

Corporate Governance Declaration in accordance with Section 289a of the German Commercial Code (HGB)

The management of IVU Traffic Technologies AG (“IVU”), a German listed company, is regulated primarily by the German Company Law (AktG) and by the rules of the latest version of the German Corporate Governance Code.

In accordance with statutory regulations, IVU operates a “dual governance system”, which is characterised by a strict separation of personnel between the Executive Board as managing body and the Supervisory Board as monitoring body.

The Executive Board assumes responsibility for managing the company, with the aim of achieving lasting value creation. The principle of joint overall accountability applies, i.e. the members of the Executive Board share the responsibility for the overall company management. They develop the company strategy and ensure its implementation in interaction with the Supervisory Board.

The Executive Board informs the Supervisory Board regularly, promptly and comprehensively about all aspects of the development of business which are significant for IVU, and about important commercial events and the current earnings situation, including the risk situation and the risk management. Deviations of business developments from plans and targets are explained in detail and reasons given.

The Supervisory Board advises the Executive Board on the management of the company and monitors its activities. It appoints and dismisses the members of the Executive Board, decides on the system of emoluments for the members of the Executive Board and determines their individual overall emoluments. It is integrated in all decisions which are of fundamental importance for IVU. The Supervisory Board of IVU has three members. Further information about the specific work of the Supervisory Board and its committees, if any, can be found in the current Supervisory Board Report.

In compliance with the “Law for the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector” targets were set on 26 August 2015 by the Supervisory Board for women's participation in the Supervisory Board and the Executive Board, and by the Executive Board for women's participation in the two management levels below the Executive Board. For the Supervisory Board, the Executive Board and the first management level below the Executive Board a target quota of 0 % each was decided on, while for the second management level below the Executive Board a target quota of 15 % was set. In the interest of the company, the Executive Board and Supervisory Board prioritise the highest possible professional skills when filling management positions, and only consider other criteria afterwards.

IVU regards responsible and transparent Corporate Governance as forming the basis for its long-term commercial success. It is guided by the latest version of the German Corporate Governance Code. Therefore, the Executive Board and Supervisory Board of IVU were able to issue the following Statement of Compliance in accordance with Section 161 of the German Company Act (AktG) subsequent to dutiful scrutiny on 13 February 2020:

Declaration by the Executive and Supervisory Boards of IVU Traffic Technologies AG pursuant to Section 161 of the Stock Corporation Act (AktG) regarding compliance with the German Corporate Governance Code

The Executive Board and the Supervisory Board herewith declare in accordance with the provisions of Section 161 of the German Company Act that IVU Traffic Technologies AG has complied with and will continue to comply with the specifications and recommendations of the German Corporate Governance Code dated 7 February 2017, with the following exceptions:

(The numbers refer to the corresponding sections of the Corporate Governance Code.)

3.4 Information and reporting duties of the Executive Board

The Supervisory Board has not formally defined the information and reporting duties of the Executive Board, as the Executive Board is already legally obliged to comprehensively inform the Supervisory Board and the Supervisory Board has previously had no reason to object to the information policy of the Executive Board.

3.8 Excess in the event of Director's and Officers' liability insurance for the Supervisory Board

At the Annual General Meeting on 29 May 2019, the remuneration of the Supervisory Board was increased from 2019. These increases go along with the expansion of the scope of activities through the enlargement of the Board and the establishment of two committees. Accordingly, the remuneration of the Supervisory Board remains relatively low. The company therefore considers a significant deductible for the Supervisory Board to be unreasonable. Even without a deductible, there is a sufficient basis for the Supervisory Board to act in accordance with its duties.

4.1.3 Compliance management system, whistleblowing system

The Executive Board and Supervisory Board are in agreement that establishing an institutionalised compliance management system is not required based on the size and structure of the company as well as due to the lack of danger and risk potential for compliance-related violations. Such a system would be associated with disproportionately high costs for the company in relation to its usage. The company ensures that by using work and procedural instructions, among other methods, the regulations and standards within the company will be complied with.

According to section 4.1.3(3) of the code, employees should be given the opportunity to securely provide details on legal violations within the company in a suitable manner (establishment of a whistleblowing system). This recommendation is not complied with. The Executive Board and Supervisory Board are of the opinion that compliance within the company is guaranteed even without establishing such a system.

4.2.4 Disclosure of the emoluments of members of the Executive Board

The total compensation for the members of the Executive Board is not individualised in the Notes to the Consolidated Annual Report 2019. The company has not previously individualised the emoluments for its Executive Board members due to a decision taken by the General Meeting on 25 May 2016 in accordance with Section 286 Para. 5 German Commercial Code (HGB).

5.1.2 Age limits for Executive Board members, Diversity

The Supervisory Board will not specify an age limit for the Executive Board members. The company sees no cause to set an upper age limit for the Executive Board because the expertise of experienced Executive Board members should also be available to the company. Exclusion from the Executive Board solely on grounds of age does not seem purposeful.

In the interests of the company, the Supervisory Board pays attention when making appointments to the Executive Board primarily to the greatest possible specialist expertise and only then also takes other criteria into consideration. In view of the international operations of the company, value is attached to key qualifications, linguistic skills, and experience in the sector.

5.3.3 Nomination Committee

The Supervisory Board shall form a Nomination Committee composed exclusively of shareholder representatives which nominates suitable candidates to the Supervisory Board for its proposals to the Annual General Meeting for the election of Supervisory Board members.

The Supervisory Board has decided not to form a Nomination Committee, as the nomination is agreed between the four representatives of the capital side as a whole and therefore a committee is not required.

5.4 Composition of the Supervisory Board and emoluments for its members

The Code recommends in Subsection 5.4.1 that the Supervisory Board should specify objectives which, while considering the specifics of the company, also take into account the international activities of the company, potential conflicts of interests, the number of independent members of the Supervisory Board in accordance with Subsection 5.4.2, an age limit to be specified for members of the Supervisory Board, and diversity. These concrete objectives should, in particular, stipulate an appropriate participation of women.

Except for the targets set in accordance with the “Law for the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector”, the Supervisory Board has not previously specified concrete goals for its composition and after consideration of the specific situation of the company it does not at present envisage doing so. Regarding the composition of the Supervisory Board, in the interests of the company, emphasis is attached mainly to the greatest possible specialist expertise and international experience, and only subsequently are further criteria taken into consideration.

Regarding the composition of the Supervisory Board, the company pays attention to the independence of the members of the Supervisory Board.

The company dispenses further with the specification of an upper age limit for the Supervisory Board, since the expertise of experienced Supervisory Board members should be available to the company and exclusion only on the basis of age does not seem to be purposeful.

The Code further recommends in Subsection 5.4.5 that the company should support the members of the Supervisory Board with necessary training and further education measures as required for their tasks. The company supports the members of the Supervisory Board with necessary training and further education measures within the framework of the statutory reimbursement for expenses. However, since it is unclear which conditions must be met in order for the support to be necessary within the scope of the Code recommendations, an exception is declared in this case as a precaution.

Berlin, 13 February 2020

For the Executive Board

A handwritten signature in blue ink, appearing to read 'Martin Müller-Elschner', written in a cursive style.

Martin Müller-Elschner (CEO)

For the Supervisory Board

A handwritten signature in black ink, appearing to read 'Herbert Sonntag', written in a cursive style.

Prof. Dr. Herbert Sonntag (Chair)