

Kapsch TrafficCom

Consolidated Non-Financial Report.

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Consolidated Non-Financial Report (§ 267a UGB).

Notes to the report.

Due to new legal requirements (Sustainability and Diversity Improvement Act, NaDiVeG), Kapsch TrafficCom is obliged for the first time to prepare an annual consolidated Non-Financial Report for the fiscal year 2017/18 in accordance with § 267a of the Austrian Commercial Code (UGB). The consolidated Non-Financial Report must contain the information necessary for understanding the business development, the operating result, the situation 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. The report is based on the requirements of the Global Reporting Initiative—GRI Guideline G4 (Compliance Level: Core) for sustainability reports.

To avoid redundancies, the report refers to the notes to the 2017/18 Consolidated Financial Statements, the 2017/18 Consolidated Management Report, and the consolidated Corporate Governance Report for 2017/18. A separate non-financial report for Kapsch TrafficCom AG pursuant to § 243b UGB is not required.

As a rule, the key figures specified are collected for Kapsch TrafficCom Group. Any deviations are explained directly in the key figures.

Business model.

Kapsch TrafficCom AG is a listed stock corporation under Austrian law. The company headquarters is located at Am Europlatz 2, 1120 Vienna, Austria. The Kapsch family indirectly owns 100% of the shares in KAPSCH-Group Beteiligungs GmbH, the Group's parent company, which in turn holds 63.3% 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 networked vehicles. 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 notes to the Consolidated 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, Canada, Austria, Poland, Zambia, Sweden, Spain, South Africa, Czech Republic, USA, Belarus). Comprehensive information on the group structure and group companies can be found in the correspondingly titled note 1.2 to the Consolidated Financial Statements. The list of consolidated companies can be found in note 32 to the Consolidated Financial Statements.

Company awards for sustainability aspects.

Listed in the Austrian sustainability index, VÖNIX, since 2009.



Annually since 2014: Award "Beruf & Familie" (job & family).



Kapsch Components was again awarded the City of Vienna's Ökoprofit award.



Reference, Further information:

- > Note 1 to the 2017/18 Consolidated Financial Statements

Reference, group structure and consolidated group:

- > Note 1.2 to the 2017/18 Consolidated Financial Statements
- > Note 32 to the 2017/18 Consolidated Financial Statements

Focus on essentials.

In the context of ecological, social and societal issues, a structured process was implemented two years ago to capture stakeholder perspectives in the essential areas of activity for Kapsch TrafficCom.

First, both company management and those responsible for key functional business areas were asked in structured interviews which stakeholder groups are to be considered essential for Kapsch TrafficCom in the context of ecological, social and societal responsibility and sustainability. The stakeholder groups were prioritized based on the number of nominations and company management's perspective and formed the basis for further analysis of the essential areas of activity.

The stakeholder groups most relevant to Kapsch TrafficCom in the context of ecological, social and societal development are shown on the left.

