(Sec. 267a Austrian Commercial Code)

Notes to the report.

Background.

In 2017, the Sustainability and Diversity Improvement Act was published in the Austrian Federal Law Gazette. It implemented the NFI Guidelines of the European Union (2014/95/EU) by amending the Austrian Commercial Code.

Large limited liability companies whose transferable securities are admitted to trading on a regulated market of a Member State of the European Union must make a non-financial declaration if they employ more than 500 employees on an annual average. The same applies analogously to corporate groups. Kapsch TrafficCom AG had an average of less than 500 employees in fiscal year 2018/19 and is therefore not subject to this obligation. However, a consolidated Non-Financial Report must be prepared for the Group.

The consolidated Non-Financial Report 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.

Implementation by Kapsch TrafficCom.

Kapsch TrafficCom does not make use of the option to base its reporting on national, union-based or international frameworks. To avoid redundancies, the report refers to the notes to the 2018/19 Consolidated Financial Statements (“Financial Statements”), the 2018/19 Group Management Report (“Management Report”), and the Consolidated Corporate Governance Report for 2018/19 (“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. In the course of preparing a current materiality analysis, the key figures used to date were also evaluated in the 2018/19 fiscal year and partially adjusted or replaced. Explanations in this regard can also be found in the key figures. The HSSEQ management team (Health, Safety, Security, Environment and Quality) determines the values and collects the documents for the various key figures centrally. Kapsch TrafficCom distinguishes between:

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

This report has not been audited externally.
Business model.

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

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

Kapsch TrafficCom has implemented projects in more than 50 countries and has subsidiaries and branch offices in more than 30 countries (including Australia, Austria, Belarus, Canada, Czech Republic, 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 1.2 “Group structure and consolidated group”) and (Note 30 “Interests in subsidiaries”).

Sustainable Business Model.

Kapsch TrafficCom addresses traffic challenges associated with megatrends (Management Report, chapter 1.2 “Market for Intelligent Transportation Systems”). The Company’s products and solutions help to
> maintain and further develop existing road infrastructure
> make efficient use of existing transport routes
> direct the behavior of road users
> increase road safety
> reduce the environmental impact of traffic

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

The code of conduct applicable to the entire Kapsch Group (including Kapsch TrafficCom) contains the principles of conduct applicable to management and all employees. The Code can be viewed on the Kapsch website “https://www.kapsch.net/kapsch/about-us/code-of-conduct”.

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

This report is based on an analysis of 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 Company’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.

Materiality analysis procedure.

1. The Executive Board and the representative for non-financial reporting evaluated the risks listed in the 2017/18 non-financial report. There were no material changes compared with the previous year.
2. The Executive Board and the representative for non-financial reporting evaluated the risks listed in the 2017/18 non-financial report. There were no material changes compared with the previous year.
3. The relevant stakeholder groups were defined for the stakeholder analysis. The groups were:
   - Employees
   - Capital market representatives
   - Customers
4. Kapsch TrafficCom prepared a standardized questionnaire for all stakeholders for the survey. Employees were involved in the topic as part of the periodic (three-year interval) global employee survey. The Company contacted the other stakeholders by e-mail.
5. The responses received were first evaluated per stakeholder group and then consolidated. This includes the assessments of:
   - more than 1,630 employees worldwide
   - 5 capital market representatives: three analysts, one representative of the IVA – Interessensverband für Anleger (Austrian Shareholder Association), one major investor
   - 7 customers from all regions

Questionnaire.

Answers were provided to questions on the four dimensions of environment, employees, social responsibility, human rights and corruption prevention, which addressed various risks. Stakeholders were asked to award points from 1 (low relevance) to 10 (high relevance). In addition, it was possible to add one’s own, additional response proposals and their relevance weighting.

List of questions.

How much risk do you think is associated with Kapsch TrafficCom’s business activity regarding the following areas:

1. To the environment:
   - Use of resources (e.g. electricity)
   - Emissions with an impact on the climate (e.g. CO₂)
2. To employees:
   - Losing their job if large order volumes are lost in the country of employment
   - Health risks due to accidents, illness or working with screens
   - Discrimination due to inadequate implementation of the diversity policy
3. To society/the general public:
   - Malfunctions and breakdowns of our products and solutions may lead to suboptimal control of traffic flows. In extreme cases, this could result in accidents
   - Conflict minerals could be used in our supply chain
   - Theft, accidents or improper handling could lead to personal data being disclosed without authorization and/or disseminated illegally
4. To human rights and regarding corruption:
   - Government or company representatives making decisions as a result of corruption that are not in the best interest of the public and/or their organization
   - Unlawful advantages provided by or to employees of Kapsch TrafficCom could lead to severe consequences for such people under labor, civil or criminal law
   - Not all employees enjoy freedom of association (collective labor agreement)
Materiality analysis results.

