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# **Corporate Governance Report.** **Fiscal Year 2015/16.**

# Corporate Governance Report.

Kapsch TrafficCom AG follows the Austrian Code of Corporate Governance. This is evaluated every year.

## Corporate governance declaration.

**Code of Corporate Governance.** In June 2007, the executive board and supervisory board resolved to apply the rules of the Austrian Code of Corporate Governance (“the Code”) as far as they are consistent with the specific situation of the company. The Code version January 2015 is available for downloading from [www.corporate-governance.at](http://www.corporate-governance.at). Compliance with the Code is evaluated by the compliance officer together with internal audit on an annual basis.

In the fiscal year 2015/16 ending on 31 March 2016, Kapsch TrafficCom AG applied all “L-rules” and “C-rules” of the Code in the version January 2015, with the following exceptions:

- ▶ C-rule 53 – The company does not intend to establish independence criteria that differ from the general requirement set forth in the Code as it believes such additional criteria are not required; The company takes the view that the members of the supervisory board, which are elected by the annual general meeting, are independent from the company and the executive board, also when there is a family relationship with the chairman of the executive board, Georg Kapsch.
- ▶ C-rule 62 – An external evaluation of compliance with the C-rules has not taken place to date; as well as
- ▶ C-rule 67 – Due to the intense competition in the industry in which the company is active, it will not make available or publish all information which is

available to financial analysts to its shareholders at the same time.

The exceptions to the rules C-53 and C-67 were already established by the executive board at the time of the company’s flotation in 2007 and are not subject to any time limits.

## Management and supervisory structure.

Kapsch TrafficCom AG has a dual management and oversight structure in accordance with the Austrian Stock Corporation Act, consisting of the executive board and the supervisory board.

The executive board is responsible for directing the business and represents the company in dealings with third parties. The supervisory board is responsible for appointing and dismissing the members of the executive board and supervising the business conducted by the executive board.

Although the supervisory board does not actively manage the company, the executive board must obtain the consent of the supervisory board before engaging in certain transactions in accordance with the Austrian Stock Corporation Act, the company’s articles of association and the executive board’s internal rules of procedure.

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l. to r.:  
Georg Kapsch, Chairman/Chief Executive Officer  
Alexander Lewald, Member/Chief Technology Officer  
André Laux, Member/Chief Operating Officer

# Executive Board.

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Name	Area of responsibility	Year of birth	Year first appointed	Year current term expires
Georg Kapsch Chairman/ Chief Executive Officer	Finance, mergers & acquisitions, investor relations, compliance, strategy, legal, international subsidiaries & management systems, IT, human resources, marketing & public relations, baseline solution management, new ventures and sales region North America	1959	2002	2017
André Laux Member/ Chief Operating Officer	All sales regions except for North America, production & logistics, supply chain management and delivery & operations	1962	2010	2016
Alexander Lewald Member/ Chief Technology Officer	Engineering	1964	2015	2019

**Georg Kapsch** was appointed CEO of Kapsch TrafficCom AG in December 2002 and since then has exercised functions within this company's direct and indirect subsidiaries. He has also been CEO of KAPSCH-Group Beteiligungs GmbH since October 2000 and a member of the executive board of Kapsch AG since July 1989; he was elected as CEO of the latter company in October 2001. Georg Kapsch studied business administration at the Vienna University of Economics and Business and graduated in 1981.

In addition, Georg Kapsch exercises additional functions as CEO of DATAX HandelsgmbH, as chairman of the supervisory board of Kapsch CarrierCom AG, as deputy chairman of the supervisory board of Kapsch BusinessCom AG, as a member of the supervisory board of Teufelberger Holding AG and as a member of the executive board of the Wunderer, Mitterbauer and Tabor private trusts.

Georg Kapsch has been president of the Federation of Austrian Industries since June 2012.

**André Laux** has worked for the Kapsch TrafficCom Group since December 2007 and has been a member of the executive board of Kapsch TrafficCom AG since

1 April 2010. In November 2014, he was appointed COO. He also exercises functions in direct and indirect subsidiaries of Kapsch TrafficCom AG. After studying business administration in Germany and England, he began his career in various sales and management functions (1988–1997) at home and abroad. In 1997, he became general manager of the German chipcard producer ODS Landis & Gyr in Munich. In 2000, André Laux moved within the group to Salzburg to take the position of CEO of Skidata AG. In 2004, he took the position of CEO of Winter AG in Munich.

André Laux holds no supervisory board positions outside of the Kapsch TrafficCom Group.