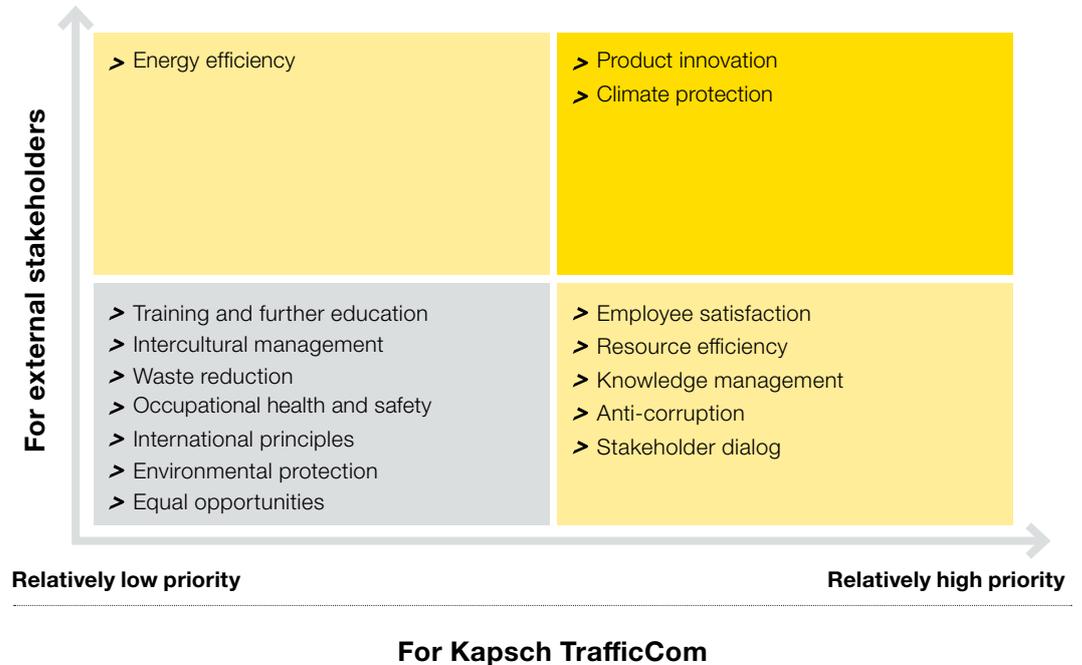


In order to align the focus areas and sustainability management measures with essential areas of activity, Kapsch TrafficCom implemented a comprehensive materiality process in 2016 in accordance with the requirements of the GRI-G4 Guideline. Internal and external stakeholder perspectives were collected by means of structured interviews to identify the key topics. For the first time, numerous sustainability issues were added to the global customer satisfaction survey.

These were based on industry-relevant areas of activity and sustainability requirements in the core business. A shortlist of around 20 areas of activity in the categories of environmental protection, employees and society and governance was drawn up. Representatives of Kapsch's most important business and functional units as well as relevant stakeholders such as customers and industry organizations gave their feedback and prioritized the areas of activity. In total, interviews were conducted with eight internal and two external (Austriatech, OECD ITS) stakeholders and feedback was obtained from 16 customers. In addition, the ongoing stakeholder dialog has already provided Kapsch TrafficCom with valuable information and insights on sustainability. This dialog complemented the analysis.

The result of the structured process was the selection of 15 areas of activity, above all: product innovation, climate protection, employee satisfaction, resource efficiency and knowledge management. The overview below visualizes the result. Additions can be made at any time if required.

Relatively high priority



Environment.

More than a quarter of Europe's energy consumption and CO₂ emissions are caused by the transport sector, 20% by road transport. Furthermore, 64% of all kilometers are driven in urban environments today. In Vienna, for example, about one third of traffic-related CO₂ emissions are caused by drivers searching for a parking space. The total number of kilometers driven annually in urban areas is expected to almost triple from 25.8 trillion to 67.1 trillion between 2010 and 2050. City dwellers will therefore spend 106 hours a year in traffic jams in 2050. In addition to the legal requirements for the automotive industry to curb CO₂ emissions, substantial improvements require a change in user behavior, and above all, intelligent traffic control systems.

Kapsch TrafficCom's products and solutions make an active contribution to the environmentally friendly and resource-saving design of traffic systems. In the Electronic Toll Collection (ETC) segment, the company helps to finance the necessary investments in maintaining and expanding transport infrastructure. The Intelligent Mobility Solutions (IMS) segment offers technologies and services for optimizing traffic flows and thus for better handling the increasing volume of traffic.

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.

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 or project tenders. The Environmental Officers of the departments, who are also members of the HSSEQ Circle, review and continually adapt this process.

Certification.

Kapsch TrafficCom defines its processes in an integrated HSSEQ management system (Health-Safety-Security-Environment-Quality). The basis for this are group certifications according to ISO 9001: Quality Management (since 2002), according to OHSAS 18001: Occupational Safety Management (since 2005) and according to ISO 14001: Environmental Management (since 2005), ISO 27001: Information Security Management and ISO 20000: IT Service Management. Kapsch TrafficCom has anchored the necessary measures to safeguard the associated standards in its internal processes and monitors them on an ongoing basis.

HSSEQ programs and goals are published annually by executive management. The established HSSEQ Circle meets once a quarter to discuss the status of goals and activities with the business units and to implement measures to ensure further improvements.

Kapsch TrafficCom consolidates its key performance indicators in the HSSEQ Management Report on a quarterly basis, involving all company divisions. In addition, an annual Management Review Report is prepared, which serves as a basis for the Executive Board and company management to evaluate the integrated management system. The responsibilities in all areas of the HSSEQ system are clearly defined. Over the past few years, effective structures and responsibilities have been defined for the priority areas of activity on the sustainability agenda.

All efforts in this regard are coordinated by a Sustainability Officer who reports directly to the Executive Board. This direct reporting ensures that the top management bodies of Kapsch TrafficCom are not only involved in all central issues of sustainable corporate management, but can also actively participate in their further development.

