

# *Consolidated Corporate Governance Report.*



# Consolidated Corporate Governance Report.

## Principles.

### Austrian Code of Corporate Governance (ACCG).

The ACCG was presented to the public on October 1, 2002 and has been amended several times since then. The publisher is the Austrian Working Group for Corporate Governance, and the current version of the ACCG is accessible at its website ([www.corporate-governance.at](http://www.corporate-governance.at)).

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***Kapsch TrafficCom declares its  
voluntary commitment to the current  
(2018) version of the ACCG.***

The rules of the ACCG are divided into three categories:

- > L-rule: Rule which is based on mandatory legal requirements
- > C-rule: Rule for when a deviation is to be explained and justified (comply or explain)
- > R-rule: Rule with the character of a recommendation, non-compliance requires neither disclosure nor explanation

### Bodies of a stock company (Aktiengesellschaft).

Kapsch TrafficCom has the legal form of an "Aktiengesellschaft" (AG) under Austrian law. Its organization is based on three organs: the Executive Board, the Supervisory Board, and the Annual General Meeting (AGM). These are set up according to the principle of the separation of powers.

Under its own responsibility, the Executive Board manages the company as the well-being of the company requires, taking into consideration the interests of the stock holders and the employees, as well as the public interest. Members of the Executive Board shall be appointed by the Supervisory Board.

The Supervisory Board is to monitor the management of the company. For certain business transactions determined in the Austrian "Aktengesetz" (Austrian Stock Corporations Act, AktG), in the articles of association and the by-laws, the Executive Board is to obtain the approval of the Supervisory Board. The members of the Supervisory Board shall be chosen by the Annual General Meeting. Moreover, the worker representation is entitled to delegate a member from their own ranks for every two members of the Supervisory Board chosen by the Annual General Meeting.

The Annual General Meeting serves to form the general will of the shareholders primarily in those matters of the company which are assigned to it for decision in accordance with the law and the articles, or which are submitted by the Executive Board and/or Supervisory Board for decision.

### Kapsch TrafficCom in the Kapsch Group.

63.3% of the shares of Kapsch TrafficCom AG are held by KAPSCH-Group Beteiligungs GmbH. As of March 31, 2019, the following main companies of the Group were also direct subsidiaries: Kapsch Aktiengesellschaft (100%), Kapsch BusinessCom AG (94.9%), Kapsch CarrierCom AG (100%) and Kapsch Public TransportCom GmbH (100%). In May 2019, an agreement was signed with S&T AG regarding the sale of the latter two companies.

## Statement of compliance.

In the 2018/19 fiscal year which ended on March 31, 2019, Kapsch TrafficCom satisfied all of the conditions of the January 2018 version of the ACCG in terms of content with the following statements:

- > **C-rule 27.** The profit-related variable remuneration components of Mr. Laux and Mr. Lewald are based on the amount of the EBIT. When the employment contract was concluded, care was taken to ensure that the variable component would probably not exceed the fixed payment in any one year. Therefore, in the past, no upper limit was set for variable remuneration components. New Executive Board contracts will nevertheless provide for such an upper limit. The Executive Board contracts do not contain a separate provision for reclaiming variable remuneration components. Due to the prevailing Austrian legal situation, the corporation may reclaim variable compensation components if it was paid on the basis of manifestly incorrect data.
- > **C-rule 27a.** Restrictions on severance pay are not enforceable on the relevant labor market and are not considered by the company to be expedient.

The decision regarding these deviations was made by the Supervisory Board of Kapsch TrafficCom AG.

## Executive Board.

Name and function	Area of responsibility	Year of birth	Year first appointed	Year current term expires
Georg Kapsch Chairman, Chief Executive Officer	Finance, corporate development, new ventures, legal, human relations, marketing & PR, international subsidiaries & management systems, IT, sales region North America as well as the Solution Centers: Intelligent Mobility Services, Urban Traffic & Mobility Management <sup>1)</sup>	1959	2002	2020
André Laux Member, Chief Operating Officer	Sales regions: Europe-Middle East-Africa, South and Central America, Asia-Pacific as well as supply chain management, production & logistics	1962	2010	2024
Alexander Lewald (until April 30, 2019) Member, Chief Technology Officer	Corporate Technology and the Solution Centers: Tolling, Back Office, Connected Road <sup>1)</sup> /Kapsch Automotive, Highway & Tunnel Traffic Management <sup>1)</sup>	1964	2015	2019
Alfredo Escribá (from May 1, 2019) Member, Chief Technology Officer	Corporate Technology and the Solution Centers: Tolling, Back Office, Kapsch Automotive, Traffic <sup>1)</sup>	1969	2019	2024

<sup>1)</sup> As of June 1, 2019 the Solution Centers "Highway & Tunnel Traffic Management", "Urban Traffic & Mobility Management" and "Connected Road" were merged into the Solution Center "Traffic".

