



# Remuneration Report 2020

## Report on the Remuneration of the Members of the Management Board and the Supervisory Board of Telekom Austria AG

The remuneration report for the 2020 reporting year was established by the members of the Management Board and the Supervisory Board in accordance with §§ 78c et seq. of the AktG – Austrian Stock Corporation Act and will be submitted to the Annual General Meeting on May 14, 2021 for voting.

### 1. Introduction

The Annual General Meeting of Telekom Austria AG (also referred to as the A1 Telekom Austria Group) on September 24, 2020 approved the remuneration policy of the members of the Management Board and the Supervisory Board with 99.2% of votes cast. For the first time, in accordance with section 78c of the AktG – Austrian Stock Corporation Act (AktG, Aktiengesetz), the Management Board and the Supervisory Board are required to prepare a remuneration report for the members of the Management Board and the Supervisory Board that sets out the remuneration granted and owed to current and former members of the Management Board and the Supervisory Board in the past financial year in line with the applicable remuneration policy. This report must now be submitted to the Annual General Meeting in May 2021.<sup>1)</sup>

#### 1.1. Overview of the economic situation

Despite the challenges posed by the COVID-19 pandemic, the A1 Telekom Austria Group showed great resilience in large sections of its operations in the 2020 financial year, and achieved good results despite a significant drop in roaming revenues due to the travel restrictions and in spite of currency losses (the Belorussian ruble in particular):

- ▶ The revenues of the A1 Telekom Austria Group declined by 0.3% to EUR 4,549.4 mn in 2020. This was as a result of lower other operating income and lower equipment revenues. Service revenues remained stable despite the drop in roaming revenue (negative effect of around 2% of revenues and around 4% of EBITDA) and negative currency effects. Adjusting for currency and non-recurring effects, revenues rose by 1.5%.
- ▶ EBITDA (before restructuring expenses) increased by 1.0% to EUR 1,661.3 mn as a result of an enhanced focus on operating efficiency. Adjusting for currency and non-recurring effects, and for restructuring expenses, EBITDA climbed by 3.5%. Reported EBITDA increased by 1.0% to EUR 1,576.8 mn in the reporting year.
- ▶ EBIT rose by 3.9% from EUR 614.8 mn in 2019 to EUR 638.9 mn in the 2020 reporting period.
- ▶ The net result climbed by 18.7% from EUR 327.4 mn in 2019 to EUR 388.8 mn in 2020.
- ▶ Capital expenditure declined by 26.0% from EUR 879.8 mn in 2019 to EUR 651.4 mn in 2020 on account of the crisis.
- ▶ Free cash flow increased by 46.5% to EUR 503.7 mn in 2020 (2019: EUR 343.7 mn).
- ▶ Net debt (excluding leases) fell by 10.7% to EUR 2,331.9 mn in 2020 (2019: EUR 2,612.4 mn). The ratio of net debt (not including leases) to EBITDA after leases decreased from 1.9x as of December 31, 2019 to 1.7x as of December 31, 2020.

1) In preparing the remuneration report for the 2020 reporting period, the Management Board and the Supervisory Board were guided by the applicable provisions of sections 78c et seq. AktG and, in particular, AFRAC Guidance 37 of the Austrian Financial Reporting and Auditing Committee (AFRAC).

## Performance indicators

Income statement in EUR million	2020	2019	Change in %
Total revenues	4,549.4	4,565.2	-0.3
thereof service revenues	3,804.5	3,805.5	0.0
thereof equipment revenues	659.4	663.9	-0.7
EBITDA	1,576.8	1,560.6	1.0
% of total revenues	34.7	34.2	-
EBITDA before restructuring	1,661.3	1,644.7	1.0
% of total revenues	36.5	36.0	-
EBIT	638.9	614.8	3.9
% of total revenues	14.0	13.5	-
Net result	388.8	327.4	18.7
% of total revenues	8.5	7.2	-

Wireless performance indicators	2020	2019	Change in %
Customers (in 1,000)	21,864.2	21,288.1	2.7

Wireline performance indicators	2020	2019	Change in %
RGUs (thousands)	6,050.3	6,147.7	-1.6

Debt performance indicators	December 31, 2020	December 31, 2019	Change in %
Net debt (excl. leases) (in EUR mn)	2,331.9	2,612.4	-10.7
Net debt (excl. leases) / EBITDA after leases	1.7x	1.9x	-

Company performance indicators	2020	2019	Change in %
Earnings per share (in EUR)	0.58	0.49	18.8
Dividend per share	0.25	0.23	8.7
Free cash flow per share (in EUR)	0.76	0.52	46.5
ROE <sup>1)</sup> (in %)	14.3	12.9	-
ROIC <sup>2)</sup> (in %)	10.4	9.9	-
Operating ROIC <sup>3)</sup> (in %)	10.1	10.4	-

1) Return on equity: ratio of net result to average equity employed.

2) Return on invested capital: net operating profit after tax (NOPAT) divided by the average capital invested (not including lease liabilities).

3) Operating return on invested capital: EBIT divided by the average capital invested. Average capital invested only includes lease liabilities (IFRS 16) from 2019, which affects average capital invested in 2018 / 2019. The comparison between 2020 and 2019 is therefore not representative.

## 2. Remuneration policy for members of the Management Board<sup>2)</sup>

### 2.1. Principles and objectives

The remuneration of the **members of the Management Board** is linked to the implementation of strategy and to the short and long-term development of the company. The individual remuneration elements are designed to support the strategic objectives for the company's sustainable long-term development.