The following group companies are ISO 14001-compliant: Environmental Management certified: Kapsch TrafficCom AG (parent company, Austria), Kapsch Components GmbH & Co KG (Austria), Kapsch Telematic Services spol. s r.o. (Czech Republic), Kapsch TrafficCom Transportation S.A.U. (Spain), Kapsch TrafficCom Arce Systemas S.A.U. (Spain) and Kapsch TrafficCom AB (Sweden). They represent more than 60% of the workforce in Europe.

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 reparability.
- > **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. Kapsch TrafficCom played a leading role in the foundation of the "Octopus – RRC Solution" association, which has set itself the task of covering the requirements of the REACH regulation, the RISL (Railway Industry Substance List) and the OECD recommendation on conflict minerals for SMEs in Austria in an economically acceptable manner. It is thus possible for members to receive and manage information about their products in a structured way, in a cost-efficient and resource-efficient manner.

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 the platform 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.

Important risks.

Kapsch TrafficCom's business activities involve the consumption of resources and the generation 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 (global warming, fine dust pollution, etc.).

Non-financial key figures.

	2016/17	2017/18	2018/19 goals
Proportion of employees equipped with Skype for Business	100%	100%	keep at 100%
Electricity consumption for production in Austria and Canada (in MWh)	3,919	3,835	keep under 3,900 MWh
CO ₂ emissions from production due to electricity consumption and heating (in tons of CO ₂ equivalents) ^{1) 2)}	575	488	keep under 500 tons
Proportion of order value with ISO 14001-certified suppliers	32.7%	32.4%	Sustainably over 30%
Number of business trip flights ³⁾	4,388	5,541	n. a. ⁴⁾
resulting CO ₂ emissions (in tons) ²⁾	1,968	2,336	n. a. ⁵⁾

¹⁾ Emissions from electricity consumption come only from production in Canada. Energy is generated there from around 95% (2016/17: around 90%) non-fossil fuels. Austrian production exclusively uses hydropower and other green energy. Both locations use natural gas for heating.

²⁾ Approximate values due to the use of emission factors for the energy mix.

³⁾ The year-on-year increase is due to the acquisition of Schneider Electric's global transportation division in 2016. This made Kapsch TrafficCom's business activities more international and increased the number of employees by around 900.

⁴⁾ The number of plane trips depends on business needs and acquisition agendas. Therefore, a target value for business flights is not applicable.

⁵⁾ This value depends directly on the number of business flights.

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 remuneration is in line with the global 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 of March 31, 2018, the Group had 5,259 employees, 436 more than on the previous year's balance sheet date. This increase is primarily due to the acquisition of the remaining shares in Simex (Mexico) and a higher number of interns. The proportion of women in the workforce rose slightly from 41.5% to 41.6%.

Employment relationships.

At Kapsch TrafficCom, on the balance sheet date there were predominantly salaried employees working (76% of the workforce). Workers employed in the production facilities made up only 17% of the workforce.

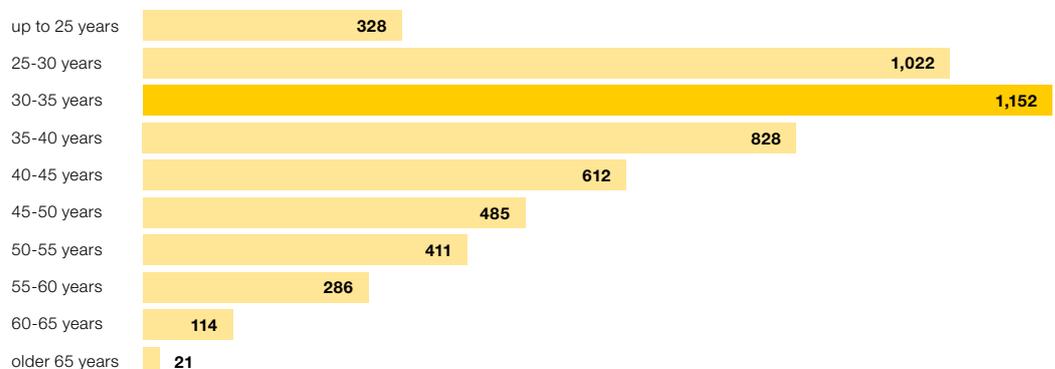
	2016/17	2017/18	+/-
Employees	3,824	3,995	171
Workers	757	890	133
In training/education	88	238	150
Inactive ¹⁾	154	136	-18
Total	4,823	5,259	436
thereof part-time	152	194	42

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

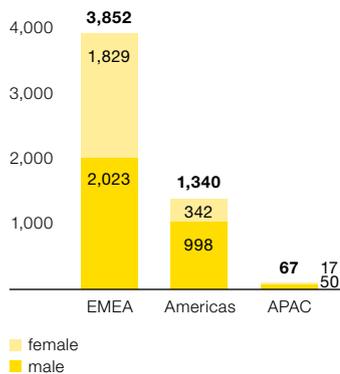
Age distribution.