**Alexander Lewald** has been a member of the executive board and CTO of Kapsch TrafficCom AG since November 2015. After studying electrical engineering at the Technical University of Munich, Alexander Lewald worked for three years at DLR (German Aerospace Center) in the Institute of Robotics and System Dynamics. While there, he obtained a PhD in the system dynamics of multi-axis robots from the *Ruhr-Universität Bochum* and later studied this topic in greater depth at the Engineering School of Stanford University, Palo Alto, U.S.A.

*“As CTO, I have also contributed my expertise to the establishment of new ICT business since November.”*

Alexander Lewald, CTO

### Executive board remuneration 2015/16 in TEUR

	Fixed	Variable	Total 2015/16	Total 2014/15
Georg Kapsch	653	0	653	643
André Laux	374	117	490	472
Alexander Lewald	133	0	133	0
<b>Total</b>	<b>1,160</b>	<b>117</b>	<b>1,276</b>	<b>1,114</b>

The activities of the executive board are regulated in the articles of association and in the internal rules of procedure.

After working at McKinsey & Company, Alexander Lewald has spent the last 15 years in various management positions at Kappa IT Ventures, Gilde IT, SAP and Parametric Technology Corp. with a particular focus on building up new business areas in the information and communication technology (ICT) industry.

**Workflow.** The areas of responsibility of the individual executive board members, the procedures (such as requirements and procedures to pass resolutions) as well as the transactions that require approval by the supervisory board are defined in the articles of association and the internal rules of procedure for the executive board. The executive board holds regular meetings to exchange information and pass resolutions on all issues that fall under the competence of the entire executive board.

**Remuneration.** In the fiscal year 2015/16, the fixed and variable remuneration of the executive board members, including the cross-charge from Kapsch AG for the services of Georg Kapsch totaled EUR 1.28 million (fiscal year 2014/15: EUR 1.11 million).

*Georg Kapsch* is employed at Kapsch AG. His services are part of the management and consulting services provided by Kapsch AG and billed to Kapsch TrafficCom AG and are listed in the notes to the consolidated financial statements under "Related parties".

*André Laux.* The remuneration of André Laux is defined in a compensation system that includes fixed compensation as well as variable compensation of no more than 43 % of the fixed compensation. The

variable compensation corresponds to 0,25 % of the operating result. In the event of a departure from the executive board, André Laux is subject to a non-compete clause for the period of one year (except in the case of a departure for good cause). André Laux has an individual contribution-based pension plan. Kapsch TrafficCom AG pays roughly TEUR 10 per year into an external pension fund in accordance with this plan.

*Alexander Lewald.* The remuneration of Alexander Lewald is defined in a compensation system that includes fixed compensation as well as variable compensation. The variable compensation corresponds to 0,25 % of the operating result. In the event of a departure from the executive board, Alexander Lewald is subject to a non-compete clause for the period of one year (except in the case of a departure for good cause). Alexander Lewald has an individual contribution-based pension plan. Kapsch TrafficCom AG pays roughly TEUR 30 per year into an external pension fund in accordance with this plan.

**Directors and officers liability insurance.** The members of the executive board are insured against financial losses with a directors and officers liability insurance policy. Alongside the executive board, the members of the supervisory board as well as top managers of the Kapsch TrafficCom Group are also insured. Due to the payment of a collective premium, it is impossible to associate an amount with individual members of the executive board.

**Share options program.** There is no share options program at Kapsch TrafficCom AG.

Georg Kapsch is employed at Kapsch AG. The remuneration of André Laux and Alexander Lewald is defined in the corresponding systems.

# Supervisory Board.

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The supervisory board comprises four members selected at the annual general meeting and two appointed by the works council.

Pursuant to the articles of association, the supervisory board consists of three to six members elected by the annual general meeting plus the representatives delegated by the works council according to the Austrian Labor Constitutional Act. The current members are:

**Franz Semmernegg** has been a member of the supervisory board of Kapsch TrafficCom AG since June 2002 and chairman of that board since June 2005. Since February 2010, he has been a member of the supervisory board of Kapsch CarrierCom AG. Since April 2005, Franz Semmernegg has held the position of CFO of KAPSCH-Group Beteiligungs GmbH. He is also CEO of Kapsch BusinessCom AG and has been an executive board member at this company since March 2003. Since October 2001, he has also been CFO of Kapsch AG. He has a degree in business administration (1992) from the Karl Franzens University in Graz, where he earned his PhD in 1997.

As chairman of the supervisory board and a finance expert, Franz Semmernegg is also represented in the committees of the supervisory board.

Franz Semmernegg also holds other functions in direct and indirect associated companies of Kapsch BusinessCom AG and Kapsch AG. He is a member of the executive management of Kapsch Liegenschaft Management GmbH, Kapsch Cashpooling and Hedging GmbH and Kapsch IT Services for finance and industries GmbH and is a member of the advisory boards of several subsidiaries.

