

# Past. Present. Future. Powered by VERBUND.



# MANAGEMENT APPROACH

In this document, we present an overview of VERBUND’s central management systems.

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## Strategy

The Group Executive Board is responsible for developing the Group's strategy. It determines the corporate targets together with the strategy team or the managing directors of the Group subsidiaries and the heads of key business areas.

Information on  
VERBUND's strategic  
direction can be found  
at: [www.verbund.com](http://www.verbund.com) >  
[About us](#) >  
[Corporate Mission](#)

## Corporate Governance

### The Austrian Code of Corporate Governance

The "Austrian Code of Corporate Governance" ([www.corporate-governance.at](http://www.corporate-governance.at)) was presented to the public in September 2002. Since then, it has been adapted and updated several times. The version currently in effect is dated 1 January 2015. The Austrian Code of Corporate Governance is available from the website of the Austrian Working Group for Corporate Governance at [www.corporate-governance.at](http://www.corporate-governance.at). In accordance with its international objective, the Code is intended to strengthen the confidence of investors, customers and the public in companies and groups in the capital market.

The Code is a framework for the management and control of companies and is geared towards ensuring responsible, sustainable and long-term value creation. This is intended on the one hand to achieve greater transparency in the capital market, and on the other to improve the quality of cooperation between management boards, supervisory boards and general meetings. In particular, exchange-listed stock corporations in Austria are called upon to agree to comply with the Code in a public declaration. It is intended for adherence to the Code to be reviewed regularly by an external institution on a voluntary basis and the outcome to be published.

### Implementation of the Code of Corporate Governance at VERBUND

VERBUND AG is a listed stock corporation domiciled in Austria. VERBUND shares are listed on the Vienna Stock Exchange. They are traded in London through the European Quoting Service (EQS) and in the US through an ADR (American Depository Receipt) programme. VERBUND's management system is based on Austrian law, in particular the Stock Corporation Act, the Commercial Code and capital market law, the regulations governing employee co-determination, the Company's Articles of Association, the rules of procedure for the Company's boards and the Austrian Code of Corporate Governance (Österreichischer Corporate Governance Kodex, ÖCGK). This results in a corporate governance framework with strict rules governing corporate actions and corresponding regulations relating to the diligence and liability of the boards of stock corporations.

VERBUND has declared 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 the rules of the Code as fully as possible and to maintain and continue to develop the Group's high internal standards. Active and, as far as possible, seamless 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 thus represents an essential building block for strengthening the trust placed in the Group by shareholders, business partners, employees and the public.

Application of and compliance with the Austrian Code of Corporate Governance are evaluated externally by an independent auditor at regular intervals. The last such evaluation took place for 2013.

Every year, VERBUND prepares a comprehensive, written corporate governance report containing not only the information prescribed by law but also the additional information stipulated by the Code of Corporate Governance. The report provides detailed information on the Group's Executive Board and Supervisory Board as well as compliance with the Code of Corporate Governance and is published in the integrated VERBUND annual report and on the VERBUND website.

### Management Board

Austrian stock corporation law prescribes a dual management system that provides for strict separation of the management board as a managing body and the supervisory board as a supervisory body. It is not permitted to be a member of both the management board and the supervisory board.

The management board has sole responsibility for managing the company and "shall endeavour to take into account the interests of the shareholders, of the employees and the public good". In addition to stock corporation law, the law governing the filling of positions (Stellenbesetzungsgesetz, Federal Law Gazette I [BGBl] 26/1998), the regulation governing the filling of positions (Stellenbesetzungsverordnung, Federal Law Gazette II [BGBl] 254/1998) and the relevant provisions of the Code of Corporate Governance apply to the appointment of the Executive Board of VERBUND AG.

After putting out a public tender, the Executive Board of VERBUND AG is selected by the Supervisory Board at the suggestion of its Nomination Committee for a maximum term of five years on the basis of a detailed job description. The selection procedure, which is carried out under the supervision of an external consultant, also includes an opportunity to hear from the candidates. Re-appointment is possible.

The Executive Board conducts the Group's business activities and represents it externally. It is responsible for all operating activities, for the organisational and operational structure of the Group and for its corporate strategy, which is coordinated with the Supervisory Board. The Executive Board is not required to take instruction from either the Supervisory Board or the General Meeting. However, certain significant Executive Board management actions require the approval of the Supervisory Board.

