

# Consolidated Corporate Governance Report 2018

in accordance with Section 267b of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB)

## Contents

<b>Corporate governance – framework</b> .....	<b>3</b>
<b>Declaration of commitment to the Austrian Code of Corporate Governance</b> .....	<b>3</b>
Declaration of conformity.....	3
Evaluation.....	3
Additional reporting.....	3
Deviations.....	4
<b>Executive Board</b> .....	<b>4</b>
Composition of the Executive Board.....	4
Work procedures and allocation of responsibilities.....	6
Remuneration of members of the Executive Board.....	6
<b>Supervisory Board</b> .....	<b>8</b>
Personal details, chairpersons and other Board functions.....	8
Independence.....	11
Meetings of the Supervisory Board.....	11
Composition and work procedures of the committees.....	12
Contracts requiring consent – conflicts of interest.....	16
Remuneration of members of the Supervisory Board.....	18
<b>Annual General Meeting</b> .....	<b>19</b>
<b>Diversity concept for appointments to the Executive Board and Supervisory Board</b> .....	<b>20</b>
Supervisory Board.....	20
Executive Board.....	21
<b>Measures for the advancement of women (Section 243c(2)(2) of the Austrian Commercial Code, UGB)</b> .....	<b>22</b>

## Corporate governance – framework

VERBUND AG is a listed stock corporation domiciled in Austria. Its corporate governance framework is derived from Austrian and European law, including, in particular, stock corporation and capital market law, the Austrian Commercial Code (UGB) and the regulations governing employee co-determination, the Company's Articles of Association, the rules of procedure for the Company's Boards and, finally, the Austrian Code of Corporate Governance (Österreichischer Corporate Governance Kodex, ÖCGK).

## Declaration of commitment to the Austrian Code of Corporate Governance

### Declaration of conformity

VERBUND declares its unconditional commitment to the Austrian Code of Corporate Governance. The Executive Board and Supervisory Board see it as their primary duty to comply with all of the rules of the Code as fully as possible and to maintain and continue to develop the Group's high internal standards. The Code was applied during financial year 2018 and was adhered to in accordance with the explanatory notes in this report. Active implementation of the requirements of the Code is intended to ensure responsible management and control of the Group directed at sustainable, long-term value creation and to create a high level of transparency for all stakeholders. VERBUND will continue to actively adhere to the Code as amended in January 2018 during financial year 2019. Applying it as fully as possible is an essential building block for strengthening the trust placed in the Group by shareholders, business partners, employees and the general public.

The Austrian Code of Corporate Governance as amended in January 2018 is available from the website of the Austrian Working Group for Corporate Governance at [www.corporate-governance.at](http://www.corporate-governance.at)

### Evaluation

In accordance with C Rule 62 of the Austrian Code of Corporate Governance, compliance with the Code and the accuracy of the related reporting is evaluated externally by an independent auditor at regular intervals. The last such evaluation was carried out for 2016 by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H and resulted in a positive report. The next evaluation is planned for financial year 2019.

### Additional reporting

A consolidated corporate governance report is presented as required under statutory provisions. Key items of this report are expanded beyond the listed parent company to include the entire Group. Opinion 22 of the Austrian Financial Reporting and Auditing Committee (AFRAC) has been followed with respect to the requirements on content.

This Consolidated Corporate Governance Report includes not only the disclosures required by law but also the additional content as intended by the Code of Corporate Governance. In addition, further information is provided on the relevant indicators under the Global Reporting Initiative (GRI), the global standard on sustainability reporting.

Detailed information on the composition and work procedures of the Executive Board, the Supervisory Board and the Supervisory Board's committees is provided in the sections entitled Executive Board and Supervisory Board.

Further information on the bodies Executive Board, Supervisory Board and Annual General Meeting and on their interactions is available in the document entitled Disclosures on Management Approach (DMA) at [www.verbund.com](http://www.verbund.com) > Investor Relations > Financial reports.

### Deviations

VERBUND complies with almost all the rules in the Austrian Code of Corporate Governance, including the R Rules. The deviations applied in financial year 2018 are the same as those applied in the previous year. From a total of 83 rules in the Code, there are slight deviations in the application of only two C Rules which are to some extent the result of legislative circumstances. In accordance with the “comply or explain” principle, these deviations are explained below:

#### **C Rule 2:**

The principle of “one share – one vote” is generally adhered to with respect to VERBUND shares. The sole exception is based on a restriction on voting rights embodied in the “federal constitutional act regulating the ownership structure of enterprises in the Austrian electricity industry” and in the provision of the Articles of Association based upon this. The exception is as follows: “With the exception of regional authorities and companies in which regional authorities hold an interest of at least 51%, the voting rights of each shareholder at the Annual General Meeting are restricted to 5% of the share capital.”

#### **C Rule 45:**

The rule according to which Supervisory Board members may not assume any functions on the boards of other companies that are competitors of the Group was adhered to by all the members of the Supervisory Board, with two exceptions.

The two Supervisory Board members in question each carry out leading functions on boards in companies which are shareholders of VERBUND AG. If there is a conflict of interest with them in a specific case, then the chairperson will institute appropriate measures (e.g. withholding of certain documents, abstention from voting or departure from the meeting). This was required once in the reporting period.

## Executive Board

### Composition of the Executive Board

In financial year 2018, the Executive Board was once again composed of four members.

The term of office of all members of the Executive Board ended on 31 December 2018. At its meeting on 13 June 2018, the Supervisory Board therefore appointed the following persons as members of the Executive Board as at 1 January 2019: Dipl.-Ing. Wolfgang Anzengruber as Chairman, Mag. Dr. Michael Strugl as Vice-Chairman, Dr. Peter F. Kollmann and Mag. Dr. Achim Kaspar. Dr. Johann Sereinig and Dipl.-Ing. Dr. Günther Rabensteiner retired as at 31 December 2018.

