



REMUNERATION POLICY FOR THE MANAGEMENT BOARD OF TELEKOM AUSTRIA AKTIENGESELLSCHAFT

1. Introduction

Pursuant to Section 78a of the Stock Corporation Act the Supervisory Board of listed companies are obliged to draw up a remuneration policy for the members of the Management Board and the Supervisory Board. The Supervisory Board has adopted the following remuneration policy for the first time for submission to the Annual General Meeting in September 2020 in accordance with section 78b of the Stock Corporation Act.

The remuneration policy shall be reviewed regularly and shall be submitted at least every fourth year to the Annual General Meeting. In the event of significant changes, the remuneration policy must be submitted again to the next ordinary general meeting.

In course of preparation of the remuneration policy the Supervisory Board was guided by the legal requirements and the Austrian Corporate Governance Code and took into account the requirements of the various stakeholders.

The remuneration policy provides an overview of the principles of the remuneration of Management Board members and explains how this supports the business strategy and long-term development of the company.

The Remuneration Committee of the Supervisory Board is responsible for the design and implementation of Management Board remuneration based on the remuneration policy. A detailed description of the implementation of the remuneration policy is provided in the annual remuneration report, which will be submitted to the Annual General Meeting of Shareholders for voting each year from 2021 onwards.

2. Principles and objectives: Support of the strategy and long-term development of the company

The remuneration of the members of the Management Board is linked to the implementation of the strategy and the long-term development of the company. The remuneration elements are designed to support the strategic objectives and, thus, the basis for the long-term and sustainable development of the company.

The remuneration of the Management Board is, therefore, based on the following cornerstones:

- Interaction of remuneration and performance: The performance-related variable elements represent a relatively high share of the total remuneration.

- The variable remuneration aims at the sustainability of performance and an increase in the value of the company: Most of the variable remuneration is designed for a long term; it also reflects the share price development as well as non-financial indicators and elements.
- The performance targets are in line with the corporate strategy.

In its corporate strategy Telekom Austria pursues the guiding principle of "*Empowering digital life*". In order to implement this guiding principle, the company relies on a corporate strategy based on two pillars:

- Revenue growth and
- Excellence in execution.

When striving for Revenue growth the corporate strategy focuses on three key elements: Pushing growth in the core business, scaling up the platform business and targeted acquisitions.

The elements "continuous improvement", "digital transformation" and "radical simplification" are the central principles for excellence in the implementation of the strategy.

These two pillars "*Revenue growth*" and "*Excellence in implementation*" are supported by the strategy enablers "*People & Culture*", "*Environmental, Social & Corporate Governance*" (ESG) and "*Data 2 Impact*".

As part of its sustainability strategy Telekom Austria particularly focuses on environment/climate change (e.g. reduction of CO2 emissions, energy efficiency and recycling management) and on social aspects such as digital education. The third pillar of the ESG strategy, "*Governance*", contains components such as gender equality/diversity and a strong corporate compliance culture.

The combination of the business strategy and sustainability strategy intends to ensure profitable and sustainable corporate development in the interests of all stakeholders. Finally, the design of remuneration policy should help to avoid taking disproportionate risks.