<table>
<thead>
<tr>
<th>Stakeholder perspective</th>
<th>Rather low relevance (1-5 points)</th>
<th>Rather high relevance (&gt; 5 points)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Losing the job</td>
<td>Personal data is being disclosed without authorization an/or disseminated illegally</td>
</tr>
<tr>
<td></td>
<td>Consequences of malfunctions of products and solutions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Use of resources</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Emissions with an impact on the climate</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Health risks</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No freedom of association</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Decisions as a result of corruption</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Consequences of unlawful advantages</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Use of conflict minerals</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Discrimination</td>
<td></td>
</tr>
</tbody>
</table>

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

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

Air pollution has significant effects on human health, impacts vegetation and ecosystems, contributes to climate change and damages materials and buildings. Road traffic plays an important role here. According to the European Environment Agency, road traffic is the largest emitter of nitrogen oxide in the EU with a share of 39%. The proportion is 20% for carbon monoxide, 28% black carbon, and 11% for particulate matter. Road traffic is responsible for one fifth of all greenhouse gases in the EU. Furthermore, noise pollution – with road traffic being the most widespread source – is an important health problem in Europe.

In this context, Kapsch TrafficCom offers hardware, software and services that make road traffic more efficient, safer, more reliable, more efficient and more convenient, while reducing environmental impact. The company’s products and solutions help to handle traffic flows more efficiently.

In addition, Kapsch TrafficCom is also working consistently in its own area of operations, especially at its production sites, to minimize resource consumption and any impact on the environment.

Important risks.

- **Climate-relevant emissions.** The business activities of Kapsch TrafficCom are associated to a small extent with the consumption of resources and the output of climate-relevant emissions. Without corresponding concepts for environmental and climate protection and their proper implementation, Kapsch TrafficCom would have a greater than necessary impact on the environment. In addition, inefficient use of energy would mean additional costs for the Company.

- **Customer waste.** Kapsch TrafficCom manufactures road-side radio products and products used in vehicles (e.g., on-board units) in large quantities for customers. The customer is responsible for proper disposal. If the components contain a high degree of non-recyclable components, environmentally friendly recycling is not possible.

Concepts.

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

**Guide to sustainable product design.**

A comprehensive guide ensures that environmental, economic, social, health and safety aspects are taken into account in the design and development of products in the best possible way and in a structured manner. The contents of the document must be included in the requirement specifications and project tenders. The Environmental Officers of the departments, who are also members of the HSSEQ Circle, review and continually adapt this process.

**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, and 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. For packaging, Kapsch TrafficCom strives to use materials that are as environmentally friendly as possible.

- **Administration.** Here, too, efforts are being made to achieve energy efficiency and to minimize the consumption of office materials, especially paper.

- **Vehicle fleet.** When new cars are purchased, their fuel consumption is taken into account.

**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 longevity, recyclability and reparation.

- **Supplier evaluation.** Kapsch TrafficCom assesses suppliers successively with regard to their conformity with the ecological procurement criteria. Where economically justifiable, suppliers with a qualified environmental management system are given preference.
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.

Responsible handling of chemicals. Kapsch TrafficCom has taken extensive precautions to comply with the REACH regulation (Registration, Evaluation, Authorization and Restriction of Chemicals). This EU regulation requires companies that produce or import a chemical substance in quantities of more than one ton per year to register this substance in a central database.

Raising employee awareness of climate and environmental protection issues. Potential savings in resource consumption are pointed out in internal communications.

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

Leading the climate protection agenda. Kapsch TrafficCom is seen as an important stakeholder in climate protection and mobility, not only in Austria, but also internationally. One example of the company’s role in international efforts to achieve climate-neutral mobility is its involvement in the “Decarbonizing Transport” project, which is coordinated by the International Transport Forum. Kapsch is named by this initiative as one of the key players in this topic.

Kapsch is also involved in the discussions of the United Nations Framework Convention on Climate Change (UNFCCC) as a technical expert. In particular, the role of information and communication technology (ICT) and Kapsch’s experience in this area will be key elements in the development towards decarbonized transport.

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

Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.