To support it, the Executive Board grants signatory authority governed by law and either comprehensive in scope ("Prokura") or limited to a defined area (limited authority) to members of senior management with the approval of the Supervisory Board. There are currently seven authorised signatories and five authorised representatives at the parent company of the Group, VERBUND AG. Such powers also exist in the major subsidiaries.

For details on the composition of the Executive Board and on its operation and allocation of responsibilities, please refer to the annual corporate governance reports.

### Supervisory Board

The Supervisory Board of VERBUND AG comprises ten members (shareholder representatives) elected by the General Meeting and five members appointed by the Works Council. The Supervisory Board members are appointed in accordance with the Austrian Stock Corporation Act (Aktiengesetz, AktG) and the Austrian Code of Corporate Governance (especially rules 42, 44, 52 and 53) for a maximum of five years, with the Supervisory Board required to propose its candidates for election to the General Meeting. Pursuant to the provisions of the Austrian Labour Constitution Act (Arbeitsverfassungsgesetz,

ArbVG, Federal Law Gazette [BGBl] 22/1974 as currently amended), employee representatives are entitled to appoint one member to the supervisory board for each two shareholder representatives on the board, with the members appointed by the employee representatives having the same rights and duties as the shareholder representatives.

Under Austrian law, elected supervisory board members may not be members of the management board or employees of the company in question.

The Supervisory Board does not perform any operating tasks. It advises the Management Board and supervises its management of the Company. To this end, the Management Board receives regular and comprehensive information on the performance, position and strategy of the Group as well as on the risk position and risk management.

The Supervisory Board submits a proposal for the election of the auditor and engages the auditor. Each year during the audit of the financial statements, the auditor provides the Supervisory Board with a separate report on the reliability of risk management. This includes sustainability risks as well as the written quarterly reports on operating risk management that the Supervisory Board discusses at each of its meetings.

The performance of the Supervisory Board is evaluated annually during the ordinary general meeting, at which the shareholders vote to approve the actions of the Supervisory Board. In addition, the Supervisory Board also performs a self-evaluation of its actions each year.

Pursuant to the law and the Code of Corporate Governance, supervisory boards must form the following committees:

- a working committee (preparation of all meetings, emergency committee);
- a nomination committee (nomination of new management board and supervisory board members);
- a remuneration committee (matters relating to remuneration of the management board, pension arrangements, target agreements, management board contracts); and
- an audit committee (annual financial statements, internal control system).

Detailed information on the operation, meetings and composition of the Supervisory Board and its committees, on the independence of members of the Supervisory Board and on the self-evaluation of the Supervisory Board and handling of conflicts of interest can be found in the Group's annual corporate governance report.

### General Meeting

The General Meeting is the Group's most senior body. All shareholders may exercise their rights at the meeting, which is held at least once a year. The 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. This also applies to NGOs participating in the General Meeting as shareholders.

Irrespective of their shareholding, each shareholder participating in the General Meeting has the right to speak, ask questions, submit motions and vote. Each share in VERBUND AG grants the holder one vote ("one share, one vote"). 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 General Meeting are restricted to 5% of the share capital”.

Questions posed by shareholders at the General Meeting are responded to in detail by the Executive Board, and the Executive Board states its position regarding any suggestions or criticism. Resolutions of the General Meeting are generally adopted by a simple majority of the votes cast. All shareholders are entitled to submit motions to adopt resolutions, regardless of their shareholding. An exception to this are proposals for election to the Supervisory Board, which may only be submitted by shareholders with a shareholding of at least 1% of the share capital.

The main tasks and responsibilities of the General Meeting include deciding on the appropriation of profits, electing the Supervisory Board, electing the auditor, approving the actions of the Executive Board and the Supervisory Board and making amendments to the Articles of Association. The General Meeting may not issue instructions to the Executive Board or the Supervisory Board.

The agenda of the General Meeting, the resolutions adopted and the results of votes are published on the Group’s website.

#### **Rules of procedure**

Separate rules of procedure have been enacted by the Supervisory Board for both the Executive Board and the Supervisory Board.

The rules of procedure for the Executive Board govern the allocation of responsibilities and how the members of the Executive Board must work together. In addition, the rules of procedure lay down the Executive Board’s duties to notify and report, and contain a list of measures that require approval by the Supervisory Board or its Working Committee (including threshold values for obligations to obtain approval). These also include material business transactions executed by the Group’s main subsidiaries. The allocation of responsibilities within the Executive Board defines the range of duties of the Executive Board members without prejudice to the overall responsibility of the Executive Board.