The remuneration of the Management Board is based on the following key points:

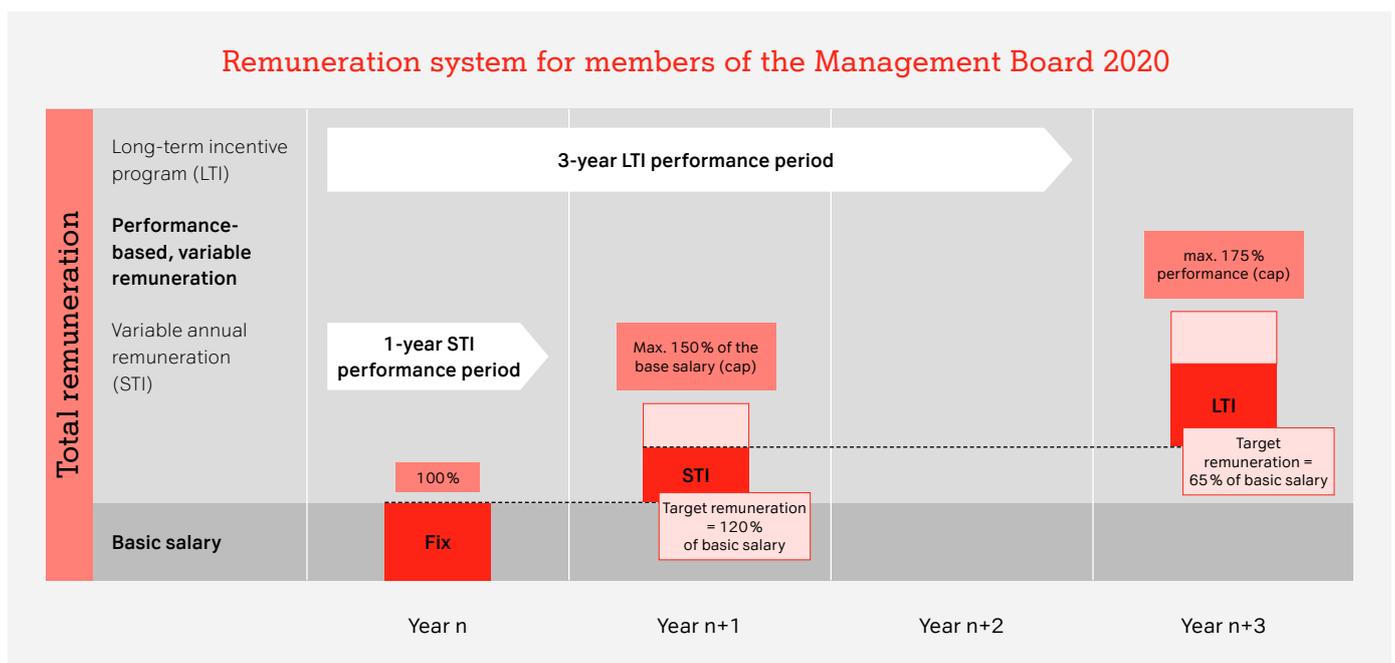
- Connection between remuneration and performance: Performance-based, variable elements account for most of total remuneration.
- Sustainable development: Variable remuneration is aimed at the sustainability of performance and increasing enterprise value, and it reflects the share price development in addition to financial and non-financial indicators and elements.
- Strategic relevance: The performance targets are in line with the Group's strategy.

The objective of Management Board remuneration is to offer the members of the Management Board a remuneration package that is both competitive yet in line with market standards. Appropriate remuneration should allow the A1 Telekom Austria Group to attract, secure and motivate the most qualified managers in the company's interests.

### 2.2. Overview of the individual remuneration elements for members of the Management Board

The Management Board remuneration of the A1 Telekom Austria Group comprises **fixed (non-performance-based)** and **variable (performance-based) remuneration elements**. Fixed remuneration consists of the basic salary, non-cash remuneration and pension contributions. Variable remuneration comprises the variable annual remuneration (short-term incentive (STI)) and the variable long-term incentive (LTI). STI and LTI, the performance-based variable remuneration elements, account for most of the target remuneration of members of the Management Board.

The following diagram shows the structure of the remuneration system with target remuneration for the 2020 financial year:



2) The full remuneration policy for members of the Management Board of A1 Telekom Austria Group can be accessed at: [https://cdn1.a1.group/final/en/media/pdf/agm2020\\_Remuneration\\_policy\\_Management\\_Board.pdf](https://cdn1.a1.group/final/en/media/pdf/agm2020_Remuneration_policy_Management_Board.pdf)

In the interests of completeness, please note that the remuneration system as described in the remuneration policy will change in 2023 and a larger share of remuneration will shift from STI (2020: 42 %, 2023: 28 %) to LTI (2020: 23 %, 2023: 37 %; both at 100 % performance).

**2.2.1. Fixed, non-performance-based remuneration**

Members of the Management Board receive a fixed, annual **basic salary** based on the salary structure of listed Austrian companies and comparable international listed companies, taking into account the scope of their activities, the responsibility of the respective member of the Management Board and how long they have performed this function. Furthermore, the members of the Management Board are entitled to **non-cash remuneration, insurance benefits and pension contributions**.

**2.2.2. Performance-based variable remuneration**

Performance criteria are proposed by the Remuneration Committee of the Supervisory Board and approved by the Supervisory Board in advance for the variable remuneration components. These criteria are based on the company’s planning (budget / business plan) or peer group benchmarks.

The performance-based variable remuneration consists of the (one-year) **variable annual remuneration (STI)** and the (three-year) **long-term incentive (LTI)**.

**2.2.2.1. STI – Short-term incentive**

The **STI** takes into account financial and operational performance, strategy implementation and corporate development. The Remuneration Committee sets corresponding performance criteria for every financial year. The STI incorporates financial and – on the basis of a modifier – non-financial targets, such as ESG targets.

The maximum performance of financial targets is set at 120 %. No STI bonuses are paid for a performance of less than 80 %. Performance in relation to financial targets is multiplied by the modifier that can range from 0.85 to 1.15. Payment of the STI as a whole is capped at 150 % of basic salary. On 100 % performance, the STI for the reporting year amounts to 120 % of basic salary. The specific STI targets, including performance and payout amounts, are presented below under “Remuneration of the members of the Management Board in 2020”.

**2.2.2.2. LTI – Long-term incentive**

In conjunction with the LTI, the members of the Management Board are allocated notional bonus shares based on their performance that are settled in cash when the remuneration becomes due (LTI shares).

On 100 % performance, the annual LTI amounts to 65 % of the basic salary. The LTI is issued annually and each tranche covers a performance period of three financial years.

For each LTI tranche, 65 % of the basic salary is divided by the average share price in the first quarter of the performance period to produce the number of LTI shares in the tranche.