Goal 11: Make cities and human settlements more inclusive, safer, more resilient and more sustainable.

Goal 13: Take urgent action to combat climate change and its impacts.

Non-financial key figures.

Compared to the previous year, Kapsch TrafficCom no longer reports the key figures “Proportion of order value with ISO 14001-certified suppliers”, “Number of business trip flights” and “Resulting CO₂ emissions”. The name of the key figure “Proportion of employees equipped with Skype for Business” has been revised and is now referred to as “Percentage of workstations equipped with Skype for Business”. Electricity consumption – and subsequently CO₂ emissions – was measured last year for production in Austria and Canada. As of the 2018/19 fiscal year, all locations with around 5,000 m² or more will be included. From a group perspective, significant measures for the more efficient use of electricity can only be implemented at the large sites. As a new indicator, the “Recyclability quota for road-side radio products and products used in vehicles” was introduced.

<table>
<thead>
<tr>
<th>Percentage of workstations equipped with Skype for Business</th>
<th>2017/18</th>
<th>2018/19</th>
<th>2019/20 goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity consumption at all locations with about 5,000 m² or more (incl production) in MWh</td>
<td>n/a</td>
<td>7,255</td>
<td>Maintain on a constant level</td>
</tr>
<tr>
<td>CO₂ emissions at all locations with about 5,000 m² or more (in tons of CO₂ equivalents) due to electricity consumption and heating</td>
<td>n/a</td>
<td>2,176</td>
<td>Maintain on a constant level</td>
</tr>
<tr>
<td>Product recyclability for RF (Radio Frequency) field products and in-vehicle products</td>
<td>n/a</td>
<td>83.5%</td>
<td>More than 80%</td>
</tr>
</tbody>
</table>

¹⁾ The following locations are relevant:
> a building in Cape Town (South Africa): approximately 20,300 m²
> the headquarters in Vienna (Austria): approximately 16,800 m²
> the production site in Vienna (Austria): approximately 11,800 m²
> the production site in Mississauga (Canada): approximately 6,300 m²
> a building in Jönköping (Sweden): approximately 5,000 m²

²⁾ Only for products manufactured by Kapsch TrafficCom, no products included which are sourced from third parties.
Employees.

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

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

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

Overview.

As at March 31, 2019, the Group employed a total of 4,981 people, 278 fewer than at the balance sheet date of the previous year. In addition to a lower number of interns, this decline was primarily due to the reduction in the scope of services for the operation of the nation-wide truck toll system in Poland. As a result, the local team was reduced in size by around 460 people (mainly women) – most of whom continue to work on the truck toll but are no longer employed by Kapsch TrafficCom. This change was therefore also the most important reason why the proportion of women in the total workforce fell from 41.6% to 37.5% in fiscal year 2018/19.

Employment relationships.

At Kapsch TrafficCom, on the balance sheet date, 83% of the workforce were salaried employees (previous year: 76%). Workers employed in the production facilities made up 12% of the workforce (previous year: 17%).

<table>
<thead>
<tr>
<th></th>
<th>2017/18</th>
<th>2018/19</th>
<th>+/-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>3,995</td>
<td>4,148</td>
<td>153</td>
</tr>
<tr>
<td>Workers</td>
<td>890</td>
<td>607</td>
<td>-283</td>
</tr>
<tr>
<td>In training/education</td>
<td>238</td>
<td>103</td>
<td>-135</td>
</tr>
<tr>
<td>Inactive ¹⁾</td>
<td>136</td>
<td>123</td>
<td>-13</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,259</td>
<td>4,981</td>
<td>-278</td>
</tr>
<tr>
<td>thereof part-time</td>
<td>194</td>
<td>171</td>
<td>-23</td>
</tr>
</tbody>
</table>

¹⁾ People on parental leave, military service, etc.

Age distribution.

Kapsch TrafficCom was founded in 2002 and since then has grown rapidly. This is also reflected in the relatively young workforce: About 23% (previous year: 26%) of all employees are younger than 30 years, 45% (previous year: 48%) are 35 years old or younger and 74% (previous year: 75%) are no older than 45 years.

Age structure of Kapsch TrafficCom’s workforce.