GRI 102-18  
GRI 405-1

## Executive Board

Name	Year of birth	Date of initial appointment	End of current term of office
CEO Dipl.-Ing. Wolfgang Anzengruber Chairman	1956	1/1/2009	31/12/2020
Deputy CEO Dr. Johann Sereinig Vice-Chairman	1952	1/1/1994	31/12/2018
Dr. Peter F. Kollmann Member of the Executive Board	1962	1/1/2014	31/12/2021
Dipl.-Ing. Dr. Günther Rabensteiner Member of the Executive Board	1953	1/4/2011	31/12/2018

## Board functions of Executive Board members within the Group

GRI 102-25

Name	Group company		Function
Dipl.-Ing. Wolfgang Anzengruber	VERBUND Hydro Power GmbH	Supervisory Board, Annual General Meeting	Chairman
	VERBUND Solutions GmbH	Annual General Meeting	Chairman
	SMATRICS GmbH & Co KG	Shareholders' Meeting	Chairman
	E-Mobility Provider Austria GmbH	Annual General Meeting	Vice-Chairman
Dr. Johann Sereinig	Austrian Power Grid AG	Supervisory Board	Member
	VERBUND Hydro Power GmbH	Supervisory Board	Member
	VERBUND Sales GmbH	Annual General Meeting	Chairman
	VERBUND Sales Deutschland GmbH	Annual General Meeting	Chairman
	VERBUND Services GmbH	Annual General Meeting	Chairman
Dr. Peter F. Kollmann	VERBUND Trading GmbH	Supervisory Board, Annual General Meeting	Chairman
	Austrian Power Grid AG	Supervisory Board	Chairman
	VERBUND Hydro Power GmbH	Supervisory Board	Member
	VERBUND Services GmbH	Annual General Meeting	Vice-Chairman
	VERBUND Thermal Power GmbH	Supervisory Board	1st Vice-Chairman
Dipl.-Ing. Dr. Günther Rabensteiner	VERBUND Trading GmbH	Supervisory Board, Annual General Meeting	1st Vice-Chairman
	Ennskraftwerke AG	Supervisory Board	1st Vice-Chairman
	VERBUND Hydro Power GmbH	Supervisory Board	1st Vice-Chairman
	VERBUND Innkraftwerke GmbH	Supervisory Board, Shareholders' Meeting	Chairman
	Grenzkraftwerke GmbH	Supervisory Board, Annual General Meeting	Chairman
	Innwerk AG	Supervisory Board	Chairman
	Donaukraftwerk Jochenstein AG	Supervisory Board	Chairman
	Österreichisch-Bayerische Kraftwerke AG	Supervisory Board	Chairman
VERBUND Thermal Power GmbH	Supervisory Board	Chairman	

### Supervisory Board appointments of Executive Board members outside the Group

Name	Company	Function
Dipl.-Ing. Wolfgang Anzengruber	University of Salzburg (University Council)	Member
Dr. Johann Sereinig	KELAG-Kärntner Elektrizitäts-Aktiengesellschaft	Member
	FK Austria Wien AG	Member
	APK Pensionskasse AG	Member
Dr. Peter F. Kollmann	Telekom Austria AG	Member

### Work procedures and allocation of responsibilities

The Executive Board conducts the Group's business activities and represents it externally.

The rules of procedure govern the allocation of responsibilities and how the members of the Executive Board must work together. In addition, they lay down the Executive Board's duties to notify and report, and contain a list of measures that require approval by the Supervisory Board. The measures requiring approval also include material transactions proposed by the Group's main subsidiaries. The rules of procedure were updated during the reporting period and a revised version was issued as at 1 January 2019. The changes mainly concerned the organisation of Executive Board meetings, reporting to the Supervisory Board and transactions requiring approval.

The allocation of responsibilities within the Executive Board is part of the rules of procedure and defines the range of duties of the Executive Board members without prejudice to the overall responsibility of the Executive Board.

### Allocation of responsibilities

Dipl.-Ing. Wolfgang Anzengruber	Chairman; corporate development (strategy, innovation), corporate and legal affairs (including legal, audit <sup>1</sup> and compliance), communications New business solutions
Dr. Johann Sereinig	Vice-Chairman; energy market and business management, strategic human resources management Trading, sales, services
Dr. Peter F. Kollmann	Financial management, mergers & acquisitions and investor relations, Management accounting, corporate accounting and risk management Grid
Dipl.-Ing. Dr. Günther Rabensteiner	Generation from hydropower, thermal power, wind power/photovoltaics (Austria and international) Tourism

<sup>1</sup> Audit and the Human Resources Committee were the joint responsibility of the chairman and the vice-chairman.

### Remuneration of members of the Executive Board

Total remuneration of members of the Executive Board in the 2018 reporting period amounted to €5,599,347 (previous year: €4,485,156) including benefits in kind of €79,237 (previous year: €59,858). Other remuneration of €828,016 (previous year: €0) relates to compensation for unused leave for former members of the Executive Board.

**Current remuneration of the Executive Board (incl. variable remuneration)**

in €

	Fixed remuneration	Variable remuneration	2017 Other	Fixed remuneration	Variable remuneration	2018 Other
Dipl.-Ing. Wolfgang Anzengruber	827,375	499,972	0	849,770	563,457	0
Dr. Johann Sereinig	790,919	342,214	0	813,641	385,665	598,682
Dipl.-Ing. Dr. Günther Rabensteiner	587,845	254,348	0	604,733	286,643	229,334
Dr. Peter F. Kollmann	783,585	339,040	0	806,096	382,089	0

Because it is only possible to ascertain at the end of the year whether targets have been achieved, variable remuneration components are paid out in the following year. Therefore, the total amount includes variable remuneration components granted to members of the Executive Board in the 2018 reporting period for the 2017 reporting period as well as back-payment of bonuses relating to 2016.