After the three-year performance period, the LTI shares granted are multiplied by the performance level (capped at 175 % of target remuneration) to produce the number of shares to be paid out. The payout amount is calculated on the basis of the average share price in the last quarter of the performance period.

When determining performance, the Remuneration Committee can take into account significant extraordinary effects that were not considered in the budget/business plan and therefore the target requirements.

Each member of the Management Board has a personal investment in Telekom Austria AG shares in the amount of 32.5 % of their basis annual salary over the term of the LTI tranche. If the personal investment is lower, the number of LTI shares is reduced accordingly. The personal investment can also be referenced for further tranches. The members of the Management Board held the following personal investments in the 2020 reporting period:

	Shares
Thomas Arnoldner	26,534
Alejandro Plater <sup>3)</sup>	33,638
Siegfried Mayrhofer	24,750

**3. Remuneration of the members of the Management Board in 2020**

The total remuneration of the Management Board for the past 2020 financial year is discussed below. Details of the targets and performance for variable remuneration components of the members of the Management Board have been presented. Both the “owed” and “granted” remuneration of the members of the Management Board are reported:<sup>4)</sup>

The remuneration owed firstly comprises the amounts actually paid to the individual member of the Management Board that are attributable to this reporting period (fixed remuneration). Secondly, it includes entitlements vested for this period, even if they will not be paid out until a later period<sup>5)</sup> or if their amount has not yet been finalized.<sup>6)</sup>

The granted remuneration refers to the provisions recognized in a financial year and other deferred remuneration components that are economically attributable to this reporting

3) Alejandro Plater holds 36,520 shares in total as of the end of 2020; thereof 33,668 shares as personal investment for the LTI Program.

4) For more information on “owed” and “granted” remuneration, please refer to AFRAC Guidance 37.

5) STI 2020.

6) 2018 LTI.

period on account of legal or contractual obligations, but that will only be finalized and paid out in subsequent periods.<sup>7)</sup>

The following tables show the remuneration components owed, i. e. the fully vested entitlements already paid out. The 2019 and 2020 LTI programs, which are still running, are shown as granted remuneration.

Non-cash remuneration includes the provision of a company car or corresponding compensation in the form of a car allowance. A pool driver can be provided if necessary. In addition, accident insurance and supplementary health insurance are provided, and a voluntary pension contribution is paid to the external corporate pension fund (APK).

Fixed remuneration is as follows in the 2020 reporting period:

### 3.1. Fixed, non-performance-based remuneration

In 2020, the fixed remuneration of the Management Board consisted of the basic annual salary, non-cash remuneration (including various insurance benefits) and pension contributions.

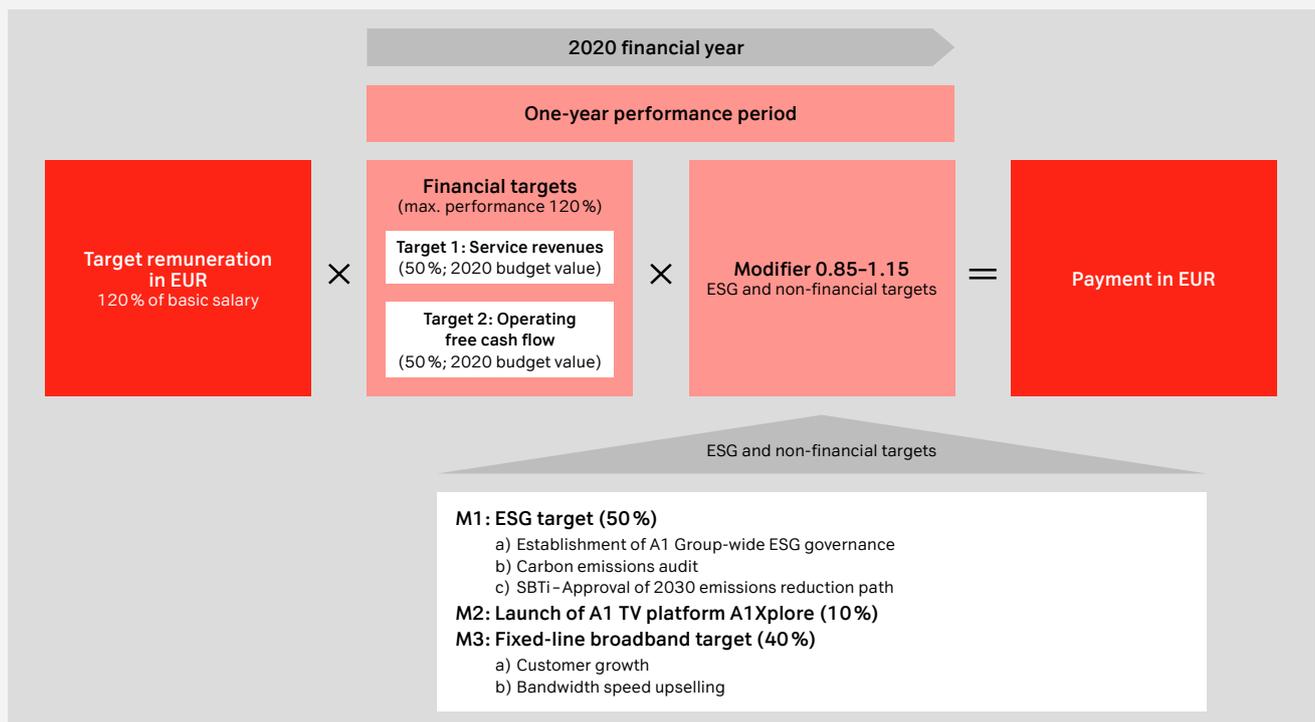
#### Fixed remuneration for 2020

in EUR	Thomas Arnoldner	Alejandro Plater	Siegfried Mayrhofer
Basic salary	535,000	579,583	495,000
Non-cash remuneration	17,530	25,463	17,608
Contributions to external corporate pension fund	107,000	117,700	99,000
<b>Total</b>	<b>659,530</b>	<b>722,746</b>	<b>611,608</b>

### 3.2. Variable annual remuneration (short-term incentive, STI)

The Remuneration Committee of the Supervisory Board has agreed the following **STI targets for the 2020 financial year** with the members of the Management Board:

#### Variable annual remuneration – 2020 STI targets



7) 2019 LTI, 2020 LTI.

