar.

Our financial performance.

The commercial success of our company is measured on the basis of the development of revenue and earnings, as well as the ability to finance further growth using our own funds.

Revenue and earnings.

Newly acquired projects and project expansions made it possible to increase revenue by 15% to EUR 526.1 million during the reporting period. EBIT rose sharply by 90% to EUR 62.3 million, the highest level in the history of Kapsch TrafficCom. This growth is remarkable, particularly when considering that the prior year's level was very high due to one-time effects in the ETC segment. The current result also includes our investments in Streetline. The substantial improvement is therefore due, above all, to the successes of the 'Top Fit' project. New projects coming in and the rise in sales of our on-board units also had a positive effect. The EBIT margin therefore widened from 7.2% to 11.9%.

G4.30

Segment earnings clearly illustrate the trends: Revenue in the ETC segment rose by 14% to EUR 442.1 million, while the EBIT of this segment saw a sharp increase of 90% to EUR 63.7 million. In the IMS segment, revenue increased by 25% to EUR 84.0 million. The EBIT of this segment, with a decline to EUR -1.3 million, reflected lower revenue contributions from the sale of components and from North American design & build projects, as well as the costs for the newly acquired Streetline, Inc.

The profit for the period of the Kapsch TrafficCom Group rose from EUR 11.4 million to EUR 36.5 million due to the improved financial result. Earnings per share therefore amount to EUR 2.39 for the reporting year, following EUR 0.28 in the prior year. Both are record amounts.

Net assets and financial position.

The statement of financial position figures also highlight a steady improvement. The equity ratio increased to 44.9%. Cash and cash equivalents at the end of the fiscal year amounted to EUR 140.8 million, helping to ensure that the Kapsch TrafficCom has no net debt and instead is able to report net assets of EUR 33.8 million. Capital employed and net working capital were slightly reduced in year-on-year comparison. Free cash flow increased to EUR 90.7 million and reflects the financial potential of Kapsch TrafficCom.

Please refer to the Annual Report 2015/16, from page 48, for a detailed analysis of the business environment and the development of business.

The Ordinary Shareholders' Meeting held on 7 September 2016 voted to accept the motion put forward by the Executive Board of Kapsch TrafficCom AG to pay out a dividend of EUR 0.50 per share for the 2015/16 fiscal year. This is the highest dividend paid out since the initial public offering, and an above-average dividend compared with prior years and in relation to the group annual profit. This is due to the improvement in earnings, as well as an excellent net assets and financial position; the Kapsch TrafficCom share is a dividend-paying stock.

Key financial data.

Earnings Data ¹		2012/13	2013/14	2014/15	2015/16
Revenues	in million EUR	488.9	487.0	456.4	526.1
EBITDA	in million EUR	34.2	36.9	61.5	76.9
EBITDA margin	in %	6.7	7.6	13.5	14.6
EBIT	in million EUR	16.5	20.3	32.7	62.3
EBIT margin	in %	3.4	4.2	7.2	11.9
Profit before tax	in million EUR	17.0	5.5	19.9	54.8
Profit for the period	in million EUR	16.8	2.9	11.4	36.5
Profit for the period attributable to equity holders	in million EUR	9.8	-4.3	3.6	31.1
Earnings per share ²	in EUR	0.75	-0.33	0.28	2.39
Free cash flow ³	in million EUR	48.3	-24.7	68.2	90.7
Capital expenditure ⁴	in million EUR	20.2	15.7	8.4	10.0
Employees ⁵		3,013	3,308	3,545	3,716
Business Segments ⁶		2012/13	2013/14	2014/15	2015/16
Electronic Toll Collection (ETC)					
Revenues (share on total revenues)	in million EUR	n/a	429.0 (88.1%)	389.3 (85.3%)	442.1 (84.0%)
EBIT (EBIT margin)	in million EUR	n/a	11.1 (2.6%)	33.5 (8.6%)	63.7 (14.4%)
Intelligent Mobility Solutions (IMS)					
Revenues (share on total revenues)	in million EUR	n/a	57.9 (11.9%)	67.1 (14.7%)	84.0 (16.0%)
EBIT (EBIT margin)	in million EUR	n/a	9.1 (15.8%)	-0.8 (-1.1%)	-1.3 (-1.6%)
Regions ⁷		2012/13	2013/14	2014/15	2015/16
Austria	in million EUR	38.0 (8%)	32.9 (7%)	38.2 (8%)	39.8 (8%)
EMEA (excl. Austria)	in million EUR	350.1 (72%)	350.0 (72%)	297.9 (65%)	332.2 (63%)
America	in million EUR	74.8 (15%)	87.0 (18%)	92.6 (20%)	118.2 (22%)
APAC	in million EUR	26.0 (5%)	17.1 (4%)	27.7 (6%)	35.9 (7%)
Balance Sheet Data		31 March 2013	31 March 2014	31 March 2015	31 March 2016
Total assets	in million EUR	567.2	566.8	515.6	513.7
Total equity ⁸	in million EUR	236.7	213.1	219.4	230.7
Total equity ratio ⁸	in %	41.7	37.6	42.5	44.9
Net assets (+)/debt (-)	in million EUR	-40.5	-93.4	-35.9	33.8
Capital employed	in million EUR	360.7	369.2	357.3	337.7
Net working capital	in million EUR	243.9	205.4	209.9	183.7

1 Only continuing operations

2 Earnings per share 2015/16, 2014/15, 2013/14 and 2012/13 relate to 13.0 million shares.

3 Operating cash flow minus capital expenditure from operations (excl. payments for acquisition of companies and purchases of securities and investments) plus proceeds from the disposal of property, plant and equipment and intangible assets

4 Capital expenditure from operations (excl. payments for acquisition of companies and purchases of securities and investments)

5 As of 31 March of each year

6 The disclosure for the fiscal years 2013/14 and earlier is not applicable due to the new reporting structure.

7 Revenues (share on total revenues in %); EMEA (Europe excl. Austria, Middle East, Africa); APAC (Asia-Pacific)

8 Incl. minority interests

Our non-financial performance.

In order to benchmark our non-financial performance, indicators for the areas of activity which are relevant for us have been defined which we aim to continuously improve by means of effective action. For details, please refer to the corresponding sections of this report.

Our activities in national and international sustainability bodies, as well as numerous awards received for our products and services, serve to highlight our success: **G4.15; G4.16**

32%

of the purchasing volume was sourced from ISO 14001-certified suppliers

2,100

patents owned by Kapsch

3%

reduction in CO₂ emissions per product tonne compared to the prior year

47%

reduction in PM10 emissions thanks to Low Emission Zones in Bologna

11%

of revenue is invested in research and development

3,716

people are employed by the Kapsch TrafficCom Group

KTC has been listed in the Austrian sustainability index, VÖNIX, since 2009.



KTC is a member of respACT.



KTC has been supporting the principles of the UN Global Compact since 2009.



Kapsch has been a recipient of the Beruf&Familie (job and family) award since 2014.



Kapsch has been included in the Carbon Disclosure Index (CDP) since 2012.



Kapsch Components was again presented with the City of Vienna's Ökoprofit award, as in the past year.

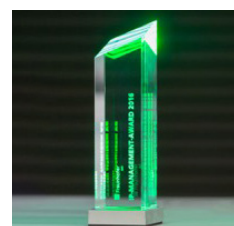


In May 2014, Kapsch TrafficCom was honored with the prestigious Red Dot Award 2014 for the innovative design of Kapsch NEXT, a transponder and communication device for electronic toll collection systems.



reddot award 2014 winner

Kapsch TrafficCom was recognized for its excellent innovation and patent management with the 2016 IP Management Award.



***Sustainable and
responsible corporate
management.***

Sustainable and responsible corporate management.

Our sustainability targets and the associated action form integral elements of the 2020 strategy and serve to underpin our business success.

Kapsch TrafficCom AG defines its processes in an integrated management system for health and safety, security, environment and quality (HSSEQ). Valid certifications are held for quality management pursuant to ISO 9001 (since 2002), for occupational health and safety pursuant to OHSAS 18001, and for environmental management, pursuant to ISO 14001 (since 2005).

The strategic coordination of objectives and measures as well as the compilation of information for internal and external stakeholders in these areas of activity are ensured by the Kapsch sustainability manager. Operational implementation and management is supported by the integrated HSSEQ management system. Furthermore, the principles of the UN Global Compact, the requirements of the Global Reporting Initiative and external ESG ratings (environmental, social, governance) are implemented as far as is possible.

G4.DMA

Our values.

