



# ***Consolidated Non-Financial Report 2020/21.***

**Kapsch TrafficCom**

*Report pursuant to Sec. 267a Austrian Commercial Code (UGB).*

# ***Table of contents.***

<b>1</b>	<b>Notes to the report.</b>	<b>2–3</b>
	1.1 Implementation by Kapsch TrafficCom.	2
	1.2 General review of the 2020/21 financial year.	3
<b>2</b>	<b>Business model.</b>	<b>4–5</b>
	2.1 Sustainable business model.	4
<b>3</b>	<b>Materiality analysis.</b>	<b>6</b>
<b>4</b>	<b>Environment.</b>	<b>7–8</b>
	4.1 Important risks.	7
	4.2 Concepts.	7
<b>5</b>	<b>Employees.</b>	<b>9–11</b>
	5.1 Overview.	9
	5.2 Important risks.	10
	5.3 Concepts.	10
<b>6</b>	<b>Human rights and anti-corruption measures.</b>	<b>12</b>
	6.1 Important risks.	12
	6.2 Concepts.	12
<b>7</b>	<b>Social responsibility.</b>	<b>13–16</b>
	7.1 Important risks.	13
	7.2 Concepts.	13
<b>8</b>	<b>Non-financial key figures.</b>	<b>16–18</b>
	8.1 Environment.	16
	8.2 Employees.	17
	8.3 Human rights and anti-corruption measures.	17
	8.4 Social responsibility.	18

# 1 Notes to the report.

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

Kapsch TrafficCom AG employed on average less than 500 persons in financial year 2020/21. Therefore, the company is not required to submit an additional non-financial statement.

## 1.1 Implementation by Kapsch TrafficCom.

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

To avoid redundancies, the report refers to the notes to the 2020/21 Consolidated Financial Statements ("Financial Statements"), the 2020/21 Consolidated Management Report ("Management Report"), and the Consolidated Corporate Governance Report for 2020/21 ("CG Report"). References within this Report are identified by the word "section" in conjunction with the relevant chapter title. All references are written in italics and are preceded by two arrows (>>).

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

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

This report has not been audited externally.

*“Kapsch TrafficCom is committed to the ten universal principles of the UN Global Compact and to the OECD Guidelines for Multinational Enterprises.”*

**Georg Kapsch, CEO**

## 1.2 General review of the 2020/21 financial year.

Kapsch TrafficCom's 2020/21 financial year was defined by three issues: the weak financial results and – as a consequence – the initiated restructuring measures, the new corporate strategy (Strategy 2027), and the impacts of COVID-19. Further information on the business performance can be found in the ➤ Management Report, chapter 1.1.3 "Course of business 2020/21".

Management's main focus in the reporting period was on restructuring the company so that it can once again operate profitably on a sustainable basis in the future. However, that does not in any way translate to devaluing the relevance of non-financial goals. Indeed, the new goals of being a CO<sub>2</sub>-neutral company by 2027 and making an above-average contribution to reducing environmental pollution were anchored in the Strategy 2027.

Georg Kapsch, Chairman of the Executive Board of Kapsch TrafficCom, assumed board responsibility for Environment/Social/Governance (ESG). In addition, two ESG coordinators were recently appointed to coordinate the various (non-financial) sustainability initiatives within the Group.

ESG reporting is also to be gradually expanded over the next few years and brought into line with international standards. The first steps will be a new stakeholder and materiality analysis.

Kapsch TrafficCom is also currently working on the provisions of the EU Taxonomy Regulation. This regulation requires companies to disclose "how and to what extent the undertaking's activities are associated with economic activities that qualify as environmentally sustainable" according to the regulation. Depending on the environmental objective under the Taxonomy Regulation, this requirement will apply from January 1, 2022, or January 1, 2023.

### Impact of COVID-19 on Kapsch TrafficCom.

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

A number of measures were implemented specifically for employees:

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

In this challenging situation, Kapsch TrafficCom benefited from its outstanding IT infrastructure (software and hardware). Business operations were largely maintained under the new framework conditions. Information on the impact of COVID-19 on business operations can be found in the ➤ *Management Report, chapter 1.1.3 "Course of business 2020/21"*. Kapsch TrafficCom made use of public sector support in various countries during this exceptional period. This primarily involved staff costs and amounted to around EUR 1.6 million in total.

## 2 Business model.

Kapsch TrafficCom is a globally renowned provider of transportation solutions for sustainable mobility. Innovative solutions in the application fields of tolling, tolling services, traffic management and demand management contribute to a healthy world without congestion.