**Mag. Georg Kapsch** is employed by Kapsch AG and shall be delegated by this company to various management positions within the Kapsch Group. He is since:

- > July 1989: Member of the Executive Board of Kapsch AG, and elected CEO in October 2001
- > October 2000: CEO of KAPSCH-Group Beteiligungs GmbH (core shareholder of Kapsch TrafficCom AG)
- > November 2000: Managing director of DATAX HandelsgmbH (sole parent company of KAPSCH-Group Beteiligungs GmbH)
- > December 2002: CEO of Kapsch TrafficCom AG

Mr. Kapsch studied business administration at the Vienna University of Economics and Business and graduated in 1981. In the following year he joined Kapsch AG, where he was active in the various areas of the company. In stock companies outside of Kapsch TrafficCom Group, he exercises the following Supervisory Board positions:

- > Chairman of the Supervisory Board of Kapsch CarrierCom AG
- > Deputy Chairman of the Supervisory Board of Kapsch BusinessCom AG
- > Member of the Supervisory Board of Teufelberger Holding AG

Georg Kapsch is also a member of the Executive Board of the Private Foundation Wunderer, the Mitterbauer Private Foundation and the Tabor Private Foundation, and has been President of the Federation of Austrian Industries since June 2012.

**Dipl.-Betriebsw. André Laux** has been working for Kapsch TrafficCom Group since December 2007 and has been a member of the Executive Board of Kapsch TrafficCom AG since April 1, 2010. In November 2014 he was appointed COO.

Mr. Laux began his professional career following his studies in business management in Germany and England in various sales and management positions (1988–1997) both at home and abroad. In 1997 he was Managing Director of the German chip card manufacturer ODS Landis & Gyr in Munich. In 2000 André Laux moved within the group of companies to Salzburg as Chairman of the Executive Board at Skidata AG. In 2004 he took over the position of Chairman of the Executive Board of Winter AG in Munich. Outside of Kapsch TrafficCom Group, André Laux is member of the Supervisory Board of Kapsch BusinessCom AG.

**Dr. Alexander Lewald** was a member of the Executive Board and CTO of Kapsch TrafficCom AG from November 2015 until April 2019. In the reporting period, he did not have any appointment to Supervisory Boards outside of Kapsch TrafficCom Group.

**Alfredo Escribá Gallego, MSc, MBA**, has been working for Kapsch TrafficCom Group since its acquisition of Schneider Electric's transportation business in April 2016. Since May 1, 2019 he is member of the Executive Board and CTO of Kapsch TrafficCom AG.

After finishing his studies and gaining first professional experience, Mr Escribá joined Sainco Tráfico in Spain in 1995. Starting as an engineer, he moved to Brazil and climbed the career ladder: Mr Escribá became a project manager in Argentina and later area manager in Latin America for South Cone and Brazil. In 2002, he returned to Spain as part of Telvent Transportation. Acting out of Spain and, later, the USA, he held various senior management positions. At Kapsch TrafficCom, Mr Escribá was Executive Vice President responsible for the Solution Center "Urban Traffic & Mobility Management" until being appointed CTO. Outside of Kapsch TrafficCom Group, Mr Escribá is member of the Board of Directors at Traffic Technology Services, USA.

## Supervisory Board.

In the fiscal year 2018/19 (from April 1, 2018 to March 31, 2019), besides the constituting meeting the Supervisory Board held another four meetings. The Executive Board also took part in the latter. No member of the Supervisory Board took part in less than half of the meetings.

