

## Corporate Governance Report

Under the present principles of the relevant code in Germany (GCGC – German Corporate Governance Code), corporate governance spans the entire corporate management and monitoring system. The Code aims to enhance the trust of national and international investors, customers, employees and the public in the management and control of German listed corporations. Efficient cooperation between the Managing Board and the Supervisory Board, respecting the interests of shareholders, openness and transparency in company communication are thus key aspects of good corporate governance.

In the following, we aim to provide a transparent and clear picture of the rules and regulations applicable in Germany and describe how they are internalised at init.

### Declaration of Compliance with the German Corporate Governance Code as amended on 24 June 2014

In compliance with the Section 161 of the German Stock Corporation Act (AktG), the Managing Board and the Supervisory Board of a listed corporation are required to declare compliance with the recommendations of the “Government Commission on the German Corporate Governance Code” published by the Federal Ministry of Justice in the official section of the Federal Official Gazette each year, and to disclose any deviation from these recommendations. The Declaration of Compliance with the Code must be accessible on the company’s website for a period of five years.

The German Corporate Governance Code contains recommendations and suggestions. A company may deviate from the recommendations of the Code but is required to disclose any such deviations in its annual Declaration of Compliance. Deviations from the suggestions of the Code do not require disclosure. The Managing Board and Supervisory Board thus made the following declaration on 16 December 2014:

The Managing Board and the Supervisory Board of init innovation in traffic systems AG unanimously declare compliance with the recommendations of the Government Commission on the German Corporate Governance Code dated 24 June 2014 with the following exceptions and make the following Declaration of Compliance in accordance with Section 161 of the AktG.

init innovation in traffic systems AG complies with the recommendations of the Government Commission on the German Corporate Governance Code with the following founded exceptions:

### Interaction between the Managing Board and the Supervisory Board

- › The D&O insurance does not provide for an excess payable by members of the Supervisory Board (item 3.8 para. 3 of the Code).

init innovation in traffic systems AG does not believe that agreeing to an excess would encourage the performance and motivation of the members of the Supervisory Board and the willingness to hold this office.

### Managing Board

- › A quantitative limit on the variable compensation elements is defined as follows (item 4.2.3 para. 2 of the Code):

The variable compensation in cash is limited to 33.3 per cent of the base salary. In addition, there is a stock bonus, which is limited to a maximum number of shares.

- › The individualised disclosure of the remuneration for the Management Board can be omitted if the Annual General Meeting decides so by a three-quarters majority (item 4.2.4 of the Code).

The Annual General Meeting on 24/05/2011 decided with a three-quarters majority not to report the individualised disclosure of the remuneration for Management Board members for a period of five years.

- › An age limit is not specified for members of the Managing Board (item 5.1.2 para. 2 of the Code).

Age limits for members of the Managing Board are not considered by init innovation in traffic systems AG to be in the company's interests in a market that requires flexibility and special expertise.

### Supervisory Board

- › The Supervisory Board has not formed any committees (item 5.3.1 of the Code), an audit committee (item 5.3.2 of the Code) or a nomination committee (item 5.3.3 of the Code) since the specific conditions do not exist and init considers this impractical due to the size of both the company and the Supervisory Board (three members).

- › No age limit has been specified for members of the Supervisory Board. The Supervisory Board has not given any specific goals for its composition (item 5.4.1 para. 2 of the Code).

In proposing future candidates at the Annual General Meeting, the Supervisory Board will take account of the legal requirements and focus exclusively on the professional and personal qualifications of the person – regardless of gender.

## Details of Corporate Governance practices and of the Managing Board's and Supervisory Board's working principles

### Shareholders and the Annual General Meeting

At the Annual General Meeting, the shareholders exercise their rights, including their right to vote. The meeting decides on all matters assigned to it by law, such as the election of members of the Supervisory Board, the discharge of the Managing Board, the appropriation of profits and amendments to the articles of incorporation. At the Annual General Meeting, shareholders have the opportunity to address the meeting on any items on the agenda, to raise relevant questions and to file motions. Shareholders can exercise their voting rights at the Annual General Meeting either in person, through a duly authorised representative or by a proxy of init innovation in traffic systems AG subject to instructions. Each share carries one vote.

The Annual General Meeting of init innovation in traffic systems AG is held within the first eight months of the financial year. The Annual General Meeting is chaired by the Chairman of the Supervisory Board.