Kapsch TrafficCom has brought projects to fruition in more than 50 countries around the globe and has subsidiaries and branches in more than 25 countries (including Argentina, Australia, Austria, Belarus, Canada, Mexico, Poland, South Africa, Spain, Sweden, USA). Comprehensive information on the group structure and group companies as well as a list of consolidated companies can be found in the Financial Statements ([>> Note 1.1 „Group structure and consolidated group“](#)) and ([Note 30 „Interests in subsidiaries“](#)).

With one-stop-shop solutions, the company covers the entire value chain of customers, from components to design and implementation to the operation of systems. Further information on the company can be found in the Financial Statements ([>> Note 1 „General information“](#)).

### 2.1 Sustainable business model.

Kapsch TrafficCom addresses traffic challenges associated with megatrends ([>> Management Report, chapter 1.1.2 “Definition of market”](#)). The Company’s products and solutions help to

- > maintain and further develop existing road infrastructure.
- > make efficient use of existing transport routes.
- > reduce the environmental impact (especially emissions in the form of greenhouse gases, particulate matter and noise) caused by traffic.
- > direct the behavior of road users.
- > increase road safety.

The EU Taxonomy Regulation (Regulation (EU) 2019/2088) explicitly mentions better traffic management as one of those areas to invest in for the purpose of financing sustainable growth. The ‘Eurovignette’ Directive (Directive 1999/62/EC) states that in order to optimize the transport system, “calls for further recourse to the ‘user pays’ principle and the development and the implementation of the ‘polluter pays’ principle [meaning tolls; note Kapsch TrafficCom AG] in the transport sector in all modes of transport”. Kapsch TrafficCom expects that the upcoming Eurovignette Directive will also include toll solutions as a tool for CO<sub>2</sub> reduction.

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

The code of conduct applicable to the entire Kapsch Group (including Kapsch TrafficCom) contains the principles of conduct applicable to management and all employees. The Code was revised in year 2020 and can be viewed on the Kapsch TrafficCom website in section Investor Relations, subsection Corporate Governance.

## Contribution to United Nations Sustainable Development Goals.

Kapsch TrafficCom's activities contribute to the United Nations Sustainable Development Goals, in particular:

- > **Goal 3: Health and well-being.** Traffic management systems are used to control and reduce traffic. This has positive effects on the quality of air and life. The use of intelligent traffic systems can also reduce the risk of accidents on the roads. Kapsch TrafficCom thus promotes the United Nations goal of halving traffic accidents by 2030. Kapsch TrafficCom has the strategic goals to become CO<sub>2</sub> neutral as a company and to make an above-average contribution to reducing environmental pollution.
- > **Goal 4: Quality education.** Kapsch TrafficCom AG is an apprenticeship company and, together with other Kapsch Group companies, offers a trainee program for university graduates. This gives young people the opportunity to start their professional lives in a global company and to continue their education at the same time.
- > **Goal 5: Gender equality.** Kapsch TrafficCom has set itself the goal of employing at least 30% female managers by 2023. The KTCwomen@kapsch program promotes global networking among motivated female employees.
- > **Goal 7: Affordable and clean energy.** The implementation of an emissions-based toll system encourages (vehicle) fleet renewal and the use of lower-emission vehicles. Kapsch TrafficCom also strives to use electricity from non-fossil sources at its larger locations wherever possible.
- > **Goal 8: Humane working conditions and economic growth.** Kapsch TrafficCom is an attractive employer that offers high-quality jobs. The production sites in Austria and Canada offer high standards with regard to working conditions and respect for human rights.
- > **Goal 9: Industry, innovation and infrastructure.** The toll systems implemented by Kapsch TrafficCom help to finance necessary investments in road infrastructure. Traffic management systems help to use the traffic infrastructure efficiently.
- > **Goal 11: Sustainable cities and communities.** Access restrictions and tolling of urban areas encourage emissions reduction as well as the use of public transportation. This also helps to protect cultural heritage from air pollution. Less traffic creates space for bike lanes, pedestrian zones and improves traffic safety.
- > **Goal 12: Sustainable consumption and production.** For Kapsch TrafficCom, sustainability in production is a permanent endeavor. For example, the production facility in Vienna has successfully participated in an environmental program (Ökoprofit) for ten years in order to continuously make production more efficient and environmentally friendly. Kapsch TrafficCom AG was also awarded the Ecoprofit certificate in 2020.

