

# SUPERVISORY BOARD REPORT 2020



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Dr. Alfred Gusenbauer

Dear shareholders,  
associates and friends of STRABAG SE,

2020 was a challenging year for us all. Covid-19 was the dominant issue in both our private lives and the business world. The pandemic impacted the operations of STRABAG SE in various ways and was felt differently in the individual markets where the group operates. Despite some upheavals, however, the positive effects outweighed the negative ones, and so we can look back on a very successful, albeit exceptional, 2020 financial year. The targeted EBIT margin of at least 3.5 % was clearly exceeded with a value of 4.3 %. This outstanding result will probably not be repeated in 2021, but overall STRABAG is well on its way to achieving the medium-term target of an EBIT margin of 4 % from 2022 onwards – knowing full well that major efforts will be required in the coming years to achieve this. The high level of investment

in construction projects in recent years will not continue, particularly in the sectors that have been hit hard by the pandemic, such as tourism and retail. The situation at the municipal level must also be watched closely, as it has been especially affected by additional burdens.

The risk management efforts made to date must therefore be pursued even more consistently in order to lay the foundation for success in bid selection and estimating, on the one hand, and to ensure that the projects acquired are successfully completed, on the other. The Supervisory Board will therefore continue to focus its activities on monitoring and on further developing the risk management framework.

## Open exchange of information and opinion in seven Supervisory Board meetings

In the 2020 financial year, the Supervisory Board duly fulfilled the responsibilities assigned to it by law, by the Articles of Association, by the Austrian Code of Corporate Governance (ÖCGK) and by the Rules of Procedure. The Supervisory Board convened seven times and regularly advised the Management Board in its management function and reviewed and monitored its management agenda. The Audit Committee met for three sessions in 2020. The Executive Committee met twice to discuss the remuneration policy for the Management Board, with a resolution adopted at the second Executive Committee meeting on 23 April 2020. The Presidential and Nomination Committee also held a meeting on 23 April 2020 to recommend a resolution to the Supervisory Board regarding elections to the Supervisory Board.

The members of the Supervisory Board were duly represented at the respective board and committee meetings. All members of the Supervisory Board act and make decisions independently as stipulated by the Austrian Code of Corporate Governance.

The exchange of information also took place outside of the regular board and committee meetings in 2020. During the Supervisory Board meetings, the Management Board regularly and extensively informed the Supervisory Board as to the market situation, the business development and the company's situation. Open discussions in each session further enhanced the extensive exchange of information and opinions. As a result, the Supervisory Board was constantly informed about STRABAG's strategic direction, its cash flows and financial performance, the personnel situation, the investment and project development plans, and large-scale projects, and it had a complete overview of the business development. The Supervisory Board monitored and questioned the corporate planning and its foundations and also analysed unplanned developments together with the Management Board.

The Management Board always obtained consent from the Supervisory Board for important business transactions. The following agenda items of the Supervisory Board meetings are particularly noteworthy:

### **SUPERVISORY BOARD MEETING 1: REVIEW OF INVESTMENTS AND FINANCIAL SITUATION IN 2019 AND OUTLOOK ON 2020**

The first Supervisory Board meeting on 13 February 2020 dealt, among other things, with the investments and financial situation in 2019, the management report as at 31 December 2019, the planning for 2020, the medium-term planning for the period 2021–2023, the financial planning for 2019 and the investment budget for the rejuvenation of the equipment fleet. All topics were discussed in detail with the Management Board and – with the exception of the planning for 2020 – were approved where a resolution was required.

In addition to two transactions requiring approval, the Supervisory Board also dealt in detail with the cartell allegations in Austria and held a strategy discussion.

Furthermore, a report was given on the first 2020 meeting of the Executive Committee held that same day, which, in line with its responsibilities, had dealt with the remuneration policy for the Management Board.

### **SUPERVISORY BOARD MEETING 2: COVID-19 CRISIS AND 2019 ANNUAL FINANCIAL STATEMENTS**

In the second Supervisory Board meeting on 23 April 2020, the Supervisory Board dealt in detail with the situation of the company and the effects of the coronavirus crisis.

The preparation of the 2020 Annual General Meeting was also a topic of discussion, with an election proposal made for the Supervisory Board mandates expiring at the end of the 2020 Annual General Meeting.

The Management Board and the Supervisory Board dealt with the annual financial statements, the management report, the Consolidated Corporate Governance Report, the consolidated non-financial report, the consolidated report on payments to governments, the consolidated financial statements, and the group management report of STRABAG SE for 2019. The Audit Committee reported on the audit of the annual financial statements, the consolidated financial statements, the management reports and the Consolidated Corporate Governance Report. The Audit Committee

also reported to the Supervisory Board on the results of the financial audit in accordance with Sec 92 Para 4a (4) lit e) of the Austrian Stock Corporation Act (AktG) and presented the degree to which the financial audit contributed to the reliability of the financial reporting and the role played by the Audit Committee in the process. There were no objections to the audit by the financial auditor and all questions of the Audit Committee could be answered satisfactorily. The Supervisory Board acknowledged completion of the annual financial statements for 2019 and passed a resolution on the appropriation of net income. Also discussed

and approved were the Supervisory Board report as well as the appointment of KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, as financial auditor and group financial auditor. These issues also were on the agenda of the first meeting of the Audit Committee held earlier that same day.

At this meeting, the Supervisory Board also approved the remuneration policy for the Supervisory Board and took note of the remuneration policy for the Management Board that was adopted by the Executive Committee.

