

FREQUENTIS
FOR A SAFER WORLD

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Consolidated
Corporate
Governance
Report

2020





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Commitment to the Austrian Code of Corporate Governance

Frequentis is committed to accountable management of the company geared to creating sustainable, long-term value. In keeping with this, Frequentis AG supports the Austrian Code of Corporate Governance, which aims to strengthen the confidence of national and international investors in the Austrian capital market by increasing transparency and establishing uniform principles of good corporate management.

The Austrian Code of Corporate Governance published by the Austrian Working Group for Corporate Governance is generally recognised. The applicable version is publicly available at www.corporate-governance.at and comprises three categories of rules:

- **L rules** (legal requirements), which are based on mandatory legal requirements;
- **C rules** (comply or explain), which have to be followed; to be in compliance with the Code, any deviation has to be explained and the reasons stated; and
- **R rules** (recommendations): since these are recommendations, non-compliance does not require either disclosure or reasons.

Corporate Governance Declaration

Frequentis AG complies with all mandatory L rules and – with the exception of the deviations set forth below – all C rules set out in the Austrian Code of Corporate Governance in the version dated January 2021:

Rule 2

- Under article 5.1.2 of the articles of association of Frequentis AG, the holder of registered share no. 1 with restricted transferability, Mr. Johannes Bardach, is authorised to appoint one third of the maximum number of shareholder representatives on the Supervisory Board (right to appoint Supervisory Board members under Section 88 of the Austrian Companies Act [AktG]). In this respect, the principle of “one share – one vote” is not fulfilled. The company benefits from the commitment, knowledge, and experience of the Supervisory Board members appointed by the majority shareholder, Mr. Johannes Bardach. In all other respects, share no. 1 has the same rights (especially voting and profit-sharing rights) as all other shares. An agreement on the election of a person nominated by B&C Holding Österreich GmbH (“BCHÖ”) as a member of the Supervisory Board of Frequentis AG been concluded between Frequentis Group Holding GmbH and BCHÖ.

Rule 27

- This rule applies for the conclusion of new contracts with the Executive Board (including extensions and significant changes to existing contracts). Since the IPO of Frequentis AG in May 2019, one contract has been extended, taking into account the requirements of the C rule no. 27. The other contracts that are currently still in force do not contain any way of reclaiming short-term variable remuneration components, but there is a possibility of reclaiming long-term variable components (LTIP) that have been granted. Further, based on the old contracts still in force at present, there is currently no provision for the payment of variable long-term components to all members of the Executive Board. These provisions of the Austrian Code of Corporate Governance will also be taken into account when concluding new contracts or extending old contracts.

Rule 39

- The Audit Committee and the Committee for Executive Board Issues do not meet the requirements of the C rule no. 39 of the Austrian Code of Corporate Governance as only one of the two shareholder representatives on these committees can be regarded as independent. The two shareholder representatives who are not deemed to be independent are Mr. Johannes Bardach (Committee for Executive Board Issues) and Mr. Reinhold Daxecker (Audit Committee). They have extensive knowledge of the relevant fields and, above all, the Frequentis Group. This is of material importance for the work of these committees, so their appointment represents added value for the committees.
- At present, none of the committees is authorised to take decisions in urgent cases as recommended by the C rule no. 39. The company endeavours to obtain the opinion and experience of all Supervisory Board members even in urgent cases. Moreover, given the size of the Supervisory Board, it has so far refrained from setting up a separate committee for urgent decisions.

Executive Board

Members of the Executive Board

In 2020, the Executive Board of Frequentis AG comprised the following members:

Name (Year of birth)	Function	Date of initial appointment	End of current term of office	Supervisory Board or similar offices ¹
Norbert Haslacher (1970)	Chairman of the Executive Board (CEO)	1 April 2015 (member of the Executive Board) 16 April 2018 (Chairman)	15 April 2023	None
Sylvia Bardach (1962)	Member of the Executive Board (CFO)	3 July 2007	31 July 2022	None
Hermann Mattanovich (1960)	Member of the Executive Board (CTO and COO)	1 January 2009	31 December 2022	None

¹ Seats on supervisory boards or comparable offices at domestic and foreign companies that are not included in the consolidated financial statements.

Norbert Haslacher has been a member of the Executive Board of Frequentis AG since April 2015. Prior to his appointment as CEO in April 2018, Mr. Haslacher was responsible for the sales and marketing division.

Responsibilities: Strategy, Sales, Strategic Business Units, Business Development, and Investor Relations.

Norbert Haslacher studied business economics at St. Gallen Business School and has more than two decades' experience of technology solutions, services, and consulting, including as managing director responsible for Austria and Eastern Europe at the US IT company CSC and, before that, as a consultant at Coopers & Lybrand Consulting.