### Composition.

In accordance with the articles of association, the Supervisory Board is made up of three to six members elected by the Annual General Meeting, as well as representatives delegated by the works council in accordance with the Austrian "Arbeitsverfassungsgesetz" (Labor Constitutional Act). As of March 31, 2019, the members of the Supervisory Board were:

Name	Position	Year of birth	Year first appointed	Year current term expires
Franz Semmernegg	Chairman	1968	2002	2019 <sup>1)</sup>
Kari Kapsch	Deputy Chairman	1964	2002	2019 <sup>1)</sup>
Sabine Kauper	Member	1968	2011	2022
Harald Sommerer	Member	1967	2013	2019 <sup>1)</sup>
Christian Windisch	Member <sup>2)</sup>	1963	2002	–
Claudia Rudolf-Misch	Member <sup>2) 3)</sup>	1967	2018	–
Martin Gartler	Member <sup>2) 3)</sup>	1970	2015	2018

<sup>1)</sup> Proposal to the Annual General Meeting to extend the mandate for another three years.

<sup>2)</sup> Delegated by the works council which may recall a member it has delegated at any time.

<sup>3)</sup> As of November 21, 2018, the works council delegated Ms Rudolf-Misch to the Supervisory Board, replacing Mr Gartler.

**Dr. Franz Semmernegg** has been a member since June 2002 and has been Chairman of the Supervisory Board since 2005. He has occupied the following positions within the Kapsch Group since:

- > October 2001: CFO of Kapsch Aktiengesellschaft
- > March 2003: CFO of Kapsch BusinessCom AG, since April 2010 also CEO
- > April 2005: CFO of KAPSCH-Group Beteiligungs GmbH
- > February 2010: Member of the Supervisory Board of Kapsch CarrierCom AG

In addition, Franz Semmernegg exercises other functions in direct and indirect shareholdings of Kapsch BusinessCom AG and Kapsch AG. In 1992 Franz Semmernegg concluded his studies in business administration at the Karl-Franzens University in Graz, where he also wrote his doctoral thesis in 1997. From 1993 – 1996 Mr. Semmernegg worked in a firm of chartered accountants and tax consultants and in 1996 moved to Schrack Seconet AG, where he rose to become the Manager and Authorized Representative for Finance and Controlling after a stopover at Ericsson Austria. Together with a partner, in January 1999 Franz Semmernegg executed a management buy-out and founded Schrack BusinessCom AG. At the start of 2001, Kapsch AG acquired a majority share in the company, which was renamed Kapsch BusinessCom AG in 2002.

**Dr. Kari Kapsch**, brother of Georg Kapsch (CEO), has been a member of the Supervisory Board since June 2002 and has been its Deputy Chairman since June 2005. He has occupied the following positions within the Kapsch Group since:

- > March 2001: COO of Kapsch Aktiengesellschaft
- > December 2005: COO of KAPSCH-Group Beteiligungs GmbH
- > April 2010: CEO of Kapsch CarrierCom AG
- > June 2010: Chairman of the Supervisory Board of Kapsch BusinessCom AG
- > October 2016: Managing Director of Kapsch PublicTransportCom GmbH

In addition, Kari Kapsch exercises other functions in both direct and indirect shareholdings of Kapsch CarrierCom AG, Kapsch BusinessCom AG as well as Kapsch AG and also outside of the Kapsch Group. He completed his studies in physics at the University of Vienna (1988), where he also wrote his thesis in 1992. In terms of his career, following his experiences at Kapsch he had a stay abroad at ANT, a member of the Bosch Group. In 1990, Mr. Kapsch returned as Head of the Road Telematics Solutions division and developed the road tolling business segment. During the following then years, Kari Kapsch managed several business units within the Kapsch Group.

**Dipl.-Betriebsw. Sabine Kauper** is a financial expert for organizations in challenging phases from growth to restructuring and supports companies in various industries as a consultant. She spent around eight years on the Executive Boards of globally active stock corporations listed in Germany. After studying business administration in Munich with a focus on taxes and auditing, Ms. Kauper worked for an auditing company for four years. Since 2009, she has held Supervisory Board mandates and completed training as a qualified Supervisory Board member with certification by Deutsche Börse AG. She is a member of the Advisory Board at Cidron Ollopa Investment B.V.

