

Kapsch TrafficCom

Consolidated Corporate Governance Report 2022/23.

*Report pursuant to Secs 243c and 267b
Austrian Commercial Code (UGB).*

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Consolidated Corporate Governance Report.

1 Principles.

1.1 Austrian Code of Corporate Governance (ACCG).

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

*Kapsch TrafficCom declares its
voluntary commitment to the ACCG in
the version of January 2021.*

The rules of the ACCG are divided into three categories:

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

In the financial year 2022/23 ended March 31, 2023, Kapsch TrafficCom AG complied with all “L-rules” and “C-rules” of the Code in the version of January 2021, with the exception of

- C-rule 18 – In the financial years 2021/22 and 2022/23, internal audit activities were suspended by the Executive Board due to global COVID-19 travel restrictions and resource constraints. The topics were dealt with in the Audit Committee on an ad hoc basis; an audit plan was not prepared. However, it was decided at the Audit Committee meeting in November 2022 to resume the internal auditing and to prepare an audit plan.
- C-rule 39 – The Remuneration Committee has two members, of which only one member, and thus half and not the majority, is independent. However, decisions are taken unanimously and it is intended to reorganize the composition of the Remuneration Committee. There were no appointments to the Executive Board in the reporting period.

1.2 Bodies of a stock company (Aktiengesellschaft).

Kapsch TrafficCom has the legal form of an “Aktiengesellschaft” (AG) under Austrian law. Its organization is based on three bodies: the Executive Board, the Supervisory Board, and the Shareholders’ Meeting. These are set up according to the principle of the separation of powers.

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

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

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

1.3 Kapsch TrafficCom in the Kapsch Group.

63.3% of the shares in Kapsch TrafficCom AG are held by KAPSCH-Group Beteiligungs GmbH. Furthermore, as of March 31, 2023, this company also held, among others, 100% in Kapsch Aktiengesellschaft.

2 Statement of compliance.

In the financial year 2022/23 which ended on March 31, 2023, Kapsch TrafficCom complied with the required provisions of the ACCG as amended in January 2021 with the aforementioned explanations.

Due to national and international developments, the Austrian Working Group for Corporate Governance has decided on amendments to the Austrian Corporate Governance Code. The focus of the 2023 revision is sustainable corporate governance. The C-rules of the ACCG in the version of January 2023 apply to financial years beginning after December 31, 2022, and will therefore be applied in the following year.

3 Executive Board.

Name and function	Areas of responsibility	Born	Year first appointed	Year current term expires
Georg Kapsch Chairman Chief Executive Officer	Sales, Production (Canada), Legal, People Management, Marketing & Communications, Corporate Development, Investor Relations, "Environment, Social & Governance" (ESG), Corporate Information & Management Systems (CIMS), Demand Management, Tolling Services	1959	2002	2025
Andreas Hämmerle Member Chief Financial Officer	Finance, Supply Chain Management, Production (Austria), Revision and Risk Management	1970	2021	2024
Alfredo Escribá Gallego Member Chief Technology Officer	Technology & Platforms, Global Services, Software Excellence, Product Management, Application Center Tolling and Traffic	1969	2019	2024

Mag. Georg Kapsch, Chief Executive Officer (CEO)

Georg Kapsch joined the Kapsch Group in 1982 and has since worked in various areas of the Group. Mr. Kapsch graduated in business administration from the Vienna University of Economics and Business.

Within the Kapsch Group, Georg Kapsch has been since:

- July 1989: Member of the Executive Board and since October 2001 CEO of Kapsch Aktiengesellschaft (today a sister company of Kapsch TrafficCom AG)
- October 2000: CEO of KAPSCH-Group Beteiligungs GmbH (core shareholder of Kapsch TrafficCom AG)
- November 2000: Managing Director of DATAX HandelsgmbH (parent company of KAPSCH-Group Beteiligungs GmbH)

In addition, Mr. Kapsch is a member of the Supervisory Board of Teufelberger Holding AG as well as a member of the Executive Boards of the Private Foundation Wunderer and the Tabor Private Foundation.

Mag. Andreas Hämmerle, Member of the Executive Board (CFO)

Prior to his appointment to the Executive Board in 2021, Mr. Hämmerle was Executive Vice President Finance at Kapsch TrafficCom. He also has various management and Executive Board experience in the service and retail industries. Mr. Hämmerle graduated in economics from the Leopold-Franzens-University in Innsbruck. Several international university courses in applied business administration, for example at the University of St. Gallen and the University of Innsbruck, complement his studies.

Within the Kapsch Group, Andreas Hämmerle has been Managing Director of KAPSCH-Group Beteiligungs GmbH since October 2021.

