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Consolidated Corporate
Governance Report

2019

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; any deviation has to be explained and the reasons stated to be in compliance with the Code; and
- **R rules** (recommendations) since these are recommendations, non-compliance does not require either disclosure or reasons.

Frequentis AG recognises the Austrian Code of Corporate Governance and gave its first undertaking to comply with its requirements from 14 May 2019, the date on which its shares were first listed on the stock exchange.

Corporate Governance Declaration

Frequentis AG complies with all mandatory L rules and – with the exception of the deviations set forth below or elsewhere in this Corporate Governance Report – all C rules set out in the Austrian Code of Corporate Governance in the version dated January 2018:

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 Innovation Investments GmbH (BCII) as a member of Frequentis AG’s Supervisory Board has been concluded between Frequentis Group Holding GmbH and BCII.

Rule 27

- This rule applies for the conclusion of new contracts with the Executive Board (including extensions and significant changes to existing contracts). No such new contracts have been concluded since the flotation of Frequentis AG. The old 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. The intention is to comply with the requirements of the Austrian Code of Corporate Governance when concluding or renewing contracts with Executive Board members.

Rule 39

- 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 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. Bardach (Committee for Executive Board Issues) and Mr. 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.

Rule 83

- The Supervisory Board regularly examines the company's risk management and related issues as part of its oversight of the Executive Board's management of the company. Furthermore, a risk assessment is prepared and discussed as part of the audit. However, a separate assessment of risk management by the auditor in accordance with C rule no. 83 was not commissioned for the reporting period.

Executive Board

Members of the Executive Board

In 2019, 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 2020	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 of experience of technology solutions, services, and consulting, including as managing director responsible for Austria and Eastern Europe at the US IT company CSC and as a consultant at Coopers & Lybrand Consulting.

Sylvia Bardach has been Chief Financial Officer of Frequentis AG since July 2007. Mrs. Bardach is 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, 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., Frequentis Slovakia s.r.o., PDTs GmbH, Mission Embedded GmbH.

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.

Remuneration of the Executive Board

The agreed remuneration of the Board of Management for 2019 was split between the individual members as follows:

in EUR thousand (rounded)	Total remuneration 2019 (gross, excluding ancillary wage costs)	Fixed (excluding benefits in kind)	Variable (short-term)	Fixed/short-term variable components as a proportion of total remuneration
Norbert Haslacher ¹⁾ (Chairman)	540	360	180	67% / 33%
Sylvia Bardach	379	253	126	67% / 33%
Hermann Mattanovich	405	270	135	67% / 33%
Total	1,324	883	441	67% / 33%

¹⁾ In 2019, the Chairman of the Executive Board was paid an additional one-off bonus for the successful IPO. In addition, a long-term, performance-related remuneration component was agreed with him (see details below).

The remuneration of all members of the Executive Board comprised fixed and variable components. The fixed remuneration component ("base salary") is principally intended as remuneration for taking on a position on the Executive Board and the associated overall responsibility of the individual members. The level of the base salary is based on market remuneration rates for Executive Board members at comparable companies and also takes into account the individual responsibilities for each member, which are derived from the areas of responsibility allocated to them. The taxable benefits in kind comprising company cars and allowances for all Executive Board members totalled EUR 28 thousand in 2019.

The variable components are based on the achievement of short-term financial targets for the company. Achievement of the targets is measured by an indicator of the earnings before interest and taxes as stated in the consolidated financial statements in accordance with IFRS (IFRS EBIT), provided that the earnings before tax reported in the financial statements of Frequentis AG in accordance with the Austrian Commercial Code (UGB EBT) after provisions for short-term variable remuneration reach a defined minimum for the relevant financial year. Assuming 100% target achievement, the variable remuneration component is 50% of the annual base salary. Over-fulfilment is possible, but the variable remuneration is capped at 100% of the annual base salary. If the relevant targets are not met, the variable remuneration is reduced proportionately. For the 2019 financial year, the Executive Board members have entitlements to short-term variable remuneration as set out in the table in a total amount of EUR 441 thousand. These variable components are payable in 2020.

For the successful IPO of shares in Frequentis AG on the Vienna Stock Exchange and the Frankfurt Stock Exchange, the Chairman of the Executive Board was also granted and paid a one-off bonus of EUR 540 thousand (gross, before income tax). As agreed, he used this to acquire 15,000 shares in the pre-IPO placement. Taking this and other variable remuneration components into account, the ratio of the fixed and variable components of the remuneration of the Chairman of the Executive Board in 2019 was 33% (fixed) / 67% (variable).

In addition, the General Meeting in 2019 adopted a resolution on a long-term, share-based, and performance-related incentive and remuneration programme for the Chairman of the Executive Board. The Long-Term Incentive Plan 2019 (LTIP 2019) is based on sustainable, long-term performance criteria (especially an increase in the share price compared to a reference base, organic growth in operating performance, and an increase in the EBIT margin). It also includes non-financial criteria (especially the development of additional key account customers, employee fluctuation, and customer satisfaction) to avoid inappropriate risk-taking and to focus on the long-term development of the company. Depending on the achievement of targets, under the LTIP 2019 the Chairman of the Executive Board is entitled to receive up to 14,000 shares (gross), with the award capped at 200% of his gross annual base salary for 2019. The right to the award of the shares under the LTIP arises following determination of the level of target achievement by the Supervisory Board and at the earliest on 30 April 2022. If the target achievement is less than 50%, the Chairman of the Executive Board is not entitled to receive any shares in the company under the LTIP 2019. From the date of the payout, in each calendar year the beneficiary can sell a maximum of one third of the shares awarded under the LTIP 2019. Until he leaves the company, he is required to hold at least 7,000 of the shares awarded under a long-term incentive plan (minimum shareholding). The proportionate expense for the three-year performance period for the LTIP 2019 allocated to 2019 using the IFRS measurement criteria was EUR 63 thousand at the reporting date and a corresponding provision was recognised.