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

Age structure of Kapsch TrafficCom's workforce.



Employees by regions and sex.



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 employs 3,852 people and therefore the most employees. The countries with the highest number of employees are: South Africa (1,589), Poland (617), Austria (606), Spain (480), Belarus (186), the Czech Republic (161) and Sweden (129).
- > Of the total 1,340 employees in the Americas region, 592 work in the USA, 258 in Argentina, 211 in Mexico, 130 in Canada, and 112 in Chile.
- > 63 of the total 67 employees in the APAC region are in Australia.

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.

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 further training 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.

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 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.

In South Africa, 17.1% of the shares in the group company TMT were sold in order to introduce an Employee Participation Scheme Trust. This enables all group employees in South Africa to voluntarily participate in TMT's success.

Retirement fund. Kapsch TrafficCom pays contributions to an external pension fund for employees of group companies in Austria according to a defined contribution scheme. The amount of these contributions depends on the respective income and the sales profitability of the company.

Health care and occupational safety. Health information campaigns, vaccination campaigns, health check-ups and vision tests are carried out regularly for employees, and fitness packages and comparable services are supported. A company doctor is also available to staff at the Vienna site.

Reference, HSSEQ management system:
 > Section "Environment" of this Non-Financial Report

Kapsch TrafficCom has an integrated HSSEQ management system (see section: "Environment"). The following group companies are certified according to the OHSAS 18001 occupational health and safety management system: Kapsch TrafficCom AG, Kapsch Components GmbH & Co KG (i.e., production in Austria) and Kapsch Telematic Services spol. s r.o. (Czech Republic).

Reference, Diversity concept:
 > Consolidated Corporate Governance Report, section "Diversity"

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 "Diversity" section of the consolidated Corporate Governance Report.

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."

The compatibility of career and family is an important issue to Kapsch TrafficCom. The working environment is an essential factor here.

The flexible working hours model at Kapsch TrafficCom AG makes it easier to deal with various personal and professional needs. 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@kvc 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.

Important risks.

The main risks for employees include:
 > Loss of job if high order volumes are lost in the country of employment.
 > Health risks due to accidents, illness or in connection with computer/screen work.
 > Discrimination due to lack of implementation of the diversity concept.

Non-financial key figures.

	2016/17	2017/18	2018/19 goals
Average education and training days per employee ¹⁾	2.7	3.5	maintain the 2017/18 level
Conducting performance reviews	76%	n. a. ²⁾	100% cumulated over the fiscal year

¹⁾ Data for employees in the following countries and regions is collected: Austria, Czech Republic, Poland, Spain and South America.

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 are not mandatory.

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 index 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 damage and criminal proceedings against the company and employees involved.

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 (see 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 are accessible to employees via the intranet and the HSSEQ platform. At the time of writing this report, the guidelines are being revised and new training materials will be prepared.

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 AG's customers and vendors are subject to regular "restricted party screening." 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 in order to avoid transactions with sanctioned parties. Lists queried via "restricted party screening" include embargo lists and various international and national sanctions lists. These lists contain, among other things, persons and companies that are connected to human rights violations. "Restricted party screening" will soon also be available at other group companies.

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.

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, e.g., tax evasion. Unauthorized benefits to or from Kapsch TrafficCom employees may have serious consequences in terms of employment, civil and criminal law. Since only around 21% 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).

Non-financial key figure.

	2016/17	2017/18	2018/19 goal
Proven significant claims or proceedings, sanctions or fines against Kapsch TrafficCom Group companies in connection with corruption or human rights violations.	0	0	0

**Reference,
Human Relations department:**
> Section „Employees“ of this Non-Financial Report

“Kapsch TrafficCom is committed to the ten universal principles of the UN Global Compact and the 17 Sustainable Development Goals of the United Nations.”

Georg Kapsch, CEO

Social responsibility.

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

Products and solutions from Kapsch TrafficCom. Products and solutions 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 addresses the following social aspects directly:

- > Safety.
- > Environment and climate protection.
- > 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.

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 section 3.1 of the 2017/18 Consolidated Management Report.

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 32 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 our customers.

