

# Consolidated Corporate Governance Report 2018

## Commitment of the A1 Telekom Austria Group to the Corporate Governance Code

The shares of Telekom Austria AG have been listed on the Vienna Stock Exchange since November 2000, where the Austrian Corporate Governance Code (ACGC) is generally accepted. The current version of this Code (January 2018) can be viewed at [www.corporate-governance.at](http://www.corporate-governance.at) or [www.a1.group](http://www.a1.group).

The Corporate Governance Code pursues the goal of responsible management and control of companies geared towards a sustainable and long-term creation of enterprise value. It aims to ensure a high degree of transparency for all stakeholders and to serve as an important guideline for investors. The Code is based on the provisions of Austrian stock company-, stock exchange- and capital market law, EU recommendations and the OECD Principles of Corporate Governance. The A1 Telekom Austria Group has been committed to voluntary compliance with the ACGC since 2003. The Group complies with all the legal requirements set out by the ACGC in what are referred to as the "L" rules.

To explain the deviations from the ACGC's "C" rules, the A1 Telekom Austria Group has made the following statement regarding Rule 36, Rule 42 and Rule 54 of the ACGC:

- ▶ Ad C Rule 36: Given the culture of open discussion within the Supervisory Board, the annual self-assessment of the Supervisory Board as stipulated in Rule 36 of the ACGC is performed every two years in principle, and the last such self-assessment was performed for the financial year 2016. The Supervisory Board in its current form was first constituted in May 2018, and therefore only performed its function for seven months as of the end of 2018. In order for the self-assessment to produce representative results, the Supervisory Board therefore agreed in December 2018 to perform the next self-assessment in the financial year 2019.
- ▶ Ad C Rule 42: The shareholder representatives on the Supervisory Board are appointed in line with the terms of the shareholders' agreement between the controlling shareholder América Móvil and Österreichische Bundes- und Industriebeteiligungen GmbH (ÖBIB<sup>1)</sup>). The Nomination Committee or the entire Supervisory Board submit nomination proposals to the Annual General Meeting as stipulated by these terms, where required by law.
- ▶ Ad C Rule 54: The free float of the company (including treasury shares) is 20.58%. The shareholder representatives on the Supervisory Board are appointed in line with the terms of the shareholders' agreement between the controlling shareholder América Móvil and ÖBIB.

In accordance with Rule 62 of the ACGC, the A1 Telekom Austria Group's compliance with the provisions of the ACGC and the accuracy of its public reporting in association with this are evaluated externally every three years. The last evaluation was performed by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. in the first half of 2017. This evaluation found that the Consolidated Corporate Governance Report of Telekom Austria AG for the financial year 2016 ended December 31, 2016 satisfies the legal provisions of section 243b UGB and section 267a UGB in addition to the requirements of the ACGC and the statements made therein.

## Composition of executive bodies of the company and executive body remuneration

### The Management Board

The members of the Management Board of Telekom Austria AG as of the end of 2018 were Thomas Arnoldner, Chief Executive Officer (CEO), Alejandro Plater, Chief Operating Officer (COO), and Siegfried Mayrhofer, Chief Financial Officer (CFO).

#### Thomas Arnoldner

Chief Executive Officer (CEO): Member of the Management Board since September 1, 2018.

Thomas Arnoldner became the Chief Executive Officer of the A1 Telekom Austria Group on September 1, 2018. His contract runs until August 31, 2021, with an option to renew the contract until August 31, 2023.

Thomas Arnoldner was born in 1977. He studied business administration at the Vienna University of Economics and Business and at the Stockholm School of Economics. Thomas Arnoldner's professional career began at Alcatel Austria in 2003. After holding various positions within the company, he was made the CEO of Alcatel-Lucent Austria AG in 2013. From 2015 to 2016, he was part of the integration team for Nokia's acquisition of Alcatel-Lucent and developed the combined company's European market strategy. From 2016 to 2017, he was in charge of Nokia's European growth strategy in its Smart City, National Broadband Program, and Public Safety areas and responsible for the country strategies of its key growth markets. He was the Managing Director of T-Systems Austria GesmbH from 2017 to 2018.

1) ÖBIB will be transformed into a stock company due to the change of the "ÖIAG Gesetz 2000" according to Sec 245ff AktG. The company will be transformed into Österreichische Beteiligungs AG (ÖBAG).

Thomas Arnoldner does not hold any supervisory board mandates outside the A1 Telekom Austria Group.

### **Alejandro Plater**

Member of the Management Board (Chief Operating Officer, COO) since March 6, 2015.

Alejandro Plater was appointed as the Chief Operating Officer (COO) of the A1 Telekom Austria Group on March 6, 2015. In the period from August 1, 2015, to August 31, 2018, Alejandro Plater was also the Chief Executive Officer (CEO) in addition to being the COO. His contract runs until August 31, 2021, with an option to renew the contract until August 31, 2023.