The 2020 budget values for the key performance indicators **service revenues** and **operating free cash flow** (defined as EBITDA not including restructuring expenses less capex not including frequency investments) were defined as the **financial targets** with a weighting of 50 % each.

The **2020 modifier** consists of **ESG and non-financial targets**.

On the basis of the targets and performance corridors set by the Remuneration Committee, and the audited annual financial statements, the **STI performance for the 2020 financial year amounts to 107.4 %**.

The STI 2020 performance breaks down as follows:

**STI 2020**

Target criteria and performance

Target criteria (KPI)	Weighting in %	Target and details	Performance corridor	Performance levels in % <sup>2)</sup>	Value achieved	Performance in %	Weighted performance in %
Service revenues	50	Budget figure 2020	-5% < x < +3% of target	80-120	97.90% of target	91.6	45.8
Operating free cash flow <sup>1)</sup>	50	Budget figure 2020	-10% < x < +3% of target	80-120	113.82% of target	120 (cap)	60 (cap)
<b>Financial targets</b>	<b>100</b>			<b>80-120</b>			<b>105.8</b>
<b>X</b>							
M1 : ESG target	50	a) Group-wide establishment of ESG governance b) Carbon emissions audit c) SBTi-Approval of 2030 emissions reduction path	Criteria achieved / not achieved	85-115	a), b) and c) achieved	100	50
M2: Launch of A1 TV platform A1Xplore	10	Product launch on 2 markets	1 < 2 < 3 markets	85-115	Product launch on 3 markets	115	11.5
M3: Fixed-line broadband target	40	a) Customer growth b) Bandwidth speed upselling	Set targets	85-115	a) No customer growth b) Maximum target exceeded	a) 85 b) 115 (cap)	a) 17 b) 23
<b>Modifier</b>	<b>100</b>			<b>85-115</b> (0.85 × -1.15 × of financial targets)			<b>101.5</b> (1.015 × of financial targets)
<b>2020 STI performance = Financial target performance × Modifier performance</b>							<b>107.4</b>

1) Defined as EBITDA adjusted for restructuring expenses less capital expenditure, not including frequency investments.  
2) Values are interpolated between the target and the maximum / minimum limit on a straight-line basis.

**Notes on above figure:**

**Financial targets: Performance of 105.8%**

Regarding financial targets, the **revenue target** was fallen short of by 2.1 %, resulting in a performance of 91.6 %. The reasons for this included the significant reduction in roaming traffic (around 2 % of revenues) due to the COVID-19 crisis and currency losses (around 2 % of revenues) mainly on account of the significant depreciation of the Belorussian ruble. These losses were only partially offset by increases in ICT and broadband products.

By contrast, however, the **operating free cash flow target** was exceeded by 13.8% thanks to an enhanced focus on operating efficiency and a significant reduction in investment. This resulted in a performance of 120%.

Overall, there is therefore a weighted **performance in relation to financial targets** of **105.8%**.

**Modifier (multiplier for financial targets):**

**Performance of 101.5%**

The targets agreed for **“modifier target M1”** (ESG target) were 100% achieved: Firstly, improved governance was established for the implementation of the ESG targets; furthermore, a Group guideline for the reporting of greenhouse gas (GHG) emissions was implemented, which ensures uniform reporting of the climate target in all Group companies and increases the quality of GHG emissions reporting (Scope 1 and Scope 2). Also, GHG emissions were audited for the first time, which confirmed the quality of GHG reporting. Finally, the GHG emissions reduction pathway for 2030 underwent SBTi validation in July 2020. This validation confirms that A1 Telekom Austria Group is making a contribution to the 1.5° target of the Paris Agreement and thereby helping to stop global warming.

**“Modifier target M2”**, launch of the A1 TV platform A1Xplore on two markets, was outperformed by launching the TV platform on three markets – Austria, Slovenia and Croatia. After A1 Xplore was already launched in Bulgaria in 2019, its market launch on three other markets was a key step in the successful implementation of the uniform TV strategy which, given the rising significance of TV content, is expected to form the basis for future customer growth on the markets.

The lower threshold for **“modifier target M3”**, fixed-line broadband target, – a) “Customer growth in fixed-line broadband in Austria” – was not achieved. The decline in fixed-line broadband customers of around 24,500 in the 2020 financial year shows the challenging competitive situation on the Austrian broadband market and also reflects the strong demand for mobile WLAN routers.

By contrast, sub-goal b) – “Bandwidth speed upselling in the high-speed segment in Austria” – was exceeded. Increasing the number of customers in this profitable segment is in line with the strategic focus on higher value customer segments.

Overall, this results in a **financial performance of 101.5%** or a **modifier of 1.015**, by which the performance of the financial targets (105.8%) is multiplied.

This produces a **total performance level for the 2020 STI of 107.4%**.

STI targets performance for 2020 was verified by Ernst & Young Wirtschaftsprüfungsgesellschaft and adopted by the Remuneration Committee of the Supervisory Board on the basis of the audited 2020 annual financial statements in March 2021.

**The STI performance level of 107.4% translates into an STI of 131.1% of the basic salary for Thomas Arnoldner and Siegfried Mayrhofer and 134.7% of the basic salary for Alejandro Plater.**

The members of the Management Board will therefore be paid the following amounts for the 2020 STI:

in EUR	
Thomas Arnoldner	701,385
Alejandro Plater <sup>8)</sup>	780,441
Siegfried Mayrhofer	648,945

**3.3. Variable long-term remuneration (long-term incentive (LTI))**

The following LTI tranches are relevant for the 2020 reporting period:

- ▶ The 2017 LTI (2017 to 2019 performance period) was paid out in 2020 and assigned to remuneration for 2019 as “owed remuneration” (for details see “2017 LTI performance and payout amounts”).
- ▶ Entitlements under the 2018 LTI (2018 to 2020 performance period) became vested on December 31, 2020 (owed remuneration). They will be paid out in 2021 (for details see “2018 LTI – assumed payout amounts”).
- ▶ Provisions were recognized for the 2019 LTI tranche (2019 to 2021 performance period) that are shown in this report as “granted remuneration” (for details see “Remuneration granted under ongoing LTI tranches”).
- ▶ A provision was recognized for the 2020 LTI tranche (2020 to 2022 performance period) that was granted for the first time. This is shown in this report as “granted remuneration” (for details see “Remuneration granted under ongoing LTI tranches”).