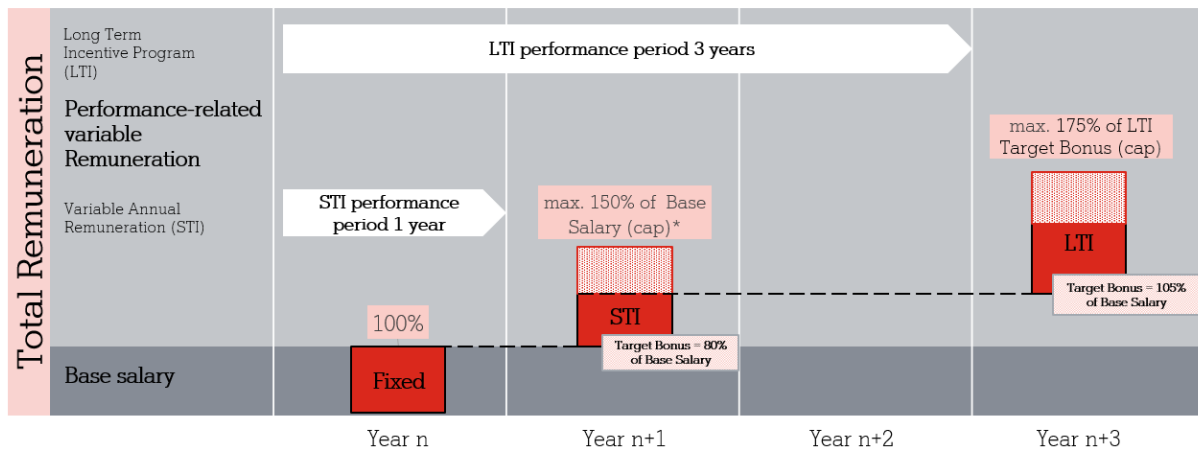
3. Structure of remuneration and relationship of the remuneration components to one another

In order to draw up this remuneration policy the remuneration of the Management Board of Telekom Austria was assessed externally. The remuneration structure was evaluated as appropriate and in line with market conditions. In detailed areas such as the structure of the variable remuneration (ratio of short-term to long-term variable remuneration), this remuneration policy will lead to an adjustment, which shall be implemented by September 2023 at the latest, when the current Management Board mandates will expire ("Target Structure 2023").

The aim of the Supervisory Board is to offer the members of the Management Board a remuneration package that is in line with market standards and at the same time competitive. An appropriate remuneration shall enable Telekom Austria AG to attract, retain and motivate the most qualified managers in the interest of the company.

The remuneration of the Management Board of Telekom Austria AG comprises **fixed (non-performance-related)** and **performance-related variable remuneration elements**. The fixed remuneration of each individual Management Board member comprises a base salary, benefits in kind, and pension contributions. The variable remuneration comprises the Variable Annual Remuneration (Short Term Incentive, "STI") and the Long Term Incentive ("LTI").

Remuneration system for Management Board Members of Telekom Austria AG – Target Structure 2023



* Cap 150% is applicable for 2020, this cap will not longer be applicable in Target structure 2023.

The total remuneration depends on the scope of the duties and responsibilities of the respective member of the Management Board.

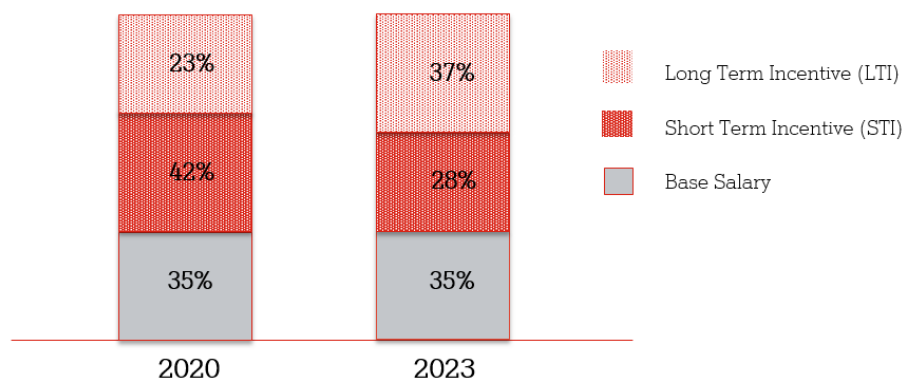
The majority of the target remuneration of the Management Board members consists of performance-related variable remuneration elements (STI and LTI).

In case of 100% target achievement (= target remuneration¹) the remuneration in the Target Structure 2023 shall consist of:

- 35% (currently: 35%) fixed, non-performance-related elements,
- 28% (currently: 42%) short-term variable, performance-related (STI) and
- 37% (currently: 23%) long-term variable, performance-related (LTI) remuneration elements.

This final structure of the variable remuneration ("Target Structure 2023") shall be implemented by September 2023 at the latest, when the current Management Board mandates will expire.