Alejandro Plater, born in 1967, has had a long international career in the telecommunications industry. He started at Ericsson in 1997 as Sales Director for Argentina and shortly thereafter took on the responsibility of Head of Business Development. In 2004, he moved to the group's global headquarters in Stockholm, Sweden, to take up the position of Sales Director for the Latin America region. Two years later, Plater was appointed Sales Director for Mexico and, in the following year, he was appointed Vice President and Key Account Manager. Alejandro Plater studied Business Administration at the University of Buenos Aires and has completed several post-graduate management studies at Columbia University and the Wharton School in the USA and at the London Business School in the UK.

Alejandro Plater holds Supervisory Board mandates at the following subsidiaries: A1 Telekom Austria AG (Austria), A1 Bulgaria (Bulgaria), A1 Hrvatska (Croatia), velcom (Belarus), A1 Slovenija (Slovenia), Vip mobile (Republic of Serbia), one.Vip (Republic of Macedonia). Alejandro Plater does not hold any supervisory board mandates outside the A1 Telekom Austria Group.

### **Siegfried Mayrhofer**

Chief Financial Officer (CFO): Member of the Management Board since June 1, 2014. His contract runs until August 31, 2021, with an option to renew the contract until August 31, 2023.

Siegfried Mayrhofer, born in 1967, studied Industrial and Mechanical Engineering at the Graz University of Technology.

He began his professional career in 1994 at Voest Alpine Eisenbahnsysteme in the international division for the acquisition of investments. From 1998 to 2000, he served as a consultant to Constantia Corporate Finance for mergers and acquisitions in various industries.

Siegfried Mayrhofer joined Telekom Austria AG in March 2000. After holding various management positions (including Head of Corporate Planning and Group Controlling, Fixed-Line Controlling, Fixed-Line Accounting), he became CFO of Telekom Austria TA AG in July 2009. Siegfried Mayrhofer was the Chief Financial Officer of A1 Telekom Austria AG from July 8, 2010, to May 31, 2015.

Siegfried Mayrhofer holds Supervisory Board mandates at the following subsidiaries: A1 Telekom Austria AG (Austria), A1 Bulgaria (Bulgaria), A1 Hrvatska (Croatia), velcom (Belarus), A1 Slovenija (Slovenia), Vip mobile (Republic of Serbia), one.Vip (Republic of Macedonia). Siegfried Mayrhofer does not hold any supervisory board mandates outside the A1 Telekom Austria Group.

## **Report on Management Board remuneration**

The Remuneration Committee of the Supervisory Board is responsible for structuring Management Board remuneration. In addition to basic remuneration (fixed salary including remuneration in kind), a variable performance-based component was agreed upon with the Management Board members Thomas Arnoldner, Alejandro Plater, and Siegfried Mayrhofer. This performance-based component is contingent upon the achievement of defined targets and is limited to a maximum of 150% of the basic remuneration. The targets for the reporting year consist of 85% financial figures – revenue (weighting: 42%) and operating free cash flow (weighting: 43%) – and 15% strategic objectives. The Remuneration Committee decides on the degree of target achievement and the amount of the variable salary component on the basis of the Consolidated Financial Statements and the implementation of strategy. Performance-based remuneration becomes payable after the result for the financial year in question has been resolved, while an advance in the amount of 60% of the fixed salary is paid in 14 instalments over the current financial year.

Members of the Management Board also participate in the long-term incentive program (LTI). The multi-year share-based incentive program introduced in 2010 continued in the 2018 reporting year with the issue of the 2018 tranche.

The sixth tranche of the LTI program (LTI 2015) was paid out in 2018, following the end of the three-year performance period and the determination by the Remuneration Committee of the degree of achievement. The degree of target achievement for LTI 2015 was 87.4%. Detailed information about this can be found in the Notes to the Consolidated Financial Statements and the section on the remuneration of the individual members of the Management Board.

The total expense for basic remuneration, including remuneration in kind, of members of the Management Board in 2018 amounted to EUR 1.224 mn (2017: EUR 1.026 mn), and variable remuneration amounted to EUR 1.370 mn (2017: EUR 1.087 mn). EUR 0.534 mn was spent on LTI 2015 for active Management Board members in the 2018 reporting year (amount spent on LTI 2014 in 2017: EUR 0.11 mn).

Assuming 100% target achievement, the members of the Management Board were provisionally allocated the following numbers of notional bonus shares in the context of the new LTI 2018 tranche issued in September 2018: 34,878 shares for Thomas Arnoldner, 44,842 shares for Alejandro Plater, 37,718 shares for Siegfried Mayrhofer. Any actual cash settlement will occur after the end of the three-year performance period, i. e. not before September 1, 2021, commensurate with the level of achievement of objectives as determined by the Remuneration Committee.

In terms of old-age provisions, the Management Board members receive a contribution to their voluntary pension plans, which is paid into a corporate pension fund by the company and amounts to 20% of their respective fixed salaries (excluding expense allowances). Members will receive an eventual payout from the corporate pension fund only when they are over 55 years of age and are no longer in a contractual relationship with the company.