The following table summarizes the key terms for these LTI tranches; as per the remuneration policy, all LTI payouts are paid in cash:

8) Including EUR 8,917 guaranteed bonus.

## LTI-Tranches

	LTI 2020	LTI 2019	LTI 2018	LTI 2017
Start of performance period	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Grant date	August 1, 2020	August 1, 2019	September 1, 2018	June 1, 2017
End of performance period	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019
Vesting date (payment)	August 1, 2023	August 1, 2022	September 1, 2021	June 1, 2020
Expected performance (in %)	99.1	94.8	97.1	71.2 <sup>1)</sup>

### Number of bonus shares as of grant date

	LTI 2020	LTI 2019	LTI 2018	LTI 2017
Thomas Arnoldner	50,091	53,068	34,878	n. a. <sup>2)</sup>
Alejandro Plater	55,101	53,068	44,843	59,041
Siegfried Mayrhofer	46,346	49,100	37,718	49,500

1) For LTI 2017, actual performance (71.2%) paid out at price of EUR 7.08 in 2020.

2) Thomas Arnoldner (member of the Management Board since September 1, 2018) did not receive the 2017 LTI.

The target criteria and values for the individual LTI tranches are set by the Remuneration Committee and are as follows for the respective tranches:

## LTI target criteria and values

	ROIC target	Revenue market share target	Green financing target
Weighting 2020 LTI (in %)	34	33	33
Weighting 2017 LTI, 2018 LTI, 2019 LTI (in %)	50	50	-
Target and definition	<b>ROIC</b> according to the budget or business plan approved by the Supervisory Board for three years (performance period)	<b>Growth of revenue market share</b> for three years (performance period), consolidated over all markets of the A1 Telekom Austria Group	<b>Green financing</b> Coverage of all long-term financing in 2020 to 2022 with "green bonds" or other sustainable financial instruments
Performance levels (in %)	25 < 100 < 175 (cap)	25 < 100 < 175 (cap)	0 / 100
Performance corridor <sup>1)</sup>	<ul style="list-style-type: none"> <li>▶ 100% performance: Achievement of ROIC target (budget)</li> <li>▶ 175% performance (cap): Achievement of target (derived from benchmark- best performer in peer group)</li> <li>▶ 25% performance: Achievement of target (derived from peer group / WACC); below this level performance amounts to 0%</li> </ul>	<ul style="list-style-type: none"> <li>▶ 100% performance on market share growth of 0.5%</li> <li>▶ 175% performance (cap) on market share of growth 1%</li> <li>▶ 25% performance on market share growth of 0%; below this level performance amounts to 0%</li> </ul>	yes / no

1) Values are interpolated between the target and the maximum / minimum limit on a straight-line basis.

### 3.3.1. 2017 LTI performance and payout amounts

The 2017 LTI tranche was paid to the members of the Management Board Alejandro Plater and Siegfried Mayrhofer on the basis of the level of performance determined by the Remuneration Committee of 71.2% after the end of the three-year

performance period on June 1, 2020. The achievement of targets was reviewed by Ernst & Young Wirtschaftsprüfungsgesellschaft.

The performance details for the 2017 LTI tranche are as follows:

#### 2017 LTI performance

Target criteria (KPI)	Weighting in %	Target and details	Performance corridor in %	Performance level in %	Value achieved in %	Performance in %	Weighted performance in %
ROIC	50	Average ROIC of 2017 to 2019	<ul style="list-style-type: none"> <li>▸ Target: 9.2</li> <li>▸ Upper threshold: 11.8</li> <li>▸ Lower threshold: 5.7</li> <li>▸ Below threshold: &lt; 5.7</li> </ul>	<ul style="list-style-type: none"> <li>▸ 100</li> <li>▸ 175</li> <li>▸ 25</li> <li>▸ 0</li> </ul>	9.01	95.2	47.6
Market share growth	50	Growth in market share of revenues (performance period), consolidated across all markets of the A1 Telekom Austria Group from Jan. 1, 2017 to Dec. 31, 2019	<ul style="list-style-type: none"> <li>▸ Target: 0.5</li> <li>▸ Upper threshold: 1</li> <li>▸ Lower threshold: 0</li> <li>▸ Below threshold: 0</li> </ul>	<ul style="list-style-type: none"> <li>▸ 100</li> <li>▸ 175</li> <li>▸ 25</li> <li>▸ 0</li> </ul>	0.15 growth in revenue market share	47.2	23.6
<b>2017 LTI performance</b>							<b>71.2</b>

The **payouts under the 2017 LTI** in the 2020 financial year are reported in the consolidated financial statements<sup>9)</sup> under Management Board remuneration for 2020. As the entitlements

under the 2017 LTI became fully vested in the 2019 financial year (owed remuneration), they are assigned to the 2019 financial year in this remuneration report.<sup>10)</sup>

#### 2017 LTI payouts

	Number of bonus shares on grant (June 1, 2017)	Established performance in %	Number of bonus shares paid	Payout in amount of average closing prices in Q4 2019 in EUR	Payout amount in EUR
Thomas Arnoldner	n. a.	n. a.	n. a.	n. a.	n. a.
Alejandro Plater	59,041	71.2	42,037	7.0806	297,649
Siegfried Mayrhofer	49,500	71.2	35,244	7.0806	249,549

9) See annual financial statements, note 36 and presentation in Annex to this report.

10) In accordance with recommendations of AFRAC guidance.