Variable remuneration depends upon performance and is limited to a specific percentage of the respective fixed remuneration. For the 2017 reporting period (as well as for the current 2018 reporting period), this percentage rate amounted to between 50% and 70%. The level of performance-based remuneration components depends on the extent to which the targets agreed for the financial year are achieved. 50% of the target agreement in the 2017 reporting period was based on the achievement of the Group result, 30% on the achievement of free cash flow (three-year target) and 20% on other medium-term (two-year, qualitative) goals, such as the settlement of legacy issues (for example, the successful resolution of contentious issues such as pending complaints and arbitration proceedings) and the optimisation and adaptation of structures, processes and business models based on technological development (digitalisation) and the disruptive changes resulting from competition in the energy market. The principles underlying the Executive Board's share of profit were unchanged from the previous year.

A company pension plan has been set up for members of the Executive Board in the form of a defined contribution pension fund agreement. In the 2018 reporting period, contributions to the pension fund were paid for the Executive Board in the amount of €225,992 (previous year: €219,681).

Statutory regulations apply, taking account of the requirements of Rule 27a of the Austrian Code of Corporate Governance, with respect to the claims of members of the Executive Board upon termination of their position. In the 2018 reporting period, €376,224 (previous year: €361,817) was paid out for pensions and €2,189,150 (previous year: €0) for termination benefits in favour of beneficiaries.

Profit or loss for the period included expenses for termination benefits and pensions and similar obligations - i.e. post-employment benefits - in the amount of €45,486 (previous year: €37,715). Expenses for pensions and similar obligations for former members of the Executive Board and their surviving dependants included in the profit or loss for the period amounted to a total of €47,481 (previous year: €50,769).

As in the previous year, no loans or advances were paid out to members of the Group's or subsidiaries' Boards. As in the previous year, neither the members of the Executive Board nor senior management staff of VERBUND have stock options.

### **Remuneration policy in the subsidiaries**

In essence, the same principles as those described above for the Executive Board apply to the remuneration for the management (managing directors) of the Group's subsidiaries. In addition to the fixed remuneration, variable remuneration is used up to a limited amount; the amount of this variable component depends on attainment of defined targets (Group targets and individual targets). A company pension plan has also been set up in the subsidiaries in the form of a pension fund agreement.

### **D&O insurance**

VERBUND has taken out pecuniary loss liability insurance in favour of its Boards. This insurance covers the members of the Executive Board and Supervisory Board and the senior management staff of VERBUND AG, as well as all the members of the managing boards, supervisory boards, advisory boards and management, plus the authorised signatories and other senior management staff of subsidiaries. The costs are borne by the Group.

## Supervisory Board

GRI 102-18  
GRI 102-22  
GRI 102-23

The Supervisory Board has also explicitly affirmed its commitment to the Austrian Code of Corporate Governance. Consequently, the Code, together with the Austrian Stock Corporation Act (Aktengesetz, AktG) and the Austrian Commercial Code (UGB), the Austrian Labour Constitutional Act (Arbeitsverfassungsgesetz, ArbVG), the Company's Articles of Association and the rules of procedure for the Executive Board and Supervisory Board, has become the basis for the Supervisory Board's actions.

GRI 102-24

The statutory provisions specify that the Supervisory Board is comprised of members elected by the Annual General Meeting in accordance with the requirements of the Austrian Stock Corporation Act (shareholder representatives) and members appointed by the employee representatives.

### **Personal details, chairpersons and other Board functions**

The Supervisory Board is led by a chairperson. The chairperson along with two vice-chairpersons are elected each year by the Supervisory Board from among its members.

As at 31 December 2018, the Supervisory Board had a total of 15 members. Ten were shareholder representatives elected by the Annual General Meeting and five were employee representatives appointed by the Works Council.

During the reporting period, the following changes occurred in the composition of the Supervisory Board: at the AGM held on 23 April 2018, Mag. Stefan Szyszkowitz was elected to the Supervisory Board as shareholder representative in place of Dipl.-Ing. Dr. Peter Layr. Among the employee representatives, Doris Dangl took the place of Anton Aichinger on the Supervisory Board effective 5 April 2018.

Name	Year of birth	Date of initial appointment	End of current term of office
Dr. Gerhard Roiss Chairman Board of directors of SULZER AG Switzerland; Member of the University Council of Johannes Kepler University in Linz	1952	5/4/2017	AGM 2020
Prof. Dr. Michael Süß 1st Vice-Chairman Member of the supervisory board of Herrenknecht AG and the board of directors of Oerlikon AG (chairman); Renova AG (asset director); Süß Management Systems and Süß Film (shareholder)	1963	22/4/2015	AGM 2020
Mag. Elisabeth Engelbrechtsmüller-Strauß 2nd Vice-Chairwoman CEO of Fronius International GmbH; member of the supervisory board of Wels Betriebsansiedelungs-GmbH (chairwoman); member of the board of trustees of the Institute of Science and Technology and the University Council of Johannes Kepler University in Linz	1970	22/4/2015	AGM 2020
Mag. Harald Kaszanits Austrian Economic Chambers	1963	7/4/2010	AGM 2020
Dipl.-Ing. Dr. Peter Layr	1953	13/4/2011	23/4/2018
Mag. Werner Muhm Member of the supervisory boards of Wiener Städtische Versicherung, AWH Beteiligungsges.m.b.H. and KA Finanz AG; member of the managing board of Leopold Museum Privatstiftung, vice-chairman of the board of trustees of the Austrian National Library	1950	22/4/2015	AGM 2020
Dr. Susanne Riess CEO of Bausparkasse Wüstenrot AG; Member of the supervisory boards of Wüstenrot Versicherungs-AG (chairwoman), Wüstenrot stambena štedionica d.d., Croatia (chairwoman), Wüstenrot životno osiguranje d.d., Croatia (chairwoman), Wüstenrot Fundamenta-Lakáskassza Zrt., Hungary (vice-chairwoman), Wüstenrot stavebná sporiteľňa a.s., Slovakia (vice-chairwoman), Wüstenrot poisťovňa a.s., Slovakia (member), SIGNA Development Selection and Prime Selection (member), Einlagensicherungsgesellschaft Austria (member) and IHAG Privatbank Zürich (member of the board of directors)	1961	22/4/2015	AGM 2020
Mag. Jürgen Roth Managing partner at Tank Roth GmbH; member of the supervisory boards of ICS Internationalisierungszentrum Steiermark GmbH (chairman) and ELG (Erdöl-Lagergesellschaft m.b.H.)	1973	22/4/2015	AGM 2020