The amount of the severance payment to be paid in the event of the termination of a Board member's appointment is based on the length of their employment and is capped at one year's total remuneration for Siegfried Mayrhofer. The "Mitarbeiter- und Selbstständigenvorsorgegesetz" (BMSG - Austrian Corporate Employee and Entrepreneur Pension Law) applies to Thomas Arnoldner and Alejandro Plater.

Furthermore, the members of the Management Board are entitled to a company car, and casualty insurance provides cover in the event of death or invalidity. There is also supplementary health insurance cover for Management Board members. The members of the Management Board are included in Telekom Austria AG's D&O insurance policy.

For the Group companies included in the scope of consolidation, the following applies with regard to the key principles of the remuneration policy: The Chair of the Supervisory Board of the respective subsidiary is responsible for structuring Management Board remuneration. The remuneration structure and the respective targets are based on target criteria and weightings defined for the Group as a whole by the Management Board of Telekom Austria AG. In addition to basic remuneration (fixed salary including remuneration in kind), a variable performance-based component has been agreed upon with the Management Board members of the respective consolidated subsidiaries. This performance-based component is contingent upon the achievement of defined targets and is limited to an average of 60% of the basic remuneration. The targets for the reporting year consist of 80% financial figures and 20% strategic objectives. The Management Board of Telekom Austria AG decides the degree of target achievement and therefore on the amount of the variable salary component on the basis of the Consolidated Financial Statements, the Annual Financial Statements of the respective company and the implementation of strategy. Performance-based remuneration becomes payable after the result for the financial year in question has been resolved.

Members of the Management Board of the key consolidated subsidiaries participated in the long-term incentive program (LTI) until the LTI 2016 tranche (issued in the financial year 2016 with a term of January 1, 2016, to December 31, 2018).

## Remuneration of the individual members of the Management Board

Management Board remuneration in EUR '000	Basic remuneration (fixed salary incl. remuneration in kind)		Variable remuneration <sup>1)</sup>		Multi-year share-based remuneration (LTI)		Total remuneration	
	2018	2017	2018	2017	2018	2017	2018	2017
Thomas Arnoldner <sup>2)</sup>	182	-	107	-	-	-	290	-
Alejandro Plater	559	559	681	591	202	-	1,442	1,149
Siegfried Mayrhofer	482	468	582	497	333	110	1,397	1,075
<b>Total<sup>3)</sup></b>	<b>1,224</b>	<b>1,026</b>	<b>1,370</b>	<b>1,087</b>	<b>534</b>	<b>110</b>	<b>3,129</b>	<b>2,224</b>

1) Thomas Arnoldner has been member of the Management Board since September 1, 2018.

2) The variable remuneration for 2018 (2017) also includes variable remuneration components for 2017 (2016), which were paid out in the 2018 (2017) reporting year.

3) There may arise deviations in the totals due to rounding.

### Payments to former members of the Management Board (not shown in table):

Hannes Ametsreiter resigned as CEO as of July 31, 2015 and his employment relationship was terminated at the same date by mutual agreement.

The remuneration paid in 2018 for LTI 2015 amounts to EUR 77 thousand; the remuneration paid in 2017 for LTI 2014 amounted to EUR 71 thousand.

Günther Ottendorfer's contract with a term until August 31, 2016 was prematurely terminated as of March 5, 2015. The remuneration paid in 2018 for LTI 2015 amounts to EUR 185 thousand; the remuneration paid in 2017 for LTI 2014 amounted to EUR 102 thousand.

Hans Tschuden's contract with a term until March 31, 2015 was prematurely terminated as of May 31, 2014. The remuneration paid in 2018 for LTI 2015 amounts to EUR 28 thousand; the remuneration paid in 2017 for LTI 2014 amounted to EUR 49 thousand.

## Long-term incentive programme (LTI)

The A1 Telekom Austria Group's share-based long-term incentive program (LTI) introduced in the financial year 2010 was continued in 2018, with eligible participants restricted to the Management Board of Telekom Austria Aktiengesellschaft. LTI 2018 was issued on September 1, 2018 and has a term of three years.

The LTI is based on the performance-based allocation of notional bonus shares. During the program, participants must hold shares in Telekom Austria AG, the number of which is determined by the defined number of notional bonus shares for each entitled beneficiary. Any payment is made in cash, not in shares. The amount of the payment depends on the achievement of key figures defined by the Supervisory Board within a three-year performance period, ranging from 0% to a maximum of 350% of the participant's investment, with a maximum target achievement of 175%.

The A1 Telekom Austria Group's long-term incentive program is consistent with the requirements of the Austrian Corporate Governance Code. The relevant target performance indicators are based on the long-term development of the company. The targets and key performance indicators are determined by the Supervisory Board at the beginning of each tranche. Each performance period is three years long. The following targets and key performance indicators were set for the LTI 2015 tranche issued in the 2015 reporting year: EBITDA (weighting: 35%), free cash flow (weighting: 30%), and a revenue-based indicator (weighting: 35%). The following targets were set for the LTI 2016, LTI 2017, and LTI 2018 tranches issued in the 2016, 2017, and 2018 reporting years: Return on invested capital (ROIC) (weighting: 50%) and revenue market share (weighting: 50%) of the A1 Telekom Austria Group.