„In meetings of the Executive Board there are open discussions between the members of the Executive Board“

Alfredo Escribá Gallego, MSc, MBA, Member of the Executive Board (CTO)

Mr. Escribá is a Spanish citizen and lives in the USA. Prior to his appointment to the Executive Board in 2019, Mr. Escribá was Executive Vice President responsible for the Urban Traffic & Mobility Management Solution Center.

Georg Kapsch
Andreas Hämmerle
Alfredo Escribá Gallego

He joined Kapsch TrafficCom in the course of the acquisition of Schneider Electric's transportation business in April 2016 and already had international experience in Spain, South America and North America as well as global responsibilities. Mr. Escribá holds university degrees (Master) from Universidad Politécnica de Madrid and Texas A&M University, as well as an MBA from Instituto Argentino de la Empresa in Buenos Aires.

Alfredo Escribá was a member of the Board of Directors of the associated company Traffic Technology Services, Inc., USA until January 2023.

4 Supervisory Board.

In addition to the constituent meeting, the Supervisory Board held six further meetings in the 2022/23 financial year. The Executive Board also took part in the latter. All members of the Supervisory Board attended all board meetings in the 2022/23 financial year.

All members of the Supervisory Board attended all meetings of the Supervisory Board.

4.1 Composition.

In accordance with the articles of association, the Supervisory Board is made up of three to six members elected by the Shareholders' Meeting, as well as representatives delegated by the works council in accordance with the Austrian "Arbeitsverfassungsgesetz" (Labor Constitutional Act). The members of the Supervisory Board in financial year 2022/23 were:

	Position	Born	Year first appointed	Year current term expires
Franz Semmernegg	Chairman	1968	2002	2023
Harald Sommerer	Deputy Chairman	1967	2013	2023
Sonja Hammerschmid	Member	1968	2021	2025
Sabine Kauper	Member	1968	2011	2023
Christian Windisch	Member ¹⁾	1963	2002	-
Claudia Rudolf-Misch	Member ¹⁾	1967	2018	-

¹⁾ Delegated by the works council which may recall a member it has delegated at any time.

Dr. Franz Semmernegg has been a member since June 2002 and has been Chairman of the Supervisory Board since 2005. In 1992, he concluded his studies in business administration at the Karl-Franzens University in Graz, where he also wrote his doctoral thesis in 1997. From 1993 to 1996 Mr. Semmernegg worked in a firm of chartered accountants and tax consultants and in 1996 moved to Schrack Seconet AG, where he rose to become the Manager and Authorized Representative for Finance and Controlling after a stopover at Ericsson Austria. Together with a partner, Franz Semmernegg completed a management buy-out in January 1999 and founded Schrack BusinessCom AG. At the start of 2001, Kapsch Aktiengesellschaft acquired a majority share in the company, which was renamed Kapsch BusinessCom AG in 2002. In 2021, Kapsch BusinessCom (since March 10, 2022: K-Businesscom AG) was separated from the Kapsch Group and is now no longer an affiliated company of Kapsch TrafficCom.

Dr. Harald Sommerer has been a member of the Supervisory Board since September 2013 and became its Deputy Chairman in September 2020. Since December 2013 he has been self-employed and is working on establishing an investment portfolio. Before that he was CEO and Chairman of the Executive Board of Zumtobel AG from May 2010 to September 2013. From 1997 to 2010, Harald Sommerer was a member of the Executive Board of AT & S Austria Technologie & Systemtechnik AG, CFO between 1998 and 2005 and CEO from 2005 to January 2010. He is a doctor of social and economic sciences from the Vienna University for Economics and Business and Master of Management from the J. L. Kellogg Graduate School of Management, Northwestern University.

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

Dr. Sonja Hammerschmid is Head of Research and Development at GROPYUS AG and member of the Executive Board of the Leopold Museum Private Foundation (Privatstiftung). After an academic career, she took over leadership roles in the Innovation Agency and the Austria Promotional Bank (Austria Wirtschaftsservice, aws). From 2010 to 2016, Ms. Hammerschmid was the President of the University of Veterinary Medicine Vienna and, in 2016, also President of Universities Austria. In the same year, she entered politics as Federal Minister of Education. As a result of the parliamentary elections in 2017, Ms. Hammerschmid became a member of the opposition in the Austrian Parliament, from where she withdrew in April 2021. Ms. Hammerschmid is a doctor of natural sciences from the University of Vienna. In her career she was on the Supervisory Boards of Innovacell AG and “Kunsthalle Wien”.