In addition, Franz Semmernegg also holds functions outside of the Kapsch Group in Enso GmbH, Speech Processing Solutions GmbH and Invest AG.

Franz Semmernegg was a member of the executive board of Schrack BusinessCom AG from 1999 until September 2001. In 1998, he was responsible for the successful management buy-out of Schrack BusinessCom AG by Ericsson Austria AG. Prior to this, he held management positions at Ericsson Austria AG (1998) and Schrack Seconet AG (1997).

**Kari Kapsch** has been a member of the supervisory board of Kapsch TrafficCom AG since June 2002 and deputy chairman of that board since June 2005. Prior to this, he was deputy chairman of the supervisory board from June to December 2002 and chairman

of the supervisory board from December 2002 to June 2005. Since December 2005, Kari Kapsch has been COO of KAPSCH-Group Beteiligungs GmbH. In addition, he is COO of Kapsch AG and CEO of Kapsch CarrierCom AG. Since June 2010, he has been chairman of the supervisory board of Kapsch BusinessCom AG. He earned a degree in physics (1988) at the University of Vienna, where he also obtained a PhD (1992). Kari Kapsch is the brother of Georg Kapsch, the CEO of Kapsch TrafficCom AG.

Kari Kapsch also holds other functions in direct and indirect associated companies of Kapsch CarrierCom AG, Kapsch BusinessCom AG and Kapsch AG. He is a member of the executive management of Kapsch ConnexPlus GmbH and Kapsch Immobilien GmbH.

Furthermore, Kari Kapsch exercises numerous functions outside of the Kapsch Group and is active in multiple industry-related associations. He is vice president of the Vienna Chamber of Commerce, deputy chairman of the Committee for Austrian Electrical and Electronics Industries of the Austrian Chamber of Commerce, member of the Sectors Conference of the Austrian Chamber of Commerce/Industry Sector, member of the Sectors Conference of the Vienna Chamber of Commerce/Industry Sector, member of the executive board of the University of Applied Sciences *Technikum Wien*, member of the Trade Association for the Machinery and Metal Goods Industry of the Austrian Chamber of Commerce, member of the Trade Association for the Machinery, Metal Goods and Casting Industry of the Vienna Chamber of Commerce, member of the executive board of the Austrian Association for Electrical Engineering (OVE), member of the executive board of the Association of the Railroad Industry, member of the JR Senate of the *Christian Doppler Forschungsgesellschaft*, member of the executive board of the Austrian-Polish Society, member of the executive board of the Austrian-Arabian Chamber of Commerce (AACC), member of the Austrian-Iranian Society (OIG), member of the executive management of Austria Telecommunication International GmbH, Gezoge Beteiligungsverwaltungs GmbH, KEGK Holdinggesellschaft m.b.H, ADONARD Beteiligungs GmbH and UKAL Handels- und Vermietungs GmbH.

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Name	Position	Year of birth	Year first appointed	Year current term expires
Franz Semmernegg	Chairman	1968	2002	2016
Kari Kapsch	Deputy chairman	1964	2002	2016
Sabine Kauper	Member <sup>1</sup>	1968	2011	2018
Harald Sommerer	Member <sup>1</sup>	1967	2013	2016
Christian Windisch	Member <sup>2</sup>	1963	2002	—
Martin Gartler	Member <sup>2</sup>	1970	2015	—

<sup>1</sup> This member satisfies the criteria of C-rule 54 of the Code

<sup>2</sup> Delegated by the works council; without information on appointment duration since the works council may recall a member it has delegated at any time

**Sabine Kauper** holds a degree in business administration and has been the CFO of Heliocentris Energy Solutions AG, headquartered in Berlin, since 1 January 2016. Prior to this she was CFO of SKW Stahl-Metallurgie Holding AG, Munich, from 2014 to 2015 and exercised additional functions in this company's direct and indirect subsidiaries. Sabine Kauper studied business administration with a focus on tax accounting and auditing. In addition, she completed a training as a qualified supervisory board member with a certification from Deutsche Börse AG.

From December 2012 to 2013, Sabine Kauper was general manager for restructuring at an internationally active mechanical engineering company. From 2000 to December 2011, she was employed at Phoenix Solar AG, Germany, and was responsible as of 2007 as CFO for the areas of finance, staff and organizational development, international process and IT management, internal audit and legal. After completing her studies, she worked for four years at an accountancy firm.