Name	Year of birth	Date of initial appointment	End of current term of office
Mag. Stefan Szyszkowitz Spokesman of the managing board of EVN AG; member of the supervisory boards of Burgenland Holding Aktiengesellschaft (chairman), EVN Macedonia AD (chairman), RAG-Beteiligungs-Aktiengesellschaft (chairman), RAG Austria AG (chairman), Energie Burgenland AG (vice-chairman) and Netz Niederösterreich GmbH (vice-chairman); member of the supervisory boards of Österreichische Post AG and Wiener Börse AG/CEESEG AG	1964	23/4/2018	AGM 2020
Christa Wagner Managing partner at Wagner-Josko Immobilien GmbH; shareholder in Josko Fenster und Türen GmbH; member of the supervisory boards of Eurosun a.s. and exceet Card Group AG	1960	7/4/2010	AGM 2020
Dipl.-Ing. Peter Weinelt Managing Director of Wiener Stadtwerke GmbH and Wiener Stadtwerke Planvermögen GmbH; member of the supervisory boards of Wien Energie GmbH (chairman), Wiener Netze GmbH (chairman) and Burgenland Holding Aktiengesellschaft (member)	1966	5/4/2017	AGM 2020

Supervisory Board appointments or comparable roles in publicly traded companies and other significant companies have been listed in relation to (ancillary) functions. Full-time functions are listed where appropriate.

#### Employee representative

Name	Year of birth	Date of initial appointment	
Anton Aichinger Chairman of the Group's employee representatives	1955	from 25/10/2006 until 5/4/2018	appointed by the employee representatives
Kurt Christof Chairman of the Central Works Council Member of the supervisory boards of Stadtwerke Voitsberg GmbH and of Sparkasse Voitsberg/Köflach Bankaktiengesellschaft	1964	since 8/3/2004	appointed by the employee representatives
Doris Dangl Chairwoman of the Group's employee representatives	1963	since 5/4/2018	appointed by the employee representatives
Dr. Isabella Hönlinger Chairwoman of the Works Council	1971	since 1/9/2016	appointed by the employee representatives
Ing. Wolfgang Liebscher Chairman of the Central Works Council	1966	since 1/11/2013	appointed by the employee representatives
Dipl.-Ing. Hans Pfau Chairman of the Works Council	1953	since 1/9/2016	appointed by the employee representatives

The appointment of employee representatives by the Group's employee representatives is for an unlimited period and can be revoked at any time.

20% of the Supervisory Board members are between the ages of 30 and 50; 80% are over 50.

### Independence

In 2010, the Supervisory Board of VERBUND AG defined the following criteria for its independence (pursuant to C Rule 53 of the Austrian Code of Corporate Governance):

- The Supervisory Board member shall not have served as a member of the Executive Board or as a member of the senior management staff of the Company or one of its subsidiaries in the past five years.
- The Supervisory Board member shall not maintain or have maintained in the past year any business relationships with the Company or one of its subsidiaries to an extent that would be significant to the member of the Supervisory Board. This shall also apply to relationships with companies in which the member of the Supervisory Board has a considerable economic interest, but not to exercising functions on the boards of the Group. The approval of individual transactions by the Supervisory Board pursuant to L Rule 48 shall not automatically mean that the person is deemed not to be independent.
- The Supervisory Board member shall not have acted as auditor of the Company or have owned a share in the audit firm or have worked there as an employee in the past three years.
- The Supervisory Board member shall not be a member of the managing board of another company in which a member of the Executive Board of the Company is a supervisory board member.
- The Supervisory Board member may not remain on the Supervisory Board for more than 15 years. This shall not apply to Supervisory Board members who are shareholders with a direct equity interest in the Company or who represent the interests of such a shareholder.
- The Supervisory Board member shall not be a close relative (direct descendant, spouse, life partner, parent, uncle, aunt, sibling, niece or nephew) of a member of the Executive Board or of persons who hold one of the aforementioned positions.

Based upon these guidelines for independence (Annex to the Austrian Code of Corporate Governance), all ten shareholder representatives have issued a written statement on their independence. Eight of them have declared their independence, and two members of the Supervisory Board have classified themselves as not being independent (with respect to only the “relationships with related parties” criterion).

In addition, the following shareholder representatives in the Supervisory Board meet the criteria for independence contained in C Rule 54 (not representing the interests of a shareholder with a stake exceeding 10%): Roiss, Süß, Engelbrechtsmüller-Strauß, Muhm, Riess, Roth and Wagner. Both quotas required for independence by Rule 53 and Rule 54 of the Code are thus met.

### Meetings of the Supervisory Board

Six plenary meetings of the Supervisory Board were held during financial year 2018. The overall attendance rate for all Supervisory Board members was 91%. One member of the Supervisory Board attended fewer than half of the meetings in person.