## % H Q H A W V X Q G H U W K H / 7 , SUR J U D P P H in the 2018 reporting year

The sixth LTI tranche (LTI 2015), which had been granted on September 1, 2015, was paid out to the entitled employees of the Group in September 2018 after the end of the three-year performance period and three years after the grant date. The tranche was paid out in line with the target achievement of 87.4% as determined by the Remuneration Committee of the Supervisory Board at the value of 274,527 notional bonus shares in total, measured using the average price of the company's shares for the fourth quarter of 2017 of EUR 7.883, and therefore EUR 2.164 mn (2017: EUR 1.16 mn). Of these amounts, 25,608 shares or EUR 0.202 mn were received by Alejandro Plater (2017: n. a.) and 42,185 shares or EUR 0.33 mn by Siegfried Mayrhofer (2017: EUR 0.11 mn). The following amounts were paid to former Management Board members: 9,752 shares or EUR 0.077 mn to Hannes Ametsreiter (2017: EUR 0.071 mn), 23,436 shares or EUR 0.185 mn to Günther Ottendorfer (2017: EUR 0.102 mn), and 3,594 shares or EUR 0.028 mn to Hans Tschuden (2017: EUR 0.049 mn).

A detailed description of the long-term incentive program can be found in the Notes to the Consolidated Financial Statements.

As of December 31, 2018, the members of the Management Board hold the following numbers of shares in the company, some of which serve to satisfy LTI program participation requirements:

	Shares	Of which for LTI participation
Thomas Arnoldner	17,439	17,439
Alejandro Plater	39,520	33,638
Siegfried Mayrhofer	24,750	24,750

Since the Market Abuse Regulation became effective on July 3, 2016, directors' dealings are no longer disclosed by the Financial Market Authority (FMA) but by the issuer.

Telekom Austria AG operates in accordance with the legal provisions and reports transactions by Management Board and Supervisory Board members and their related parties involving Telekom Austria shares on the company's website.

There were no directors' dealings disclosures in the 2018 reporting year.

## Supervisory Board

The Supervisory Board of Telekom Austria AG comprises ten members, elected by the Annual General Meeting. The Central Works Council of A1 Telekom Austria AG delegates four members and one member is delegated by the Staff Council of Telekom Austria AG. Employee co-determination on the Supervisory Board is a legally regulated aspect of the corporate governance system in Austria.

There was a change in the Supervisory Board at the Annual General Meeting on May 30, 2018: Wolfgang Ruttenstorfer, Reinhard Kraxner and Stefan Pinter stepped down from May 30, 2018. Edith Hlawati, Bettina Glatz-Kremsner, and Daniela Lecuona Torras were elected as members of the Supervisory Board by the Annual General Meeting on May 30, 2018. The Supervisory Board mandates of Carlos García Moreno Elizondo, Oscar Von Hauske Solís, and Carlos M. Jarque were renewed. Silvia Bauer, who had been appointed by the Central Works Council, stepped down in October 2018, and Renate Richter was appointed to replace her.

In accordance with section 86 (7) AktG, the Supervisory Board must consist of at least 30% women and at least 30% men (gender quota). Based on the declarations by the members of the Supervisory Board on February 28, 2018, in accordance with section 86 (9) AktG, singular fulfilment of the gender quota in the Supervisory Board is required. Consequently, at least three of the ten members of the Supervisory Board elected by the Annual General Meeting or Supervisory Board mandates must be women. As of the end of 2018, four of the ten members of the Supervisory Board elected by the Annual General Meeting are women.

## Supervisory Board members

Name (year of birth)	Profession
Edith Hlawati, Chairperson (1957)	Senior Partner at CHSH Cerha Hempel Spiegelfeld Hlawati Rechtsanwälte GmbH
Wolfgang Ruttenstorfer, Chairperson until May 2018 (1950)	
Carlos García Moreno Elizondo, Deputy Chairperson (1957)	CFO América Móvil, S.A.B. de C.V. (Mexico)
Alejandro Cantú Jiménez (1972)	General Counsel América Móvil, S.A.B. de C.V. (Mexico)
Karin Exner-Wöhrer (1971)	CEO Salzburger Aluminium AG
Bettina Glatz-Kremsner (1962)	CFO Casinos Austria Aktiengesellschaft
Peter Hagen (1959)	Business Consultant
Carlos M. Jarque (1954)	Executive Director of International Affairs, Government Relations and Corporate Affairs, América Móvil, S.A.B. de C.V. (Mexico)
Peter F. Kollmann (1962)	CFO Verbund AG
Reinhard Kraxner (1970)	Assistant General Counsel Treasury/Finance, Philip Morris International Inc. (USA)
Daniela Lecuona Torras (1982)	Head of Investor Relations, América Móvil, S.A.B. de C.V. (Mexico)
Stefan Pinter (1978)	Member of the Management Board, GlaxoSmithKline Pharma GmbH
Oscar Von Hauske Solís (1957)	CEO Telmex Internacional (Mexico), Chief Fixed-Line Operations Officer América Móvil, S.A.B. de C.V. (Mexico)