**Harald Sommerer** has operated independently since 2013 and is working on building an investment portfolio. Prior to this, he was CEO and chairman of the executive board of Zumtobel AG from May 2010 to September 2013. He holds a doctorate in social sciences and economics from the University

of Economics and Business Administration in Vienna and a master of management degree from the J. L. Kellogg Graduate School of Management, Northwestern University.

From 1997 to 2010, Harald Sommerer was a member of the executive board of AT&S Austria Technologie & Systemtechnik AG and was CFO of this company between 1998 and 2005 as well as CEO from 2005 to January 2010.

**Christian Windisch** has been a member of the supervisory board of Kapsch TrafficCom AG delegated by the works council since November 2002. He has worked for the Kapsch Group since September 1984 and is currently employed in the area of quality assurance. Christian Windisch graduated from the polytechnic in Vienna with a degree in telecommunications and electrical engineering.

**Martin Gartler** has been a member of the supervisory board of Kapsch TrafficCom AG delegated by the works council since 11 March 2015. He has been employed in the area of operations at Kapsch TrafficCom AG since February 2008. Martin Gartler has a degree from the Technical School of Electrical and Telecommunications Technology and in 1992 completed training as a foreman for industrial electronics.

The annual general meeting defined the compensation for the supervisory board members for future years in September 2015.

**Independence of the supervisory board.** All members elected in the annual general meeting are considered independent of the company as defined by C-rule 53 of the Code and the guidelines for independence according to appendix 1 of the Code. Sabine Kauper and Harald Sommerer are also independent of the principal shareholder KAPSCH-Group Beteiligungs GmbH as defined by C-rule 54 of the Code.

**Remuneration.** Members of the supervisory board and its committees are entitled to reimbursement of their expenses, including reasonable travel expenses. In addition, the annual general meeting can establish annual compensation for the supervisory board members. The decision of the annual general meeting on 9 September 2015 in accordance with article 9, paragraph 8 of the articles of association established compensation for the elected members of the supervisory board in the amount of TEUR 120 per year for the fiscal year 2015/16 and for the subsequent fiscal years until a future annual general meeting passes another compensation decision. The distribution of the compensation is left to the chairman of the supervisory board. In the fiscal year 2015/16, TEUR 120 as well as travel costs in the amount of TEUR 2 were recognized as expenses, of which TEUR 50 was paid to Franz Semmernegg, TEUR 30 to Kari Kapsch, TEUR 16 to Sabine Kauper and TEUR 24 to Harald Sommerer.

**Directors and officers liability insurance.** The members of the supervisory board are insured against financial losses with a directors and officers liability insurance policy. Alongside the supervisory board, the members of the executive board as well as top managers of the Kapsch TrafficCom Group are also insured. Due to the payment of a collective premium, it is impossible to associate an amount with individual members of the supervisory board.

### Committees of the supervisory board.

The supervisory board has established an audit committee and a committee for executive board matters.

**The committee for executive board matters** is responsible for the relationships between the company and the members of the executive board (including remuneration issues). Excepted from this, however, is the appointment or recall of the executive board members. The committee consists of two members of the supervisory board who were selected by the annual general meeting, including the chairman of the supervisory board. The current members of the committee for executive board matters are Franz Semmernegg (chairman) and Harald Sommerer.

**The audit committee** has the duties established in article 92 para. 4a of the Stock Corporation Act. These responsibilities include the review and preparation of the approval of the financial statements and consolidated financial statements, the audit of the corporate governance report, the report of the risk management according to Rule 83 of the Code, the review of the audit process and the auditor's independence, the preparation of a proposal for the distribution of profit and the preparation of a report to the annual general meeting. Furthermore, the audit committee prepares the proposal of the supervisory board for the selection of an auditor and reviews the accounting process and the effectiveness of the internal control and risk management systems.

One member of the audit committee must always be a finance expert. Persons who were previously members of the executive board, general managers or auditors as well as persons who certified the annual or consolidated financial statements in the last three years cannot function as finance expert or as chairman of the audit committee. The current members of the audit committee are Franz Semmernegg (chairman/finance expert), Harald Sommerer and Christian Windisch.

The auditor is to participate in all meetings of the audit committee dealing with the preparation of the approval of the (consolidated) financial statements and its audit.

### **Promotion of women in the executive board, supervisory board and top management positions.**

Open positions are filled at Kapsch TrafficCom independently of gender. Women are represented in leadership positions and on the supervisory board.

Kapsch TrafficCom AG has not formulated any plan for the promotion of women in the executive board, supervisory board and top management functions of the company and its subsidiaries. The selection of candidates always takes place in consideration of the best possible candidate for open positions, regardless of gender. Women are employed in various key management positions within Kapsch TrafficCom AG (such as the head of Finance & Administration, the head of Legal and the head of Engineering) and its subsidiaries. In the past fiscal year, one member of the supervisory board was female, Sabine Kauper (elected by the annual general meeting). No women were represented in the executive board.