**Dr. Harald Sommerer** has been self-employed since December 2013 and is working on establishing an investment portfolio. Before that he was CEO and Chairman of the Executive Board of Zumtobel AG from May 2010 to September 2013. From 1997 to 2010, Harald Sommerer was a member of the Executive Board of AT & S Austria Technologie & Systemtechnik AG, CFO between 1998 and 2005 and CEO from 2005 to January 2010. He is a doctor of social and economic sciences from the Vienna University for Economics and Business and Master of Management from the J. L. Kellogg Graduate School of Management, Northwestern University.

**Ing. Christian Windisch** has been working for the Kapsch Group since September 1984 and is currently employed in the area of quality assurance. He graduated from a polytechnic in Vienna with a degree in telecommunications and electrical engineering.

**Claudia Rudolf-Misch**, MBA, has been working for Kapsch TrafficCom since June 2004. She started as Quality Manager in Austria and is currently responsible for the global HSSQ management system of Kapsch TrafficCom Group. Ms Rudolf-Misch holds a Master of Business Administration.

**Martin Gartler** has been working in the area of operations at Kapsch TrafficCom AG since February 2008. He holds a degree from the Technical School of Electrical and Telecommunications Technology and in 1992 completed his training as foreman for industrial electronics.

None of the persons mentioned above is a member of the Executive Board of a publicly listed company and simultaneously fulfils more than four appointments to Supervisory Boards in stock companies outside of the Group or occupies a position in one of the bodies of companies which are in competition with Kapsch TrafficCom AG. Harald Sommerer is Deputy Chairman of the Supervisory Board of the publicly listed VARTA AG. No other appointment to a Supervisory Board or comparable position in other publicly listed companies is exercised by one of the persons mentioned above.

#### **Committees of the Supervisory Board.**

**Audit Committee.** It has the duties listed in Section 92 (4) AktG and Regulation (EU) No 537/2014, and is competent to make decisions to this extent. This includes auditing and preparing the approval of the annual Financial Statements and annual

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#### **Committees of the Supervisory Board:**

- > *Audit Committee*
- > *Committee for Executive Board Matters (Remuneration Committee)*

Consolidated Financial Statements, auditing the consolidated Corporate Governance Report and consolidated Non-Financial Report, handling the report on risk management pursuant to C-rule 83 of the ACCG, the review of the audit (Group audit) process and the independence of the auditor (including the evaluation and approval of non-audit services), the preparation of a proposal for the distribution of profit as well as the preparation of the report to the Annual General Meeting. Moreover, the Audit Committee prepares the proposal of the Supervisory Board for the selection of the annual auditor (consolidated accounts auditor), reviews the accounting process as well as the effectiveness of the internal control system and the risk management system. A member of the Audit Committee must be a so-called financial expert. Persons who were formerly members of the Executive Board, managing director or annual auditor, as well as persons who certified the annual Financial Statements or annual Consolidated Statements in the last three years, cannot act as financial experts or as chairperson of the Audit Committee.

Moreover, the Audit Committee prepares the proposal of the Supervisory Board for the selection of the annual auditor (consolidated accounts auditor), reviews the accounting process as well as the effectiveness of the internal control system and the risk management system. A member of the Audit Committee must be a so-called financial expert. Persons who were formerly members of the Executive Board, managing director or annual auditor, as well as persons who certified the annual Financial Statements or annual Consolidated Statements in the last three years, cannot act as financial experts or as chairperson of the Audit Committee.

This committee is made up of Franz Semmernegg (Chairman and financial expert), Harald Sommerer (financial expert) and Christian Windisch. The auditor is to be included in the meetings of the Audit Committee which concern the preparation of the approval of the annual Financial Statements (Consolidated Financial Statements) and their auditing. The Audit Committee held a total of four meetings in the 2018/19 fiscal year. The auditor was present at two meetings; there was no need for a joint meeting without the presence of the Executive Board. No member of the Audit Committee took part in less than half of the meetings.

**Committee for Executive Board Matters (Remuneration Committee).** It deals with the content of the Executive Board members' employment contracts (including remuneration) and is authorized to make decisions to this extent. This excludes the appointment and recall of members of the Executive Board, however (responsibility of the full Supervisory Board). The committee is composed of two members of the Supervisory Board who are selected by the Annual General Meeting, including the Chairman of the Supervisory Board.