Sylvia Bardach has been Chief Financial Officer of Frequentis AG since July 2007. Furthermore, until 31 December 2020, Mrs. Bardach was also Managing Director of the following Frequentis Group company: BlueCall Systems GmbH.

Responsibilities: Finance, IT, Legal & Procurement, Human Resources, Corporate Communications, Corporate Affairs, and Facility Management.

Sylvia Bardach has extensive training in accounting, controlling, and corporate management. In addition to this, she has taken courses in personnel development and in project portfolio and risk management. She started her career as a bookkeeper at CDS Computer and Data Systems and joined Frequentis in 1989 as Head of the Finance and Controlling department.

Hermann Mattanovich has been Chief Technology Officer of Frequentis AG since January 2009. In addition, Mr. Mattanovich is Managing Director of the following Frequentis Group companies: Frequentis Czech Republic s.r.o., PDTS GmbH, Mission Embedded GmbH. Until 31 December 2020 Mr. Mattanovich was Managing Director of Frequentis Slovakia s.r.o.

Responsibilities: Technology Management, Production & Logistics, Project Management, Customer Services, Information & System Security, Safety Management, Quality Management, and Health Safety Environment (HSE) Management.

Hermann Mattanovich studied electrical engineering at Vienna University of Technology and started his career as a technical consultant for companies such as Philips, Elin, VOEST, and Frequentis. He also worked as a lecturer at Vienna University of Technology. In 1988, he co-founded PDTS, a software development company that was later taken over by Frequentis. In addition, between 1999 and 2004 he was responsible for the TETRA development portfolio at Frequentis.

Supervisory Board

Members and independence of the Supervisory Board

In 2020, the Supervisory Board of Frequentis AG comprised the following members:

Name (Year of birth)	Function	Date of initial appointment	End of current term of office	Supervisory Board or similar offices ¹
Johannes Bardach (1952)	Chairman of the Supervisory Board (shareholder representative)	16 April 2018	Indefinite (member delegated pursuant to article 5.1.2 of the articles of association)	None
Karl Michael Millauer (1958)	Deputy Chairman (shareholder representative)	17 July 2007 ²	Until the Annual General Meeting in 2025	None
Boris Nemsic (1957)	Member of the Supervisory Board (shareholder representative)	17 July 2007 ²	Until the Annual General Meeting in 2025	None
Reinhold Daxecker (1970)	Member of the Supervisory Board (shareholder representative)	16 April 2018	Indefinite (member delegated pursuant to article 5.1.2 of the articles of association)	None
Petra Preining (1973)	Member of the Supervisory Board (shareholder representative)	20 September 2019	Until the Annual General Meeting in 2024	Semperit AG Holding (Austria) ³
Gabriele Schedl (1968)	Member of the Supervisory Board (employee representative)	1 January 2015	Indefinite (delegated pursuant to Section 110 ArbVG)	None
Siegfried Meisel (1955)	Member of the Supervisory Board (employee representative)	1 January 2019	Indefinite (delegated pursuant to Section 110 ArbVG)	None
Reinhard Steidl (1962)	Member of the Supervisory Board (employee representative)	20 September 2019	Indefinite (delegated pursuant to Section 110 ArbVG)	None

¹ Supervisory Board or similar offices at publicly listed Austrian or foreign companies.

² Previously a member of the Supervisory Board of Frequentis GmbH (from 2002), which became Frequentis AG on 17 July 2007.

³ Ms. Preining's seat on the Supervisory Board of Semperit AG Holding was dormant from 20 March 2020 until 11 October 2020.

The Supervisory Board's **criteria for independence** are based on the "Guidelines for Independence" set out in the Austrian Code of Corporate Governance, which specify – among other things – that a Supervisory Board member shall not have served as member of the Executive Board or as a management-level staff member at the company in the past five years. Mr. Bardach was Chairman of the Executive Board of Frequentis AG before being appointed to the Supervisory Board in April 2018 and is married to Mrs. Bardach (member of the Executive Board). Mr. Daxecker held a management position at Frequentis AG before being appointed to the Supervisory Board in April 2018. Consequently, Mr. Bardach and Mr. Daxecker are not deemed to be independent. The other members of the Supervisory Board (shareholder representatives) are independent of the company and the members of its governance bodies. Moreover, Mr. Millauer and Mr. Nemsic are independent members of the Supervisory Board; neither hold more than 10% of the company's shares or represent the interests of such shares.

Apart from the disclosures made in the notes to the consolidated financial statements for 2020 ([↗](#) Note 38 "Information on business relations with related parties"), in 2020 there were no business relations requiring approval pursuant to Section 95 (5) subsection 12 of the Austrian Companies Act or L Rule no. 48 of the Austrian Code of Corporate Governance.