#### **SUPERVISORY BOARD MEETING 2A: PLANNING FOR 2020**

The 2020 output and earnings planning was once again the subject of the extraordinary meeting of the Supervisory Board on 28 May 2020. This was discussed in detail by the Supervisory Board, in particular taking into account the effects of the

coronavirus pandemic, and – due to the lack of a quorum of the Supervisory Board at this meeting – subsequently approved by the Supervisory Board by way of a circular resolution.

#### **SUPERVISORY BOARD MEETING: RECONSTITUTION OF SUPERVISORY BOARD**

The Supervisory Board was reconstituted after the 16<sup>th</sup> Annual General Meeting on 19 June 2020. Alfred Gusenbauer was confirmed as Chairman of the Supervisory Board and Erwin Hameseder as

Vice Chairman. The composition of the three committees of the Supervisory Board was also confirmed.

#### **SUPERVISORY BOARD MEETING 4: STRATEGY DISCUSSION**

The fourth Supervisory Board meeting held on 24 July 2020 reported on the successful conclusion of the 16<sup>th</sup> Annual General Meeting of 19 June 2020, held virtually due to the Covid-19 pandemic.

The Management Board also informed the Supervisory Board about the current situation of the group and the status of the Alto Maipo project in Chile. A large part of the meeting was devoted to the strategy discussion.

The second session of the Audit Committee, which preceded this meeting, dealt with the report by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, on the evaluation of the risk management system and adopted a resolution on the audit approach of the financial statements as at 31 December 2020. A report was also heard from the internal audit department.

#### **SUPERVISORY BOARD MEETING 5: REPORTING OF THE MANAGEMENT BOARD INCLUDING REPORT ON NEW CENTRAL DIVISION STRABAG INNOVATION & DIGITALISATION**

During the Supervisory Board meeting of 15 September 2020, the Management Board reported specifically and in detail on the successful establishment and status of the new central division STRABAG Innovation & Digitalisation.

The internal audit report was continued in the third meeting of the Audit Committee on 15 September 2020. The Audit Committee also dealt with the IFRS board reporting.

#### **SUPERVISORY BOARD MEETING 6: REPORTING ON VARIOUS TOPICS**

In the last Supervisory Board meeting of the year on 21 December 2020, the Supervisory Board presented and discussed the results of its annual

self-evaluation. The Management Board informed about the current situation of the company and the financial planning for 2020. The topics also

included the planning for 2021, the medium-term planning for 2022–2024 and the investment budget for the 2021 equipment fleet. Reports

were also given on the repositioning of the international and tunnelling business as well as the cartel allegations in Austria.

## Consolidated financial statements awarded unqualified audit opinion

In accordance with C-Rule 18 of the Austrian Code of Corporate Governance, the internal auditing unit reported to the Audit Committee on the auditing plan and on any material findings. The Audit Committee also monitored the accounting procedures (including group accounting) and the financial audit and convinced itself of the effectiveness of the internal control system, the risk management system and the audit system. The Audit Committee also reviewed and monitored the independence of the financial auditor and group financial auditor, especially as regards the additional services provided to the audited company.

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, audited the annual financial statements and the management report of STRABAG SE for the 2020 financial year. The findings of the audit did not give rise to any issues of concern and the financial auditor awarded an unqualified audit opinion.

The consolidated financial statements and the group management report of STRABAG SE for the 2020 financial year were prepared by the Management Board under application of Sec 245a of the Austrian Commercial Code (UGB) in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) that were applicable at the end of the reporting period. These were also reviewed by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, and awarded an unqualified audit opinion.

The auditor's and group financial auditor's reports were presented to the Supervisory Board. In the presence of the financial auditor, the Audit Committee thereupon reviewed the 2020 annual financial statements and the management report including the proposal for the appropriation of net income and the Consolidated Corporate Governance Report as well as the additional report of the financial auditor to the Audit Committee as required by

Article 11 of Regulation (EU) No. 537/2014, and prepared the approval of the annual financial statements as well as the acknowledgement of the 2020 consolidated financial statements and group management report by the Supervisory Board. The Audit Committee also duly performed its obligations in accordance with Sec 92 Para 4a (4) lit e) of the Austrian Stock Corporation Act (AktG) and reported to the Supervisory Board on the result of the financial audit. The report presented the degree to which the financial audit contributed to the reliability of the financial reporting and the role played by the Audit Committee in the process.

The Consolidated Corporate Governance Report was audited externally by Dr. Christian Thaler, Vienna. This audit did not give rise to any issues of concern. This was taken note of by the Audit Committee and the Supervisory Board.

The Supervisory Board reviewed all documents as well as the report by the Audit Committee. In its meeting of 27 April 2021, it declared its agreement with the 2020 annual financial statements and consolidated financial statements and approved – and so adopted – the 2020 annual financial statements. The Management Board and the Supervisory Board have agreed on an identical proposal for appropriation of net income. The Supervisory Board proposed appointing KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, as financial auditor and group financial auditor for the 2021 financial year, in accordance with the proposal of the Audit Committee. Also presented at the meeting of 27 April 2021 were the consolidated report on payments to governments pursuant to Sec 267c of the Austrian Commercial Code (UGB) in connection with Sec 243d UGB, as well as the consolidated non-financial report pursuant to Sec 267a UGB in connection with Sec 243b UGB. The reports were reviewed by the Supervisory Board and taken note of without cause for complaint.

## Word of thanks to Management Board and all employees

The Supervisory Board thanks the entire Management Board of STRABAG SE and all employees for their valuable contribution in the past – very challenging – financial year.



The Chairman of the Supervisory Board of STRABAG SE,  
Dr. Alfred Gusenbauer

Vienna, 27 April 2021