This committee is made up of Franz Semmernegg (Chairman) and Harald Sommerer. Both men possess knowledge and experience in the area of remuneration policy. Mr. Semmernegg is CEO and is the director responsible for personnel agenda at Kapsch BusinessCom. Mr. Sommerer was CEO and also the director responsible for personnel agenda at Zumtobel AG, as well as previously at AT & S Austria Technologie & Systemtechnik Aktiengesellschaft. The committee for Executive Board matters (remuneration committee) held two meetings in the 2018/19 fiscal year.

#### **Independence of the Members of the Supervisory Board.**

A member of the Supervisory Board shall be deemed as independent according to C-rule 53 ACCG if said member does not have any business or personal relations with the company or its Executive Board that constitute a material conflict of interests and is therefore suited to influence the behavior of the member.

Kapsch TrafficCom AG is part of the Kapsch Group. All members of the management of the parent company (KAPSCH-Group Beteiligungs GmbH) are equal and exercise various positions in companies of the Kapsch Group. No significant conflict of interests is to be assumed here. DATAX HandelsgmbH acts purely as an investment company and has no influence on the business activity of its 100% subsidiary KAPSCH-Group Beteiligungs GmbH. For these reasons, any Supervisory Boards of Kapsch TrafficCom AG, which are at the same time members of the management of KAPSCH-Group Beteiligungs GmbH (and therefore representatives of shareholders with an entrepreneurial stake) are to be declared independent of Kapsch TrafficCom AG, even if they do not formally satisfy points 1, 5 or 7 of the following catalogue:

1. The Supervisory Board member shall not have served as member of the Executive Board or as a management-level staff of the company or one of its subsidiaries in the past five years.
2. The Supervisory Board member shall not maintain or have maintained in the past year any business relations with the company or one of its subsidiaries to an extent of significance for the member of the Supervisory Board. This shall also apply to relationships with companies in which a member of the Supervisory Board has a considerable economic interest, but not for exercising functions in the bodies of the group.
3. The approval of individual transactions by the Supervisory Board pursuant to L-rule 48 does not automatically mean the person is qualified as not independent.
4. The Supervisory Board member shall not have acted as auditor of the company or have owned a share in the auditing company or have worked there as an employee in the past three years.
5. The Supervisory Board member shall not be a member of the Executive Board of another company in which a member of the Executive Board of the company is a Supervisory Board member.
6. A Supervisory Board member may not remain on the Supervisory Board for more than 15 years. This shall not apply to Supervisory Board members who are shareholders with an entrepreneurial stake in the company or who represent the interests of such a shareholder.
7. The Supervisory Board member shall not be a closely related (direct offspring, spouses, life partners, parents, uncles, aunts, sisters, nieces, nephews) of a member of the Executive Board or of persons having one of the aforementioned relations.

**Declaration of independence.** All members of the Supervisory Board have declared themselves to be independent of Kapsch TrafficCom AG pursuant to C-rule 53 ACCG. Sabine Kauper and Harald Sommerer are also independent pursuant to C-rule 54 ACCG.

#### **Transactions which require approval.**

Besides those transactions requiring approval listed alongside the "Related parties" in the group notes, in 2018/19 there were no transactions requiring approval pursuant to Section 95 (5) no. 12 AktG.

#### **Operation of the Executive Board and Supervisory Board.**

The areas of responsibility of the individual members of the Executive Board, the procedures (such as resolution requirements and procedures) as well as the transactions which require authorization from the Supervisory Board are determined in the articles of association as well as in the rules of procedure for the Executive Board. The Executive Board holds regular meetings with open discussions and mutual exchange of information and passes resolutions in all matters which fall within the responsibility of the full Executive Board.

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*All members of the Supervisory Board independent pursuant to C-rule 53 ACCG; Kauper and Sommerer also pursuant to C-rule 54 ACCG.*

*"In meetings of the Supervisory Board there are open discussions between the members of the Executive Board and the Supervisory Board."*

**Georg Kapsch**  
(for the Executive Board)  
**Franz Semmernegg**  
(for the Supervisory Board)

The Supervisory Board monitors the management of the Executive Board regularly and comprehensively and provides consultation. The Chairman of the Supervisory Board was in regular contact with the Chairman of the Executive Board in order to discuss the company development, strategy and state of implementation of the strategy, as well as the risk management of the company. The Supervisory Board has provided itself with rules of procedure, in which, inter alia, the composition and the chairmanship, the terms for being called and votes, the area of activity, duties to provide information, transactions between the company and Executive Board members as well as the committees are governed.