G4.56

Our values are a major part of our corporate culture. Our activities define lasting values for the future and make an active contribution to responsible socio-political development. The employees, managers and Executive Board of the Kapsch Group, along with their subsidiaries, should work and act in accordance with these values:

- | | |
|-----------------|--|
| Responsibility. | > We act in the interests of the Company, take initiative and accept the consequences of our actions |
| Respect. | > We work together on the basis of mutual respect. |
| Performance. | > Everyone contributes to the achievement of our goals through their personal dedication and success |
| Discipline. | > Following rules makes it possible for us to work together in accordance with our values |
| Transparency. | > We handle information openly in order to make our decision-making processes clear |
| Freedom. | > Individual freedom of action amplifies our personal willingness to contribute |
| Family. | > We all pull together and support each other |
| Dynamic. | > A constant readiness to accept change allows us to achieve our goals |

More information can be found in our Code of Conduct:
<https://www.kapsch.net/KapschGroup/aboutus/Code-of-Conduct>

Focus on what really matters.

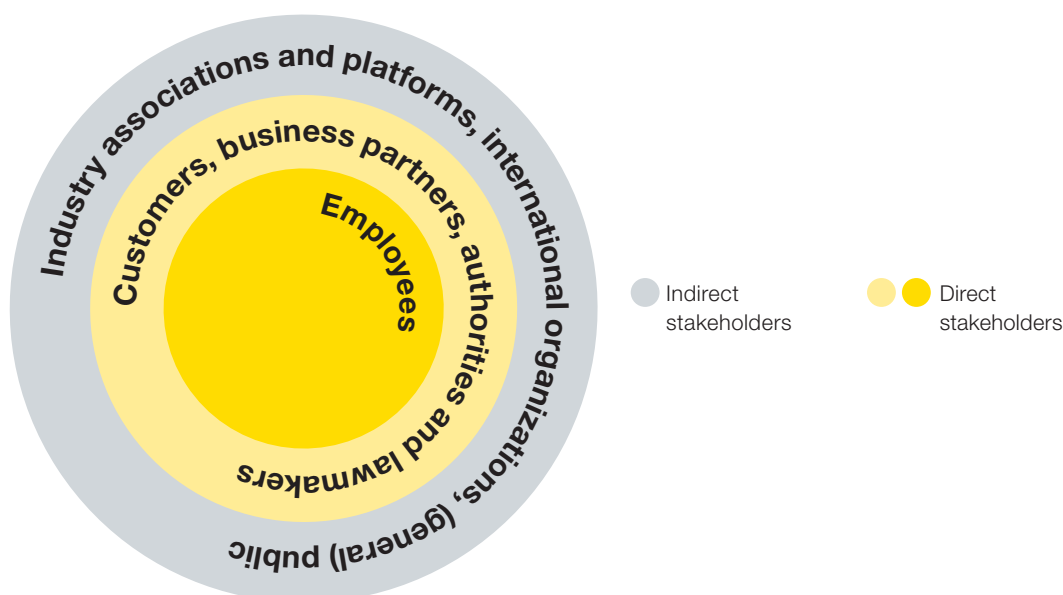
In the context of environmental, social and community issues, a structured process to record stakeholder perspectives on the areas of activity that really matter to Kapsch TrafficCom was implemented last year.

**G4.18; G4.19; G4.20; G4.23;
G4.24; G4.25; G4.27; G4.DMA**

Firstly, both the management and the individuals responsible for key functional divisions were asked, in the course of structured interviews, which stakeholder groups are to be considered as material for Kapsch TrafficCom in the context of environmental, social and corporate responsibility. The stakeholder groups were prioritized on the basis of the number of nominations and the perspective from the point of view of the management, and formed the basis for the further analysis of the material areas of activity.

The next step involved interviewing both internal and selected external stakeholders concerning their perspective, expectations and prioritization of the key areas of activity in respect of sustainability. The perspective of customers around the world was recorded by adding new, sustainability-related questions to the customer satisfaction survey.

The most relevant stakeholder groups for Kapsch TrafficCom in terms of environmental, social and corporate development are as follows:



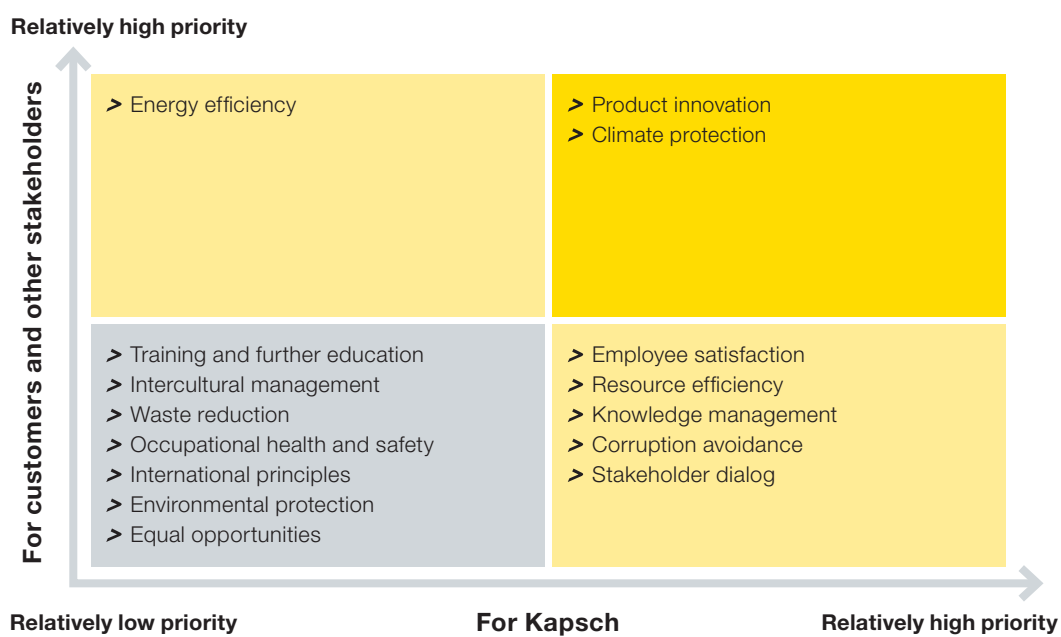
The most important issues identified from the perspective of the stakeholders are as follows:

Stakeholder group	Issues
Industry associations	<ul style="list-style-type: none"> > Decarbonizing transport > Climate protection adaptation and resilience > Sustainable development goals > Developing and creating an innovation ecosystem around sustainability and transport > Making use of digitalization for sustainable development > Developing solutions through multi-stakeholder collaboration > Strategic partnerships on sustainable development in the field of transport
Customers	<ul style="list-style-type: none"> > Making use of alternative sources of energy > Assuming responsibility for the environment > Environmental sustainability and recycling products > Health and safety aspects > Avoiding air travel as far as possible (greenhouse gases)

In order to bring the focus and action of our sustainability management in line with the material areas of activity, we carried out a comprehensive materiality process in 2016 in accordance with the provisions of the GRI G4 standard. Here we recorded internal and external stakeholder perspectives through structured interviews to identify the key topics. A range of sustainability questions were added to our global customer satisfaction survey for the first time.

The analysis of industry-relevant areas of activity and sustainability requirements in the core business formed the basis here. A shortlist of around 20 areas of activity was drawn up in the categories of environmental protection, employees, society, and governance. Representatives of the most important business and functional units of Kapsch, as well as relevant stakeholders such as customers and industry organizations, gave their feedback here and prioritized the areas of activity; interviews were performed with a total of eight internal and two external (Austriatech, OECD ITS) stakeholders, and feedback collected from 16 customers. Furthermore, information and insights already existing regarding sustainability from the business units and departments of Kapsch TrafficCom, which we were able to collect in the ongoing stakeholder dialog, complemented our analysis.

The result of this structured process is the selection of 15 areas of activity that are managed and reported on. The top five areas of activity are: product innovation, climate protection, employee satisfaction, resource efficiency, and knowledge management. The following summary also visualizes these results; unless otherwise stated, the material areas of activity, action and information apply to Kapsch TrafficCom AG. The management approach of the respective key areas of activity and aspects within the meaning of GRI G4 are explained in the description of our sustainability management system, as well as in the respective specific topic.



Talking with our stakeholders.

We employ a variety of communication channels to interact with our stakeholders on these and other topics. The focus here is always on topicality, transparency, and fairness. Specially developed online portals and service hotlines have been set up for customers; existing and potential shareholders are supported by the Investor Relations department, and there are also vibrant exchanges with industry-relevant non-governmental organizations such as transport associations and other interest groups. Members of staff and the employee representatives are actively involved via regular information events and the use of online media.