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

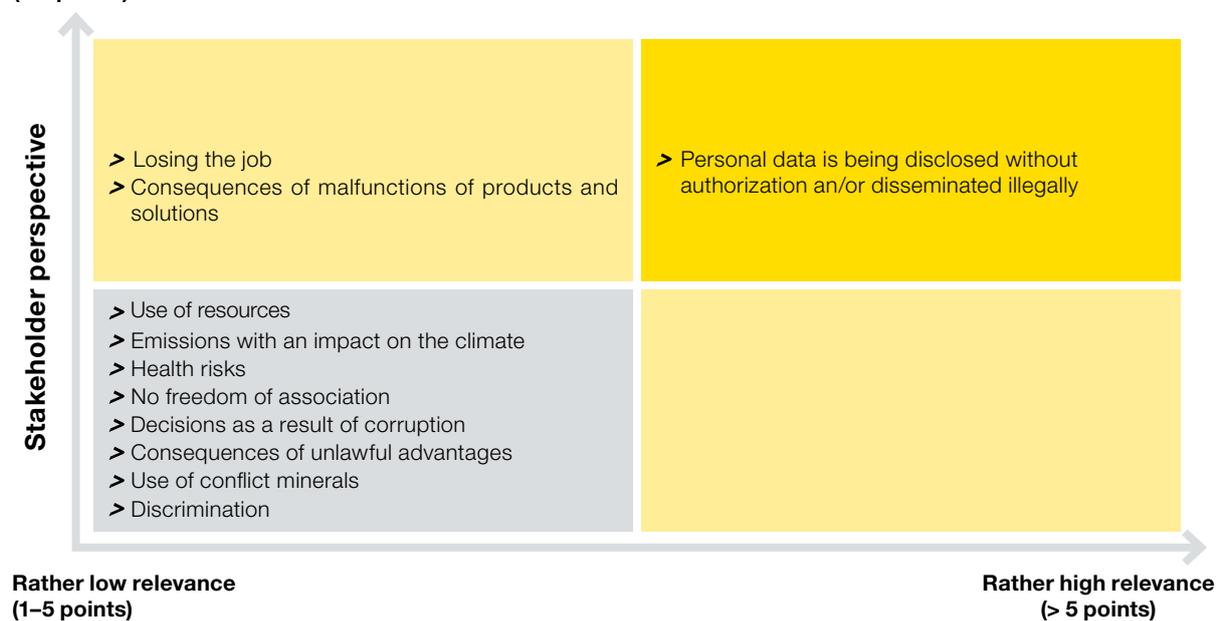
### 3 Materiality analysis.

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

- > more than 1,630 employees worldwide,
- > 5 capital market representatives: three analysts, one representative of the IVA – Interessensverband für Anleger,
- > 7 customers from all regions.

#### Materiality analysis results.

**Rather high relevance**  
(> 5 points)



#### Perspective of the Executive Board of Kapsch TrafficCom

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

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

It is planned to revise the risk and materiality analysis for the 2021/22 financial year.

## 4 Environment.

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

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

### 4.1 Important risks.

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

### 4.2 Concepts.

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

#### **Guide to sustainable product design.**

A comprehensive "Ecodesign Guideline" ensures that environmental aspects are taken into account in the design and development of products in the best possible way and in a structured manner. The contents of the document can also be found in the central "KTC Requirements Repository", a collection of requirements for products to be developed that is valid for the Group. These requirements are mandatory for the entire Kapsch TrafficCom portfolio. Compliance with environmental requirements is measured periodically by the Ecodesign Guideline Officer, as well as reported to HSSEQ and the Executive Board.

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

- > **Manufacturing sites.** The aim is to use electricity as efficiently as possible. Processes are optimized and new machines are purchased as required for this purpose. The energy efficiency of machines is taken into account when purchasing new equipment. In addition to energy efficiency, Kapsch TrafficCom also ensures that the highest possible proportion of energy used in production comes from non-fossil sources.

No process water is required for production. Water is only needed for kitchens and sanitary facilities. For packaging, Kapsch TrafficCom strives to use materials that are as environmentally friendly as possible.

### **Environmentally friendly procurement.**

#### **> Reduction of environmental effects in upstream processes and in the use of raw and auxiliary materials.**

In addition to economic and quality-related aspects, special consideration is given to this criteria in procurement processes. A detailed guide serves as a decision-making aid in procurement and takes particular account of properties such as modular applicability, materials, packaging, durability, recyclability and reparability.

#### **> Handling hazardous or harmful substances.** Where possible, the Group avoids the use of hazardous or environmentally harmful substances and products containing such substances. Safety data sheets are used to assess the hazard potential. The procurement of products and raw materials that would have to be disposed of as hazardous substances after processing or use is avoided wherever possible.

#### **> Transport.** For bulk goods, rail transport is preferable to truck transport. If quality and economy are comparable, local suppliers are preferred in order to minimize transport routes. In this context, there have been increasing initiatives for back-sourcing from the Asian region in recent years.