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

Claudia Rudolf-Misch, MBA has been working for Kapsch TrafficCom since June 2004. She started as Quality Manager in Austria and is currently responsible for the global HSSEQ (Health, Safety, Security, Environment & Quality) management system of Kapsch TrafficCom Group. Ms. Rudolf-Misch holds a Master of Business Administration degree.

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

4.2 Committees of the Supervisory Board.

The Supervisory Board has established an Audit Committee and a Remuneration Committee. With two exceptions, all committee members attended all meetings of their respective committees in the financial year 2022/23. All committee members attended more than half of their respective meetings.

The Audit Committee held four meetings in 2022/23, the Remuneration Committee one meeting.

Audit Committee.

It has the duties listed in Section 92 (4a) AktG and Regulation (EU) No 537/2014, and is competent to make decisions to this extent. This includes auditing and preparing the approval of the annual Financial Statements and annual Consolidated Financial Statements, auditing the Consolidated Corporate Governance Report and Consolidated Non-Financial Report, handling the report on risk management pursuant to C-rule 83 of the ACCG, the review of the audit (Group audit) process and the independence of the auditor (including the evaluation and approval of non-audit services), the preparation of a proposal for the distribution of profit as well as the preparation of the report to the Annual General Meeting. Moreover, the Audit Committee prepares the proposal of the Supervisory Board for the selection of the annual auditor (consolidated accounts auditor), reviews the accounting process as well as the effectiveness of the internal control system and the risk management system. A member of the Audit Committee must be a so-called financial expert. Persons who were formerly members of the Executive Board, managing director or annual auditor, as well as persons who certified the annual Financial Statements or annual Consolidated Statements in the last three years, cannot act as financial experts or as chairperson of the Audit Committee.

This committee is made up of Franz Semmernegg (Chairman and financial expert), Harald Sommerer (financial expert) and Christian Windisch. The auditor is to be included in the meetings of the Audit Committee which concern the preparation of the approval of the annual Financial Statements (Consolidated Financial Statements) and their auditing. The Audit Committee held a total of four meetings in the 2022/23 financial year. The auditor was present at two meetings; there was no need for a joint meeting without the presence of the Executive Board.

Remuneration Committee.

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

The committee is composed of Franz Semmernegg (Chairman) and, since September 2021, Sabine Kauper (previously: Harald Sommerer). Both committee members have knowledge and experience in the area of compensation policy. Mr. Semmernegg is CEO and Executive Board member responsible for personnel agendas at K-Businesscom AG. Ms. Kauper has also held board positions with responsibility for personnel. In addition, she has dealt in detail with aspects of executive board compensation for her certification (by Deutsche Börse) as a supervisory board member.

In the financial year 2022/23, the Remuneration Committee held one meeting on the following topics:

- Annual review of the compensation policy,
- Executive Board compensation: adjustment of targets,
- Executive Board compensation: target achievement and new targets.

4.3 Independence of the members of the Supervisory Board.

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

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

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

Declaration of independence. With the exception of Franz Semmernegg, all members of the Supervisory Board declared themselves to be independent pursuant to C-rule 53 ACCG. Sonja Hammerschmid, Sabine Kauper, and Harald Sommerer are independent pursuant to C-rule 54 ACCG.

Three from four capital representatives on the Supervisory Board are independent as per C-rule 53 ACCG.

Transactions which require approval. Apart from the transactions listed in the notes to the Consolidated Financial Statements under "Related parties", there were no transactions requiring approval pursuant to Section 95 (5) no. 12 of the Austrian Stock Corporation Act (AktG) in the 2022/23 financial year.

5 Working procedures of the Executive Board and Supervisory Board.

The areas of responsibility of the individual members of the Executive Board, the procedures (such as resolution requirements and procedures) as well as the transactions which require approval from the Supervisory Board are determined in the Articles of Association as well as in the Rules of Procedure for the Executive Board.

“In meetings of the Supervisory Board there are open discussions between the members of the Executive Board and the Supervisory Board“

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

The Executive Board holds regular meetings with open discussions and mutual exchange of information and passes resolutions in all matters which fall within the responsibility of the full Executive Board.

The Supervisory Board monitors the management of the Executive Board regularly and comprehensively and provides consultation. The Chairman of the Supervisory Board was in regular contact with the Chairman of the Executive Board in order to discuss the company development, strategy and state of implementation of the strategy, as well as the risk management of the company.

The Supervisory Board has provided itself with rules of procedure, in which, inter alia, the composition and the chairmanship, the terms for convening and voting, the area of activity, duties to provide information, legal transactions between the company and members of the Executive Board or Supervisory Board as well as the committees are governed.