G4.26

In order to safeguard corporate interests and to make an active contribution to discussions about current industry-relevant issues, Kapsch TrafficCom is a member of more than 40 organizations. Besides regulatory and legal issues, aspects related to intelligent transportation systems are also focused on due to the commercial activities of the Group. For example, Kapsch TrafficCom is actively involved in the ITS consultancy group of the European Union.

The principles of transparency and compliance with legal regulations apply to all of the activities engaged in to safeguard business interests. Meticulous documentation of all the associated activities and expenditures ensures transparency and that the intended purpose is adhered to. These underlying principles of responsibility are also reflected in the voluntary signing by Kapsch TrafficCom AG of the Code of Conduct for Lobbying in Austria and that of the European Union. All lobbying activities by companies within the Kapsch Group are only engaged in after an announcement of the entry in the lobbying and stakeholder register and are only undertaken while this registration remains in effect.

Integrated management.

Integrated management systems for sustainability.

We regard sustainability as a continuous process and, in recent years, have begun to systemize all the issues related to this. Please see below for a list of the most important instruments and management systems which support us in our endeavors:

G4.34; G4.DMA

Kapsch TrafficCom AG defines its processes in an integrated management system for health and safety, security, environment and quality (HSSEQ). Valid certifications are held for quality management pursuant to ISO 9001 (since 2002), for occupational health and safety, pursuant to OHSAS 18001 (since 2005), and for environmental management, pursuant to ISO 14001 (since 2005). Kapsch TrafficCom has implemented the necessary measures in its internal processes and monitors them continuously. The certificate pursuant to ISO 27001 ensures the necessary level of information security management. The certificate pursuant to ISO 20000 for IT service management in the area of project management and operations guarantees a high level of service quality.

The extent of the certifications held by the organization is presented in the following summary:

Company	Location	ISO 9001 Quality	ISO 14001 Environ- ment	OHSAS 18001	ISO 27001 Information Security	ISO 20000 IT-Service Management
Headquarter	A-1120 Vienna, Am Europaplatz 2,					
Kapsch TrafficCom AG	9020 Klagenfurt	✓	✓	✓	✓	✓
(KTC AG)	Lakeside B 10 b (Lakeside Park)					
Subsidiary	SLO-1000 Ljubljana,					
Kapsch TrafficCom d.o.o	Slovenia,	✓				
(KTC SLO)	Ribiciceva ulica 33					
Subsidiary	115054, Moscow, Russia					
Kapsch TrafficCom AG OOO	Bolshoy Strchenovskiy pereulok	✓				
(KTC Russia)	7, office 702					
Subsidiary	PL-02-822 Warsaw,					
Kapsch Telematic Services Sp. z o.o	Poleczki Business Park	✓				
(KTS PL)	(A1 Building), ul. Poleczki 35					
Subsidiary	Ke Štvanici 656/3					
Kapsch Telematic Services spol. s r.o	186 00 Praha 8	✓	✓	✓		
(KTS CZ)						
Subsidiary	44 Prohlada Str.					
Kapsch Telematik Technologies Bulgaria EAD	Boyana District	✓				
(KTTB)	Sofia 1619					
Subsidiary	Gutheil-Schoder-Gasse 17					
Kapsch Components GesmbH & CoKG	1230 Vienna	✓	✓	✓	✓	
(KCO)						
Subsidiary	2855 Premiere Parkway, Suite F					
Kapsch TrafficCom USA, Inc.	Duluth, GA 30097	✓			✓	
(Location Duluth & Pleasanton)	4256 Hacienda Drive, Suite 100					
(KTC US)	Pleasanton, CA 94588					

Our subsidiary Kapsch Components also has an integrated HSSEQ management system and holds the following certifications:

- > ISO 9001 (since 2002)
- > ISO 14000 (since 2006)
- > OHSAS 18001 (since 2010)
- > ISO 27001 (since 2016)

The HSSEQ program and objectives are published once a year by senior management. The established HSSEQ Circle meets once per quarter in order to discuss the status of the objectives and action in the areas of health and safety, quality, environment and information security, and in order to take action to achieve further improvements.

Kapsch TrafficCom collates its key performance indicators in the HSSEQ Management Report on a quarterly basis, involving all corporate divisions. In addition to this, an annual management review is prepared that serves as a basis for the Executive Board and Management to evaluate the integrated management system. Responsibilities in all areas of the HSSEQ system are clearly defined. Over the course of recent years, an effective structure and responsibilities have been defined for those areas of activity which have been defined as being top priority. All related efforts are coordinated by a sustainability officer who reports directly to the Executive Board. This direct reporting ensures that the top management bodies of Kapsch TrafficCom are not only involved in all issues relating to sustainable management, but can also actively participate in their further development.

ISO 14001: The environmental management standard in detail.

Kapsch TrafficCom has been certified according to the international environmental management standard ISO 14001 at its sites in Austria and the Czech Republic, as well as at the subsidiary Kapsch Components in Vienna. The focus of ISO 14001 is on analyzing environmental aspects and risks for a range of environmentally relevant issues such as emissions, wastewater, waste, utilization of resources, transport, environmental damage, or biodiversity. Risk mitigation measures are planned and implemented in accordance with the assessment of risk potential.

ISO 14001 criteria have already been drawn on to evaluate how suppliers are selected. Details of this can be found in the section entitled 'Responsible sourcing'.

Compliance and anti-corruption.

As part of the corporate governance, all business units over which Kapsch TrafficCom AG has primary influence are analyzed with regard to their corruption risks. It is a key concern of Kapsch TrafficCom to combat corruption of any kind. The Executive Board meets its duty to monitor with due care by taking suitable and appropriate measures to prevent violations of the law by company employees before they happen. A multi-level compliance organization is in place to ensure the comprehensive monitoring of these preventative measures. In his role as Compliance Officer, Hans Lang is responsible for compliance management in accordance with the provisions of the Issuer Compliance Directive (ICV) 2007.

The compliance officer prepares an annual (internal) corruption report on the measures to combat corruption. The Executive Board presents this report to, and discusses it with, the Supervisory Board. The last corruption report was prepared in March 2015.

The following preventative action to combat corruption has so far been implemented:

- > Commitment to combat corruption pursuant to the United Nations Global Compact since January 2010
- > Implementation of an internal monitoring system since the 2009/10 fiscal year
- > Publishing a code of conduct (2010/11 fiscal year, updated in the 2013/14 fiscal year) that defines the principles of ethical, moral, and legally proper decision-making and action for the Executive Board and employees in the Group (<https://www.kapsch.net/KapschGroup/aboutus/Code-of-Conduct>)
- > The introduction of Group-wide guidelines to prevent corruption
- > Management-level awareness efforts
- > Transparency as part of the corporate culture

In addition to the Issuer Compliance Directive in place since the IPO in 2007, the compliance officer prepared, approved, and communicated more guidelines in the 2013/14 fiscal year that add aspects of combating corruption to the code of conduct and raise awareness among first-level managers about the issue of combating corruption as part of an event.

Furthermore, all employees of the first and second management levels are trained in the anti-corruption policy of the Company as well as in the related processes and tools. All remaining employees also have access to information on this matter via the Intranet.

Please see here for further information on data protection:

https://www.kapsch.net/kbc/solutions/business_protection/IT_Riskmanagement

Responsible procurement.

Environmentally-sensitive procurement.

G4.12

Besides economic and quality-relevant aspects, procurement processes also optimally take into account the environmental impacts of upstream processes, including those associated with raw materials and excipients. This is ensured by a detailed guideline document which serves as a decision-making tool during procurement. Particular attention is to be paid here to properties such as durability, recyclability, and reparability. In as far as it is commercially plausible, we also favor suppliers with a certified environmental management system. We avoid the use of materials and products containing materials which are harmful to human health and the environment. We rely on material safety data sheets to assess the potential risks. The plan is to introduce the product life cycle view in accordance with the revised ISO 14001 (revision) in the 2016/17 fiscal year.

In the case of bulk goods, we favor transportation by rail over journeys by truck. Where the quality and costs are comparable, we favor local suppliers in order to reduce journey distances. Whenever possible, we avoid procuring products and raw materials which have to be disposed of as hazardous waste after being processed or used.

Environmentally-relevant criteria for procurement in connection with customer projects.