#### **> Supplier evaluation.** Kapsch TrafficCom is increasingly channeling procurement through the Supply Chain Management Department. If an employee introduces a new supplier, the employee must fill out an impact matrix in which environmental issues are also queried. As part of the onboarding process, each of these suppliers must complete a questionnaire containing, among other things, 41 questions on environmental aspects. This self-assessment must be completed at least every two years. Suppliers in the highest category (A) must undergo a re-evaluation audit at least every three years. Compliance with the self-assessment is also checked. Re-evaluation meetings are held with suppliers in the middle category (B) at least every three years. The self-assessment information is checked for plausibility. Where economically justifiable, suppliers with a qualified environmental management system are given preference. Such a system is mandatory for category A suppliers.

#### **> Responsible handling of chemicals.** Gemäß According to the REACH regulation (Registration, Evaluation, Authorisation and Restriction of Chemicals), all chemicals produced and imported in the EU in quantities over one ton per year must be recorded in a central database. Each product manager is responsible for compliance with REACH during the product release process and, if necessary, must comply with the reporting requirement. In Austria, monitoring is carried out by the chemical inspectors of the federal states. Kapsch TrafficCom obtains a large proportion of its purchased components and substances from European sources. Thus, REACH conformity can be assumed for this. Direct imports from suppliers in third countries are carried out according to Kapsch TrafficCom specifications. There are special safety data sheets for raw and auxiliary materials. Licenses for access to a comprehensive REACH database were acquired in financial year 2021/22. This allows REACH compliance to be verified for a large proportion of newly acquired and stocked components.

### **Raising employee awareness of climate and environmental protection issues.**

Employees receive environmental management training as soon as they join the company. Kapsch TrafficCom has been providing environmental tips as part of its internal communication for many years, e.g., potential savings in resource consumption. Employees' awareness of personal environmental protection in everyday life was raised during the course of an internal campaign and a photo competition. Kapsch TrafficCom conducted a fundraising campaign for reforestation in the North American organization. The implementation of such an initiative on a global scale is planned for the future.

### **Reduction of business travel.**

Oftentimes, a face-to-face meeting cannot be replaced or avoided, but in many cases the options offered by communication technologies can help to avoid business trips. Kapsch TrafficCom has invested in video conferencing systems and uses digital collaboration systems such as Microsoft Teams and Webex Teams worldwide. In financial year 2020/21, travel decreased exceptionally due to constraints associated with COVID-19.

### **Research in the field of climate protection.**

In an EU project, experts from Kapsch TrafficCom, together with partners, are developing solutions that enable the measurement of vehicle emissions and noise at full speed in order to detect exceedances of permitted values (e.g., by tampering with the emission control system). Such a system could allow an ongoing review of emissions and thus be an essential building block in the decarbonization of traffic.

## 5 Employees.

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

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

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

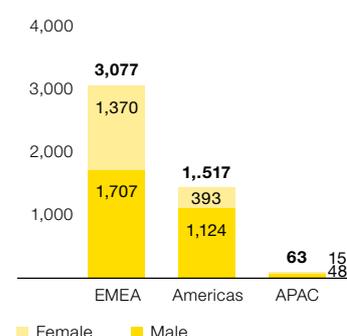
### 5.1 Overview.

As at March 31, 2021, the Group employed a total of 4,657 people, 447 or 9% less than at the balance sheet date of the previous year. The proportion of women in the total workforce was constant at 38%. The reduction in personnel was the consequence of transformation and restructuring measures. These provided both for vacant positions not to be filled, if possible, and for active staff reductions to be driven forward. The Company succeeded in reducing personnel expenses by 9.4% to EUR 243.8 million. Still, the personnel ratio rose from 36.8% in the previous year to 48.3%. The costs for personnel restructuring amounted to EUR 4.5 million.

#### Employment relationships.

As in the previous year, 80% of the employees at Kapsch TrafficCom were salaried employees and 17% were workers. The proportion of people in training also remained constant at around 1% and around 2% were inactive.

**Employees by regions and sex.**



	March 31, 2020	March 31, 2021	+/-
Employees	4,097	3,722	-375
Workers	844	788	-56
In training/education	53	49	-4
Inactive (parental leave, military service, etc.)	110	98	-12
<b>Total</b>	<b>5,104</b>	<b>4,657</b>	<b>-447</b>
thereof part-time	258	214	-44

#### Age structure.

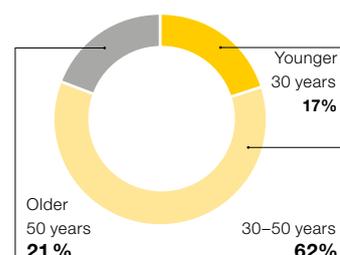
Around 17% (previous year: 20%) of all employees were younger than 30, 62% (previous year: 61%) were between 30 and 50 years old and 21% (previous year: 19%) were more than 50 years old.