Working procedures of the Executive Board and the Supervisory Board and its committees

The Executive Board conducts the business of Frequentis AG in accordance with the law, the articles of association, and the rules of procedure issued by the Supervisory Board (the allocation of business responsibilities can be seen from the section of this report headed "Members of the Executive Board"). The rules of procedure govern, in particular, reporting to and collaboration with the Supervisory Board and contain an extensive list of business activities that require the consent of the Supervisory Board. The Executive Board holds regular meetings at which it discusses and decides on strategic and operational issues and on other matters of significance for the Frequentis Group or individual parts of the Frequentis Group which fall within the remit of the Executive Board. In addition, the members of the Executive Board constantly share information with each other and with the responsible managers and specialists.

The Executive Board constantly maintains close contact with the Supervisory Board and, in particular, its Chairman, especially on strategic and other fundamental matters relating to the Frequentis Group's business policy. In addition, the Executive Board reports at least once a quarter to the Supervisory Board on the business performance and situation of the Frequentis Group.

The Supervisory Board advises and oversees the management of the company by the Executive Board. It held five meetings in 2020. All members of the Supervisory Board took part in more than half of the meetings of the Supervisory Board. At its meetings, the Supervisory Board openly discussed with the Executive Board the business development and situation of the Frequentis Group. It also examined in detail the key projects and individual measures and business activities requiring its consent.

In conformance with the statutory requirements and the corresponding rules of the Austrian Code of Corporate Governance, the Supervisory Board has set up the following **committees**:

Committee	Members
Audit Committee	Karl Michael Millauer (Chairman/financial expert) Reinhold Daxecker Gabriele Schedl
Committee for Executive Board Issues	Johannes Bardach (Chairman) Boris Nemsic
Special Committee on Commerzialbank Mattersburg	Karl Michael Millauer (Chairman) Petra Preining Siegfried Meisel

The **Audit Committee** has been established in accordance with the provisions of Section 92 (4a) of the Austrian Companies Act. It is responsible, in particular, for the audit and for preparations for adoption of the annual financial statements for the company and the consolidated financial statements, the management report, the corporate governance report, and the proposal for the distribution of the profit. It also puts forward a proposal for election of the auditor for the resolution of the Annual General Meeting. In addition, the Audit Committee performs the preliminary examination of the non-financial report. The Audit Committee held four meetings in 2020. The auditor also took part in these meetings.

The **Committee for Executive Board Issues** deals, on the one hand, with matters relating to the relationship between the company and members of the Executive Board, especially the content and conclusion of employment contracts, and on the other hand, with all aspects of succession planning for the Executive Board and the Supervisory Board. Therefore, it combines the typical agendas of a remuneration committee and a nomination committee ("identical committee" as defined in the C rule no. 43 of the Austrian Code of Corporate Governance). In 2020, this committee held two meetings.

The **Special Committee on Commerzialbank Mattersburg** was set up by the Supervisory Board in connection with the incidents relating to Commerzialbank Mattersburg. This committee monitors the measures to reclaim the company's deposits at Commerzialbank Mattersburg and the related assertion of claims against Commerzialbank Mattersburg and third parties. Furthermore, this special committee has monitored the investigations and reappraisal of the internal processes and responsibilities relating to the Commerzialbank Mattersburg case and has also monitored the revision of the relevant processes and regulations. As part of its remit, the committee may also engage and consult independent experts on individual aspects of the case. This special committee held three meetings in 2020.

As already outlined, neither the Audit Committee nor the Committee for Executive Board Issues meets the requirements of the C rule no. 39 of the Austrian Code of Corporate Governance because in each case only one of the two shareholder representatives on the committee can be regarded as independent (see section [↗](#) "Members and independence of the Supervisory Board" and the section [↗](#) "Corporate Governance Declaration"). Mr. Bardach and Mr. Daxecker both have extensive knowledge of the relevant fields and, above all, the Frequentis Group. This is of material importance for the work of these committees, so their appointment as committee members represents added value for the committees.

Measures to foster women

Frequentis is committed to equal opportunities for all employees. As a global company, it employs men and women from a wide range of age groups with diverse competencies, different cultural and religious backgrounds, and different sexual orientations. Respecting this diversity is essential for successful collaboration on the company's numerous international projects and is therefore a crucial element in the success of the Frequentis Group. Accordingly, respect, diversity, and inclusion are central values that are taken into account when making appointments to all functions. All personnel decisions, from recruitment and training to remuneration and promotion, are based on suitability, performance, qualifications, integrity, and similar criteria. By contrast, gender, origin, religion, and sexual orientation are not selection criteria.