- > Durability
- > Maintenance-free components and products
- > Energy-saving components and products
- > Reparability
- > Recyclability or the option to re-process
- > Re-establishment of original state
- > Appropriate disposal of waste materials
- > Reference to environmentally-relevant procurement criteria on orders / order confirmations / enquiries

Supplier evaluations.

G4.EN32

We are successively evaluating our suppliers in terms of their conformity with our environmental procurement criteria. Suppliers with established environmental management systems are given preference. During the fiscal year, 32% (prior year: 27.8%) of the purchasing volume was sourced from ISO-14001-certified suppliers. This means that our medium-term goal of increasing this share to over 30% has already been achieved.

Dealing responsibly with chemicals.

Far-reaching steps have been taken at Kapsch TrafficCom in order to fulfil the provisions of the so-called REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) regulations. This EU regulation requires companies that manufacture or import more than one tonne of a chemical substance in a year to register this substance in a centralized database.

Kapsch TrafficCom played a leading role in the establishment of the association Octopus – RRC Solution, which aims to ensure that the requirements imposed by the REACH regulation, the RISL (Railway Industry Substance List), and the OECD recommendation with regard to so-called conflict minerals, are implemented in a manner which is commercially plausible for SMEs. This makes it possible for members to receive and manage information about their products in a structured form which is cost-efficient and resource-saving.

2

***Sustainable products
and innovation.***

Sustainable products and innovation.

The products and solutions provided by Kapsch TrafficCom can only withstand competition over time if they provide added value for customers, end users, and, ultimately, also advantages for society and the environment. **G4.3**

Action field Products with added value	2012/13	2013/14	Target 2014/15	Achieved 2014/15	Achieved 2015/16
Proportion of product claims	3.5 %	3.2%	max. 3.5%	3.2%	1.7%
Research quota as a % of revenues	12 %	11%	approx. 10%	11%	9%
Share of orders placed with ISO 14001 suppliers	25.3 %	15.0%	min. 30%	27.8%	32%

From the mission to implementation. The innovative solutions of Kapsch TrafficCom make valuable contributions to climate protection. They allow road users to reach their destinations quickly, efficiently, and with low environmental impacts. The basis for this sustainable approach to our products is formed by the mission of Kapsch TrafficCom:

Better traffic control. Our toll collection systems around the world intelligently guide traffic. They increase road safety and reduce congestion. At the same time, they enable usage-based charging of tolls via pre-paid or post-paid models.

Higher quality of life in cities. Our solutions prevent congestion and unnecessary journey distances, and reduce noise pollution. In urban areas, Kapsch TrafficCom regulates urban access and supports road user charging.

Greater safety and environmental protection. Incident detection systems (intelligent systems that promptly identify events), multi-functional telematics platforms, and video-based traffic sensors all minimize risks on the road. Our solutions and systems make it possible to utilize existing infrastructure more efficiently and reduce environmental impacts.

Customer focus. We regard being close to our customers as a key success factor. Close customer relationships are fostered by the local presence we enjoy through our subsidiaries and representative offices in 33 countries around the world. We achieve another dimension of closeness through intensive, appreciative collaboration with our international project partners and customers as well as by intentionally promoting regional value creation.

Climate protection. Using our products and services can, in many cases, contribute to climate protection. Better traffic management, toll collection systems, efficient searching for parking and intelligent traffic systems help reduce fuel consumption or optimize the entire route traveled.

Over a quarter of energy consumed and CO₂ emissions produced in Europe are attributable to the transport sector; 20% of which to road traffic. In addition, 64% of all kilometers travelled today are in an urban environment. Around one third of traffic-related CO₂ emissions in Vienna alone is due to searching for parking spaces. The total number of kilometers traveled in towns and cities is expected to increase almost three-fold between 2010 and 2050, from 25.8 trillion to 67.1 trillion. This means that, in 2050, urban inhabitants will spend 106 hours a year in traffic jams. In addition to the statutory requirements for the automotive industry to cut CO₂ emissions, different user behavior and, above all, intelligent traffic management systems are required in order for substantial improvements to be achieved.

Innovative product portfolio.

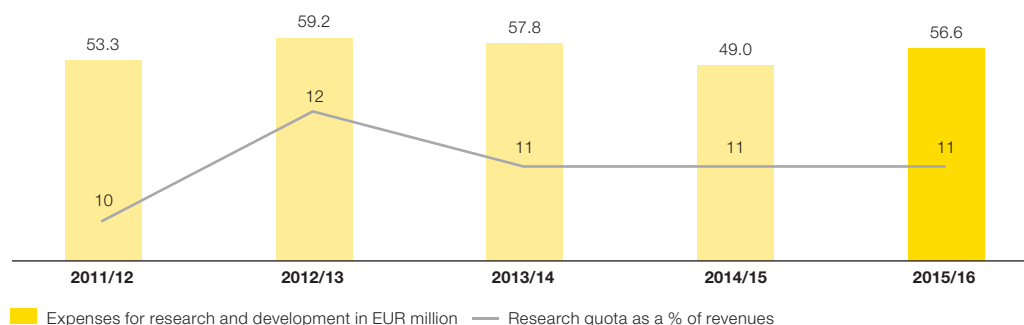
Kapsch TrafficCom pro-actively faces the challenges posed by its dynamic markets and regularly adds innovative solutions to its product portfolio. In line with our corporate strategy, our objective here is to achieve global quality and innovation leadership. We see the Company's past success as a mission and duty to continue creating competitive advantages and added value for our customers and partners.

G4.8

Innovative power.

The focus of our research and development activities is on market-oriented solutions and systems that safeguard the innovative edge enjoyed by Kapsch TrafficCom. Kapsch TrafficCom therefore maintains a global network of research and development centers: in Vienna and Klagenfurt (Austria), Jönköping (Sweden), Bologna (Italy), Buenos Aires (Argentina), Mississauga (Canada), Kingston (USA), Duluth, Pleasanton, and San Mateo (USA). As at 31 March 2016, Kapsch TrafficCom employed around 430 (previous year: 470, adjusted) engineers in its research and development activities. The associated expenses incurred in the 2015/16 fiscal year totaled EUR 56.6 million (previous year: EUR 49 million) or approx. 11% (previous year: 11%) of revenues.

Expenses for research and development



The strong market position of the Kapsch TrafficCom Group is based to a large extent on its ability to develop high-end, efficient, and reliable systems, components, and products. In this context, the Kapsch TrafficCom Group is committed to an ongoing and consistent innovation process.

Since striving for innovation leadership is based to a large extent on technology, internal know-how, and intellectual property, the global increase in product piracy and reverse engineering may have negative effects on the Kapsch TrafficCom Group. In addition, any failures to protect these technologies may have a negative impact on the competitive position of the Kapsch TrafficCom Group. On the other hand, it is possible that systems, components, products, or services could infringe on the intellectual property rights of third parties. The Kapsch TrafficCom Group places great emphasis on protecting technologies and the Company's internal know-how, for example, by means of patents and non-disclosure agreements with relevant contractual partners.

Global patents.

The success of our research and development work is also reflected in the over 2,100 patents currently held by the Kapsch Group. Between five and ten new patents applications are submitted every year. The property rights here cover trendsetting methods, systems, solutions, and designs in the strategic business segments. The Kapsch Group attaches considerable importance to protecting this know-how. As a result of the increased expansion of business operations into new regions and into selected new ITS fields, the risk of patent infringements or violations of intellectual property rights tends to increase. Kapsch TrafficCom has established intellectual property (IP) management as a separate function. In order to avoid claims and lawsuits, the Kapsch TrafficCom Group regularly monitors potential violations of intellectual property rights prior to entering new markets or regions.

Acquisitions boost innovation portfolio.

Besides investments in company-internal research and development work, Kapsch TrafficCom also relies on innovative solutions secured by means of corporate acquisitions. In the 2015/16 fiscal year, Kapsch TrafficCom expanded its offering by including smart parking solutions and data analysis through its investment in the young Californian company, Streetline, Inc. In December 2015, an agreement was reached with Schneider Electric to take over the transportation business.

Research and development projects 2015/16.

Development departments in all strategic business areas ensure the continued innovative strength of Kapsch TrafficCom. The focus of R&D in the past fiscal year was on the following areas:

Work continued on developments towards a modern platform for ETC back office solutions. Particular focus was placed here on integrating and applying new technologies (e.g. data analytics tools, open source standard components, etc.).

In addition to this, the various roadside platforms were further developed and a program launched to gradually merge the different product lines.