#### Number of employees according to regions.

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

- > In EMEA, the Group employed 3,077 people (previous year: 3,437) and therefore the most employees. The countries with the highest number of employees were: South Africa (1,230), Austria (571), Spain (531), Poland (360), Belarus (179) and Sweden (114).
- > Of the total of 1,517 employees (previous year: 1,590) in the Americas region 813 worked in the USA, 250 in Argentina, 159 in Mexico, 128 in Canada and 107 in Chile.
- > Australia accounted for 60 of the 63 employees (previous year: 77) in the APAC region.

**Age structure of Kapsch TrafficCom's workforce.**



## 5.2 Important risks.

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

## 5.3 Concepts.

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

Kapsch TrafficCom is a globally operating corporate group with subsidiaries and branch offices in more than 25 countries. The number of employees of a Group company or branch changes with the activities it performs. In individual cases, however, large projects may be phased out (e.g., the operation of a nation-wide toll system). In such a case, the Company will seek to minimize the harm to the workforce and to explore new employment opportunities with the contracting authority or another operator. However, Kapsch TrafficCom cannot rule out a loss of employment. In this case, initiatives for the training and further education of employees help to find new employment on the labor market.

### **Education and training.**

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

**Apprenticeship.** Kapsch TrafficCom offers vocational training to young people in Austria. As of the balance sheet date, 14 persons were in apprenticeships in the areas of "Information Technology – Technology", "Information Technology – Systems Engineering", or as "Industrial Clerk".

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

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

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

### **Employee satisfaction.**

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

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

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

**Participation in the success of the company.** Kapsch TrafficCom is aware of the contribution of its employees to the Company's success and offers a maximum total profit share of 5% of profit before tax. Country-specific upper limits are designed to ensure that the distribution is based on purchasing power parity. Distribution is per capita, independent of income and is limited to EUR 1,500 per employee. Due to the negative earnings before taxes in financial year 2019/20, there was no profit sharing in the reporting period.

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

**Resilience and Care Counselor.** Protecting and supporting the well-being and mental health of employees is of critical importance to Kapsch TrafficCom. Regardless of whether challenges are personal or professional, the Company takes on and embodies this responsibility to its employees. Since spring 2021, Kapsch TrafficCom has introduced the global and autonomous role of Resilience and Care Counselor. A specially trained and experienced colleague is available for confidential discussions. Together, ways are sought to better deal with the current situation or to change it in a needs-based way.

#### **Diversity and the advancement of women.**

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

- > cooperates with schools, universities and technical colleges, and
- > is committed to promoting the advancement of women by participating in special programs such as "FiT Frauen in die Technik" (Women in Engineering) or "FEMtech",
- > takes an active role in the "Women in Transport" platform of the European Union. This involves greater inclusion and diversity in the transport sector, as well as equal opportunities for women and men.

The diversity concept and information on the promotion of women to the Executive Board, Supervisory Board and executive positions are depicted in the CG Report (>> *section "Diversity"*). The development of the proportion of women in management positions is surveyed by Group Controlling on a monthly basis and reported to the Executive Board and the Personnel department.

**KTCwomen@kapsch.** A group of committed employees has founded the global "KTCwomen@kapsch" initiative. This initiative aims to support global cooperation, stimulate regional initiatives to promote women in leadership positions, and share experiences. The aim is to promote women and increase the visibility of their potential. A higher number of female executives is not only important for women; it is in the interest of the entire organization to work in a modern, open environment where talent is encouraged.

KTCwomen@kapsch's numerous measures include various formats for personal exchange and webinars. A mentoring program was launched in 2019. In the process, 15 tandem teams were formed, each with a female mentee and a mentor. During the nine-month program, the mentors shared their professional know-how and leadership experience with the mentees. The aim was to encourage them to use their competencies more actively and to develop their potential in a sustainable and visible way. The feedback from the participants was very enthusiastic. Both mentors and mentees reported valuable experiences and opportunities to learn, grow, and build valuable relationships. Based on this positive feedback and the stated goal of significantly increasing the proportion of women in management positions, it was decided to continue the program starting in 2021.

## 6 Human rights and anti-corruption measures.

Upholding human rights is a matter of course at Kapsch TrafficCom. The company does not tolerate any form of corruption. Misconduct in both areas can have serious consequences for the company and its employees: loss of contracts and exclusion from future tenders, fines, reputational damages and criminal proceedings against the company and employees involved.