The present members of the Executive Board have been granted contractual entitlements to pension benefits. This comprises a retirement pension and pension benefits for surviving dependants (including widow's and orphan's pensions). The total expense for this in the reporting period was EUR 150 thousand. Further, in the reporting period Frequentis AG paid a pension to a former member of the Executive Board. This pension is covered by reinsurance.

When their employment contract ends, the Executive Board members have a contractual claim to severance payments according to the Section 23 of the Austrian Employees Act (AngG). However, there is no entitlement to such payments if the appointment of the Executive Board member is terminated as a result of gross breach of duty pursuant to Section 75 (4) of the Austrian Companies Act (AktG) and the employment contract is terminated prematurely in application, mutatis mutandis, of Section 27 AngG, or if the Executive Board member resigns without good reason or without the agreement of the Supervisory Board.

The members of the Executive Board, the Supervisory Board, and senior executives of the Frequentis Group are insured against certain personal liability risks through a D&O insurance policy, the costs of which are borne by the company.

Supervisory Board

Members and independence of the Supervisory Board

In 2019, 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 2020	None
Boris Nemsic (1957)	Member of the Supervisory Board (shareholder representative)	17 July 2007 ²⁾	Until the Annual General Meeting in 2020	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 through a change in its legal status

³⁾ Ms. Preinig's seat on the Supervisory Board of Semperit AG Holding will be dormant from 20 March 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, no shareholder's representative holds more than 10% of the company's shares.

Apart from the disclosures made in notes to the consolidated financial statements for 2019 (note 42 “Information on business relations with related parties”), in 2019 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.

Remuneration of the members of the Supervisory Board

Subject to the approval of the General Meeting 2020, the total agreed remuneration of the Supervisory Board for 2019, including attendance fees, is EUR 103 thousand. The breakdown is as follows:

Member	Function	Remuneration in EUR thousand (rounded)
Johannes Bardach	Chairman (shareholder representative)	25
Karl Michael Millauer	Deputy Chairman (shareholder representative)	29
Reinhold Daxecker	Member of the Supervisory Board (shareholder representative)	26
Boris Nemsic	Member of the Supervisory Board (shareholder representative)	18
Petra Preining	Member of the Supervisory Board (shareholder representative)	5
Total		103

The remuneration plan for the shareholder representatives on the Supervisory Board provides for a fixed annual payment of between EUR 12 thousand and EUR 15 thousand and fees for the attendance of meetings of the Supervisory Board and its committees ranging from EUR 2 thousand to EUR 2.5 thousand. The graduation within these bands depends on the individual's function on the Supervisory Board (Chairman, Deputy Chairman, member). The Deputy Chairman is also entitled to an additional attendance fee of EUR 2 thousand for attendance at each General Meeting of the company in his role as Deputy Chairman of the meeting. All members of the Supervisory Board are reimbursed for cash expenses incurred in the performance of their duties as members of the Supervisory Board.

The members of the Supervisory Board, the Executive Board, and the senior executives of the Frequentis Group are insured against certain personal liability risks through a D&O insurance policy, the costs of which are borne by the company.

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 [➔ “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 four regular meetings in 2019. All members of the Supervisory Board attended 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.

A self-evaluation within the meaning of C rule no. 36 of the Austrian Code of Corporate Governance is planned for 2020 – not least because the Supervisory Board was extended to include two new members in 2019.

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

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 the 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 three meetings in 2019. The auditor also attended 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 2019, this committee held two meetings.

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 previous section of this report: [➤ "Members and independence of the Supervisory Board"](#)). 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.

Diversity and 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. The principal factors in such appointments are the individual skills and abilities of each person. By contrast, gender, origin, religion, and sexual orientation are not selection criteria.

Similarly, diversity in the composition of the Executive Board and Supervisory Board are vital for the effectiveness of the work of the Supervisory Board. When selecting potential candidates, the Supervisory Board takes appropriate account of diversity and proposes candidates for election by the General Meeting who have the professional and personal qualities that ensure a balanced professional and diversity-oriented composition of the Supervisory Board, especially with regard to the company's structure and business activities. This also applies to the appointment of members of the Executive Board. A diversity concept based on these principles is to be drafted and adopted in 2020.

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 General Meeting on 20 September 2019 resolved to increase the number of shareholder representatives from four to five and elected Ms. Petra Preining as a member of the Supervisory Board, in line with the proposal made by the Supervisory Board. That increased the percentage of women on the Supervisory Board to 25%. The percentage of women on the Executive Board is 33%. About 22% of the Frequentis Group's staff are female.

Notes / Disclaimer

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