### Supervisory Board

The Supervisory Board acts in an advisory capacity to the Managing Board and monitors its affairs. It is also responsible for appointing members of the Managing Board and defining their number. Aspects of the diversity are taken into account in the selection. The Supervisory Board of init innovation in traffic systems AG comprises three members who bring additional expertise to the management of the

company thanks to their many years of experience in executive roles. The Supervisory Board considers itself to be independent according to its own assessment.

### Managing Board

The Managing Board is the management body of the stock corporation. It manages the affairs of the company and is bound by the German Stock Corporation Act to uphold the interests and business policies of the company. The Managing Board provides the Supervisory Board with regular, timely and comprehensive information about any key issues relating to the company's business development, risks and corporate strategy.

The Managing Board of init innovation in traffic systems AG currently comprises four members. Unlike with other companies, each member is very actively involved in the day-to-day operations of their respective company units, which they also manage. In keeping with the practices of responsible business management, they are therefore very close to the key reference groups of a company, its customers, suppliers, employees and shareholders. This makes it possible for them to react quickly to new situations.

The ethical guidelines of init innovation in traffic systems AG play a key role in the decisions on how to implement the corporate vision and mission. They serve as a basis for everything the company does, creating trust, credibility and transparency. They are a key factor in the success of our company. The ethical guidelines are published on init website under "Company / Philosophy".

### Transparency

Consistent, comprehensive and timely information are a fundamental principle at init innovation in traffic systems AG. The results and business situation of the company are reported in the annual and quarterly reports as well as in ad-hoc and current press releases which are accessible after publication in German and English on the init website under the Investor Relations section.

In addition, shareholders and the public will find there information on the organisational structure of init AG, on the members of the Management Board and the Supervisory Board. Also dates for regular financial reporting are summarised in the financial calendar.

### Accounting and auditing

The consolidated financial statements are prepared in compliance with the principles of the IFRS. Following their preparation by the Managing Board, the consolidated financial statements are audited by the auditor and approved by the Supervisory Board. They are disclosed within 90 days after the end of the financial year. Within the scope of the audit, the auditor immediately advises the Chairman of the Supervisory Board of all key issues and events which may arise during the audit. The Supervisory Board monitors the independence of the auditor and proposes to the Annual General Meeting an auditor for election.

## Working principles of the Managing Board and Supervisory Board

The Managing Board and Supervisory Board of init innovation in traffic systems AG work in close cooperation for the good of the company and its shareholders. The Managing Board provides the Supervisory Board with timely and comprehensive information about all relevant issues of corporate governance and business development, the risk situation and risk management. In addition, the Chairman of the Managing Board is required both verbally and – if necessary – in writing to advise the Chairman of the Supervisory Board regularly about business development and the situation of the company including its affiliated companies. All members of the Managing Board must support their Chairman in the performance of this duty. The Chairman of the Supervisory Board informs the other members of the Supervisory Board.

Motions for resolutions and detailed written documents are provided to the Supervisory Board in writing one week prior to its meeting.

The areas of responsibility of members of the Managing Board are based on the organisational chart. Irrespective of their allocation of duties, however, each member of the Managing Board is responsible for the overall management of the company. Measures and transactions affecting one or more business areas must be agreed with the appropriate board members involved. Extraordinary business or transactions involving a high economic risk require the approval of the entire Managing Board. Certain transactions, such as the acquisition of companies or participating interests, require the consent of the Supervisory Board.

The Managing Board convenes in regular meetings and, unless otherwise stipulated, passes decisions based on a simple majority of the votes cast.

## Shareholdings of the Managing Board and the Supervisory Board

In total, the Boards directly or indirectly hold 3,836,383 shares in the company as of 31 December 2014, which corresponds to 38.2 per cent of the shares. The Supervisory Board of init innovation in traffic systems AG does not hold any shares.

An individual disclosure of the shares held by the Managing Board is included in the Notes on the Consolidated Financial Statements.

Securities transactions of Managing Board and Supervisory Board members or people closely connected to them must be published immediately. The disclosure requirement includes any acquisition or sale exceeding EUR 5,000 per calendar year. init innovation in traffic systems AG publishes these transactions immediately. A list of the reported Directors' Dealings in the 2014 financial year is available at [www.unternehmensregister.de](http://www.unternehmensregister.de).