### 3.3.2. 2018 LTI – Assumed payout amounts

The entitlements for the 2018 LTI became fully vested in the 2020 reporting period and will be paid out in 2021. The anticipated payments were assigned to 2020 remuneration as remuneration owed. As performance under the 2018 LTI

will not be finalized until the middle of 2021<sup>11)</sup>, the amount of remuneration is still uncertain. For this report, the expected payout amount based on the performance assumed for the 2020 financial statements of 97.1 % and a share price of EUR 6.05 is as follows:

#### 2018 LTI

	Number of bonus shares on grant (Sept. 1, 2018)	Expected performance in %	Expected number of bonus shares	Payout at price in EUR	Expected payout amount in EUR
Thomas Arnoldner	34,878	97.1	33,867	6.05	204,893
Alejandro Plater	44,843	97.1	43,545	6.05	263,432
Siegfried Mayrhofer	37,718	97.1	36,624	6.05	221,576

### 3.3.3. Remuneration granted under ongoing LTI tranches

As of the end of the reporting period, a liability is recognized for the share of the total future anticipated expense of the LTI program already vested, which was measured at fair value.

The fair value is measured based on the expected target achievement of performance criteria and the expected share price. The following provisions were recognized as of the end of the reporting period:

#### Carrying amount of provisions

as of December 31, 2020 in EUR

	2020 LTI	2019 LTI	2018 LTI
Thomas Arnoldner	96,975	204,681	204,893
Alejandro Plater	106,674	204,681	263,427
Siegfried Mayrhofer	89,725	189,377	221,576

The provisions are recognized over the performance period. The change in provisions was recognized in personal expenses for 2020 as follows:

#### LTI expense for 2020

in EUR	2020 LTI	2019 LTI	2018 LTI <sup>1)</sup>	2017 LTI <sup>2)</sup>
Thomas Arnoldner	96,975	38,222	-14,187	n. a.
Alejandro Plater	106,674	38,222	-18,240	-156,655
Siegfried Mayrhofer	89,725	35,364	-15,342	-131,340

1) Provisions were reversed for the 2018 LTI in the 2020 financial year; this was due to a lower assumed performance for the 2018 LTI of 97.1 % (assumed performance in the 2019 financial year: 133.2 %).

2) Provisions were reversed for the 2017 LTI in the 2020 financial year; this was due to a lower actual performance for the 2017 LTI of 71.2 % (assumed performance in the 2019 financial year: 109.3 %).

11) After competitors' figures become available to determine the "Revenue market share" target.

## 4. Overview of the total remuneration of members of the Management Board

The following presentation of total remuneration contains the remuneration owed in 2020. As set out under 3.3.2, the remuneration reported for the 2018 LTI is based on assumptions. As performance under the 2018 LTI will not be finalized until the middle of 2021, the amount of remuneration is still uncertain. For this report, the expected payout amount is based on the performance assumed for the 2020 financial statements of 97.10% and a share price of EUR 6.05. The total remuneration shown for 2020 is therefore intended as an estimate.<sup>12)</sup>

### Total Remuneration 2020

as of December 31, 2020

in EUR	Arnoldner	Plater	Mayrhofer	Total
Fixed remuneration	659,530	722,746	611,608	1,993,884
Variable remuneration STI 2020 (payout in 2021)	701,385	780,441	648,945	2,130,771
Variable remuneration for 2018 LTI (payout in 2021)	204,893	263,432	221,576	689,901
Subtotal - variable remuneration (STI + LTI)	906,278	1,043,873	870,521	2,820,672
<b>Total Remuneration</b>	<b>1,565,808</b>	<b>1,766,619</b>	<b>1,482,129</b>	<b>4,814,557</b>
Relative share of fixed remuneration (in %)	42	41	41	41
Relative share of variable remuneration (in %)	58	59	59	59
Change in total remuneration, absolute	183,399	-91,587	-47,785	44,027
Change in total remuneration (in %)	13.3	-4.9	-3.1	0.9
<b>Business performance indicators (in EUR million)</b>				
Net result				388.8
Change, absolute				61
Change (in %)				18.7
Average employee pay in Austria (based on average salaries)				66,379
Change in average employee pay in Austria (based on average salaries), absolute				1,275
Change in average employee pay in Austria (based on average salaries) (in %)				2.0

The total remuneration owed for the members of the Management Board amounts to around EUR 4.81 mn in the 2020 financial year (previous year: EUR 4.77 mn). Around EUR 1.99 mn of this relates to fixed, non-performance-based remuneration (previous year: EUR 1.95 mn). The variable, performance-based elements break down as follows: short-term variable remuneration (STI) of EUR 2.13 mn (previous

year: EUR 2.27 mn) and long-term variable remuneration of EUR 0.69 mn (previous year: EUR 0.55 mn). Overall, there was a minor increase in total remuneration of 0.9% as against the previous year.<sup>13)</sup>

The **ratio of individual remuneration components to total remuneration** is unchanged as against 2019 in 2020: The

12) For reasons of transparency and to enable a comparison with the disclosures in the consolidated financial statements and figures published in previous periods, the remuneration of the Management Board for 2020 and 2019 is presented in the annex to this report on the basis of the disclosures in the consolidated financial statements, note 36; in line with the reporting format of previous periods (see consolidated financial statements and corporate governance report for 2019), the **remuneration actually paid out in the respective financial year** is reported.

13) As Thomas Arnoldner (member of the Management Board since September 2018) did not yet have any LTI remuneration in 2019, the increase from 2019 to 2020 is therefore not representative.

relative share of fixed remuneration is 41 % and the relative share of variable remuneration is 59 % of total remuneration.

In accordance with section 78c(2) lit 2 AktG, the **year-on-year change:**

- ▶ in the economic performance of the company;
- ▶ in total remuneration; and
- ▶ the average pay of the other employees of the company (FTEs);

must be disclosed in the remuneration report:

The net result of the A1 Telekom Austria Group grew by 18.7 % from EUR 327.4 mn in 2019 to EUR 388.8 mn in 2020.

By comparison, the remuneration of the Management Board increased by 0.9%<sup>14)</sup> and the remuneration of the employees of the A1 Telekom Austria Group in Austria (based on average salaries) was increased by 2.0%.

The figures for 2020 and 2019 are shown in a table in the annex to improve the clarity of presentation.