The rules of procedure for the Supervisory Board govern the organisation and the operation of the Supervisory Board and its committees.

The same strict standard of diligence applies to both the management board and the supervisory board of an Austrian stock corporation (diligent execution of actions, high degree of confidentiality). If that standard of diligence is violated, the stock corporation may demand compensation.

#### **Minority protection in stock corporation law**

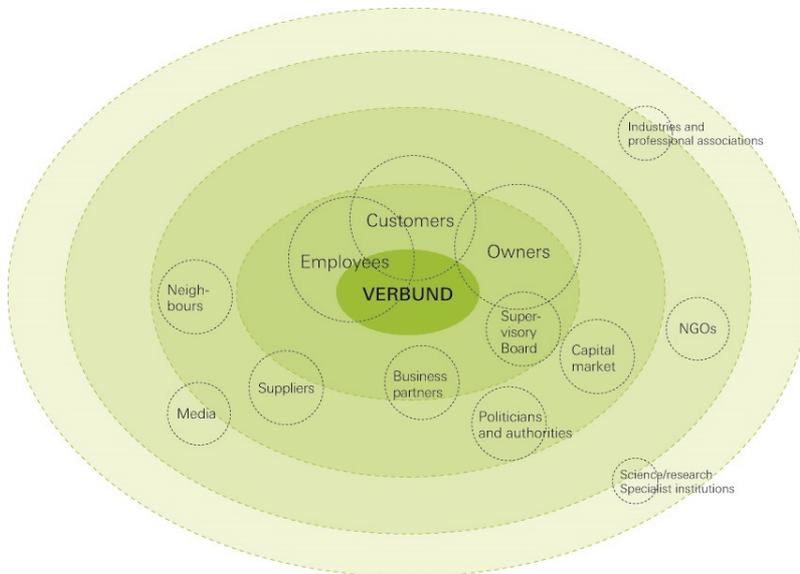
Austrian stock corporation law requires that all shareholders be treated equally. Small and minority shareholders enjoy special protection. For example, they may convene a general meeting or demand that an item be added to the agenda if they jointly hold 5% of the shares in the company. A minority of 1% has the right to have proposals for resolutions submitted by it to the general meeting published on the company’s website.

## Stakeholder management

Stakeholder management, which focuses on stakeholders in the public affairs context (particularly policymakers, ministries, expert organisations, NGOs, interest groups and associations) and the management of external memberships and representation, is coordinated and managed by Public Affairs. Other stakeholder groups are managed and supported by the organisational unit responsible for the area of expertise concerned.

### Stakeholder identification

Building on the stakeholder analysis carried out in 2013 regarding importance and proximity to the Group, the relevant stakeholder groups have been identified as follows:



### Selected stakeholder groups

#### Customers

VERBUND supplies private households as well as agricultural and commercial businesses across Austria with clean hydropower. In addition, VERBUND provides customers in the business and industrial segments with a reliable supply of electricity and, since November 2014, has also supplied them with climate-neutral gas. VERBUND also offers customised products to its market partners and corporate customers in Germany. The customer platform on the VERBUND website and the call centre are the media through which customers prefer to contact us. Regular newsletters, the VERBUND shop in Vienna and the Group's presence at trade fairs present additional opportunities for contact.

VERBUND's freephone customer service number (+43 (0) 0800 210 210) is available to our existing customers to answer all of their questions and to advise potential customers on switching their

electricity and gas supplier. The service centre responds to some 200,000 to 250,000 enquiries by phone or email each year.

The VERBUND website at [www.verbund.at](http://www.verbund.at) offers potential customers an overview of the Group's product portfolio, gives individual price comparisons and provides details on facilitating the switch to VERBUND as well as answers to frequently asked questions.

Existing customers can view their bills online and change payment amounts, bank details and their personal profiles, switch their service address or discontinue service, and view their annual consumption and average daily consumption data.

Our marketing communications comply with the PRVA Code of Honour promulgated by the Public Relations Association of Austria as well as the Athens Code, the Media Transparency Act, the Lobbying Act and the laws on competition and copyrights. The legislation relevant to our specific sector is the Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, EIWOG)/Electricity Labelling Regulation.

Legal aspects such as consumer and data protection are given priority throughout the process, from planning advertising campaigns to implementing campaign measures. It is important to us to inform all interested parties about the respective campaigns to the best of our ability.