### Members of the Supervisory Board delegated by the Staff Council

Silvia Bauer (1968)	Member of the Central Works Council of A1 Telekom Austria AG Member of the European Works Council of A1 Telekom Austria Group
Walter Hotz (1959)	Chairman of the Staff Committee Vienna, Lower Austria and Burgenland of A1 Telekom Austria AG Chairperson of the European Works Council of A1 Telekom Austria Group
Gottfried Kehrer (1962)	Member of the Central Works Council of A1 Telekom Austria AG
Werner Luksch (1967)	Chairperson of the Central Works Council of A1 Telekom Austria AG Member of the European Works Council of A1 Telekom Austria Group
Renate Richter (1972)	Member of the Central Works Council of A1 Telekom Austria AG
Alexander Sollak (1978)	Chairperson of the Staff Council Committee of Telekom Austria AG Secretary-General of the European Works Council of A1 Telekom Austria Group

- 1) Term of office ends at the Annual General Meeting dealing with the 2018 financial year May 29, 2019.
- 2) Term of office ends at the Annual General Meeting dealing with the 2019 financial year (provisionally May 2020).
- 3) Term of office ends at the Annual General Meeting dealing with the 2020 financial year (provisionally May 2021).
- 4) Term of office ends at the Annual General Meeting dealing with the 2021 financial year (provisionally May 2022).
- 5) Term of office ends at the Annual General Meeting dealing with the 2022 financial year (provisionally May 2023).

The "Arbeitsverfassungsgesetz" (Austrian Labor Constitutional Act) imposes special regulations for the fulfilment of the gender ratio among employee representatives, namely that the gender ratio does not apply to employee representatives if there is no group works council.

## Independence of the Supervisory Board

The guidelines set out by the Supervisory Board in 2006 to determine the independence of its members were adjusted in 2009 to comply with the modified provisions of the Austrian Corporate Governance Code and are consistent with Annex 1

of the current version of the Code. According to these provisions, the members of the Supervisory Board are deemed to be independent if they have no business or personal relations with the company or its Management Board that could result in a material conflict of interest and thus influence the members' behavior.

The free float of the company (including treasury shares) is 20.58%. The shareholder representatives on the Supervisory Board are appointed in line with the terms of the shareholders' agreement between the controlling shareholder América Móvil and ÖBIB.

Other Supervisory Board mandates and similar functions at other listed companies (as per the ACGC)	First appointed	End of current term of office on Supervisory Board of Telekom Austria AG or date of departure	Independence as per Rule 53 of the ACGC
Österreichische Post Aktiengesellschaft (Chairperson)	Re-delegated on 30.05.2018 28.06.2001 to 29.05.2013 Supervisory Board member	2023 <sup>5)</sup>	Yes
Flughafen Wien AG, RHI AG, NIS a.d. (Republic of Serbia)	27.05.2010 to 14.08.2014 Reappointed on 27.05.2015	30.05.2018	Yes
Royal KPN N.V. (Netherlands)	14.08.2014	2023 <sup>5)</sup>	Yes
	14.08.2014	2019 <sup>1)</sup>	Yes
	27.05.2015	2020 <sup>2)</sup>	Yes
EVN AG (Chairperson); Flughafen Wien Aktiengesellschaft (Chairperson)	30.05.2018	2023 <sup>5)</sup>	Yes
VOEST Alpine AG	25.05.2016	2019 <sup>1)</sup>	Yes
	14.08.2014	2022 <sup>4)</sup>	Yes
	20.09.2017	2021 <sup>3)</sup>	Yes
	14.08.2014	30.05.2018	Yes
	30.05.2018	2022 <sup>4)</sup>	Yes
	14.08.2014	30.05.2018	Yes
	23.10.2012	2023 <sup>5)</sup>	Yes
	30.01.2009 to 03.11.2010, Re-delegated on 26.07.2012 Re-delegated on 06.05.2011	12.10.2018	
	27.10.2010		
	03.08.2007 to 20.10.2010, Re-delegated on 11.01.2011		
	12.10.2018		
	03.11.2010		

## Report on Supervisory Board remuneration

The remuneration of the members of the Supervisory Board for the financial year 2017 was resolved at the Annual General Meeting on May 30, 2018. The remuneration for the Chair of the Supervisory Board was set at EUR 40,000, at EUR 30,000 for the Deputy Chair, and at EUR 20,000 for other members of the Supervisory Board elected by the Annual General Meeting; these figures are therefore unchanged as against the previous year. Members of a committee are paid EUR 10,000 each and the Chair of the committee receives EUR 12,000. Remuneration for committee members is limited to one committee mandate. This stipulates that committee members are each entitled to only one remuneration, even if they sit on more than one committee. Until further notice, attendance fees per member of the Supervisory Board amount to EUR 400 per meeting.