## 5. Other information and notes

The applicable remuneration policy was not deviated from in the reporting year and no variable remuneration components were claimed back.

## 6. Principles of the remuneration policy for the members of the Supervisory Board

The remuneration of the **members of the Supervisory Board** of the company is designed to ensure that they perform their Supervisory Board duties with the due independence and to ensure monitoring by the Supervisory Board independently of the company's performance. As the remuneration of the Supervisory Board is not linked to the company's performance indicators or share price developments, it promotes the critical distance from the interests of the Management Board. This independence is a key pillar for the company's sustainable long-term development.

### 6.1. Overview of the individual remuneration elements for members of the Supervisory Board

The structure and remuneration elements for the Supervisory Board are governed by the remuneration policy.<sup>15)</sup> Elected members of the Supervisory Board receive annual, fixed, fate-rate remuneration (basic remuneration). This annual, fixed, fate-rate remuneration is doubled for the Chairperson of the Supervisory Board; the Deputy Chairperson of the Supervisory

Board receives one and a half times the amount of the annual, fixed, fate-rate remuneration.

The membership of shareholder representatives on one or more committees is further remunerated by fixed, annual, fate-rate remuneration. If shareholder representatives chair one or more committees, this fixed, annual, fate-rate remuneration is increased by 20%.

The fixed remuneration becomes due after the resolution by the Annual General Meeting. Employee representatives are not entitled to fixed remuneration as, in accordance with the statutory provisions, this is an honorary function.

All members of the Supervisory Board receive a fixed attendance fee per meeting of the Supervisory Board or its committees. The members of the Supervisory Board are also entitled to reimbursement of their cash expenses.

### 6.2. Remuneration of the members of the Supervisory Board in 2020

The remuneration of the members of the Supervisory Board for the 2020 financial year will be resolved by the Annual General Meeting for the 2020 financial year. The remuneration shown below as "Supervisory Board remuneration granted in 2020" uses the same presentation logic as for Management Board remuneration and is based on the assumption of there being no changes in remuneration as against the previous year (2019), which was determined at the Annual General Meeting on September 24, 2020 as follows:

The remuneration for the Chairperson of the Supervisory Board was set at EUR 40,000, at EUR 30,000 for the Deputy Chairperson and at EUR 20,000 for other members of the Supervisory Board elected by the Annual General Meeting; these figures are therefore unchanged from previous years. Members of a committee are each paid EUR 10,000 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.

The remuneration of the Supervisory Board is paid out after the resolution by the Annual General Meeting. The attendance fees for 2020 was already paid in two tranches in 2020 (after six months and at the end of the year).

The Supervisory Board remuneration granted in the 2020 reporting period, including attendance fees, amounts to EUR 372,000 in total (2019: EUR 370,948). The comparative figures for 2019 are broken down in the annex.

This results in the **following total remuneration granted to members of the Supervisory Board in the 2020 reporting period:**

14) As Thomas Arnoldner (member of the Management Board since September 2018) did not yet have any LTI remuneration in 2019, the increase from 2019 to 2020 is therefore not representative.

15) The remuneration policy for members of the Supervisory Board of A1 Telekom Austria Group can be accessed at: [https://cdn1.a1.group/final/en/media/pdf/agm2020\\_Remuneration\\_policy\\_Supervisory\\_Board.pdf](https://cdn1.a1.group/final/en/media/pdf/agm2020_Remuneration_policy_Supervisory_Board.pdf).

## Supervisory Board remuneration granted in 2020 and to be paid in 2021

in EUR

Name	Basic remuneration granted	Committee remuneration granted	Attendance fee (paid in 2020)	Total
Edith Hlawati (Chairperson)	40,000	12,000	4,000	56,000
Carlos José García Moreno Elizondo (Deputy Chairperson)	30,000	12,000	6,000	48,000
Oscar Von Hauske Solís	20,000	12,000	6,000	38,000
Thomas Schmid <sup>1)</sup>	20,000	10,000	4,400	34,400
Karin Exner-Wöhrer	20,000	-	2,400	22,400
Carlos M. Jarque	20,000	10,000	4,400	34,400
Alejandro Cantú Jiménez	20,000	10,000	1,600	31,600
Hans-Peter Hagen	20,000	10,000	4,400	34,400
Peter Kollmann	20,000	10,000	4,400	34,400
Daniela Lecuona Torras	20,000	-	2,400	22,400
Renate Richter	-	-	2,400	2,400
Werner Luksch	-	-	2,400	2,400
Alexander Sollak	-	-	4,400	4,400
Gottfried Kehrer	-	-	2,400	2,400
Gerhard Bayer <sup>2)</sup>	-	-	1,600	1,600
Walter Hotz <sup>3)</sup>	-	-	2,800	2,800
<b>Total</b>	<b>230,000</b>	<b>86,000</b>	<b>56,000</b>	<b>372,000</b>

1) Supervisory Board remuneration and attendance fees are paid to ÖBAG.

2) Attendance fee for the period October 5 to December 31, 2020. Mr. Bayer has been a member of the Supervisory Board since October 5, 2020.

3) Attendance fee for the period January 1 to October 4, 2020. Mr. Hotz stepped down as a member of the Supervisory Board on October 4, 2020.

### Note on above remuneration:

The figures shown in the table break down as follows:

- ▶ Edith Hlawati: EUR 52,000
  - EUR 40,000 as the Chairperson of the Supervisory Board
  - EUR 12,000 as the Chairperson of the Remuneration Committee
- ▶ Carlos García Moreno Elizondo: EUR 42,000
  - EUR 30,000 as the Deputy Chairperson of the Supervisory Board
  - EUR 12,000 as the Chairperson of the Audit Committee
- ▶ Oscar Von Hauske Solís: EUR 32,000
  - EUR 20,000 as basic remuneration
  - EUR 12,000 as the Chairperson of the Staff and Nomination Committee
- ▶ Thomas Schmid, Alejandro Cantú Jiménez, Hans-Peter Hagen, Carlos M. Jarque and Peter Kollmann: EUR 30,000 each
  - EUR 20,000 each as basic remuneration
  - EUR 10,000 each for one seat on a committee
- ▶ Karin Exner-Wöhrer and Daniela Lecuona-Torras: EUR 20,000 each as basic remuneration
- ▶ The employee representative members - Gerhard Bayer, Gottfried Kehrer, Werner Luksch, Renate Richter, Alexander Sollak and Walter Hotz, since resigned - receive only their attendance fees.