Members of the Executive Board generally take part in meetings of the Supervisory Board. Together, the points on the agenda, in particular the position and the development of the company and its strategic orientation are openly discussed. The Executive Board also informs the Supervisory Board about relevant developments between the periodically set meetings.

## **Remuneration for the Executive Board and the Supervisory Board.**

### **General information.**

Kapsch TrafficCom AG does not have a stock option plan. The members of the Executive Board and the Supervisory Board as well as management staff of Kapsch TrafficCom Group are insured against financial losses within the framework of directors and officers liability insurance (D&O insurance). Because a total premium is paid, it is not possible to allocate to individual members of the Executive Board.

### **Executive Board.**

#### **Principles of the remuneration policy for members of the Executive Board employed by Kapsch TrafficCom AG.**

**General information.** The remuneration takes into consideration the size, international orientation, the business model and the financial situation of the company, as well as the scope of tasks and qualifications of the individual persons. In doing so, the payment to the directors should offer an incentive on the one hand, and on the other should not promote the taking of excessive risk. External benchmarks shall be drawn upon in order to ensure a payment which corresponds with the level on the market.

**Fixed remuneration.** The amount of fixed remuneration is agreed individually. In addition to pecuniary benefits, it may also include benefits in kind, for example, for company cars and living arrangements. Since Executive Board salaries are not subject to the provisions of a collective agreement, fixed remuneration can be secured in value.

**Variable remuneration I: Profit-dependent.** This is determined by earnings before interest and taxes (EBIT). The percentage to be applied for the calculation shall be agreed individually upon conclusion of the contract. In the past, efforts were made to ensure that this variable component would not likely exceed the fixed payment in any year of the Executive Board mandate. For Executive Board contracts starting from the 2018/19 fiscal year, profit-related remuneration must be limited to the amount of the fixed remuneration. As a prerequisite for the payment of such a performance bonus, EBIT must reach at least EUR 20 million in the fiscal year. If this is not the case, profit-related remuneration for this fiscal year shall be forfeited without replacement.

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

**Retirement fund.** Due to the increasing importance of company pension plans in addition to state pension insurance, Kapsch TrafficCom AG makes contributions to an external pension fund for the members of its Executive Board who it employs. The amount of these payments shall be agreed individually upon conclusion of a contract. After termination of the mandate by the passage of time, an Executive Board member has no further claims against the company.

**Special Bonuses.** The Supervisory Board has the right to award these at its own discretion.

**Duration of an Executive Board mandate.** The limitation of an Executive Board mandate to three years per term of office, which had been the aim in the past, was dropped in fiscal year 2018/19. The statutory maximum term is five years.

**Non-competition clause.** In the event of resignation from the Executive Board, a non-competition clause applies for a period of one year (except in the event of resignation for good cause).

#### Remuneration of Georg Kapsch.

Mr. Kapsch is employed by Kapsch Aktiengesellschaft. His services are part of the management and consulting services provided by Kapsch Aktiengesellschaft and invoiced to Kapsch TrafficCom AG. These are disclosed in the notes to the Consolidated Financial Statements under "Related parties".

#### Individual remuneration for the members of the Executive Board.

In EUR thousand	Total 2017/18	Total 2018/19	Fixed 2018/19 (and in % of total remuneration)		Variable 2018/19 (and in % of total remuneration)	
Georg Kapsch	1,135	1,021	680	67%	340	33%
André Laux	589	571	446	78%	125	22%
Alexander Lewald	531	513	387	76%	125	24%
<b>Total</b>	<b>2,255</b>	<b>2,104</b>	<b>1,514</b>	<b>72%</b>	<b>591</b>	<b>28%</b>

**Georg Kapsch.** The remuneration on the level of Kapsch Aktiengesellschaft comprises a fixed and a variable element, which depends on the consolidated earnings before tax of KAPSCH-Group Beteiligungs GmbH. His Executive Board contract also includes variable compensation II in order to take into account the sustainable, non-economic objectives of Kapsch TrafficCom.