#### **Certified product quality**

VERBUND has been known for some time as one of Austria's most environmentally friendly producers of electricity, with the Group having taken on a pioneering role in the area of hydropower certification. Since 1999, all of the electricity generated each year from hydropower has been certified by the TÜV SÜD technical inspection authority (southern Germany branch). The VERBUND electricity that is 100% hydropower-generated is produced by river power plants and storage power plants as well as natural water inflows from pumped storage power plants.

#### **Labelling**

VERBUND provides details on electricity labelling and its supplier mix on all invoices and product brochures as well as on its website. The VERBUND electricity label pursuant to Sections 45 and 45a of the Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, EIWOG) reads as follows: 100% of VERBUND's electricity for standard load profile household customers is generated from hydropower. As a result, no carbon emissions or radioactive waste accrues for these products.

#### **Payment by instalments**

Anyone can encounter difficulties in paying their bills, for example in the case of an extended stay in hospital. VERBUND assists by offering payment by instalments, calculated without adding default interest, of course. To help customers avoid service disruptions, those who are in arrears are given notice via a three-step reminder system. In the first step, the customer is sent a written payment reminder approximately ten days after the invoice is due. If the customer does not respond, a warning notice is sent approximately 14 days later. If the customer still does not take action, a registered letter is sent approximately 14 days after that informing the customer that the service will be disconnected and a new electricity supplier will have to be found. The outstanding amounts are again listed in that letter. In addition, the customer is given the opportunity to pay the outstanding amounts immediately. If the customer does so, the notice of termination is cancelled and the supply continues uninterrupted.

**Customer service**

The VERBUND service centre team provides a high level of service when handling customer enquiries. To ensure that language or cultural barriers do not impede communication with customers, the call centre employs people with different native languages so that information can be provided in the customer's language if required.

**Customer satisfaction survey**

Each year, a customer satisfaction analysis is undertaken to enable us to become even better at meeting our customers' needs. VERBUND is the most well-known brand in the electricity sector throughout Austria and has succeeded in holding its leading position as a supplier of electricity generated 100% from hydropower. The overall level of satisfaction of VERBUND's customers across all segments is very good, which creates an ideal basis for further expanding our customer base.

**Project communities and neighbours**

It is important to us to maintain good contacts with local owners near our sites (hydropower plants, wind farms, grid installations and office buildings).

Infrastructure projects that directly affect the space where people live are a particularly sensitive matter. In order to guarantee the quality of our communications, we have set out our basic principles in the form of a guideline. The guideline must be adhered to with respect to all investment and construction plans and projects implemented by VERBUND in Austria or abroad that impact the public as well as with respect to joint projects. Key elements are the provision of early and detailed information to those affected, along with an invitation to engage in open dialogue. Honesty and respect as well as credibility and transparency are the most important principles in our communications.

VERBUND assumes responsibility for the necessary intervention in nature and the environment and for the resulting accompanying and compensatory measures. Points of view and representations are substantiated by third-party experts or by means of reference projects. The scenario in which a project is initiated and its benefits for specific interest groups and the general public are communicated in detail. VERBUND places great value on keeping all parties involved informed, promptly and throughout all phases of a project (the planning phase, the environmental impact assessment and the construction phase). For each project, a communication plan sets out the action to be taken as well as the time schedule, the responsibilities and the budget for the communication measures. Major suppliers and general contractors involved in the project are included in the project communications.

The contact at the project site is either the regional communications manager or the project head responsible, whose contact data is provided in all of our media. The main communication channels and methods for including those involved are as follows:

- citizen informational events;
- citizen forums;
- public relations;
- project info centres locally or at information fairs and on informational tours;
- presentation of the project on the VERBUND website; and
- project documentaries, project newsletters, flyers and bulk advertising mailers.

### **Requests from neighbours**

The central communications department and, specifically, the respective regional communications manager and his deputy, act as the general point of contact for all kinds of information, from tour requests to suggestions and complaints. Neighbours and interested parties can also visit VERBUND in person or get in touch by phone, email, letter or through social media. VERBUND supplies information in the form of flyers and press releases as well as on its website, the VERBUND blog, during face-to-face appointments, etc.

### **Officially prescribed measures**

If a project is subject to an environmental impact assessment (EIA), VERBUND is legally obligated to inform the public. The authorities do not prescribe the details of individual measures. For on-site projects, either the regional communications manager or the responsible project head is specified as the contact for all media channels. The project head is the “face” of the project and is generally the main contact in communications with the public, official bodies and project partners. The transparency of VERBUND’s planning and implementation processes go beyond the official requirements. We identify interest groups, with whom we discuss our plans and whose input flows into the planning and implementation of the project in question.