Sales staff approach a representative proportion of customers and use proven questionnaires in order to obtain a well-founded idea of customer satisfaction. Prompt and effective measures for continuous improvement of customer satisfaction are defined and implemented in a subsequent analysis of the answers.

Reference,

Research and development:

- > Consolidated Management Report 2017/18, section 3.1

**Reference,
Procurement:**

> Section "Environment" of this
Non-Financial Report

Procurement: Handling conflict minerals.

From Kapsch TrafficCom's perspective, a company's social responsibility includes vetting the suppliers it buys from (see 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 materials 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 (see section: "Employees").

**Reference,
Employee survey:**

> Section "Employees" of this
Non-Financial Report

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, the focus is on aspects of intelligent transport systems in line with the company's business purpose.

Synergy between industry, education and research.

Kapsch Group is committed to building bridges between industry and research/educational institutions. We primarily support technically and scientifically oriented institutions and projects in order to meet the future demand for highly qualified employees. These include the Institute of Electrical Engineering and Information Technology at the Vienna University of Technology (TU Wien) and the FH Campus Wien University of Applied Sciences. The Kapsch Award for the best masters theses at the University of Applied Sciences Technikum Wien was presented for the tenth time in 2017. The Kapsch Career Lounge series of events has been inviting students for several years to devote themselves to technical questions within the framework of projects or special lectures. Master lectures and workshops are also offered.

In order to get children and young people interested in technology at the earliest possible age, Kapsch Group supports a number of projects and offers workshops as part of the wienXtra holiday games and the "Smart Kids" initiative.



Promotion of cultural institutions and projects.

Kapsch Group actively assumes its social responsibility and promotes selected cultural and social projects and institutions locally, regionally and globally. The Group is well aware of the importance of the sustainability and long-term character of this support.

- > **Wiener Konzerthaus.** Since 1992 there has been a general partnership with the Vienna Konzerthaus, which combines the cultivation of tradition with the development of new audiences through its exciting program.
- > **Wien Modern.** Kapsch has supported this now world-renowned festival of contemporary music since its foundation in 1989.
- > **Kapsch Contemporary Art Prize.** A further initiative to promote young artists with a center of life and work in Austria was launched in 2016 with the award of this prize in cooperation with the mumok Wien—MUuseum MOderner Kunst Stiftung Ludwig Wien (Museum of Modern Art Foundation Ludwig Vienna). The aim is to enable young talents to make first appearances in front of an international audience through solo museum exhibitions.

In addition, Kapsch Group supports a series of events entitled “Culture in the Temple” in the Kobersdorf synagogue and the Jewish Museum Vienna — both institutions that make Jewish life and culture understandable and tangible for younger generations.

Promotion of social projects.

- > **Institute for Cooperation in Development Projects (Institut zur Cooperation bei Entwicklungs-Projekten, ICEP).** This independent private initiative makes a significant contribution to the global fight against poverty. ICEP supports education-oriented projects that improve the living conditions of people in developing countries in the long term.
- > **Doctors Without Borders.** This internationally recognized and globally active organization helps people with insufficient medical care.
- > **St. Anna Children’s Cancer Research.** Since 2013, there has been a funding agreement between St. Anna Children’s Cancer Research and Kapsch Group: Research work within the framework of the “Next Generation Sequencing” project is supported here. The aim of this project is to obtain information on the human genome and thus gain insights into the genetic changes associated with the course of the disease and therapy. Kapsch supports this complex project with the conviction that it can significantly increase the chances of curing cancer in children.
- > **Other supported institutions:** Caritas Socialis and CONCORDIA Sozialprojekte.

Data protection.

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.

Important risks.

Malfunctions and failures of our products can lead to the less than optimal control of traffic flows. In extreme cases this could cause 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.

Non-financial key figures.

	2016/17	2017/18	2018/19 goals
Proportion of product complaints	1.4%	1.2%	<1.2%
Research ratio in relation to revenues (in %) ¹⁾	approx. 13%	approx. 15%	approx. 10% or higher
Average tonality of media coverage of Kapsch TrafficCom ²⁾ (5 = positive, 4 = somewhat positive, 3 = neutral, 2 = somewhat negative, 1 = negative)	4.5	4.4	at least 4.0

¹⁾ Research ratio includes expenses for customer-specific development, product management, IPR management, development support and generic development.

²⁾ Source: Media resonance analysis by META Communications.

The Executive Board



Georg Kapsch
Chief Executive Officer



André Laux
Executive Board member



Alexander Lewald
Executive Board member