### 6.1 Important risks.

- > Corruption can tempt representatives of public authorities or companies to make decisions that are not in the best interests of the community or organization. In addition, corruption is usually associated with other offenses, such as tax evasion.
- > Unlawful advantages to or from Kapsch TrafficCom employees may have serious consequences in terms of employment, civil and criminal law.
- > Since only around 30.9% of the workforce is covered by a collective agreement, there is a risk that not all employees are granted the right to freedom of association (collective agreement).

### 6.2 Concepts.

#### Company culture.

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

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

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

#### Guidelines and training.

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

#### Compliance organization.

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

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

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

## 7 Social responsibility.

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

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

**Commitment to the community.** Modern communication platforms and channels make it possible to exchange opinions and information worldwide and in real time, occasionally without the participation or even knowledge of those who are the subject of the conversation. The growing group of direct and indirect sub-publics continues to gain in importance. They increasingly act as correctors or drivers. At the same time, companies are viewed more critically. A company must therefore see itself as part of society and regularly question what role it plays in society and what its social acceptance and business model are. Kapsch TrafficCom, for example, does not pursue strategies to erode the tax base and shift profits, and does not make use of tax havens to reduce tax payments.

### 7.1 Important risks.

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

### 7.2 Concepts.

Kapsch TrafficCom pursues a socially relevant mission, namely to create innovative transportation solutions for sustainable mobility to enable users to arrive at their destination conveniently, on time, safely, efficiently, and with minimal environmental impact. The protection of personal data also plays an important role in an increasingly digitized world.

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

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

#### **Innovative and high quality product portfolio.**

Kapsch TrafficCom is actively facing the challenges of its dynamic markets and is constantly expanding its product portfolio with innovative solutions. The company pursues the goal of global quality and innovation leadership in line with its overall strategy.

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

More detailed information on research and development activities can be found in the Management Report ([>> chapter 1.3, "Research and development"](#)).

### **Customer proximity.**

Customer proximity is a key success factor allowing the company to read trends early, counter undesirable developments and, in case of damage, impose risk minimizing measures. Customer proximity is determined by the Group's local presence, which is ensured by branches and representative offices in more than 25 countries. Kapsch TrafficCom creates an additional dimension of proximity through intensive, respectful cooperation with international project partners and customers as well as through the conscious promotion of regional value creation. Participation in industry events and trade fairs makes an important contribution to promoting exchange with customers. Furthermore, the marketing and sales departments conduct periodical surveys to learn about customer satisfaction. Based on the results of such surveys, effective measures for continuous improvement of customer satisfaction are promptly defined and implemented.

### **Procurement: Handling conflict minerals.**

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

### **Open dialog.**

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

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

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

Kapsch TrafficCom uses a variety of communication channels for regular communication with various interest groups. The most common channels include telephone, e-mail, digital collaboration systems, and face-to-face meetings.

- > Especially developed online portals and service hotlines have been set up for customers. In addition, customer surveys are conducted periodically. The project teams and the employees of the sales organization are in close contact with customers.
- > The active involvement of employees and employee representatives takes place through regular information events and the use of various forms of online media. Reference is also made here to the employee survey (**>> section „Employees“**).
- > Communication with suppliers currently takes place primarily via e-mail, by telephone and at meetings (virtual and in person). A software platform for supplier management ("Supplier Relationship Management Tool") is used for tenders and the onboarding of suppliers. The goal is to gradually shift all communication with key suppliers to this platform.
- > Existing and potential shareholders, analysts and, in cooperation with the press office, financial media are supported by the Investor Relations department.
- > The press is handled by the press officers in the Communications department.
- > There is also a lively exchange with non-governmental organizations relevant to the industry such as motor clubs, standards institutes, and interest groups.
- > In the area of research and development, Kapsch TrafficCom cooperates with infrastructure operators, companies in the automotive industry, telecommunications companies and research institutions, among others.
- > Contact with decision-makers and supporters at the EU level is maintained by a corporate lobbyist.

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

**Information security.**

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

Kapsch TrafficCom is currently working intensively on the topic of cybersecurity. One focus is on remote work and the working from home, as well as on security aspects of cloud use. Kapsch TrafficCom follows a zero trust approach. This means that requested access is generally not trusted unless certain evidence can be provided.

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

- > The Information Security team acts as a trustworthy and reliable partner.
- > Security measures are based on the recognized state of the art and ISO/IEC 27001 as a standard reference for the implementation and operation of an information security management system.

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

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

Apart from project-specific penetration tests, the Kapsch Group's "Red Team" simulates an attack on the entire Kapsch Group at least once a year. On the one hand, this serves to identify weaknesses; on the other hand, the internal operating processes are also to be tested.