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

6 Shares owned by members of the Executive Board and Supervisory Board.

As of the balance sheet date, the Supervisory Board members Franz Semmernegg and Claudia Rudolf-Misch each held 228 shares in Kapsch TrafficCom. The other members of the Supervisory Board and the members of the Executive Board did not hold any shares in the Company.

7 Diversity regarding Executive Board, Supervisory Board and executive employees.

Globally, Kapsch TrafficCom employs people of different gender, age groups as well as with diverse views and beliefs. The employees are of different origin and ethnicity, have different cultural and religious backgrounds, different sexual orientations as well as mental and physical abilities. The promotion of diversity is therefore a strategically relevant topic for Kapsch TrafficCom, to which great importance is also attached in in-house training programs. Kapsch TrafficCom expects its employees and managers to deal with this issue in order to develop an understanding of the resultant diversity. This creates the basis for cross-cultural and motivating cooperation.

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

In general, the selection of candidates for a position on the Executive Board, Supervisory Board or in a management function is made with a view to filling the vacancy in the best possible way. Emphasis is placed on professional and social competence, experience as well as the ability to work in a team. Other factors, such as religion, gender, sexual orientation, pregnancy if applicable, origin, ethnicity, skin color, age, disabilities or genetic information are not criteria. Kapsch TrafficCom does not have a formulated plan for the advancement of women in the Executive Board, Supervisory Board and executive functions in the Company and its subsidiaries. A person may be appointed/reappointed to the Executive Board of Kapsch TrafficCom if, at the time of such appointment/reappointment, such person has reached a maximum age of 65. For the Supervisory Board, this age limit is 75 years.

At the end of the 2022/23 financial year, the Supervisory Board was composed of three women and three men. Kapsch TrafficCom thus complies with the statutory quota for women on the Supervisory Board, although this is not applicable to the Company because the Supervisory Board consists of less than six capital representatives.

There were no women on the Executive Board in the 2022/23 financial year. A number of female executives held management positions at Kapsch TrafficCom AG, such as Head of Legal as well as Head of Marketing & Communications and simultaneously Head of Sales Region EMENA (Europe, Middle East, North Africa). Women also held management positions at subsidiaries, for example the President/CEO of Kapsch TrafficCom USA and simultaneously Head of Sales Region North America as well as the Head of Manufacturing at Kapsch Components GmbH & Co KG. The KTCwomen@kapsch initiative analyzes gender-specific indicators annually and defines new and appropriate measures to increase the proportion of women in a global strategy workshop. The percentage of female managers was increased on average across all regions from 23% in the previous year to 26% in financial year 2022/23. As of 31 March 2023, a total of twelve persons at Kapsch TrafficCom AG had power of attorney, two of whom were women.

8 External evaluation.

Kapsch TrafficCom has the consolidated Corporate Governance Report externally audited in three-year intervals. With the exception of Rules 77-83 of the Austrian Corporate Governance Code, which were audited internally, the current Corporate Governance Report 2022/23 was evaluated externally by PwC Wirtschaftsprüfung GmbH, Vienna. No objections were raised.

Vienna, June 13, 2023

The Executive Board



Georg Kapsch
Chief Executive Officer



Andreas Hämmerle
Executive Board member



Alfredo Escribá Gallego
Executive Board member

Disclaimer.

Certain statements in this report are forward-looking statements. They contain the words “believe,” “intend,” “expect,” “plan,” “assume,” and terms of a similar meaning. Forward-looking statements reflect the beliefs and expectations of the company. Actual events may deviate significantly from the expected developments, due to a range of factors. As a result, readers are cautioned not to place undue reliance on such forward-looking statements. Kapsch TrafficCom AG is under no obligation to update forward-looking statements made herein.

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

When referring to people, the authors strive to use both the male and female forms as far as possible (for example: he or she). For readability reasons, occasionally only the masculine form is used. However, it always refers to people of all gender categories.

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

Imprint.

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Kapsch TrafficCom

Kapsch TrafficCom is a globally renowned provider of transportation solutions for sustainable mobility with successful projects in more than 50 countries. Innovative solutions in the application fields of tolling, tolling services, traffic management and demand management contribute to a healthy world without congestion.

With one-stop-shop solutions, the company covers the entire value chain of customers, from components to design and implementation to the operation of systems.

Kapsch TrafficCom, headquartered in Vienna, has subsidiaries and branches in more than 25 countries and is listed in the Prime Market segment of the Vienna Stock Exchange (ticker symbol: KTCG). In its 2022/23 financial year, about 4,000 employees generated revenues of EUR 553 million.

>>> www.kapsch.net