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2017/18</th>
<th>2018/19</th>
<th>+/-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 25 years</td>
<td>235</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25-30 years</td>
<td></td>
<td>903</td>
<td>903</td>
</tr>
<tr>
<td>30-35 years</td>
<td></td>
<td>1,090</td>
<td>1,090</td>
</tr>
<tr>
<td>35-40 years</td>
<td></td>
<td>880</td>
<td>880</td>
</tr>
<tr>
<td>40-45 years</td>
<td></td>
<td>571</td>
<td>571</td>
</tr>
<tr>
<td>45-50 years</td>
<td></td>
<td>482</td>
<td>482</td>
</tr>
<tr>
<td>50-55 years</td>
<td></td>
<td>394</td>
<td>394</td>
</tr>
<tr>
<td>55-60 years</td>
<td></td>
<td>286</td>
<td>286</td>
</tr>
<tr>
<td>60-65 years</td>
<td></td>
<td>118</td>
<td>118</td>
</tr>
<tr>
<td>Older 65 years</td>
<td></td>
<td>22</td>
<td>22</td>
</tr>
</tbody>
</table>
Kapsch TrafficCom is a globally active company with a large part of its workforce outside of Austria:

- In EMEA, the Group employs 3,426 people (previous year: 3,852) and therefore the most employees. The countries with the highest number of employees are: South Africa (1,526), Austria (634), Spain (485), Belarus (189), the Czech Republic (159), Poland (146) and Sweden (138).
- Of the total 1,474 employees (previous year: 1,340) in the Americas region, 665 work in the USA, 300 in Argentina, 194 in Mexico, 137 in Chile, and 136 in Canada.
- 76 of the total 81 employees (previous year: 67) in the APAC region are in Australia.

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.

Concepts.

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

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

**Education and Training.**

Kapsch TrafficCom attaches great importance to personnel and organizational development, because the qualifications and commitment of its employees are seen as decisive prerequisites for the company’s success. When filling vacant positions, attention is naturally paid to the applicants’ professional and 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, 16 persons completed an apprenticeship in the areas of “Information Technology – Technology,” “Electronics – Information and Telecommunications Technology” or “Industrial Sales Management Assistant.”

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

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

Georg Kapsch, CEO
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 share of the annual pre-tax profit in recognition of their performance. In addition, Kapsch TrafficCom also puts in place long-term measures that address health care and economic security in retirement.

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

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

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

Diversity and the advancement of women. The diversity concept and information on the promotion of women to the Executive Board, Supervisory Board and executive positions are depicted in the CG Report (section “Diversity”).

The current low number of female executives at Kapsch TrafficCom has to do with the fact that the proportion of women in technical areas remains comparatively low. From the point of view of a technology company, a broader base of female technicians should be available. Talented female colleagues are valued and can gain leadership positions within the organization. Achieving this to a greater extent than what is the case today requires long-term initiatives: Kapsch TrafficCom
> cooperates with schools, universities and technical colleges, and
> is committed to promoting the advancement of women by participating in special programs such as “FiT Frauen in die Technik” (Women in Engineering) or “FEMtech.”

A group of committed employees has founded the "women@kapsch" initiative, which offers support for individual development through events and networking opportunities. One initiative within the framework of women@kapsch is women@ktc with the specific goal of increasing the proportion of women in management positions at Kapsch TrafficCom. The company also wants to promote cooperation between men and women with the aim of harnessing the talents of both. This is not about a classic distribution of roles, but about the strengthening of strengths. Other measures include the “Women in Sales” trainee program and a separate committee for equal treatment.
Non-financial key figures.

The evaluation of the key figures resulted in numerous innovations: Up to the 2017/18 fiscal year, the average number of training and training days per employee was recorded as a key figure for further training activities. However, this figure could not be calculated for the corporate group as a whole. Country-specific conditions also made it difficult to compare the data sets. For this reason, the Executive Board decided to replace this key figure with the use of the training budget starting from the 2018/19 fiscal year.

The Executive Board would like to significantly increase the proportion of female executives. Specifically, 30% of all leadership positions are to be held by women in 2023.

The fluctuation rate was also included. It is an important indicator of employee satisfaction. Finally, moving forward from fiscal year 2018/19, additional key figures for occupational safety and employee protection will be reported.