Investment continues to be made in work to improve vehicle recognition and classification sensors. The innovations improve the accuracy of measurements, thus further optimizing the overall performance of the solutions.

We developed DSRC components (on-board unit and transceiver) for the Italian market, which support the special Italian radio standard ETSI-TS 102 708, HDR – High Data Rate. Basic development and certification of the transceiver have been completed, and the on-board unit is planned for the 2016/17 fiscal year.

Our satellite-based tolling system is becoming increasingly important due to the evolution of the tolling market. The functional scope and area of application of the satellite-based tolling solutions was extended by integrating smartphones and other end devices in addition to GNSS on-board units. Modernizing the technologies used ensures that Kapsch TrafficCom can offer a sustainable solution that meets the requirements of a combined ETC/ITS market in terms of modularity and flexibility.

In the case of cooperative systems (V2X), the focus was on the further development of Kapsch traffic management solutions for vehicle-to-vehicle and vehicle-to-infrastructure integration as part of the 'European Corridor' research project. Participation in research projects in cooperation with the automotive industry led to contacts with leading original automotive manufacturers and Tier 1 automotive suppliers.

Furthermore, activities in the field of V2X vehicle equipment were continued and the available products further enhanced. Besides developing a product and solution portfolio for cooperative systems, we are also actively participating in the necessary standardization processes in Europe and the USA. The subsidiary Streetline invested in a new method for smart parking to record parking space utilization, reducing the need for field sensors to a minimum.

In the past, we have been awarded the renowned Kaplan Medal for innovations.

Climate and environmental protection with our products.

Guidelines for sustainable product design.

Comprehensive guidelines were drawn up to ensure that environmental, economic, social, health, and security aspects are optimally taken into account when developing and designing Kapsch TrafficCom products. The contents of this guideline document are to be integrated into functional specification documents and RFPs. The guideline is regularly reviewed and updated by the environmental officers of the relevant departments, who are also members of the HSSEQ Circle. Furthermore, by means of implementation in the existing requirement management system, this has ensured the further development and standardization of this process. This replaces the guidelines for environmentally sensitive design, integrating social and ecological requirements directly into the development process.

Better traffic control.

Our traffic telematics systems around the world intelligently guide traffic. They increase road safety and reduce congestion.

Higher quality of life in cities.

Our solutions prevent congestion and unnecessary journey distances, and reduce noise pollution. Our solutions also reduce the impact on the environment caused by pollutants. Access to urban areas is restricted for vehicles producing pollutants by imposing driving bans or levying charges.

Leading the climate protection agenda.

Not only do we seek to make a contribution to protecting the climate in our own business processes and products, but we are also seen as a key stakeholder, both in Austria and internationally, concerning climate protection and mobility.

An example of our role in international efforts to achieve climate-neutral mobility is our involvement in the Decarbonising Transport project, which is coordinated by the International Transport Forum. This platform names Kapsch as one of the key players in this field.

Kapsch is also involved as a technical expert in the discussions of the United Nations Framework Convention on Climate Change (UNFCCC). The role of information and communication technology (ICT), in particular Kapsch's experience here, will constitute a major part of the development toward decarbonized transport.

Overall, through its climate protection activities, Kapsch contributes to the objectives of the recently agreed global Sustainable Development Goals (SDGs):

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

Safety and security with our products.

Increasing traffic safety and security.

Our range of solutions is divided into road safety enforcement, commercial vehicle monitoring, and electronic vehicle registration.

Road safety enforcement comprises integrated solutions for automatically enforcing traffic laws and for vehicle monitoring. The solutions make it possible to capture violations such as speeding, running red lights, or overloading vehicles, and to charge penalties in accordance with prevailing legislation.

Commercial vehicle monitoring covers solutions designed to improve both road safety and the productivity of fleets.

Electronic vehicle registration ultimately comprises solutions, using electronically readable tags, to improve vehicle registration rates and reduce registration fraud, and thereby increase road and public safety as a whole.

Truck platooning.

More safety and lower fuel consumption.

Vehicles which communicate with each other by means of intelligent technologies are the key to improving the flow of traffic and resource management. In principle, so-called robot vehicles can already manage even complex routes today.

During the period under review, Kapsch TrafficCom tested automated systems for truck platooning in Sweden during which only the first truck in a convoy of vehicles is actually driven by human driver. Kapsch supplied the V2X equipment which makes it possible for there to be communication between vehicles and infrastructure (V2I) and between different vehicles (V2V).

Platooning involves several vehicles being electronically coupled, with the lead vehicle having control. The lead vehicle is occupied by a driver while the remaining vehicles follow at an automated speed. This requires there to be technical precautions in order for the convoy to be safe. The vehicles need to be able to communicate with each other and also to be able to react to external factors. If the first truck brakes, for example, all of the other trucks in the convoy need to brake at the same moment. If one of the trucks needs to leave the convoy at some point along the route, then this should have a minimal impact on the convoy.

The advantages of this new technology are particularly clear in the area of freight transport: greater safety and better resource management. Large trucks have to combat high levels of wind resistance. Tailgating in platoons reduces wind resistance. This saves fuel and also allows road space to be used more efficiently. The reduced distance between the vehicles is made possible by the fact that human reaction times no longer play a role. Depending on the distance between the vehicles, initial test results indicate fuel savings of between 5% and 20%. Before this system can actually be used, however, it is still necessary to clarify and overcome many challenges relating to regulations and ethics. Trust in technology is often lacking when it comes to completely eliminating the 'human factor'. Until such time as the robotic technologies for driverless vehicles are sufficiently mature, platooning represents a practical, hybrid solution by combining the advantages of automation with the levels of trust associated with a human driver of the lead vehicle.

Weigh-in-motion.

Greater road safety, less road surface damage.

In the case of weigh-in-motion systems, a row of sensors measures whether vehicles exceed the maximum permissible weight limit — at full speed. The sensors identify the vehicles by means of their number plates, with the data being transmitted and analyzed in a timely manner. This allows overloaded heavy goods vehicles to be identified on the move without hampering the flow of traffic. Road safety increases, while road surface damage and emissions are reduced.

Customer satisfaction.

Customer focus.

We regard being close to our customers as a key success factor. Close customer relationships are fostered by the local presence we enjoy through our subsidiaries and representative offices in 33 countries around the world. We achieve another dimension of closeness through intensive, appreciative collaboration with our international project partners and customers as well as by intentionally promoting regional value creation.

Participation in industry events and trade fairs also makes a key contribution to promoting interaction with our customers. You can find an overview of these on our website www.kapsch.net under the Events menu.

Sales personnel rely on tried-and-tested questionnaires to conduct in-depth surveys of customer satisfaction. Overall, these take into account a representative sample of all customers. The areas of Sales, Supply, Implementation and Operations are assessed. The customer can define the importance of the criteria. A subsequent analysis of the responses allows us to define and implement timely and effective action in order continuously improve customer satisfaction levels.



***Protecting the
environment and
resources.***

Protecting the environment and resources.

It is our goal to continuously reduce the consumption of resources and the release of climate-relevant emissions associated with our business activity.

Action field Protecting the environment and conserving resources	2013/14	2014/15	Target	Achieved 2015/16
Paper consumption / employee per quarter in sheets	591	373	Hold	422
Share of employees using Lync (successor to Office Communication Server)	100%	100%	100%	100%
Electricity consumption in production (Kapsch Components) in MWh ¹⁾	833.2	754.1	Reduce	731.9

1) The software used to record electricity consumption was expanded with effect from the 2013/14 business year. The prior-year values have been restated.

The commercial activities of Kapsch TrafficCom are associated with the consumption of resources and the emission of climate-relevant emissions. We are, however, working hard to continually minimize these impacts. The majority of these effects result from the operations of the subsidiary Kapsch Components, which is responsible for production, as well as from the vehicle fleet of the entire Group. Kapsch Components implement measures on a regular basis to cut the consumption of resources.

Climate protection and emissions.

By means of measures to increase fuel efficiency and as a result of a lower production volume, it was possible for Kapsch Components to reduce its requirements for electrical energy from 754 MWh to 732 MWh (-2.9%) in the 2015/16 fiscal year compared to the prior year.

**G4.EN15; G4.EN16;
G4.EN19**

In order to raise awareness among employees of climate and environmental protection issues, attention is continually drawn in internal communications to the potential to reduce the consumption of resources. In addition, telepresence and video conferencing systems have been increasingly used to reduce business travel for a number of years now. Since the introduction of Lync, the successor to the Office Communication Server (OCS) solution previously used, it has been possible to extend the scope of its use to all employees.