Relation of the Remuneration elements at 100% Target achievement



¹ The target compensation is presented on the basis of a constant share price over the term of the respective LTI tranche. The Base Salary is presented excluding pension contributions.

4. Details of the individual remuneration elements

i. Fixed, non-performance-related remuneration

Base salary

The fixed, annual salary ("Base Salary") of the members of the Management Board is based on the salary structure of listed Austrian companies and of comparable international listed companies. It is determined by the scope of duties and responsibilities of the respective Management Board member and by the duration of the respective function. The annual Base Salary is paid monthly. The employment contracts provide for 14 equal instalments (including two special payments) per year.

Remuneration in kind

Members of the Management Board receive a company car; a pool driver may be used if required. Members of the Management Board are also entitled to an accident insurance which provides additional coverage in the event of death or disability. There is also supplementary health insurance for the members of the Management Board and their family members (spouse and children up to the age of 18). Furthermore, members of the Management Board are entitled to the provision of telephone and Internet connections at their place of residence.

Pension contributions

For their retirement benefits the members of the Management Board receive a pension contribution which is paid into an external corporate pension fund by the company and which is equivalent to 20% of the respective Base Salary. Prerequisites for benefits from the external corporate pension fund are the termination of employment with the company and the completion of the age of 55.

ii. Performance-related variable remuneration

The interests of the company, its shareholders and stakeholders are taken into account in the performance-related remuneration, which combines both short-term and long-term elements to create incentives in the management of the company to balance the short-term and long-term interests. The performance of the Management Board is assessed on the basis of financial and non-financial targets derived from the corporate strategy.

For variable remuneration components, measurable performance criteria are defined in advance which are based, among other things, on planned values by the company (such as budget or business plan) or on benchmarks of comparable companies.

The performance-related variable remuneration consists of the (one-year) Variable Annual Remuneration (Short Term Incentive, STI) and the Long Term Incentive (LTI) with a three-year performance period:

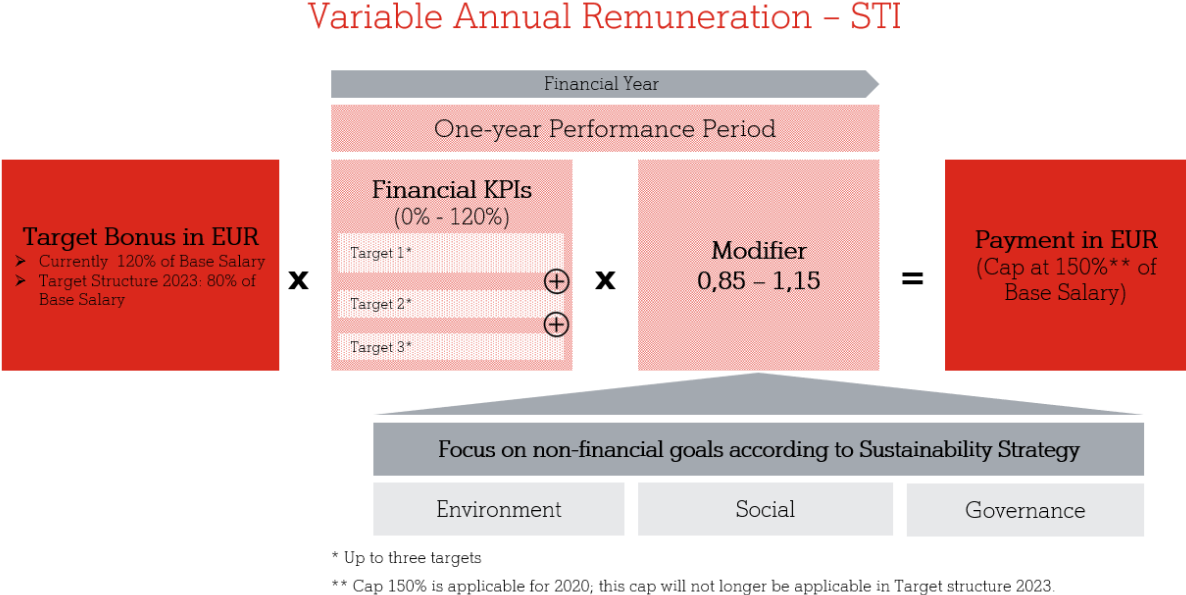
Variable Annual Remuneration (Short Term Incentive, "STI")