Remuneration for the Supervisory Board for 2017 was paid in June 2018, following the approval of the actions of the Supervisory Board members by the Annual General Meeting. Total remuneration, including attendance fees, of EUR 0.357 mn was paid to members of the Supervisory Board in the financial year 2018 (2017: EUR 0.358 mn). In addition, the members of the Supervisory Board are reimbursed for expenses incurred for travel and accommodation in connection with Supervisory Board meetings.

The members of the Supervisory Board are included in the D&O insurance policy taken out and paid for by Telekom Austria AG.

In the year under review, no member of the Supervisory Board attended fewer than 50 % of the Supervisory Board meetings.

### Remuneration of Supervisory Board members

Name	Supervisory Board remuneration awarded for 2017 and paid in 2018 (in EUR)	2018 attendance fees (in EUR)
Edith Hlawati <sup>1)</sup>	-	2,000
Wolfgang Ruttenstorfer <sup>2)</sup>	52,000	2,400
Carlos García Moreno Elizondo	42,000	4,800
Alejandro Cantú Jiménez	30,000	2,400
Karin Exner-Wöhrer	20,000	2,800
Bettina Glatz-Kremsner <sup>1)</sup>	-	2,000
Peter Hagen	30,000	4,000
Carlos M. Jarque	30,000	5,200
Peter Kollmann <sup>3)</sup>	8,466	5,200
Reinhard Kraxner <sup>2)</sup>	20,000	1,200
Daniela Lecuona <sup>1)</sup>	-	1,600
Ronny Pecik <sup>4)</sup>	13,151	-
Stefan Pinter <sup>2)</sup>	20,000	1,200
Oscar Von Hauske Solís	32,000	5,200
Walter Hotz	-	4,000
Silvia Bauer <sup>5)</sup>	-	2,800
Werner Luksch	-	2,800
Renate Richter <sup>6)</sup>	-	800
Alexander Sollak	-	5,200
Gottfried Kehrer	-	2,800

1) Attendance fee for the period May 30, 2018 to December 31, 2018.

2) Supervisory Board remuneration for 2017 and attendance fee for the period January 1, 2018 to May 30, 2018.

3) Supervisory Board remuneration for the period September 20, 2017 to December 31, 2017 and attendance for 2018.

4) Supervisory Board remuneration for the period January 1, 2017 to June 9, 2017.

5) Attendance fee for the period January 1, 2018 to October 12, 2018.

6) Attendance fee for the period October 12, 2018 to December 31, 2018.

## Information concerning the working methods of the Management Board and the Supervisory Board

The A1 Telekom Austria Group complies with established principles to ensure sustainable, value-enhancing corporate development and is committed to the principles of

transparency and a policy of open communication. The group-wide areas of competence and responsibility are clearly regulated by the Articles of Association of Telekom Austria AG and the relevant statutory provisions. In addition, the duties, responsibilities and working methods are also described in greater detail in the Rules of Procedure for the Management Board and the Supervisory Board.

The Management Board defines the strategic focus of the Group in consultation with the Supervisory Board and provides the latter with regular reports on the implementation of the strategy as well as on the company's current situation, including its risk situation. Furthermore, the Supervisory Board is authorized to demand reports from the Management Board at any time on matters concerning the A1 Telekom Austria Group.

The Supervisory Board has set up three committees, which provide effective support by carrying out preparatory work on selected tasks and issues on behalf of the Supervisory Board:

- ▶ As of the end of 2018, the **Remuneration Committee** consisted of Edith Hlawati (Chair since May 30, 2018; preceded by Wolfgang Ruttendorfer), Carlos García Moreno Elizondo (Deputy Chairman), and Oscar Von Hauske Solís. This committee is responsible for regulating relationships between the company and the members of the Management Board, including granting approval for additional occupation. Resolutions concerning the appointment of Management Board members (or revocation thereof) and granting stock options in the company are resolved by the Supervisory Board as a whole. The Remuneration Committee held one meeting in 2018 and adopted three resolutions by written procedure.
- ▶ In line with the statutory provisions, at five committee meetings the **Audit Committee** dealt primarily with the audit of and preparation for the adoption of the Annual Financial Statements, the audit of the Consolidated Financial Statements, the proposal for the distribution of profit, the Management Report, the Group Management Report, and the consolidated Corporate Governance Report. High priority was also given to monitoring the accounting process, the effectiveness of the internal control system, the internal audit system, and the risk management system. Furthermore, the committee prepared the appointment of the auditor and verified the independence of the auditor of the Annual and Consolidated Financial Statements, particularly with regard to the performance of additional services. As of the end of 2018, the Audit Committee consisted of Carlos García Moreno Elizondo, as its Chairman and financial expert (in accordance with section 92(4a) AktG), Bettina Glatz-Kremsner (since May 30, 2018; preceded by Wolfgang Ruttendorfer), Oscar Von Hauske Solís, Carlos M. Jarque, Peter Hagen and Peter Kollmann in addition to Walter Hotz, Werner Luksch (since May 30, 2018, preceded by Silvia Bauer) and Alexander Sollak as the employee representatives.
- ▶ The **Staff and Nomination Committee** submits proposals to the Supervisory Board for appointments to positions on the Management Board and Supervisory Board<sup>2)</sup> that have become vacant, and also deals with questions of succession planning. Its members are Oscar Von Hauske Solís (Chairman), Edith Hlawati (since May 30, 2018; preceded by Wolfgang Ruttendorfer), Carlos García Moreno Elizondo, Carlos M. Jarque, Alejandro Cantú Jiménez and Peter Kollmann in addition to Walter Hotz, Werner Luksch and Alexander Sollak. The Staff and Nomination Committee held one meeting in the financial year 2018.