During the 2014/15 fiscal year, we started keeping systematic records of all flights and the associated CO₂ emissions. In the 2015/16 fiscal year, Kapsch TrafficCom employees at all locations took 3,163 flights in connection with international meetings with customers, business partners or for company-internal purposes. The associated CO₂ emissions totaled around 1,915 tonnes. The increase is due to the further internationalization of the business and the sites.

Business trips by air 2015/16	Number of flights	CO ₂ emissions in tonnes
Kapsch TrafficCom Group Austria	1,361	849
Kapsch TrafficCom Group worldwide ¹⁾	1,802	1,066
Total Kapsch TrafficCom Group	3,163	1,915

1) Employees in Argentina, Australia, Canada, France, Mexico, Russia, and Sweden were included.

Despite an increase in the number of vehicles in the fleet, it was possible to keep the total volume of CO₂ emissions for the fleet on a par with the prior year thanks to the acquisition of more fuel-efficient models. At 788 tonnes of CO₂ for all sources of emissions, total emissions were again at a level similar to that of the prior year.

Development of CO ₂ emissions	2013/14	2014/15	2015/16	Absolute change	Change in %
CO ₂ emissions from electrical energy (Kapsch Components)	190,802	172,682	167,609	-5,073	-2.9 %
CO ₂ emissions per tonne of product (Kapsch Components)	428	457	471	14	3.1 %
CO ₂ emissions for vehicle fleet (Kapsch Components at Tech Park Vienna Gutheil-Schoder-Gasse 17)	34,631	30,942	37,913	6,971	22.5 %
CO ₂ emissions for vehicle fleet (Kapsch TrafficCom / KSA at Europaplatz 2 ¹⁾)	737,436	584,470	582,287	-2,203	-0.4 %
Total CO₂ emissions	962,869	788,094	788,260	166	0.0 %

1) The CO₂ emission values for the vehicle fleet are based on extrapolated figures.

Energy efficiency.

In administrative departments, the focus is on increasing energy efficiency and reducing the use of office materials.

Laser soldering systems were used at Kapsch Components instead of selective wave soldering systems, which led to a reduction in energy consumption and thus also the use of nitrogen. Besides the reduction in power consumption and CO₂ emissions described above, it was also possible to cut the consumption of nitrogen which is used in the manufacturing processes of Kapsch Components. The absolute level of consumption fell by 9.7 tonnes or 3.8% year on year. However, measured in terms of the weight of goods manufactured, this increased by 13.4% per tonne of product. This contrasting trend is due to declining production volumes and differences in the product mix. The initiated switch from stamp soldering to laser soldering in the production department should, however, lead to an 87% reduction in the electricity previously required for this working step and 100% of the nitrogen consumed here.

Consumption of resources and waste.

At Kapsch TrafficCom, the average consumption of paper in the prior year rose from by 13% from 373 pages per person and quarter to 422 pages. This fluctuation reflects the varying requirements of tenders or audits in which documents need to be printed. In contrast, the consumption of paper at the subsidiary Kapsch Components fell by 27% from 723 pages per person and quarter to 522 pages. This reduction is a sustainable one, as a switch was made in some divisions, such as Purchasing, from hard copies to soft copies.

Following a significant reduction in the volume of waste produced by the manufacturing division of Kapsch Components in the preceding fiscal year, the quantity of waste associated with production increased by around 86,374 kg in the 2015/16 fiscal year. The share of waste per tonne of products manufactured increased by 28.8% to 243 kg in the same period (prior year: 173 kg). All waste materials are disposed of in accordance with legal requirements.

Optimal use of resources.

Several of our projects and initiatives aim to steadily reduce the consumption of resources across the Company. In production, for example, particular attention is paid to the reusability of raw materials and the use of environmentally friendly materials. An example of this is provided by the planned change in the packaging materials used for on-board units.

We are working on a solution which relies on polyethylene and polypropylene materials, as opposed to conventional polystyrene packaging materials, in order to reduce the carbon footprints of products and of Kapsch Components in general. Furthermore, a new layout for the production hall at Kapsch Components ensures the optimized flow and routing of materials.

Kapsch NEXT represents the creation of a new generation on-board unit, combining improved performance, reliability, and design quality. Due to the ongoing development of NEXT, which is 50% smaller than other CEN (European Committee for Standardization) OBUs on the market and impressive due to an environmental footprint that is 50% lower than that of previous models. Furthermore, the distinctive, slim design makes the product easy to install. The unit can be removed from the mounting bracket and, if allowed by the authorities, it can be used in more than one vehicle. In addition, the on-board unit fully supports other applications such as AVI (Automatic Vehicle Identification), parking, and access.

4

**Committed
team.**

Committed team.

At the end of the 2015/16 fiscal year, the Kapsch TrafficCom Group had 3,716 employees, 171 more than at the same time last year.

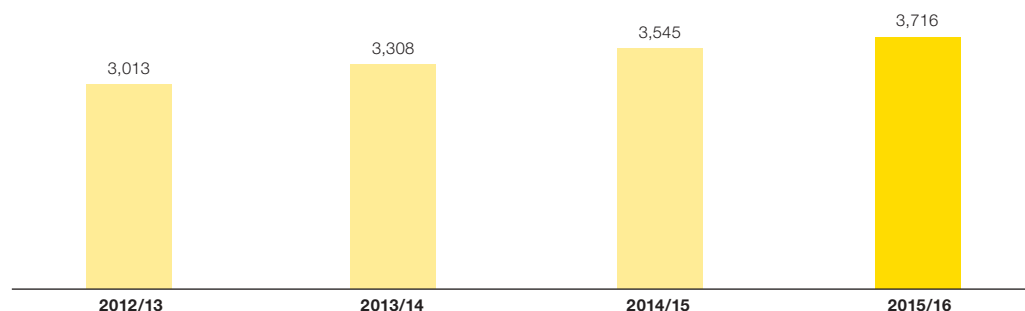
G4.10; G4.11

Around 584 people are employed in Austria and more than half of all employees work for the Group outside of Europe. The rise in the headcount is primarily attributable to the integration of human resources in Poland. As a result of the growth achieved in this market, the increase in the headcount in South Africa played a major role in the overall headcount rise. Please see below for further KPIs and facts about human resources at Kapsch TrafficCom:

- > The number of trainees decreased from 37 to 33.
- > 404 people were employed as wage earner around the world as at 31 March 2015 (Austria: 74); the remainder as salary earners.
- > The share of temporary workers in Austria remained stable at 5.8%
- > 95% of managers are local hires.
- > Around 20% of employees are covered by collective bargaining agreements.

Our employee-related activities focus on ensuring a high level of satisfaction among employees, promoting diversity in our Group, offering a wide range of opportunities for training and further development, as well as providing a healthy place to work.

Employees as of March 31



Distribution of new employees 2015/16

Region	Number	Female	Male	< 30 years old	30–40 years old	40–50 years old	> 50 years old
Austria	52	15	37	30	11	6	5
Central and Eastern Europe	522	349	173	143	202	115	62
Western Europe	13	2	11	2	6	5	0
Americas	90	35	55	28	28	16	18
Rest of the World	71	34	37	42	25	2	2

Employee turnover 2015/16

Region	Number	Female	Male	< 30 years old	30–40 years old	40–50 years old	> 50 years old
Austria	32	12	20	1	14	9	8
Central and Eastern Europe	55	36	19	24	21	9	1
Western Europe	15	1	14	3	4	5	3
Americas	16	5	11	4	7	3	2
Rest of the World	110	62	48	70	35	5	0

Comprehensive training program.

Kapsch TrafficCom attaches significant importance to the training of its employees given that their knowledge and commitment represent a key success factor for the Company.

The staff appraisal, a key tool used by HR and Organizational Development, is performed across the Group between October and December, both facilitating the work of managers and offering employees prospects for professional development. The implementation rate in Austria was 77.3%.

Managers need to meet many requirements and, given that a manager not only bears responsibility for revenue and costs, but also for employees, they receive the best support possible from HR and Organizational Development. Kapsch TrafficCom attaches particular importance to the training of managers. When selecting staff and planning for new managers, a personality analysis is performed with potential applicants to determine how they behave at work, socially, in teams, when faced with leadership tasks and when selling. Given that high demands are placed on managers, they are obligated to pass modular manager training courses. Particular emphasis is placed here on the participation of managers from Europe, although a dedicated customized manager training course is in place for managers outside of Europe.