The STI is a variable remuneration component with a one-year performance period and takes into account financial performance, operational excellence, strategy implementation and corporate development. The Remuneration Committee sets appropriate performance criteria for every financial year. The STI incorporates financial and, based on a "Modifier", non-financial targets.

In case of 100% target achievement (= target remuneration), the STI in the Target Structure 2023 shall amount to 80% of the Base Salary (currently: 120%).

The Remuneration Committee sets financial targets; the degree of achievement of these financial targets can reach a maximum of 120%. The combined weighted target achievement of the financial targets is multiplied by the Modifier, which includes non-financial targets and has a range of 0.85x - 1.15x. The total payment for the STI is capped at 150% of the Base Salary; this cap is applicable for 2020 and will not longer be applicable in the Target Structure 2023.

The following chart provides an overview of the Variable Annual Remuneration – STI:



Criteria for Variable Annual Remuneration

The Variable Annual Remuneration is linked to measurable, short-term financial performance indicators. Non-financial performance criteria according to the Sustainability Strategy are incorporated into the STI via the Modifier.

As financial performance indicators, which cover the two main pillars of the corporate strategy, the Remuneration Committee may select key financial performance indicators (up to three targets), such as service revenue, operating free cash flow, EBITDA or comparable industry benchmarks. For example, revenue and operating free cash flow (EBITDA less CAPEX) have been set for the 2019 financial year, since these two figures are key indicators for the implementation of the corporate strategy.

The target values for 100% target achievement as well as potential target achievement corridors may be determined by the Remuneration Committee annually and may take into account corporate planning as well as any special effects or the historical development of key figures.

In addition, the Remuneration Committee determines non-financial targets, which promote the long-term development of the company and may also include measures to implement the Sustainability Strategy which are included in the achievement of targets via the Modifier (in the amount of 0.85x - 1.15x). The Modifier, thus, provides a direct link to the Sustainability Strategy and the aspects "Environment", "Society", and "Governance" (i.e. to key topics in these areas like reduction of CO2 emissions, energy efficiency, recycling management, digital education, diversity and compliance). The Remuneration Committee determines the value of the Modifier in accordance with the implementation of such key topics. The achievement of financial targets is multiplied by this value.

Assessment of the target achievement

Once the annual financial statements are available, the Remuneration Committee assesses the target achievement. The agreed objectives will be compared with the actual values achieved; the total achievement will subsequently be expressed as a percentage. Before the Remuneration Committee the target achievement, the auditor elected by the Annual General Meeting will review the underlying calculations for the target achievement.

In the event of significant changes with regard to important internal or external factors (e.g., reallocation of frequencies, company acquisitions, regulatory intervention) which are not reflected in the budget or business plan of the company, the Supervisory Board or the Remuneration Committee may retrospectively adjust the target values of the performance criteria. All adjustments shall be made with regard to the relevant factors and within the respective maximum limits.

Long Term Incentive (LTI)

The LTI is a long-term (three-year) share-based remuneration instrument and is designed to support the medium- and long-term value-creation for the company. The LTI aligns the interests of the Management Board members and the shareholders by granting the Management Board members remuneration in the form of a performance-related allocation of fictitious bonus shares ("LTI Shares"), whereby performance will be measured on the basis of performance criteria linked to the strategy. The LTI also serves to prevent the taking of inappropriate risks. The LTI is granted annually, with one LTI tranche covering three financial years.

In case of 100% target achievement (= target remuneration²), the LTI in the Target Structure 2023 shall amount to 105% of the Base Salary (currently: 65%).