The percentage of women on the Supervisory Board is 25% (the statutory percentage of women on the Supervisory Board pursuant to Section 86 (7) of the Austrian Companies Act is not applicable to the company because the Supervisory Board has fewer than six shareholder representatives). The percentage of women on the Executive Board is 33%. As at 31 December 2020, the percentage of women in the Frequentis Group was around 22%. However, in some regions and organisational units (e.g. in administration) the proportion of women is far higher.

Frequentis would like to increase the percentage of female employees, especially as mixed teams generally perform better and are an important enrichment for the company. However, the proportion of women in technical occupations and companies is generally still comparatively low. Among other things, Frequentis therefore endeavours to optimise ways of combining work with family life. A flexible working time model aligned to the legal requirements in different regions allows personal needs to be taken into account and encourages a good work-life balance. To facilitate the pursuit of personal interests, the company also supports parental and educational leave. Moreover, Frequentis offers a wide range of educational and training opportunities covering both specialist topics and personal development.

Diversity concept

The functions of the Supervisory Board and Executive Board of Frequentis AG should be performed by people with the skills, knowledge, and experience required for the management, oversight, and sustained development of a publicly listed global company operating in a safety-critical environment.

The Supervisory Board of Frequentis AG is firmly convinced that a balanced and diverse mixture of Executive Board and Supervisory Board members plays a significant role in meeting this objective and enhances the effectiveness of the work of these two Boards. In particular, diversity should ensure that different perspectives and a range of experience form the basis of business decisions taken by the Executive Board and assessed and overseen by the Supervisory Board.

Against this backdrop, when appointing **Executive Board members**, the primary and overriding criteria for assessing the suitability of potential Executive Board members are the professional qualification for the proposed area of responsibility and the candidate's leadership qualities, previous performance, skills acquired, and knowledge of the company.

Appropriate consideration is also given to diversity when selecting suitable candidates for the Executive Board to ensure that the composition of the Executive Board achieves a complementary balance of diverse factors such as education, professional and personal experience (especially in an international setting), age, and gender. To this end, particular attention is paid to the following aspects:

- Each member of the Executive Board should have many years' experience of leadership, especially in an international context, and be familiar with the special nature of the project business and public sector contracts;
- At least one member of the Executive Board should have a technical qualification or many years' experience in a technical profession;
- At least one member of the Executive Board should have an administrative training or many years' experience of working in business administration;
- The Executive Board as a whole should have many years' experience in the fields of software and hardware development, production, project management, international sales, finance, and human resources management;
- In the composition of the Executive Board, attention should be paid to a suitable mixture of ages; consequently, no specific age limits are set for Executive Board members.

The above aspects and criteria for the selection of Executive Board members are not related to the gender of the candidates. Consequently, no specific target is set for the percentage of female Executive Board members. Rather, in the interests of the company, candidates are selected exclusively on the basis of their professional and personal qualifications, in accordance with the selection criteria outlined above.

When putting forward proposals for elections to the **Supervisory Board**, with a view to diversity, the Supervisory Board is guided by the following criteria, taking into account the size of the company, the proportion of international business, and the ownership structure:

- The Supervisory Board should comprise shareholder representatives from business, science, technology, or research, who have gained experience in sectors or markets which are of significance for Frequentis' business activities (e.g. in project business and public sector contracts);
- The Supervisory Board should include shareholder representatives with experience of the management and/or oversight of international companies;

- The Supervisory Board as a whole should have appropriate knowledge of the areas of finance, financial statements, accounting, law, compliance and risk management as well as a basic knowledge of capital market law;
- Attention should be paid to ensuring a suitable mixture of ages on the Supervisory Board; consequently, no specific age limit is set for Supervisory Board members;
- Insofar as there is no statutory requirement, no specific target is set for the percentage of female Supervisory Board members. Rather, in the interests of the company, the proposals submitted to the General Meeting for the election of Supervisory Board members are based exclusively on the professional and personal qualifications of the candidates.

Vienna, 15 March 2021



Notes / Disclaimer

The terms “Frequentis” and “Frequentis Group” in this publication refer to the Group; “Frequentis AG” is used to refer to the parent company.

Minimal arithmetical differences may arise from the application of commercial rounding to individual items and percentages.

The forecasts, plans, and forward-looking statements contained in this publication are based on the knowledge and information available and the assessments made at the time that this publication was prepared. As is true of all forward-looking statements, these statements are subject to risk and uncertainties. As a result, actual events may deviate significantly from these expectations. No liability whatsoever is assumed for the accuracy of projections or for the achievement of planned targets or for any other forward-looking statements.

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All references to people are gender neutral.

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Frequentis AG
Headquarters
Innovationsstraße 1, 1100 Vienna, Austria
Tel: +43 1 81150 0
investor@frequentis.com

www.frequentis.com



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