<table>
<thead>
<tr>
<th></th>
<th>2017/18</th>
<th>2018/19</th>
<th>2019/20 goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption of training budget</td>
<td>88.2%</td>
<td>83.3%</td>
<td>100% cumulative over the year</td>
</tr>
<tr>
<td>Conducting performance reviews</td>
<td>n/a</td>
<td>About 75.6%</td>
<td>Further increase; in 2023 a level of 30% shall be achieved</td>
</tr>
<tr>
<td>Proportion of women in leadership positions</td>
<td>16.6%</td>
<td>21.8%</td>
<td></td>
</tr>
<tr>
<td>Fluctuation rate</td>
<td>11.3%</td>
<td>8.9%</td>
<td>Keep under 10%</td>
</tr>
<tr>
<td>Number of fatalities as a result of work-related injury</td>
<td>n/a</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Rate of fatalities as a result of work-related injury</td>
<td>n/a</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Number of high-consequence work-related injuries (excluding fatalities)</td>
<td>n/a</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Rate of high-consequence work-related injuries (excluding fatalities)</td>
<td>n/a</td>
<td>0.3</td>
<td>0</td>
</tr>
<tr>
<td>Number of recordable work-related injuries</td>
<td>n/a</td>
<td>45</td>
<td>0</td>
</tr>
<tr>
<td>Rate of recordable work-related injuries</td>
<td>n/a</td>
<td>6.8</td>
<td>0</td>
</tr>
</tbody>
</table>

1⁾ In fiscal year 2018/19, as well as in the previous year, the training budget amounted to about EUR 3.3 million.
2⁾ At Kapsch TrafficCom, annual employee reviews have been held since 2004. In 2017/18, the composition and structure were revised and expanded with additional components (e.g., career aspects, psychosocial aspects), which is why performance reviews are available on a voluntary basis but were not mandatory.
3⁾ Refers to all management levels, including team leaders.
4⁾ Calculation: resignations initiated by employees/average headcount in the fiscal year, excluding divested businesses.
5⁾ Injuries or fatalities as a result of commuting incidents are only included if the transport has been organized by Kapsch TrafficCom.
6⁾ Calculation: Number of fatalities as a result of work-related injury x number of hours worked x 1,000,000; number of hours worked = 6,658,004.
7⁾ High-consequence means a work-related injury from which the employee cannot, does not, or is not expected to recover fully to pre-injury health status within six months.
8⁾ Number of high-consequence work-related injuries (excluding fatalities) x number of hours worked x 1,000,000; number of hours worked = 6,658,004.
9⁾ Number of recordable work-related injuries (including fatalities) x number of hours worked x 1,000,000; number of hours worked = 6,658,004.
Human rights and anti-corruption measures.

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

Important risks.

> Corruption can tempt representatives of public authorities or companies to make decisions that are not in the best interests of the community or organization. In addition, corruption is usually associated with other offenses, such as tax evasion.
> Unlawful advantages to or from Kapsch TrafficCom employees may have serious consequences in terms of employment, civil and criminal law.
> Since only around 31.5% of the workforce is covered by a collective agreement, there is a risk that not all employees are granted the right to freedom of association (collective agreement).

Concepts.

Company culture. The Code of Conduct (http://kapsch.net/kapsch/about-us/code-of-conduct), which applies to all Kapsch Group companies, and thus also to Kapsch TrafficCom, contains requirements for ethical conduct and a clear rejection of corruption, bribery, preferential treatment and the violation of human rights. Kapsch TrafficCom is also committed to the 10 principles of the United Nations Global Compact.

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 that are applicable world-wide are accessible to employees via the intranet and the HSSEQ platform. The guidelines were revised in the 2018/19 fiscal year. A new training program is being developed.

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.

The business partners of the following Group companies are subject to regular restricted party screening in order to avoid transactions with sanctioned parties: Kapsch TrafficCom AG and Kapsch Components GmbH & Co KG (both Austria), Kapsch TrafficCom S.A.U. and Kapsch TrafficCom Arce Sistemas S.A.U. (both Spain), Kapsch TrafficCom USA, Inc. (USA) and Kapsch TrafficCom AB (Sweden). The data for verification is obtained directly from the accounts receivable and accounts payable entries of the ERP system (Enterprise Resource Planning system) and is automatically compared daily with embargo and sanctions lists. These lists contain, among other things, persons and companies that are connected to human rights violations.

At Kapsch TrafficCom, Kapsch Group’s internal audit, which is part of Kapsch Aktiengesellschaft, may also include an audit of internal control system processes and their compliance, in addition to fraud and corruption, if so requested by the Executive Board.

Non-financial key figure.

<table>
<thead>
<tr>
<th></th>
<th>2017/18</th>
<th>2018/19</th>
<th>2019/20 goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proven significant claims or proceedings, sanctions or fines against Kapsch TrafficCom Group companies in connection with corruption or human rights violations.</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
Social responsibility.

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

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

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

Important risks.

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

Concepts.