Within the annual LTI tranche, the number of LTI Shares that a member of the Management Board receives is calculated based on his or her Base Salary. The value of the LTI Shares is determined on the basis of the average share price in the first quarter of the performance period. In the Target Structure 2023, 105% of the Base Salary (currently: 65%) will be divided by this average share price, resulting in the number of LTI Shares granted at the beginning of the LTI tranche. This number of LTI Shares granted is multiplied by the degree of target achievement after the three-year performance period (maximum target achievement 175%) and results in the number of shares to be paid out; these are then multiplied by the average share price of the last quarter of the performance period and, thus, result in the payment amount.

The Management Board member must hold a personal investment in Telekom Austria shares over the entire term of the LTI tranche. The amount of this personal investment is currently 32,5% of the Base Salary and 30% of the Base Salary in the Target Structure 2023. If the personal investment is lower than this threshold, the number of LTI shares will be reduced accordingly. The personal investment of a tranche can also be used for other (future) tranches.

² Target remuneration based on a constant share price over the term of the respective LTI tranche.

The following chart provides an overview of the LTI:

Long Term Incentive Program



* Up to three targets

Target criteria of the LTI

The target criteria of the LTI are designed to optimally reflect the long-term increase in value of the company. At the beginning of each tranche, the target values or performance criteria are determined by the Supervisory Board or the Remuneration Committee.

The Supervisory Board or the Remuneration Committee may define significant core financial and/or business performance indicators and/or ESG related targets as objectives or performance criteria (up to three targets), such as revenue-based criteria, EBITDA, free cash flow, return on invested capital, revenue market share, or other industry key performance indicators. For the 2019-2021 LTI tranche, for example, return on invested capital and revenue market share (50% weighting each) were defined as targets.

The Supervisory Board or Remuneration Committee also determines the weighting of one or more of these key figures or targets and details of the calculation. Likewise, the Supervisory Board or Remuneration Committee determines the concrete numerical target values for 100% target achievement and sets corridors for exceeding or falling short of these targets. Achievement of the target is limited to 175%.

Assessment of the achievement of the LTI objectives

The Remuneration Committee determines the achievement of objectives. Prior to this, the auditor elected by the Annual General Meeting reviews the calculation of the achievement of targets.

Payment will be made in cash, with shares to be paid out being converted into a Euro amount based on the average share price in the last calendar quarter of the performance period.

The Supervisory Board may adjust the objectives or performance criteria due to changed circumstances. This applies in particular to acquisitions and investments which have a substantial economic impact and which were not included in the respective budget/business plan. In addition, there are further adjustment options, e.g. due to tax changes or in the event of a stock market withdrawal (*Delisting*).

5. Repayment, Clawback

The Short Term Incentive and LTI payments may be reclaimed by the company, if their payment was made on the basis of obviously incorrect data.

6. Other contractual conditions

The employment contracts of the Management Board members have been concluded with the company and are subject to Austrian law. The contracts are usually concluded for a term of three years with an option to extend for two additional years; the respective member of the Management Board will be informed one year prior to the end of the three-year period, if his or her contract will not be extended. However, other terms may also be agreed upon within the framework of legal provisions. Salaries are paid in Euro (gross).

Management Board members are entitled to six weeks of vacation per year, which is to be taken in consideration of the requirements of business operations.

The contracts with the members of the Management Board provide for dismissal for cause. In the event of premature termination through no-fault, contractual salary claims (but without STI) are due until the original end of the contract, but may not exceed two years of total remuneration in accordance with Regulation 27a ÖCGK. In the event of premature termination without cause or in the event of termination of the contract by mutual consent, LTI entitlements will be paid out on a pro rata temporis basis at the end of the term, otherwise they will lapse; this also applies in the event of premature termination of the contract by the Management Board member.

As a matter of principle, members of the Managing Board are included in the Company's Employee and Self-Employed Pension Fund pursuant to the BMSVG ("*Betriebliches Mitarbeiter- und Selbständigenvorsorgegesetz*"), unless the "Severance Payment Regulation Old" is still applicable; in the latter case, a severance payment is limited to one year of total annual remuneration.