### **Voluntary provision of project information**

Projects not subject to an EIA are usually announced by mailshots in the regions affected. The mailings always specify a contact and provide the opportunity for additional enquiries.

### **Voluntary events**

Whenever a project is completed (such as a new build or major overhaul) or when there is an anniversary to celebrate, this presents an opportunity to have an open day. These events are always well attended and offer an excellent opportunity for neighbours to obtain information directly on site.

### **Voluntary collaboration with local volunteer organisations**

VERBUND’s social responsibility is evident, among other things, in our support for the local emergency services organisations in the vicinity of our hydropower plants. The occasions for and scope of our support for emergency services units are described in internal sponsoring guidelines published by VERBUND Hydro Power GmbH, our operating subsidiary.

### **Support for local youth**

As part of its electricity school, VERBUND offers a variety of educational opportunities at local schools and other educational institutions. This includes the VERBUND climate school in the Hohe Tauern National Park. The Group actively recruits apprentices living in the vicinity of the plants, which also impacts the employment situation in the region.

### **Promoting tourism**

VERBUND has a long tradition of opening up its power plants to interested visitors. “Hydropower tourism” began at VERBUND’s Alpine reservoirs in Kaprun, which serve as an important symbol of Austrian reconstruction after World War II. VERBUND values this heritage and is an essential partner for tourism in Carinthia, Salzburg and Tyrol. The power plant sites that have been opened up to visitors and tours in the other federal states also serve to promote tourism, as do recreational facilities such as bicycle lanes.

### **Complaints**

Complaints are important as an indication of how processes can be improved. They are handled by the department or power plant group management responsible, who define who will assume responsibility for contact going forward. Such contact may involve a response from the communications manager or a

VERBUND climate school  
in the Hohe Tauern  
National Park:  
<http://www.verbund.com/ed/de/stromschule/klimaschule-nationalpark-hohe-tauern> (information in German only).

meeting directly with operating department specialists. The central communications department decides on whether additional public relations work is needed (e.g. for complaints about limited opening hours for power plant crossings) and coordinates all activities.

#### **Relocation**

VERBUND and its independently operating grid subsidiary, APG, plan all major projects so that neighbours do not require compulsory relocation.

#### **Employees**

VERBUND attaches great importance to the training and continuing education of its employees as well as to a healthy work-life balance. Open communication and a culture of discussion in which appreciation is shown for others provide the basis for us to work together constructively and successfully. In addition to discussions in person, important channels of communication include informational events, the intranet and the “kontakt” employee magazine.

#### **Shareholders**

The Investor Relations department maintains contact with VERBUND shareholders to ensure that the cooperation with our owners is efficient and transparent. The majority shareholder in VERBUND is the Republic of Austria with a share of 51%, followed by a syndicate comprising EVN AG and Wiener Stadtwerke Holding AG with a share of more than 25% and TIWAG with a share of more than 5%. Less than 20% of the shares are in free float. Regular shareholder information, road shows and the General Meeting are the communication tools used specifically for this group of stakeholders.

#### **Suppliers**

In addition to face-to-face contact with our staff in Purchasing, the ASTRAS supplier portal on our website contributes to the efficient processing of tenders and the awarding of contracts, taking sustainability aspects into account. VERBUND takes part in the local and regional economy in the areas where it maintains sites. The sites are combined into power plant groups responsible for on-site decision making, including decisions with far-reaching consequences. All tenders are processed in accordance with strict awarding criteria. Although no explicit provisions have been made for giving preferential treatment to local suppliers, experience shows that when major investments are made, some 30% of the added value comes from the nearby vicinity.

#### **NGOs and interest groups**

VERBUND regularly invites representatives from the major environmental protection organisations – including ÖKOBÜRO, Klimabündnis, Greenpeace, GLOBAL 2000 and WWF – to round table meetings where current issues are discussed, common interests explored and further initiatives agreed. We also maintain an open and trusting relationship with consumer organisations and employee representatives.

#### **Media**

As Austria's largest utility, VERBUND is frequently in the focus of media reports on issues such as hydropower, electricity generation and electricity prices. Our goal is to keep the media supplied with comprehensive, up-to-date information on our activities. The most important channels of information and communication for VERBUND stakeholders are:

- discussions in person
- VERBUND website
- emails
- newsletters
- publications and brochures
- integrated annual report (until 2014: annual report and sustainability report)
- citizen forums
- hotlines
- media
- social media
- trade fairs, conferences and events
- press conferences and press releases
- expert lectures

#### **Commitment to society**

VERBUND is dedicated to conservation and the efficient use of electricity, a valuable form of energy. Therefore, the Group is also involved in educating young people about the environment and climate change. For example, the VERBUND Hohe Tauern National Park climate school and the VERBUND electricity school have been in existence since 2010. In cooperation with Caritas, a Catholic charity, VERBUND also contributes to relieving energy poverty in Austria, and together with Diakonie, supports people who depend on assistive technologies for communication.