In the financial year 2018, the Supervisory Board addressed the strategic orientation of the A1 Telekom Austria Group and its business performance in detail at seven meetings of the Supervisory Board and several committee meetings. The main activities of the Supervisory Board in 2018 are compiled in the Supervisory Board's report to the Annual General Meeting.

To guarantee uniform management of the Group, members of the Management Board of Telekom Austria AG are represented at the following material subsidiaries: A1 Telekom Austria (Austria), A1 Bulgaria (Bulgaria), A1 Hrvatska (Croatia), velcom (Belarus), A1 Slovenija (Slovenia), Vip mobile (Republic of Serbia), and one.Vip (Republic of Macedonia).

## Diversity within the A1 Telekom Austria Group (diversity concept)

The A1 Telekom Austria Group taps the valuable potential of its employees through constant evolution in an international work setting, and sees diversity and flexibility as the key to the company's success. Diversity and flexibility form the foundation of the A1 Telekom Austria Group's diversity concept.

Diversity among employees is seen as the central driver of the company vision "Empowering digital life" and encouraged by the communication of the guiding principles "Team, Trust, and Agility". Supporting women is one of the core elements of promoting diversity.

Goals for A1 Telekom Austria Group's diversity concept for 2018-2023:

- ▶ 38% women in management positions
- ▶ Establishment of flexible working opportunities
- ▶ Creation of a general framework to promote continuous learning

## Appointment of positions on the Management Board and Supervisory Board of the A1 Telekom Austria Group

When selecting and appointing members of the company's Management Board, the Supervisory Board places emphasis on the skills and expertise necessary to manage a telecommunications company.

Decisions are also based on other criteria such as educational background and career history, age, gender, and general personality traits.

The shareholder representatives on the Supervisory Board and the members of the company's Management Board are appointed in line with the terms of the shareholders' agreement between the controlling shareholder América Móvil and ÖBIB<sup>3)</sup>.

2) See also information on C Rule 4.2.

3) See also information on C Rule 4.2.



## Measures to support women

On the Telekom Austria AG Supervisory Board, four of the ten shareholder representatives and one of the five members of the Staff Council are women. There is no female representation on the Management Board of Telekom Austria AG.

At the subsidiaries of the A1 Telekom Austria Group, five management positions (out of a total of 15) and four Supervisory Board positions are held by women.

Supporting women is one of the core elements of promoting diversity. A1 Telekom Austria Group has set itself the goal of increasing the share of women in management positions at the company to 38% by 2018. At the end of 2018, the share was 35%. It was not possible to secure a sufficient number of women for management positions when filling vacancies. In 2018, a five-year plan was therefore designed with a focus on work-life balance which is intended to ensure a higher share of women in management.

Furthermore, women are specifically targeted in the recruitment process, and new organization models and flexible leadership structures – such as part-time managers – are being pushed throughout the Group. Functional leadership in virtual company-wide projects and programs lends women systematic and sustainable support in the context of the diversity concept.

In addition, the company promotes a good work-life balance throughout the Group by means of flexible working environment and working time models and sabbaticals. There are a range of facilities on offer to families, which vary from country to country, including childcare initiatives, paternity leave, and a baby month. The company also provides an expanded range of information for managers and employees and a women's network with regular scheduled events in Austria.

## ' ' LUHFWRUV DQG 2FFHUV (D&O) insurance

The A1 Telekom Austria Group has taken out a directors and officers (D&O) insurance policy for the members of the Group's Management Board, executives and the members of the Supervisory Board. It also pays the associated costs.

## & HUWLÀHG SXEOLF DFFRXXQWDQW

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. has credibly demonstrated its impartiality to the Audit Committee of the Supervisory Board, in particular regarding reporting in accordance with Section 270 (1 a) of the Austrian Business Enterprise Code (UGB). A detailed analysis by the Audit Committee revealed no legal impediment to the appointment of Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. The Annual General Meeting appointed Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. as the auditor of the Annual and Consolidated Financial Statements for the financial year 2018 on May 30, 2018.

## Report by Group Internal Audit and Risk Management

Group Internal Audit is established as a staff unit of the CFO of Telekom Austria AG with a duty to report to the entire Management Board. There are also local Internal Audit units at all material operating subsidiaries of Telekom Austria AG, which report to Group Internal Audit. All companies, divisions and processes fall within the audit purview of Group Internal Audit without restriction. The associated rights and duties, in addition to the regulations for audit activities, are set out in the Group Internal Audit Charter.