In addition to coordinating the ongoing strategic direction of the Company with the Executive Board, the Supervisory Board focused on decisions relating to the following topics in particular during the reporting period:

- consolidated financial statements and annual financial statements of VERBUND AG for 2017;
- proposals for resolutions for the Annual General Meeting;

- proposal for profit appropriation in accordance with Section 96(1) of the Stock Corporation Act (AktG);
  - election of the General Committee of the Supervisory Board and constitution of the committees;
  - appointment of the auditor;
  - new versions of the rules of procedure for the Executive Board and Supervisory Board;
  - borrowing of €100m (digital green Schuldschein);
  - revocation of the resolution to liquidate VERBUND Thermal Power GmbH & Co KG ;
  - investment plans for small power plants and efficiency improvements;
  - transfer of the Dürnrrohr and Korneuburg power plants as part of the overall agreement with EVN;
  - power plant joint venture on the Inn River: exercise of the put option;
  - appointment of Executive Board members;
  - refinancing of the syndicated loan of up to €500m (green syndicated loan);
  - sale of 50% equity interest in VERBUND GETEC Energiecontracting GmbH; and
  - approval of the Group's budget for 2019.
- (Please also refer to the activities focused upon by the Supervisory Board's committees.)

Each year during the audit of the financial statements, the auditor provides the Supervisory Board with a separate report on the reliability of the risk management system. The report from the auditor details sustainability risks in the same manner as in the written quarterly reports on operating risk management that the Supervisory Board discusses at each of its meetings.

In addition to the meetings of the Supervisory Board and its committees (see below), regular discussions and teleconferences took place between the Chairman of the Supervisory Board and the Chairman of the Executive Board and several discussions were held with individual members of the Executive Board.

### **Evaluation of Supervisory Board activity**

GRI 102-28

The performance of the Supervisory Board is evaluated annually during the Annual General Meeting, at which the shareholders vote to approve the actions of the Supervisory Board. At the 71st Annual General Meeting on 23 April 2018, the actions of all Supervisory Board members were formally approved.

As required by the Austrian Code of Corporate Governance (Rule 36), the Supervisory Board also evaluates its activities, in particular its organisation and work procedures, itself. This self-evaluation was conducted in 2018 on the basis of an extensive questionnaire.

### **Composition and work procedures of the committees**

The Supervisory Board approved a new version of its rules of procedure on 23 April 2018. In addition to revised provisions for Supervisory Board meetings (preparation, convocation, quorum, meeting participation), this new version stipulates in particular changes to Supervisory Board committees.

In accordance with its rules of procedure, the Supervisory Board shall, following the Annual General Meeting, annually elect the members of an Audit Committee, a Strategy Committee, an Emergencies Committee, a Remuneration Committee and a Nomination Committee. In addition, it can form temporary or permanent committees specifically for certain projects and topics. The former Working Committee was dissolved as at 23 April 2018.

Each chairperson of a committee is required to report to the Supervisory Board on the work of the committee he or she chairs and on its decisions. In urgent cases, the chairperson of a committee is required to report in advance to the Chairman of the Supervisory Board.

### **Working Committee (until 23 April 2018)**

The Working Committee consisted of the chairperson, the two vice-chairpersons and three additional members of the Supervisory Board, elected by the Supervisory Board. The membership of employee representatives was governed by Section 92(4) of the Austrian Stock Corporation Act (AktG).

#### **Members of the Working Committee**

<b>Name</b>	<b>Function</b>
Dr. Gerhard Roiss	Chairman
Prof. Dr. Michael Süß	1st Vice-Chairman
Mag. Elisabeth Engelbrechtsmüller-Strauß	2nd Vice-Chairwoman
Mag. Harald Kaszanits	Member
Mag. Werner Muhm	Member
Christa Wagner	Member
Anton Aichinger	Employee representative
Kurt Christof	Employee representative
Dipl.-Ing. Hans Pfau	Employee representative

#### **The Working Committee**

- was required to prepare the meetings of the Supervisory Board and to assist the Supervisory Board in the continuous monitoring of the Company's management without prejudice to the rights of the Supervisory Board pursuant to Section 95 of the Austrian Stock Corporation Act (AktG);
- acted as the Emergencies Committee (Rule 39 of the Austrian Code of Corporate Governance).

The Supervisory Board continually transferred certain matters requiring approval to the Working Committee.

The Working Committee of the Supervisory Board did not meet during financial year 2018.

#### **Audit Committee**

The Audit Committee was established pursuant to Section 92(4a) of the Austrian Stock Corporation Act (AktG) and, in accordance with the rules of procedure for the Supervisory Board, consists of four Supervisory Board members elected by the shareholders and two employee representatives in accordance with Section 92(4) AktG. The chairperson and vice-chairperson of the committee are elected from among its members.

The Audit Committee performs the tasks under Section 92(4a) AktG and Rule 40 of the Austrian Code of Corporate Governance. It has the financial expert required by law and by the Code at its disposal, who is also the chairperson of the committee.

### Members of the Audit Committee

Name	Function
Mag. Elisabeth Engelbrechtsmüller-Strauß	Chairwoman
Dr. Gerhard Roiss	Vice-Chairman
Mag. Werner Muhm	Member
Christa Wagner	Member
Doris Dangl	Employee representative
Kurt Christof	Employee representative

The Supervisory Board's Audit Committee met three times during financial year 2018. The activities of the Audit Committee focused on:

- preparing the resolution on the consolidated financial statements for 2017 and the annual financial statements of VERBUND AG for 2017 including appropriation of profit;
- proposal for the election of the auditor;
- acknowledgement of the semi-annual financial statements for 2018;
- monitoring financial reporting processes;
- monitoring the internal control system and the audit and risk management systems;
- discussion of areas of emphasis for the 2018 audit (auditor);
- audit and non-audit services;
- acknowledgement of the reports of the Executive Board; and
- acknowledgement of the audit programme and audit report of the Internal Audit department.