**Management of security incidents.** Kapsch TrafficCom has a centrally organized process with communication chains and escalation structures for security incidents. This ensures that such incidents can be responded to professionally and promptly. In the past financial year, no security incident with significant economic effects was identified at Kapsch TrafficCom.

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

**Awareness.** One of the most important pillars in the active management of information security is raising awareness among employees. A mandatory training program exists for this reason, which is supplemented by periodic mailings and intranet messages on current issues. The training focus in the past financial year was on social engineering and password security. Another pillar offers the regular simulation of phishing emails, which are a practical exercise embedded in the daily business routine.

### Protection of personal data.

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

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

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

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

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

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

## 8 Non-financial key figures.

### 8.1 Environment.

	2019/20	2020/21	2021/22 goals
Percentage of computer workstations equipped with digital collaboration systems	100%	100%	Keep at 100%
Electricity consumption at all locations with about 5,000 m <sup>2</sup> or more (incl production) in MWh <sup>1)</sup>	6,025	5,553	Maintain on a constant level
CO <sub>2</sub> emissions at all locations with about 5,000 m <sup>2</sup> or more (in tons of CO <sub>2</sub> equivalents) due to electricity consumption and heating <sup>1)</sup>	1,133	1,151	Maintain on a constant level
Product recyclability for RF (Radio Frequency) field products and in-vehicle products <sup>2)</sup>	85.8%	85.8%	Sustainably higher than 80%
Product recyclability for video and sensor products <sup>2)</sup>	89.7%	89.7%	Sustainably higher than 80%

<sup>1)</sup> The following locations are relevant:

- a building in Cape Town (South Africa): approximately 20,300 m<sup>2</sup> (There was a calculation error here in the previous year regarding electricity consumption, which has now been adjusted. Actual consumption was significantly lower than reported.)
- the headquarters in Vienna (Austria): approximately 16,800 m<sup>2</sup>
- the production site in Vienna (Austria): approximately 11,800 m<sup>2</sup>
- the production site in Mississauga (Canada): approximately 6,300 m<sup>2</sup>
- a site in Jönköping (Sweden): approximately 5,700 m<sup>2</sup> (previous year: approximately 5,000 m<sup>2</sup>)

The expenditure on electricity at these sites amounted to about EUR 0.9 million in financial year 2020/21 (previous year: EUR 1.0 million). Starting in the 2020/21 financial year, indirect emissions will also be included in the calculation of CO<sub>2</sub> emissions.

<sup>2)</sup> Only for products manufactured by Kapsch TrafficCom, no products included which are sourced from third parties. Calculated as an average across the various products.

In financial year 2020/21, we succeeded in equipping all computer workstations with digital collaboration systems. In the previous year, this only applied to those Group companies whose IT was fully integrated into Group IT.

## 8.2 Employees.

	2019/20	2020/21	2021/22 goals
Consumption of training budget <sup>1)</sup>	54.5%	23%	100%
Conducting performance reviews <sup>2)</sup>	About 47.6%	About 65.9%	100% per financial year
Proportion of women in leadership positions <sup>3)</sup>	25.0%	25.0%	Increase; 2023 > 30%
Employee turnover rate <sup>4)</sup>	12.0%	9.6%	Keep under 10%
Number of fatalities as a result of work-related injury <sup>5)</sup>	0	0	0
Rate of fatalities as a result of work-related injury <sup>6)</sup>	0.0	0.0	0.0
Number of high-consequence work-related injuries (excluding fatalities) <sup>5) 7)</sup>	1	0	0
Rate of high-consequence work-related injuries <sup>8)</sup>	0.1	0.0	0.0
Number of recordable work-related injuries <sup>9)</sup>	42	21	0
Rate of recordable work-related injuries <sup>9)</sup>	4.7	2.1	0.0

<sup>1)</sup> In financial year 2020/21, the training budget amounted to about EUR 3.3 million (previous year: about EUR 3.9 million).

<sup>2)</sup> Calculation: number of employee performance reviews conducted : number of employees at balance sheet date. Data excluding South Africa.

<sup>3)</sup> Refers to all management levels, including team leaders.

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

<sup>4)</sup> Calculation: Employee-initiated departures : average number of employees excluding sold/shutdown business units. In financial year 2020/21, the latter related to FLUIDTIME Data Services GmbH, Austria, and Intelligent Mobility Solutions, Zambia.

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

<sup>6)</sup> Calculation: number of fatalities as a result of work-related injury : number of hours worked x 1,000,000; number of hours worked in financial year 2020/21 = 10,133,487 (previous year: 8,909,748; based on values from 13 Group companies).