Women are supported in combining a career and family life at Kapsch TrafficCom AG in particular by a flexible working hours model. Furthermore, a number of cooperations with schools, universities and universities of applied sciences exist that are focused in part on increasing the share of women at Kapsch TrafficCom AG.

In addition, Kapsch TrafficCom AG is involved in the promotion of women through participation in special programs such as *"FIT Frauen in die Technik"* and *"FemTech"*.

The Kapsch TrafficCom Group has also established a committee for equal treatment.

# Report of the Supervisory Board.

*“The supervisory board continuously supervised and advised the executive management.”*

Franz Semmernegg,  
Chairman of the Supervisory Board

## Dear shareholders,

The supervisory board of Kapsch TrafficCom AG held a total of four meetings in the fiscal year from 1 April 2015 to 31 March 2016. No member of the supervisory board took part in fewer than half of the meetings.

The supervisory board was also kept continuously informed by the executive board in writing and verbally as well as in the meetings held in conjunction with the executive board concerning the situation as well as the developments of the company and its strategic orientation. The supervisory board continuously and comprehensively supervised the executive management and advised the executive board during the reporting period.

As chairman of the supervisory board, I was regularly in contact with the CEO in order to discuss the business developments, strategy and risk management of the company.

In the past fiscal year, no transactions requiring approval in accordance with §95 para. 5 no. 12 AktG (Stock Corporation Act) took place with members of the supervisory board or with companies in which a member of the supervisory board has a significant financial interest, with the exception of the transactions listed in the notes to the consolidated financial statements under “Related parties”.

PwC Wirtschaftsprüfung GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, as independent auditor appointed by the annual general meeting, has audited and issued an unqualified audit opinion on the annual separate financial statements and the management report dated 8 June 2016 and the annual consolidated financial statements and the consolidated management report dated 8 June 2016 of Kapsch TrafficCom AG as of 31 March 2016, each as prepared by the executive board.

The annual separate financial statements and the annual consolidated financial statements, the executive board’s proposal for the distribution of profit, the auditors’ reports (including the management letter) as well as the corporate governance report were discussed in detail with the executive board and the independent auditors at a meeting of the

audit committee and subsequently presented to the supervisory board.

The supervisory board reviewed such documents in accordance with section 96 of the Austrian Stock Corporation Act and approved the annual separate financial statements in line with section 96 para. 4 of the Austrian Stock Corporation Act. The supervisory board concurs with the executive board’s proposal for the distribution of profits. Accordingly the executive board will propose to the annual general meeting on 7 September 2016 the payment of a dividend of EUR 1.50 per share for the fiscal year 2015/16.

The audit committee held a total of four meetings during the fiscal year from 1 April 2015 to 31 March 2016 and met the responsibilities as set out in section 92 para 4a of the Austrian Stock Corporation Act. In addition to the review and preparation of the approval of the financial statements and consolidated financial statements as well as the audit of the corporate governance report, these responsibilities included the review of the audit process and the auditor’s independence, the preparation of a proposal for the distribution of profit, of a report to the annual general meeting and of the proposal for the selection of an auditor, as well as the review of the accounting process, of the effectiveness of the internal control and of the risk management systems. No member of the audit committee attended less than half of all meetings.

The committee for executive board matters held two meetings in the past fiscal year.

The supervisory board thanks the members of the executive board and all employees of Kapsch TrafficCom AG for their work in the fiscal year 2015/16.

Vienna, 21 June 2016



Franz Semmernegg  
Chairman of the supervisory board



Franz Semmernegg, Chairman of the supervisory board

**Kapsch TrafficCom** is a provider of intelligent transportation systems (ITS) in the segments of toll collection, traffic management, safety and security, smart urban mobility and connected cars. The end-to-end solutions of Kapsch TrafficCom cover the entire value creation chain of its customers as a one-stop shop, from components and design to the installation and operation of systems. The core business comprises the development, installation and operation of electronic toll collection and traffic management systems. References in 44 countries on all continents have made Kapsch TrafficCom a globally recognized ITS provider. As part of the Kapsch Group, an Austrian family-owned technology group founded in 1892, Kapsch TrafficCom is headquartered in Vienna, Austria, and has subsidiaries and branches in 30 countries. It has been listed since 2007 on the Vienna Stock Exchange (KTCG) and generated revenues of EUR 526 million in the fiscal year 2015/16 with over 3,700 employees.

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