### Strategy Committee

The Strategy Committee established on a temporary basis in the previous year has now been firmly anchored in the rules of procedure in effect since 23 April 2018. It is comprised of four members of the Supervisory Board elected by the shareholders and two employee representatives in accordance with Section 92(4) AktG. The chairperson and vice-chairperson of the committee are elected from among its members.

The Strategy Committee is responsible for developing a corporate strategy in collaboration with the Executive Board and for the annual review of strategy and support of any adaptive measures. Furthermore, it addresses issues that are not to be handled by the entire Supervisory Board in consideration of competition-related aspects and conflicts of interest.

To this end, the Strategy Committee met five times during the reporting period.

### Members of the Strategy Committee

Name	Function
Dr. Gerhard Roiss	Chairman
Prof. Dr. Michael Süß	Vice-Chairman
Mag. Elisabeth Engelbrechtsmüller-Strauß	Member
Mag. Harald Kaszanits	Member
Doris Dangl	Employee representative
Ing. Wolfgang Liebscher	Employee representative

### Emergencies Committee

An emergencies committee (Rule 39 of the Austrian Code of Corporate Governance) is a committee for decision-making in urgent situations. The chairperson is required to make the necessary preparations for rapid decision-making on matters that fall within the remit of the Emergencies committee or are referred to that Committee for a decision (convening a meeting at short notice, video conferences). The grounds for urgency must be stated. The Emergencies Committee makes decisions on all matters where an immediate Supervisory Board decision is needed to gain economic advantages or fend off the threat of financial damage.

The Emergencies Committee is comprised of four members of the Supervisory Board elected by the shareholders and two employee representatives in accordance with Section 92(4) AktG. The chairperson and vice-chairperson of the committee are elected from among its members.

The committee did not meet during the reporting period.

### Members of the Emergencies Committee

Name	Function
Dr. Gerhard Roiss	Chairman
Prof. Dr. Michael Süß	Vice-Chairman
Mag. Elisabeth Engelbrechtsmüller-Strauß	Member
Dr. Susanne Riess	Member
Doris Dangl	Employee representative
Kurt Christof	Employee representative

### Remuneration Committee

Pursuant to its rules of procedure, the Supervisory Board is required to appoint a Remuneration Committee in accordance with the Austrian Code of Corporate Governance consisting of the chairperson of the Supervisory Board and its two vice-chairpersons. The Supervisory Board has permanently assigned responsibility for the following matters to this committee:

- contracts with members of the Executive Board;
- determination of Executive Board member remuneration;
- decisions on management bonuses and premiums for members of the Executive Board; and
- regular review of the remuneration policy for members of the Executive Board.

### Members of the Remuneration Committee

Name	Function
Dr. Gerhard Roiss	Chairman
Prof. Dr. Michael Süß	Vice-Chairman
Mag. Elisabeth Engelbrechtsmüller-Strauß	Member

In Dr. Roiss, the Remuneration Committee has the expert required by Rule 43 of the Austrian Code of Corporate Governance at its disposal.

The Remuneration Committee met seven times during financial year 2018. The meetings dealt with the agreements on targets and level of target achievement for the Executive Board's variable remuneration components, the termination agreements with the retiring members of the Executive Board, the new contracts with members of the Executive Board and the determination of Executive Board member remuneration.

### Nomination Committee

In accordance with its rules of procedure, the Supervisory Board shall appoint a Nomination Committee comprised of the chairperson of the Supervisory Board and three other members of the Supervisory Board elected by the shareholders plus two employee representatives in accordance with Section 92(4) AktG. The chairperson of the Supervisory Board chairs the committee, and the committee elects the vice-chairperson.

The Nomination Committee submits proposals to the Supervisory Board on appointments to the Executive Board and is responsible for preparing the election of Supervisory Board members. The Nomination Committee is required to take account of the fact that a candidate's final nomination for the Executive Board must take place before the nominee's 65th birthday.

### Members of the Nomination Committee

Name	Function
Dr. Gerhard Roiss	Chairman
Mag. Elisabeth Engelbrechtsmüller-Strauß	Vice-Chairwoman
Dr. Susanne Riess	Member
Mag. Jürgen Roth	Member
Doris Dangl	Employee representative
Ing. Wolfgang Liebscher	Employee representative

The Nomination Committee met five times during financial year 2018. These meetings dealt with the preparations for elections to the Supervisory Board at the 2018 Annual General Meeting as well as the invitation to apply for the seats on the Executive Board and preparations for the appointment of the Executive Board members including the division of responsibilities in June 2018.

### Contracts requiring consent – conflicts of interest

GRI 102-25

In financial year 2018, the following contracts and/or transactions approved by the Supervisory Board of VERBUND AG in accordance with the Austrian Stock Corporation Act (AktG) and the Austrian Code of Corporate Governance (Rule 49) existed between the VERBUND Group and individual Supervisory Board members or companies with which Supervisory Board members have close relationships:

**Supervisory Board member Mag. Elisabeth Engelbrechtsmüller-Strauß**

The general authorisation issued by the Supervisory Board in 2015 for the supply of inverters by the Fronius Group (through external intermediaries or SOLAVOLTA, in which VERBUND owns a 50% stake) in the amount of €600k per year and for the supply of small devices to VERBUND companies in the amount of €60k per year was only partially utilised in financial year 2018. Mag. Elisabeth Engelbrechtsmüller-Strauß is CEO of the Fronius Group.