Not only is it possible to pursue a career in management, but it is also possible to train to become an expert. Employees are, however, required to not just wait until something happens, but encouraged to express their interest in a career as an expert and, to this end, also attend specific training courses.

Information about HR and organizational development is captured on the Kapsch University platform. This database is used to handle the entire organization of internal and external training courses, and employees can view the range of training courses on offer, their training history, and training measures agreed with the line manager at any time. The range of courses on offer is expanded on an ongoing basis and adapted to meet new requirements.

The Kapsch Improvement Process (KIP) plays a key role in the further development of our collaboration. This was relaunched in the form of a new, user-friendly application with a streamlined process so as to shorten processing times.

Another focus here was on organization and team development. There was an increase in the number of enquiries by managers looking for support for their teams in matters relating to conflict management, strategy development, and collaboration. Workshops are often held here with the managers and employees concerned, and individual coaching is also offered.

Action field employees	2012/13	2013/14	2014/15	Target 2015/16	Achieved 2015/16
Average number of training days / employee	4.65	6.03	4.5	Hold	4.5
Carrying out of performance reviews	75%	74.3%	72.3%	Accumulated over business year 100%	77.3%

Employee satisfaction.

An employee survey was carried out in autumn 2015. It is important to the Company's management team to find out what the employees think about their company, their job, Management and colleagues, what their expectations are for the future, how they see the working environment, and how satisfied they are with their work. Employee needs are taken seriously and, since a survey alone does not solve any problems, suitable action is taken after the survey results are reported so that it is possible to implement desirable changes.

Anonymity and data protection are ensured, with the survey being performed in cooperation with an external company, and the analyses cannot be traced back to individuals.

Participation of employees in corporate success.

Kapsch TrafficCom is aware of employees' contribution to its success and acknowledges this through a profit participation plan distributing to them up to 5% of Kapsch TrafficCom profit before income taxes. Country-specific caps are in place to ensure that sharing is based on purchasing power parity. Profits are shared on a per-head basis irrespective of income and may not exceed EUR 1,500 per employee.

Occupational pension fund.

Kapsch TrafficCom makes contributions to an external occupational pension fund for employees of group companies in Austria under a defined contribution scheme. The amounts of the payments are based on the individual employee's income and the operating profit margin of the Company.

Women@Kapsch.

Kapsch TrafficCom wants to attract competent women to the Company and offer them interesting career opportunities. To this end, strategic and operational women's groups were launched to help achieve this objective under the motto 'Women@Kapsch'. The focus is on topics such as the internal exchange of experience, networking, and the breaking down of barriers. An example in the 2015/16 fiscal year is the fact that the difference in basic salaries drawn by men and women in managerial positions was cut from 7.3% to 5.8% in a year-on-year comparison thanks to internal guidelines and additional awareness. A committee for equality has been established in order to ensure general equality for women.

Women hold several management positions within Kapsch TrafficCom AG and its subsidiaries. One of the six members of the Supervisory Board is currently female. For details of the members of the executive bodies, please refer to the Annual Report 2015/16, from page 40.

Kapsch TrafficCom cooperates with schools, universities, and colleges in order to increase the proportion of women employed, among other goals. Kapsch TrafficCom also promotes women in the workforce through participation in specific programs such as "FIT Frauen in die Technik" or "FemTech".

Women are supported through a flexible working hours scheme, for instance, that is designed to help combine professional and private life. Six employees in Austria returned to work for the Company in the 2015/16 fiscal year following a period on parental leave or parttime parental leave. In order to strengthen the unique affiliation with the Company, the Kapsch KidsDay event is held every second year. Under the motto 'Meet Kapsch', we invite the children of our employees to get to know the Company in a playful way and to take part in exciting entertainment programs.

The first interim audit, and thus a review of the agreed measures, was performed in October 2015. This audit was successfully passed.

Occupational health and safety.

G4.14

Promoting the health of all employees is a deep-felt concern of the Management of Kapsch TrafficCom. It is for this reason that health information campaigns, vaccination programs, medical check-ups, and eye tests are regularly performed in addition to offering fitness packages and other comparable options. A company doctor is available to employees at the Vienna site.

Kapsch TrafficCom also took part in a scientific study conducted by the University of Vienna in November 2012 and 2014, which investigated psychological burdens on employees at work. In line with the requirements of the work inspectorate, a distinction is made between four different areas which were evaluated with a satisfactory response from employees.

- > Job requirements and activities: Physical stress is assigned a relatively low value, while emotional stress has a higher one. The diversity of tasks is seen as something positive.
- > Organizational climate: Available resources received medium ratings, while support from colleagues and development opportunities were rated lower in comparison here.
- > Work environment: Time pressure is average, questions concerning unclear instructions and interruptions led to higher assessment results.
- > Work flows and work organization: Generally low risk of accident, yet there are higher values in terms of 'Stressful environment'.

The burdens faced in specific areas were subject to qualitative assessment. Where required, existing measures were adapted or new ones developed.



**Corporate social
responsibility.**

Corporate social responsibility.

In line with its corporate values, Kapsch TrafficCom acknowledges and accepts a level of corporate social responsibility which extends far beyond the scope of its business operations and which is largely organized at the level of the Kapsch Group. The main focuses of this commitment to society are on the promotion of health and development as well as supporting art and cultural institutions. In addition, the regional subsidiaries are also free to support local social projects.

G4.15

Support for art and culture.

Cultural and social responsibility.

The Kapsch Group actively acknowledges its social responsibility, supporting selected cultural and social projects locally, regionally, and around the world. Kapsch is very aware of the importance of the sustainability and long-term nature of such support. For instance, a general partnership with the Vienna Concert House has existed since 1992 and the contemporary music festival "Wien Modern" has been a recipient of support since 1989. Through the awarding the Kapsch Contemporary Art Prize in cooperation with mumok (Museum moderner Kunst Stiftung Ludwig Wien) in 2016, a further initiative was launched to promote young artists and enable them to be introduced to an international audience for the first time. However, the Kapsch Group is also acutely aware of its social responsibility, which is reflected in its support for numerous organizations and institutions. These include 'Doctors without Borders', Caritas Socialis, the St. Anna Children's Cancer Research Institute, and Concordia social projects.

Platform for artists.

A calendar is published every year of an artist selected and supported by Kapsch. The calendar project 'Changing views' enabled up-and-coming artists to reach an interested audience with their work. The 2016 art calendar presents work by Phillip Schweiger, who was born in Vienna in 1971. His artistic works focus on subjects from everyday life, familiar places or past experiences that Schweiger presents in a way that combines factual sobriety and atmospheric idealization.

This year was the last time that the art calendar appeared in its usual format. Kapsch AG and mumok (Museum Moderner Kunst Foundation Ludwig Vienna), an art museum, presented the "Kapsch Contemporary Art Prize" for the first time in spring 2016. This aims to promote young artists living and working in Austria.

Long-standing cultural partnerships.

Bridging the gap between tradition and innovation shapes the self-image of the Kapsch Group. Since 1992, there has been a general partnership with the Vienna Concert House, which cultivates traditions and attracts new audiences by means of its exciting and unconventional program. The highlight of the year is a top-notch concert with internationally renowned orchestras and conductors, where customers, partners, and investors of the Kapsch Group can share in the pleasure and enjoyment of art.

The Kapsch Group sponsors Wien Modern, one of the world's most renowned festivals of contemporary music, and has done so since it was established in 1989. The aim of this series of events is to underline the importance of Vienna as a modern city of culture. The composers, performance, and ensembles represented here are considered to be pioneers in their respective fields of art.

The HONART Festival, which is also supported by Kapsch, presents cultural facets from Iran and the rest of the world through various artistic genres. The Kapsch Group also supports the event series entitled 'Culture in the Temple' at the Kobersdorf synagogue as well as the Jewish Museum Vienna; both institutions explain Jewish life and related culture to younger generations, bringing them to life and making them easier to understand.

Promoting educational institutions and social projects.

Synergy of business, education and research.

The Kapsch Group has been focused on building bridges between business and education and research institutions for years. For example, we support the Universitäres Gründerservice Wien (Vienna business start-up service) and the INiTS Award. This award recognizes theses and dissertations that can be used and implemented in business. To meet the need for highly qualified personnel in the long run, we primarily promote institutions and projects that focus on technology and the natural sciences. These include the Institute for Electrical and Information Engineering at the Vienna University of Technology, the University of Applied Sciences Technikum Wien, the University of Applied Sciences FH Campus Wien, and the University of Applied Sciences FH Wien and its executive management master's degree. As part of the series of events known as the Kapsch Career Lounge, students have also been invited for several years to get to grips with technical issues in the course of project work or special presentations.