Any agreement on severance payments made on the occasion of the premature termination of a Management Board member's contract takes into account the circumstances of the exit of the Management Board member and the economic situation of the company.

7. D&O Insurance (Directors and Officers Insurance)

The Company has concluded a Group-wide "Directors and Officers" (D&O) Insurance policy for its Management Board members, managing directors, Supervisory Board members, executive employees, and other specific functionaries and bears the associated costs.

The insurance covers the legal liability of insured persons for financial losses due to misconduct in exercise of their function.

8. Deviation from the remuneration policy

The Supervisory Board is entitled to deviate from the remuneration policy in exceptional circumstances. Exceptional circumstances are given, if the deviation from the remuneration policy is necessary for the long-term development of the company or to ensure its profitability. This can be the case, for example, in case of emerging crisis.

Exceptional circumstances also include in particular

- acquisitions or investments with substantial economic effects,
- significant regulatory intervention,
- unplanned exit of members of the Management Board,
- developments which require the employment of a new member of the Management Board or
- other crisis-like developments such as pandemics.

For the duration of such circumstances, the Supervisory Board may deviate from individual or all components of the remuneration policy or, if necessary, grant other remuneration components. In the event that new Management Board members need to be employed to deal with the extraordinary situation, the Supervisory Board is entitled to agree on adequate remuneration packages (including signing bonuses, buy-out and relocation remuneration, etc.) that meet international standards.

Any payouts not covered by this remuneration policy are based on contractual clauses agreed before the adoption of this remuneration policy.

9. Consideration of the remuneration and employment conditions of employees

The company's goal is to provide competitive remuneration and employment conditions for both employees and members of the Management Board which optimally promote and support the implementation of the strategy. The company aims to attract, motivate and retain highly qualified employees in the industry and, to this end, continuously monitors market trends and international best practices. As in the case of the members of the Management Board, the Base Salary of employees is determined in accordance with internationally recognised procedures for determining a remuneration structure that is in line with the market or industry. The relevant legal provisions and collective agreements are obeyed.

The principles applicable to employees are also applied in an adapted form to the Management Board. In general, the company's remuneration structure is designed to be highly competitive in the telecommunications industry. This is supported by annual target agreements with the employees. For some employees, the employment contracts provide for performance-related remuneration components based on agreed targets. In addition, the remuneration packages for employees comprise a balanced and transparent mix of fixed and, on a case-by-case basis, variable, monetary and non-monetary components. The base salaries are in line with the market, fair, and based on the position and expertise of the employees.

In addition, the company strengthens its position as an attractive employer in the telecommunications industry through various other remuneration elements, such as single premiums, company cars and insurance benefits. Moreover, the company is flexible in its organization of working hours and encourages mobile working. The company offers employees health programs as well as attractive digital training and continuing education programs and provides various social benefits such as shopping vouchers, discounts, etc. The employees are also to be supported by subsidizing the canteen.

10. Definition and review of remuneration policy

The remuneration policy is discussed and decided upon in the Remuneration Committee and the Supervisory Board and subsequently presented to the Annual General Meeting. It is based on international benchmarks, is reviewed at regular intervals to ensure that it is up to date and, if necessary, amended. In the event of significant changes, and in any event every fourth financial year, it is submitted to the Annual General Meeting again.

The Supervisory Board or the Remuneration Committee may make use of international expertise for review, preparation, implementation and application.

The remuneration policy is implemented on a continuous basis by setting annual objectives in line with the strategy (both for the short-term performance incentive (STI) and the LTI), by determining the actual achievement of objectives and, if necessary, by taking further measures required to implement the remuneration policy.

The Management Board does not participate in the preparation of the remuneration policy. The Remuneration Committee shall decide on the selection and engagement of external advice on remuneration policy. In this way, a conflict of interest in the composition of the remuneration policy shall be prevented.

11. Transitional provision

Components of remuneration to be paid as from or in the financial year 2020 which arose in previous years and therefore before the implementation of this remuneration policy shall be considered as covered by this remuneration policy.