## Annex 1

## Fixed remuneration of the Management Board in 2020 and 2019

in EUR	2020				2019			
	Arnoldner	Plater	Mayrhofer	Total	Arnoldner	Plater	Mayrhofer	Total
Fixed annual salary	535,000	579,583	495,000	1,609,583	535,000	535,000	495,000	1,565,000
Total non-cash remuneration and reimbursement of expenses	17,530	25,463	17,608	60,601	17,356.44	24,224.60	17,373.55	58,955
Contributions to corporate pension fund	107,000	117,700	99,000	323,700	107,000	117,700	99,000	323,700
<b>Subtotal - fixed remuneration</b>	<b>659,530</b>	<b>722,746</b>	<b>611,608</b>	<b>1,993,884</b>	<b>659,356</b>	<b>676,924</b>	<b>611,374</b>	<b>1,947,655</b>

Annex 2

**Total remuneration of the Management Board in 2020, 2019**  
 year-on-year change in total remuneration, business performance indicator (net result) and average employee remuneration

in EUR	2020				2019			
	Arnoldner	Plater	Mayrhofer	Total	Arnoldner	Plater	Mayrhofer	Total
Fixed remuneration	659,530	722,746	611,608	1,993,884	659,356	676,924	611,374	1,947,655
Variable remuneration STI/2020 (payout in 2021)	701,385	780,441	648,945	2,130,771	723,053	883,633	668,993	2,275,678
Variable remuneration for 2018 LTI (payout in 2021)	204,893	263,432	221,576	689,901	0	297,649	249,549	547,197
Subtotal- variable remuneration (STI + LTI)	906,278	1,043,873	870,521	2,820,672	723,053	1,181,282	918,541	2,822,875
<b>Total remuneration</b>	<b>1,565,808</b>	<b>1,766,619</b>	<b>1,482,129</b>	<b>4,814,557</b>	<b>1,382,409</b>	<b>1,858,206</b>	<b>1,529,915</b>	<b>4,770,530</b>
Relative share of fixed remuneration (in %)	42	41	41	41	48	36	40	41
Relative share of variable remuneration (in %)	58	59	59	59	52	64	60	59
Change in total remuneration, absolute	183,399	-91,587	-47,785	44,027				
Change in total remuneration (in %)	13.3	-4.9	-3.1	0.9				
<b>Business performance indicators in EUR million</b>								
Net result				388.8				327.4
Change, absolute				61				
Change (in %)				18.7				
Average employee pay in Austria (based on average salaries)				66,379				65,104
Change in average employee pay in Austria (based on average salaries), absolute				1,275				
Change in average employee pay in Austria (based on average salaries) (in %)				2.0				

## Annex 3

## Remuneration paid in 2020 and 2019

Remuneration of the Management Board in accordance with the consolidated financial statements, note 36

in EUR	2020				2019			
	Arnoldner	Plater	Mayrhofer	Total	Arnoldner	Plater	Mayrhofer	Total
Fixed remuneration (including non-cash remuneration)	552,530	605,046	512,608	1,670,184	552,356	559,225	512,374	1,623,955
Residual STI payments, previous year	402,053	562,633	371,992	1,336,678	103,791	348,681	269,280	721,753
STI advance payment	0	0	0	0	321,000	321,000	297,000	939,000
STI	402,053	562,633	371,992	1,336,678	424,791	669,681	566,280	1,660,753
LTI	0	297,649	249,549	547,197	0	450,030	331,121	781,151
Subtotal – variable remuneration (STI + LTI)	402,053	860,281	621,541	1,883,875	424,791	1,119,711	897,401	2,441,904
Remuneration (in accordance with note (36))	954,583	1,465,327	1,134,149	3,554,059	977,148	1,678,936	1,409,775	4,065,858
Change in remuneration, absolute	-22,565	-213,609	-275,626	-511,799				
Change in remuneration (in %)	-2.3	-12.7	-19.6	-12.6				

## Annex 4

## Remuneration of the Supervisory Board in 2019

Remuneration of the Supervisory Board granted in 2019 and paid in 2020 (in EUR)

Name	Basic remuneration	Committee remuneration	Attendance fee (paid in 2019)	Total
Edith Hlawati (Chairperson)	40,000	12,000	3,600	55,600
Carlos José García Moreno Elizondo (Deputy Chairperson)	30,000	12,000	4,800	46,800
Oscar Von Hauske Solis	20,000	12,000	5,600	37,600
Thomas Schmid <sup>1) 2)</sup>	10,868	5,434	2,800	19,102
Karin Exner-Wöhrer	20,000	-	2,800	22,800
Carlos M. Jarque	20,000	10,000	4,800	34,800
Alejandro Cantú Jiménez	20,000	10,000	2,000	32,000
Hans-Peter Hagen	20,000	10,000	4,800	34,800
Peter Kollmann	20,000	10,000	4,800	34,800
Daniela Lecuona Torras	20,000	-	2,800	22,800
Bettina Glatz-Kremsner <sup>3)</sup>	8,164	4,082	1,200	13,446
Renate Richter	-	-	2,800	2,800
Werner Luksch	-	-	2,400	2,400
Alexander Sollak	-	-	4,400	4,400
Gottfried Kehrer	-	-	2,800	2,800
Walter Hotz	-	-	4,000	4,000
<b>Total</b>	<b>229,032</b>	<b>85,516</b>	<b>56,400</b>	<b>370,948</b>

1) Supervisory Board remuneration and attendance fees are paid to ÖBAG.

2) Supervisory Board remuneration and attendance fees for the period May 30 to December 31, 2019. Mr. Schmid has been a member of the Supervisory Board since May 30, 2019.

3) Supervisory Board remuneration and attendance fees for the period January 1, to May 29, 2019. Ms. Glatz-Kremsner stepped down as a member of the Supervisory Board on May 29, 2019.