**Supervisory Board member Mag. Jürgen Roth**

In 2015, the Supervisory Board approved a contract for the supply of electricity from VERBUND Sales GmbH (VSA) for filling stations of Tank Roth GmbH with an estimated order volume of €170k per year from 2016. The contract ran until the end of 2018. The actual supply in 2018 was significantly below the level agreed. Mag. Jürgen Roth is managing partner at Tank Roth GmbH.

**Supervisory Board member Mag. Stefan Szyszkowitz (from 23 April 2018)**

A number of contractual relationships, some of which have been in place for many years, exist between VERBUND and the EVN Group, of which Mag. Stefan Szyszkowitz is spokesman of the managing board. Most of these relationships had already been entered into before Mag. Szyszkowitz became a member of the Supervisory Board. The business transacted under these contracts and their volume are reported to the Supervisory Board on an annual basis. In financial year 2018, an order volume totalling €518k was processed on the basis of the existing contracts (excluding transactions with grid subsidiary APG). These primarily involved electricity, gas or grid purchases and usage fees for various VERBUND companies. In addition, there are agreements concerning VERBUND Innkraftwerke GmbH and contractual relationships for the supply of electricity with e&t Energie HandelsgmbH, in which EVN holds a 45% interest.

After granting general approval in 2017, the Supervisory Board in 2018 approved the contractual settlement agreements between VERBUND AG and VTP on the one hand and EVN on the other hand in connection with the decommissioning of the Dürnrohr and Korneuburg power plants to end all pending judicial proceedings and pay an amount of €12m to EVN.

**Supervisory Board member Dipl.-Ing. Peter Weinelt**

A number of contractual relationships, some of many years standing, exist between VERBUND and the Wiener Stadtwerke Group, of which Dipl.-Ing. Peter Weinelt is managing director. Most of these had already been entered into before Dipl.-Ing. Peter Weinelt became a member of the Supervisory Board. The business transacted under these contracts and their volume are reported to the Supervisory Board on an annual basis. In financial year 2018, an order volume totalling €661k was processed on the basis of existing contracts (excluding transactions with grid subsidiary APG). This primarily involved invoices for electricity and grid fees and operational management for VERBUND companies. In addition, there are agreements concerning VERBUND Innkraftwerke GmbH and contractual relationships for the supply of electricity with e&t Energie HandelsgmbH, in which Wiener Stadtwerke holds a 45% interest.

In financial year 2018, the Supervisory Board also looked at possible (other) conflicts of interest involving Supervisory Board members that could arise in particular as a result of activities or equity interests in the energy sector or in companies competing with the VERBUND Group. With the exception of

the disclosed 25% interest of Fronius in aWATTar, a supplier of green electricity, all Supervisory Board members confirmed that no conflicts of interest existed on their parts which would require reporting or disclosure. According to the assessment of the Supervisory Board, there are no fundamental conflicts of interest that would require further measures. Should such conflicts arise in future, suitable measures, such as abstention from voting or from providing advice and voting on individual agenda items, will have to be implemented promptly.

An expert opinion obtained after the 2018 report from the Austrian Court of Audit confirms that the Group has taken adequate and suitable measures to manage potential conflicts of interest in the Supervisory Board in an appropriate manner.

### Remuneration of members of the Supervisory Board

The remuneration of the members of the Supervisory Board (including reimbursement of costs/travel expenses recharged) amounted to a total of €348,934 in 2018 (previous year: €380,801).

At the Annual General Meeting held on 17 April 2013, the following remuneration scheme was adopted for members of the Supervisory Board. This establishes the annual remuneration for the members elected by the Annual General Meeting and the attendance fees (for all members).

Remuneration scheme for the Supervisory Board	in €
Annual remuneration	
Chairperson	25,000
Vice-Chairperson	15,000
Member	10,000
Attendance fee	500

This remuneration also applies to work performed in each case in the Audit Committee, the Working Committee (until 23 April 2018) and the Strategy Committee (from 23 April 2018). As previously, there is no separate remuneration for work carried out in other committees.

No loans or advances were paid out to members of the Supervisory Board. All members of the Supervisory Board are covered by the D&O insurance taken out by VERBUND.

Specifically, the following remuneration was paid to the members of the Supervisory Board for financial year 2018:

## Remuneration of Supervisory Board members

in €

Name (without title)	Annual remuneration	Attendance fees
Gerhard Roiss, Chairman	65,000	7,000
Michael Süß, Vice-Chairman	28,000	2,800
Elisabeth Engelbrechtsmüller-Strauß, Vice-Chairwoman	55,000	7,000
Harald Kaszanits	23,333	5,000
Peter Layr (until 23/4/2018)	3,333	500
Werner Muhm	23,333	4,500
Susanne Riess	10,000	3,000
Jürgen Roth	10,000	3,000
Stefan Szyszkowitz (from 23/4/2018)	6,667	2,000
Christa Wagner	23,333	4,000
Peter Weinelt	10,000	3,000
<i>Employee representatives</i>		
Anton Aichinger (until 5/4/2018)	–	1,500
Kurt Christof	–	4,500
Doris Dangl (from 5/4/2018)	–	5,500
Isabella Hönlinger	–	3,000
Wolfgang Liebscher	–	4,000
Hans Pfau	–	4,500

## Annual General Meeting

At the Annual General Meeting, which is held at least once a year, shareholders exercise their rights and their voting power. Under their right to request information and propose motions, all shareholders have the opportunity to engage in dialogue with the Executive Board and the Supervisory Board and to express their opinions and state their concerns.

The main tasks and responsibilities of the Annual General Meeting include deciding on the appropriation of profit, electing the Supervisory Board, electing the auditor, formally approving the actions of the Executive Board and the Supervisory Board and making amendments to the Articles of Association.

The agenda for the 71st Annual General Meeting held on 23 April 2018, the resolutions adopted and the voting results can be viewed on the website at [www.verbund.com](http://www.verbund.com) > Investor Relations > General Meeting.