The VERBUND Electricity Relief Fund, which was initiated and financed by VERBUND in 2009 and is operated by Caritas, offers the following support to households in financial need:

**Energy consulting:** certified energy consultants in all federal states inspect the households of individuals seeking assistance from Caritas to see how and where they can save energy (not only electricity), for example by installing energy-saving appliances, putting in new window insulation, etc.

**Appliance exchange:** the fund supports the exchange of inefficient appliances for energy-saving appliances. Household appliance makers Bosch, Siemens and Neff provided brand-name, energy-saving appliances as soon as the Electricity Relief Fund started.

**Interim financing of electricity bills:** if a household is unable to pay its electricity bills and payment by instalments is not an option either, the Electricity Relief Fund steps in prior to the supply being disconnected, regardless of who the service provider is. This saves the household the reconnection charges. To qualify for interim financial assistance, the household must undergo an energy consultation and implement any efficiency measures deemed necessary. One year after the efficiency measures have been implemented, the energy consultant measures their effectiveness.

More than 60,000 people with speech impediments live in Austria. With the aid of the VERBUND Empowerment Fund run by Diakonie, help was provided to around 9,000 people over the past five years to enable them to live a considerably more independent life through the use of cutting-edge technologies.

### Political and administrative bodies

VERBUND clearly communicates the Group's goals and ideas to political decision-makers and the public. On important issues, VERBUND takes a clear position in active dialogue with political bodies and authorities at local, regional and national levels as well as with the institutions of the European Union.

Dialogue with political and societal decision-makers is a key element of sustainable Group management. We want to contribute to solving energy and climate change policymaking challenges by offering our points of view. Our expertise can help to develop stable and fair operating conditions for our energy future.

For VERBUND, the responsible representation of interests to our stakeholder groups is of central importance. Our most important stakeholders in terms of representation of interests are decision-makers and leading experts in politics and the public sector in Austria, Germany and the rest of the European Union as well as expert organisations, associations and other interest groups such as environmental organisations. We endeavour to exchange information regularly with these groups on energy and environmental policy topics.

In its dealings with stakeholders, VERBUND has established clear policies for transparent and responsible advocacy. We base our policies on objective considerations and bring constructive input to the decision-making process. In line with our mission statement and our basic values, we are committed to the responsible, sustainable advocacy of our interests.

### Interest groups

VERBUND has developed a code of conduct for lobbying activities which reflects the Austrian Lobbying Act (Lobbying- und Interessenvertretungs-Transparenzgesetz) and the Austrian Anti-Corruption Act (Korruptionsstrafrechtsänderungsgesetz). The code incorporates the most important principles from our internal guidelines, specifying clear and transparent procedures for the representation of our interests, and is published on the VERBUND website.

We have registered our in-house lobbyists in the public Lobbying and Advocacy Register. External consultants providing public affairs/lobbying services to VERBUND are also included in the public register. We are also listed in the Transparency Register of EU institutions through our Brussels office. Information on staffing, the budget and other relevant areas are disclosed in the Transparency Register, for example. VERBUND's positions on regulatory activities by public authorities are published on the websites of the respective institutions, including those of the Austrian parliament, EU institutions and E-Control.

### External memberships and representations in bodies

Membership in and cooperation with associations and professional organisations are an important part of responsible advocacy work. VERBUND is therefore represented in numerous associations so as to optimally contribute its knowledge and integrate its interests as well as to acquire expertise that could be of value for the Group's further development.

Focus is placed on national interest groups as well as scientific organisations and professional associations. Factors such as transparency, clarity and responsibility are of particular importance to us in our advocacy efforts. Any memberships held by VERBUND must therefore be consistent with the Group's mission statement and the principles of responsible representation of interests.