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

<sup>8)</sup> Calculation: number of high-consequence work-related injuries (excluding fatalities) : number of hours worked x 1,000,000; number of hours worked in financial year 2020/21 = 10,133,487 (previous year: 8,909,748; based on values from 13 Group companies).

<sup>9)</sup> Calculation: number of recordable work-related injuries (including fatalities) : number of hours worked x 1,000,000; number of hours worked in financial year 2020/21 = 10,133,487 (previous year: 8,909,748; based on values from 13 Group companies).

The training budget was already used significantly less in the 2019/20 financial year than in the previous year. A major reason for this development was the increasingly worsening company results and cost-cutting measures introduced. Despite improved business expectations in the meantime, cost-cutting measures ultimately had to be implemented in financial year 2020/21 as well. These were more comprehensive and in-depth than those in the previous year.

The number of employee performance reviews conducted in financial year 2019/20 was significantly below management's expectations. The Executive Board sought to talk with various executives and emphasized the importance and value of the exchange between employees and managers. Fortunately, this had an effect; the number of employee performance reviews conducted increased significantly during the reporting period.

## 8.3 Human rights and anti-corruption measures.

	2019/20	2020/21	2021/22 goals
Proven significant claims or proceedings, sanctions or fines against Kapsch TrafficCom Group companies in connection with corruption or human rights violations.	0	0	0

## 8.4 Social responsibility.

	2019/20	2020/21	2021/22 goals
Research ratio <sup>1)</sup>	18%	21%	Approx. 10% or higher
Average tonality of media coverage of Kapsch TrafficCom <sup>2)</sup> (5 = positive, 4 = somewhat positive, 3 = neutral, 2 = somewhat negative, 1 = negative)	2.8	3.2	Approaching 4.0
Proportion of employees who have finished the training regarding the general data protection regulation	35%	45%	Progress further towards 100%

<sup>1)</sup> Calculation: expenses for research & development : revenues.

The research ratio includes expenses for customer-specific developments as well as for product management, development support and generic developments (Management Report, Chapter 3.1 "Research and development").

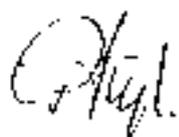
<sup>2)</sup> Source: Media resonance analysis by META Communication International

Media coverage of Kapsch TrafficCom in financial year 2019/20 focused on the early termination of the German infrastructure charge projects and the overall disappointing economic development in the reporting period. For this reason, the tonality of media coverage suffered significantly. An improvement in tonality was achieved in financial year 2020/21. However, an even higher value was not possible due to the reporting of persistently weak financial results.

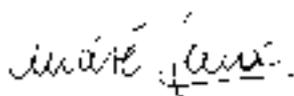
The number of people who have completed the online training on the General Data Protection Regulation has increased, but not to the extent hoped for. Management will continue its efforts to ensure that this training is completed.

Vienna, June 15, 2021

The Executive Board



Georg Kapsch  
Chief Executive Officer



André Laux  
Executive Board member



Alfredo Escribá Gallego  
Executive Board member

**Disclaimer.**

Certain statements in this report are forward-looking statements. They contain the words “believe,” “intend,” “expect,” “plan,” “assume,” and terms of a similar meaning. Forward-looking statements reflect the beliefs and expectations of the company. Actual events can deviate significantly from the expected developments, due to a range of factors. As a result, readers are cautioned not to place undue reliance on such forward-looking statements. Kapsch TrafficCom AG disclaims any obligation to update forward-looking statements made herein.

This report was created with care and all data has been checked conscientiously. Nevertheless, the possibility of layout and printing errors cannot be excluded. Differences in calculations may arise due to the rounding of individual items and percentages. The English translation is for convenience; only the German version is authentic.

When referring to people, the authors strive to use both the male and female forms as far as possible (for example: he or she). For readability reasons, occasionally only the masculine form is used. However, it is always referred to women, men and non-binary persons.

This report does not constitute a recommendation or invitation to purchase or sell securities of Kapsch TrafficCom.

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**Kapsch TrafficCom** is a globally renowned provider of transportation solutions for sustainable mobility. Innovative solutions in the application fields of tolling, tolling services, traffic management and demand management contribute to a healthy world without congestion.

Kapsch TrafficCom has brought projects to fruition in more than 50 countries around the globe. With one-stop-shop solutions, the company covers the entire value chain of customers, from components to design and implementation to the operation of systems.

Headquartered in Vienna, Kapsch TrafficCom has subsidiaries and branches in more than 25 countries. It has been listed in the Prime Market segment of the Vienna Stock Exchange since 2007 (ticker symbol: KTCG). In its 2020/21 financial year, around 4,660 employees generated revenues of EUR 505 million.

**>>> [www.kapsch.net/ktc](http://www.kapsch.net/ktc)**