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

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

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

Innovative and high quality product portfolio.

Kapsch TrafficCom is actively facing the challenges of its dynamic markets and is constantly expanding its product portfolio with innovative solutions. The company pursues the goal of global quality and innovation leadership in line with its overall strategy. The company’s success to date is understood as a mission and obligation to continue to create competitive advantages and added value for customers and partners. More detailed information on research and development activities can be found in the Management Report (chapter 3.1 „Research and development“).
Customer proximity.
Customer proximity is a key success factor. It is determined by the Group’s local presence, which is ensured by branches and representative offices in more than 30 countries. Kapsch TrafficCom creates an additional dimension of proximity through intensive, respectful cooperation with international project partners and customers as well as through the conscious promotion of regional value creation. Participation in industry events and trade fairs also makes an important contribution to promoting exchange with customers. Furthermore, the marketing and sales departments conduct periodic 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, Kapsch TrafficCom asks whether control mechanisms exist for compliance with OECD standards on “Responsible Mineral Supply Chains.” Suppliers must also explain their risk assessment model and how they avoid the use of minerals whose production is influenced by wars.

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

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

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

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

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

Kapsch TrafficCom is a member of more than 40 organizations to safeguard its own interests and to actively contribute to discussions on current industry issues. In addition to regulatory and legal issues and because of the company’s business purpose, the focus is on aspects of intelligent transport systems.
Information Security.
The topic of information security is deeply anchored in the organization. This is necessary because the software solutions from Kapsch TrafficCom process customer and user data. The Company is aware of its responsibility in dealing with this information and is also anxious to protect its own data against unauthorized access. Risks and current threats are continuously assessed so that targeted measures can be taken. These typically aim at the three dimensions of humans, process and technology.

Security Policy. Kapsch TrafficCom has formulated the following two guiding principles for the targeted use of security measures:
> Information security should have a solution-oriented effect
> Security measures should be based on the recognized state of the art. The global orientation in this context defines ISO 27001 as the standard reference for the implementation and operation of information security.

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

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

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

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

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

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

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

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

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

Deletion periods. All deletion periods for personal data were checked and adjusted if necessary.
Non-financial key figures.

The General Data Protection Regulation (EU Regulation 2016/679) has been applicable since May 25, 2018. The data protection officer of Kapsch TrafficCom AG (also Chief Privacy Officer of Kapsch TrafficCom Group) conducted a series of face-to-face training sessions – in particular with executives. In addition, in fiscal year 2018/19 an online training course was offered for the entire workforce. The Executive Board of Kapsch TrafficCom wants every employee to complete this training. It was also decided to include the training quota as an indicator in the Non-Financial Report. In addition, it was clarified that the share of product complaints relates to the mass products of Kapsch TrafficCom, namely the on-board units.

<table>
<thead>
<tr>
<th></th>
<th>2017/18</th>
<th>2018/19</th>
<th>2019/20 goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of product complaints (regarding on-board units)</td>
<td>1.2%</td>
<td>0.4%</td>
<td>&lt;1.2%</td>
</tr>
<tr>
<td>Expenses for research and development as a percentage of revenues ¹⁾</td>
<td>Approx. 16%</td>
<td>Approx. 15%</td>
<td>Approx. 10% or higher</td>
</tr>
<tr>
<td>Average tonality of media coverage of Kapsch TrafficCom ²⁾ (5 = positive, 4 = somewhat positive, 3 = neutral, 2 = somewhat negative, 1 = negative)</td>
<td>4.4</td>
<td>3.9</td>
<td>at least 4.0</td>
</tr>
<tr>
<td>Proportion of employees who have finished the training regarding the general data protection regulation</td>
<td>n/a</td>
<td>31.6%</td>
<td>100%</td>
</tr>
</tbody>
</table>

¹⁾ Research ratio includes expenses for customer-specific development, product management, IPR management, development support and generic development (Management Report, chapter 3.1 „Research and development“).

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

In fiscal year 2018/19, the tonality of media coverage suffered from the disputes regarding the award of the new nation-wide truck toll system in the Czech Republic (Management Report, chapter 2.1 „Business Performance“).

The online training on the General Data Protection Regulation was offered for the first time in fiscal year 2018/19. Kapsch TrafficCom will continue to offer training courses in order to continuously increase the proportion of employees who have finished it.

The Executive Board

Georg Kapsch  
Chief Executive Officer

André Laux  
Executive Board member

Alfredo Escribá Gallego  
Executive Board member