Further information on the Annual General Meeting is available in the Disclosures on Management Approach (DMA) at [www.verbund.com](http://www.verbund.com) > Investor Relations > Financial reports

## Diversity concept for appointments to the Executive Board and Supervisory Board

(Section 243c(2)(2a) of the Austrian Commercial Code, UGB)

GRI 405-1  
GRI 103-2

SDG 5

Studies indicate that mixed teams achieve better results and are more effective and innovative than homogeneous groups. This is also true for a company's boards. When members of the Executive Board and the Supervisory Board are being appointed, in order to get maximum benefit from different perspectives for entrepreneurial decisions the following principles shall therefore also be applied in addition to the general and company-specific requirements for specialised and personal qualifications:

### Supervisory Board

The relevant aspects of a diverse composition of the Supervisory Board include the age of its members and the duration of their membership in the Supervisory Board, balanced representation of men and women, internationality and a balance in the education and career backgrounds of its members.

**Age:** The aim is to achieve a balanced age structure among members in which the difference between the oldest and the youngest member shall be a minimum of 20 years in order to allow input from the different views of the generations.

No Supervisory Board member may remain on the Supervisory Board for more than 15 years.

**Gender representation:** With the change in the composition of the Supervisory Board which took place in April of last year, the Supervisory Board of VERBUND AG (overall) is in compliance with the statutory quota applicable from January 2018 requiring 30% of the less-represented gender on the supervisory board (women, in the case of VERBUND).

The objective is to comply with the federal government's decision from 2011: by 2018, women will make up at least 35% of the shareholder representatives on supervisory boards of state-owned companies.

**Internationality:** The Supervisory Board shall have an appropriate number of members (at least three) who spent a significant part of their professional career abroad or have many years of experience in international business.

**Educational and career background:** The goal is a Supervisory Board made up of members with the widest possible range of educational backgrounds and experiences from different professional careers. On the Supervisory Board, at least one member of the Supervisory Board shall contribute proven skills and expertise in each of the following areas:

- economics/management/finance/human resources/risk management;
- legal expertise;
- market/customers;
- technical skills/innovation; and
- sustainability/environment/stakeholder management.

The Supervisory Board will consider these diversity criteria in its recommendations for the next elections to the Supervisory Board. The term of office of all current Supervisory Board members expires as at the Annual General Meeting in 2020.

## Executive Board

The relevant aspects of a diverse composition of the Executive Board include a balance in the educational and career backgrounds, internationality and the duration of its unchanged composition.

**Educational and career background:** In addition to extensive managerial experience and comprehensive industry knowledge, members of the Executive Board shall have a sound education and relevant professional experience in either the technical or the commercial/administrative area.

**Gender representation:** For the medium term, the Executive Board shall have one female member.

**Internationality:** Some members of the Executive Board shall have spent a significant part of their professional career abroad or have many years of experience in international business.

**Duration of the composition:** The composition and division of responsibilities of the Executive Board shall not remain unchanged for more than ten years.

The Supervisory Board took these aspects into account in appointing the members of the Executive Board in the reporting period.

## Measures for the advancement of women

(Section 243c(2)(2) of the Austrian Commercial Code, UGB)

In accordance with its commitment to sustainable management, VERBUND addresses issues of social relevance such as equal opportunity in the workplace. VERBUND treats all its employees equally, regardless of their gender, age, religious beliefs, disability, culture, skin colour, social origins, sexual orientation or nationality. Decisive action is taken against any form of discrimination or harassment.

GRI 405-1  
Detailed information on  
measures to advance  
women can be found in  
the annual report in the  
section entitled Human  
resources and social  
responsibility

SDG 5

Since the selection of Supervisory Board members is solely the responsibility of the Annual General Meeting and depends on delegates being appointed as employee representatives, the Executive Board has no influence on whether there are any women on the Supervisory Board of VERBUND AG. With Elisabeth Engelbrechtsmüller-Strauß, Susanne Riess, Christa Wagner, as well as the employee representatives Doris Dangl and Isabella Hönlinger, the Supervisory Board of VERBUND AG has five women members, which equates to a female membership of one-third.

As at 31 December 2018, eight women held management positions within the Group (first and second levels of management). The percentage of women in management positions is therefore 9.5%. The percentage of women among employees throughout the Group is 17.6%. One female executive has worked part time since 2012.

In order to ensure that the company diversity management system is permanently integrated into and further developed within the Group, all equal opportunity agendas will be fully executed by the Diversity & Inclusion manager.

VERBUND promotes women through a variety of measures, listed here as examples:

- Under the VERBUND diversity strategy, particular emphasis is placed on the dimension of gender, for which targets and measures are defined and implemented.
- Executives from the first level of management are also measured against targets set to promote the equal treatment of women.
- The VERBUND women's network addresses the ongoing development of a sustainable strategy for the advancement of women within VERBUND.
- Each year, VERBUND awards a scholarship to highly qualified women studying technical subjects.
- VERBUND takes part in Take Your Daughter to Work Day to promote technical careers to girls while they are still at school and awaken their interest in the fascinating technical professions.
- In 2018, VERBUND received the Work and Family Audit certificate for the fourth time.
- On a regular basis, VERBUND prepares an income report comparing the salaries of men and women.

Vienna, 14 February 2019

The Executive Board



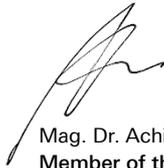
Dipl.-Ing. Wolfgang Anzengruber  
Chairman of the Executive Board



Mag. Dr. Michael Strugl  
Vice-Chairman of the Executive Board



Dr. Peter F. Kollmann  
Member of the Executive Board



Mag. Dr. Achim Kaspar  
Member of the Executive Board