Promoting social projects.

The Kapsch Group values and supports the work of charitable institutions such as the Institute for Cooperation in Development Projects (ICEP). This private, independent initiative – based in Austria – significantly contributes to combating global poverty. ICEP supports projects focusing on education that improve the living standards of people in developing countries in the long run.

For many years, the Kapsch Group has also supported the activities of Doctors Without Borders, an internationally renowned organization that helps people around the world who do not have appropriate access to medical care. Since 2013, there has been a sponsorship agreement between the St. Anna Children's Cancer Research Institute and the Kapsch Group: The research work is supported as part of the Next Generation Sequencing project. The aim of this project is to obtain information about the human genome and therefore insights into genetic changes connected to how diseases progress and related therapies. Kapsch is supporting this complex project due to its conviction that the chances of recovery of children with cancer can be significantly improved as a result.

Details about the report.

This, the fifth sustainability report issued by Kapsch TrafficCom, covers the sustainability-related activities and key performance indicators of Kapsch TrafficCom. Financial data and the details relating to the areas of products and employees relate to the reporting parameters of the 2015/16 annual report. Environmental KPIs were calculated particularly for the manufacturing activities of the subsidiary Kapsch Components (please refer to specific details in the relevant sections). The information relating to social responsibility and sponsoring cover the Kapsch Group. Any additional activities of Kapsch TrafficCom are explicitly reported as such.

**G4.13; G4.22; G4.28; G4.29;
G4.30; G4.31**

The reporting period is the 2015/16 fiscal year (1 April 2015 to 31 March 2016). Compared to the sustainability report of Kapsch TrafficCom for 2014/15, additional information about climate protection and products has been provided, as well as about the stakeholder and materiality process.

The contents of the report reflect the sustainability focusses of Kapsch TrafficCom as well as the annual program derived from HSSEQ management. This report is structured in five main focus areas:

- > Ensuring sustainable success
- > Products with added value for the environment and society
- > Protecting the environment and resources
- > A competent team
- > Corporate social responsibility

The data capturing for the sustainability report takes place not only by means of the use by Ecoprofit of existing reporting tools such as the HSSEQ Management Report and the Kapsch Components Environmental Report, but is also based on interviews with internal experts from the various corporate divisions. The data were centrally collated, analyzed, and subjected to plausibility testing by the Sustainability Coordinator of Kapsch TrafficCom in cooperation with the external sustainability consultant.

This report fulfils the requirements for sustainability reporting under the Global Reporting Initiative – GRI Standard G4 (Application Level: Core) for sustainability reports and constitutes our Communication on Progress for the United Nations Global Compact. The publication cycle is one year.

The GRI Content Index, from page 37 and 38, provides details about the various indicators and the degree to which these are complied with.

The sustainability report mainly presents environmental and social aspects. Please refer to the Annual Report 2015/16 of Kapsch TrafficCom AG for more details regarding business development, the corporate profile, and the issue of corporate governance. In order to signalize that general references

in this sustainability report to individuals apply equally to women and men, male and female gender forms have been used in part.

Your contact for sustainability management and the sustainability report is Dr. Bernd Altmann.

Dr. Bernd Altmann

Head of Strategic Projects

T +43 50 811 1702 | M +43 664 628 1702

bernd.altmann@kapsch.net

Glossary.

CO₂

The chemical abbreviation for carbon dioxide

Compliance

In business administration parlance, this refers to respecting legislation and company policies

DSRC

Dedicated short-range communication – one-way or two-way short to medium-range wireless communication channels designed for communication between on-board and roadside equipment

ETC

Electronic toll collection to enable driver to pay toll fees without stopping at toll stations

GNSS

Global navigation satellite system – system for positioning and navigation on the ground and in the air by receiving signals from navigation satellites and pseudolites.

GRI

Global Reporting Initiative, developed in the course of a participative process; standards for the preparation of sustainability reports

GSM

Global system for mobile communication – a standard to describe technologies for digital cellular networks

IMS

Intelligent mobility solutions – including products to set up, maintain and operate systems for traffic monitoring, traffic management, and road safety. Other content commercial vehicle operations, electronic vehicle registration, intelligent parking solutions, and systems for intermodal mobility, systems and services for monitoring the operations of public transport and environmental facilities.

ISO

International Organization for Standardization

OHSAS

Occupational Health and Safety Assessment Series

On-board unit

An on-board unit (OBU) is an electronic device readable and writeable via wireless communication. An OBU identifies a vehicle and/or serves as a means of payment and/or as data memory for vehicle and/or personal data

Transceiver

A roadside mounted radio communication device for the bidirectional data exchange with on-board units by means of dedicated short-range communication (DSRC). In the USA, often referred to as a reader

Transponder

A transponder is a piece of on-board equipment with a dedicated short-range communication (DSRC) interface and a buzzer serving as the only human-machine interface to the driver

UNGC

United Nations Global Compact; a global alliance between companies and the UN in order to make globalization more socially and ecologically compatible

V2X

Vehicle-to-X is the abbreviation for vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) communication, a core technology for managing and improving future traffic safety and mobility

VÖNIX

The Austrian Sustainability Index is a stock index that comprises listed Austrian companies that play a leading role in terms of their social and environmental performance

GRI Content Index.

G4.32

GENERAL STANDARD DISCLOSURES	PAGE	OMISSION	DESCRIPTION
Strategy and Analysis			
G4.1	p. 3-4		Statement of the most senior decision-maker of the organization
Organizational Profile			
G4.3	p. 19-20		Brands, products, and services
G4.4	p. 5		Product overview
G4.5	p. 6		Location of the organization's headquarters
G4.6	p. 6		Overview of the locations
G4.7	p. 6		Nature of ownership and legal form
G4.8	p. 8, p. 20		Markets
G4.9	p. 6		Scale of the organization
G4.10	p. 28-31		Workforce profile
G4.11	p. 28		Percentage of total employees covered by collective bargaining agreements
G4.12	p. 17		Description of the organization's supply chain
G4.13	p. 35		Significant changes to the organization during the reporting period
G4.14	p. 31		Precautionary approach or principle
G4.15	p. 10, p. 33-34		Voluntary initiatives
G4.16	p. 10		Active memberships
Identified Material Aspects and Boundaries			
G4.17			Organizations included in the consolidated financial statements
G4.18	p. 13-14		Explanations of the reporting principles for defining report content
G4.19	p. 13-14		Material aspects
G4.20	p. 13-14		Material aspects within the organization
G4.21	p. 14		Material aspects outside the organization
G4.22	p. 35		Effect and explanation of any restatements
G4.23	p. 13	The material aspects have been re-identified as a result of implementing a new materiality process.	Changes in the scope and the aspect boundaries
Stakeholder Engagement			
G4.24	p. 13		List of stakeholder groups
G4.25	p. 13		Identification and selection of stakeholder groups
G4.26	p. 14		Stakeholder group engagement
G4.27	p. 13-14		Outcome of stakeholder engagement

GENERAL STANDARD DISCLOSURES	PAGE	OMISSION	DESCRIPTION
Report Profile			
G4.28	p. 35		Reporting period
G4.29	p. 35		Date of most recent previous report
G4.30	p. 35		Reporting cycle
G4.31	p. 35		Contact point for sustainability management
G4.32	p. 37		GRI content index
G4.33		A full audit of the non-financial contents by an external auditor is not included in the first sustainability report of Kapsch TrafficCom in accordance with GRI Core.	External audit
Governance			
G4.34	p. 15-17		Governance structure and committees
Ethics and Integrity			
G4.56	p. 12		Code of conduct
Disclosures on Management Approach			
G4.DMA	p. 12, p. 13, p. 15-16		Management approach to material aspects
Material Aspect: Minimizing emissions			
G4.EN15	p. 25-26		Direct emissions
G4.EN16	p. 25-26		Indirect emissions
G4.EN19	p. 25-26		Action to reduce emissions
Material Aspect: Supplier environmental assessment			
G4.EN32	p. 17		Screening of suppliers using environmental criteria

Imprint.

Publisher and copyright owner:

Kapsch TrafficCom AG

Published and produced in Vienna, Austria

Contact person for sustainability report:

Bernd Altmann, bernd.altmann@kapsch.net

Disclaimer.

None of the information supplied in this sustainability report constitutes or shall be deemed to constitute a solicitation to buy or trade in equities or securities of any kind or American Depositary Receipts (ADR) of Kapsch TrafficCom AG.