Our Code of Conduct – Representation of Interests and our points of view are available at: [www.verbund.com](http://www.verbund.com) > About us > Representations of interests > Our Views

In order to ensure that processes for dealing with memberships and assigning representatives are uniform and clearly structured, we have set out the basic rules in the form of a guideline. The guideline governs responsibility for initiating, managing and terminating VERBUND's memberships and assigning representatives. For example, the Executive Board of VERBUND decides on initiating and terminating memberships that are of significance to the entire Group and on assigning representatives to bodies of Group-wide importance. In addition, overall coordination and support for all of the Group's memberships are bundled into a single organisational unit.

The following principles must be observed when deciding on initiating and terminating memberships:

- All memberships must be consistent with VERBUND's mission statement.
- The benefits to and interests of the Group are the crucial factors with regard to memberships. Personal interests must be set aside when deciding on a membership. For each membership, the specific added value for the Group must be established.
- Holding memberships in political parties or political activist organisations is not in accord with the Group's principles. Memberships in organisations that are closely affiliated with political parties must be considered on an individual basis in consultation with the compliance officer at VERBUND. This is intended in particular to prevent the extension of donations to political parties, political activist organisations or holders of political office.
- Explicit justification must be given if a personal membership is taken out that is in the interest of the Group and is paid for by the Group rather than a corporate membership.

VERBUND and the companies in the VERBUND Group are members of the following organisations, among others:

- Austrian Mobile Power
- German Association of Energy and Water Industries
- German Chamber of Commerce in Austria
- European Federation of Energy Traders
- Federation of Austrian Industries
- Oesterreichs Energie
- Austrian Water and Waste Management Association
- Austrian National Committee of the World Energy Council
- Global Reporting Initiative: Organizational Stakeholder
- respACT
- Transparency International

VERBUND employees are also active in EURELECTRIC bodies and other European interest groups as a result of nominations by Oesterreichs Energie.

### Support for external initiatives on climate protection

#### EU 2030 climate and energy framework

The EU has established climate and energy targets to be met by the member states by 2030. Carbon emissions are to be reduced by a minimum of 40%, at least 27% of all energy consumed should come from renewable sources and the (non-binding) energy efficiency target has been set at 27%. VERBUND regards these targets as milestones in creating a climate-friendly energy future with security of supply. To achieve the targets, the CO<sub>2</sub> market will have to regain its function as a control mechanism for the transition to new forms of energy. A stability reserve should be used to reduce the massive oversupply of carbon certificates. Subsidies should be gradually reduced for all technologies while at the same time expanding renewable energy by means of targeted market structures such as a functioning emissions market.

The best way to reach the climate change targets, however, will be through further increases in energy efficiency. Therefore, the intention is to implement corresponding measures wherever the most savings potential can be leveraged.

#### Position paper on climate change from VERBUND and NGOs

To speed up the transition to a future of renewable energy, there is an urgent need for a global treaty and effective CO<sub>2</sub> instruments.

Prior to the 2015 Conference on Climate Change in Paris (COP21), VERBUND and Greenpeace, GLOBAL 2000 and the WWF along with two Austrian environmental organisations, Ökobüro and Klimabündnis Österreich, presented their joint position on climate change, stating that a comprehensive global climate change agreement, an energy and climate change strategy with medium and long-term targets, as well as effective CO<sub>2</sub> instruments are urgently required.

#### NAZCA (Non-State Actor Zone for Climate Action)

At the international level, the UN has established the NAZCA platform where VERBUND is also represented by the publication of its climate change targets via CDP and the issue of green bonds.

#### Paris Pledge for Action

In preparation for COP21, VERBUND signed a declaration of support for a French government initiative. The Paris Pledge for Action signalled VERBUND's support for COP21 and underlined the Group's commitment to environmental protection.

The Paris Pledge for Action reads as follows: "The non-state actors who join the Paris Pledge for Action are demonstrating that they are ready to play their part to support the objectives of the Paris agreement. They show that they are willing to work to support efforts in meeting and exceeding the ambition of governments to keep the world on a trajectory that limits the global warming temperature rise to less than 2 degrees Celsius."

More information is available at <http://climateaction.unfccc.int/company/verbund-ag>  
See also <http://parispledgeforaction.org/whos-joined/>

Support for external social initiatives:

#### **Diversity Charter**

The Diversity Charter (“Charta der Vielfalt”) is an initiative of the Austrian Economic Chambers and the Vienna Economic Chamber aimed at promoting appreciation for all members of society, regardless of gender, age, origin or race, sexual orientation, religious or cultural beliefs or physical or mental disability. VERBUND signed the Diversity Charter in 2012 and has been a premium member since 2015.