Group Internal Audit performs independent and objective audits throughout the entire Group and reports to the entire Management Board of Telekom Austria AG. Audit subjects are specified as part of an annual audit plan, which is prepared according to risk criteria and supplemented by ad hoc audit orders as required. After an initial joint evaluation by Compliance, reports received via the "tell.me" whistleblowing system are examined by Group Internal Audit.

In accordance with C Rule 18 of the Austrian Corporate Governance Code, the head of Group Internal Audit reports to the Audit Committee of the Supervisory Board on the annual audit plan in addition to preparing an annual report on the audits performed and its material findings. Furthermore, significant issues as well as whistleblowing information from the "tell.me" system are reported to the Audit Committee of the Supervisory Board by Group Internal Audit on an intra-year basis where necessary.

The A1 Telekom Austria Group's risk management system, which the auditor has reported on to the Audit Committee, enables the group-wide, structured identification, assessment and processing of risks on the basis of a defined risk policy in addition to strategic and operational objectives. The Audit Committee monitors the functionality and suitability of risk management and the effectiveness of the internal control system.

The internal control system of the A1 Telekom Austria Group serves to ensure the effectiveness and profitability of business activities, the integrity and reliability of financial reporting and compliance with all relevant laws and regulations. In addition, Telekom Austria AG implemented an internal control system in accordance with US Sarbanes-Oxley Act (SOX) in the financial year 2015. A group-wide capital market compliance program has been implemented to prevent the disclosure or misuse of inside information.

The A1 Telekom Austria Group has also implemented a group-wide information security policy that governs the use of confidential information such as customer data, traffic data, content data and business and trade secrets. This policy is supplemented by country-specific guidelines at a local level. Information security and data protection managers have been appointed at all Group subsidiaries. Regular internal and external audits, in addition to staff training, ensure the effective implementation of this corporate policy. In 2005, A1 Telekom Austria AG became the first network operator in Austria to be

certified according to the ISO 27001 standard. It was followed by A1 Hrvatska in 2007, A1 Bulgaria in 2012, and one.Vip in 2013. The processes demanded and stipulated by this standard ensure the highest possible level of data security within the company. Since 2014, A1 Telekom Austria AG has also been able to offer its information technology outsourcing (ITO) customers ISAE 3402 Type II standard certification via its internal control system, which is especially relevant for performing IT services. The ICT Services division at A1 Telekom Austria AG has also been ISO 20000 certified since 2017. The effective implementation of IT service management quality standards prescribed by this standard is ensured on an ongoing basis by means of internal and external audits. A1 Marketplace has also been certified in accordance with the special security measures of ISO 27018 since 2016.

In 2018, employees and managers completed around 7,600 classroom training sessions and around 24,000 online training sessions on corruption prevention and integrity, anti-trust law, data protection and capital market compliance. The compliance helpdesk "ask.me" is available to employees to answer any questions. The "ask.me" helpdesk handled around 460 questions in 2018.

The A1 Telekom Austria Group operates a whistleblowing platform ("tell.me") to enable employees and third parties to inform the company about cases of potential misconduct – anonymously if preferred. Around 50% of the approximately 20 tips received in 2018 were substantiated. In instances where misconduct was found to have occurred, consequences extended from individual training to the termination of employment, depending on the extent of the transgression.

## & H U W L Ä H G F R P S O L D Q F H management system of the A1 Telekom Austria Group

In recent years, the Management Board of Telekom Austria AG has taken numerous measures to comprehensively develop the group-wide compliance management system. The compliance management system of the A1 Telekom Austria Group was audited according to the German audit standard IDW PS 980 in 2013. In 2016, essential elements of the group-wide compliance management system were reviewed for effectiveness by Group Internal Audit with a successful outcome. In 2018, the Management Board of Telekom Austria AG again engaged a renowned international audit and consulting company to audit the compliance management system of the A1 Telekom Austria Group in terms of its design and effectiveness. The results of this comprehensive audit will be ready in 2019.

The Management Board is regularly informed about activities in the area of compliance management and, in particular, the compliance risk assessment and measures taken to prevent corruption and the management of other compliance risks; the Supervisory Board is informed annually. Moreover, the Supervisory Board is informed annually about the company's capital market compliance activities and other relevant statutory changes.

The Group Compliance Director reports directly to the Management Board and is independent in his work. He is supported by experts in the Group Compliance division and the local compliance managers at the subsidiaries of the A1 Telekom Austria Group. The A1 Telekom Austria Group has a compliance management system in line with international standards (IDW PS 980, ISO 19600, ISO 37001, FCPA). The compliance measures necessary for this are firmly established in all divisions of the company.

## Changes after the reporting date

On January 15, 2019, A1 Telekom Austria Group entered into a committed credit line with a total volume of EUR 150 mn and a term until January 15, 2020. A further committed credit line with a total volume of EUR 50 mn and a term until year-end 2019 was entered into on January 28, 2019.

Vienna, January 30, 2019  
The Management Board

Thomas Arnoldner, CEO  
Telekom Austria Aktiengesellschaft

Alejandro Plater, COO  
Telekom Austria Aktiengesellschaft

Siegfried Mayrhofer, CFO  
Telekom Austria Aktiengesellschaft