**André Laux.** Mr. Laux's contract was extended by five years in 2018/19. In the course of this, the following parameters changed:

- > Fixed annual remuneration: increased from TEUR 414 (plus adjustment for inflation and benefits in kind) to TEUR 475 (adjusted for inflation, plus benefits in kind)
- > Profit-related remuneration component: increased from 0.25% of EBIT to 0.45% of EBIT
- > Pension plan – annual payment of Kapsch TrafficCom AG into an external pension fund: reduced from TEUR 65 to TEUR 25

In the event of termination at the end of the new term of office, Mr. Laux will be entitled to a severance payment of nine months' salary. This amount is reduced by the account balance available on the target date according to the pension fund. For each additional Executive Board period longer than three years, the severance payment entitlement increases by three months in each case, up to a maximum of 12 months.

**Alexander Lewald.** The profit-related remuneration component amounts to 0.25% of EBIT. Kapsch TrafficCom pays an annual amount of TEUR 30 into an external pension fund.

**Alfredo Escribá.** He receives a fixed remuneration of TEUR 380 per year (adjusted for inflation, plus benefits in kind). The profit-related remuneration component amounts to 0.35% of EBIT. Kapsch TrafficCom makes an annual contribution of TEUR 20 for Mr Escribá to an external pension fund.

#### Remuneration for the Supervisory Board.

In EUR thousand	2017/18	2018/19
Franz Semmernegg	50	50
Kari Kapsch	30	30
Sabine Kauper	16	16
Harald Sommerer	24	24
<b>Total</b>	<b>120</b>	<b>120</b>

With the resolution of the Annual General Meeting of September 9, 2015, the total remuneration of the selected members of the Supervisory Board was determined to be TEUR 120 per year, whereby the Chairman is responsible for distributing this amount. This shall apply until a future Annual General Meeting decides on another remuneration. In addition, the members of the Supervisory Board are entitled to expenses. In the 2018/19 fiscal year, travel costs amounting to TEUR 1 were compensated. No stock options program is provided for members of the Supervisory Board.



## Diversity.

Kapsch TrafficCom globally employs women and men of different ages, with different views and beliefs, different cultural and religious backgrounds, different sexual orientations, and a wide range of intellectual and physical abilities. Therefore, promoting diversity has strategic relevance for Kapsch TrafficCom. Consequently, great importance is placed on diversity in internal training programs. It is necessary that employees and managers familiarize themselves with this topic in order to gain an understanding of diversity. This creates the basis for smooth cooperation. Since Kapsch TrafficCom often forms international project teams, there are also special programs for intercultural management.

One of the focal points in the area of diversity is cooperation between men and women. Various measures to promote women within the corporation (explained in the Kapsch TrafficCom's consolidated Non-Financial Report) should lead to an increasing number of women in management positions. By 2023, 30% of all managers should be female.

In general, the selection of candidates for a position on the Executive Board, Supervisory Board or in a managerial position is made with a view to the best possible filling of vacancies. We attach great importance to professional and social competence, personal networking, and experience, as well as the ability to work on a team. Kapsch TrafficCom AG does not have a detailed plan for the advancement of women in the Executive Board, Supervisory Board and executive functions in the company and its subsidiaries. A person may be appointed to the Executive Board up until the age of 65 and to the Supervisory Board up until the age of 75. Origin, gender, religious and sexual orientation are not appointment criteria.

The statutory quota for women on the Supervisory Board does not apply to Kapsch TrafficCom AG (it has fewer than six shareholder representatives on the Supervisory Board). In the previous fiscal year, the Supervisory Board was composed of Sabine Kauper and three male shareholder representatives. On November 21, 2018, the works council delegated one male and one female representative to the Supervisory Board, which is now composed of two female and four male members.

In 2018/19, there was no woman on the Executive Board of Kapsch TrafficCom AG. Women hold various leadership positions within Kapsch TrafficCom AG (such as Head of Finance and Head of Legal) and its subsidiaries (such as Head of Production at Kapsch Components GmbH & Co KG and Head of Finance in the APAC region). At Kapsch TrafficCom AG, twelve persons have power of procuration (Prokura), two of them are women.

## External evaluation.

Kapsch TrafficCom has the consolidated Corporate Governance Report externally audited in three-year intervals. The 2016/17 Corporate Governance Report was externally evaluated and no objections were raised.

The Executive Board



Georg Kapsch  
Chief Executive Officer



André Laux  
Executive Board member



Alfredo Escribá Gallego  
Executive Board member