#### **Companies for Families**

The Companies for Families network (Unternehmen für Familien) is an initiative of the Austrian Federal Ministry of Families and Youth to promote awareness and acceptance of a family-friendly work-life balance. Companies and communities pledge to focus on the interests of families in their actions and to work together with other companies and communities to help proliferate a family-friendly environment in Austria through active public relations work. VERBUND has been a member of the Companies for Families network since 2015.

#### **Work and Family Audit**

The Work and Family Audit is an initiative of the Federal Ministry of Families and Youth directed at companies that promote a work-life balance. VERBUND received Work and Family Audit certification in 2009, and renewed its certification in 2012 and 2015.

#### **TUtheTOP**

The Vienna University of Technology’s high flyer programme gives TUtheTOP participants an insight into the Group and enables them to have personal discussions and dialogues with our employees. VERBUND has a varied programme on offer, including excursions, workshops, guided tours and presentations.

#### **Women’s Scholarship**

VERBUND awards the women’s scholarship each year together with the Vienna University of Technology Career Center. The aim is for the Group to attract more qualified women, particularly technicians.

#### **Women in Technology**

Women in Technology (“Frauen in die Technik”, or FIT) generates interest among girls to pursue technical professions, motivates female high school graduates to study technical subjects and presents successful women in technical professions as role models. In this way, we hope to break down inhibitions and anxieties about technical or scientific education among girls.

#### **Take Your Daughter to Work Day**

For many years, VERBUND has participated in the Take Your Daughter to Work Day in Vienna. This campaign by the City of Vienna, the Vienna Economic Chamber and the Vienna School Board introduces girls to technical professions.

#### **amaZone Award**

VERBUND’s apprenticeship training programme was awarded the “amaZone Award” by the “Sprungbrett” association which provides recognition to businesses with a particular commitment to training women in trade and technical professions.

VERBUND also regularly takes part in studies and expert opinions that are relevant to the Group in order to generate current figures and data as well as scientific findings on energy policy topics. Our specialists contribute their expertise and their experience. A selection of studies commissioned by VERBUND is presented below.

#### **Macroeconomic study on the value of hydropower**

Hydropower makes a significant contribution to the European economy, to securing the supply of electricity, and to environmental protection, as clearly indicated by a study entitled “The hydropower sector’s contribution to a sustainable and prosperous Europe”. The study contains new data and facts on the economic value of hydropower for all of Europe.

With VERBUND as the lead coordinator, a consortium of 21 top hydropower companies and associations in Europe commissioned DNV GL, an internationally renowned consulting firm, to conduct the study. The companies involved represent some 95% of all installed hydropower output in Europe (EU-28, Norway, Switzerland and Turkey). EURELECTRIC and the International Hydropower Association (IHA) participated in the project as cooperation partners.

#### **Study on the ecological and economic effects of electromobility**

For electromobility to become a real option, what is needed above all is electricity. When that electricity is sourced from renewable energy, electromobility can make a significant contribution to reducing CO<sub>2</sub> emissions. But how much of a reduction can be expected, and what other effects will there be on the environment? What are the potential economic impacts? Is electricity from 100% renewable sources economically feasible with respect to electromobility? What conditions would need to exist? These questions were addressed in a study commissioned by VERBUND and entitled “Electricity for electromobility from 100% renewable sources”. The study was carried out by A.T. Kearney and the Vienna Technical University.

## Secure supply of electricity in a liberalised market

One of VERBUND's key concerns is ensuring that customers enjoy a secure supply of electricity, which entails reliable and sustained electricity generation. Prior to liberalisation of the electricity market, VERBUND had a legally defined mandate to supply electricity (Nationalisation Act of 1957), i.e. VERBUND was required to ensure a balance between electricity supply and demand in Austria. VERBUND fulfilled its mandate by planning, constructing and operating power plants and transmission lines as well as by exporting and importing quantities of electricity.

When the Austrian electricity market was fully liberalised in October 2001, VERBUND's legal obligation was reduced to operating the high-voltage grid.

Today, "security of supply" therefore means the following for VERBUND:

- providing all market participants with a high-performance and reliable high-voltage grid;
- increasing the efficiency of existing sites, i.e. establishing and operating sustainable electricity generation facilities;
- supplying system services for network stabilisation;
- conducting application-based, forward-looking research and innovation projects; and
- guaranteeing a high level of operational readiness and thus reliable electricity generation.

Thus in addition to the officially prescribed regulations and statutory provisions, VERBUND has established its own standards for the operation of power plant and grid facilities, some of which go beyond the official requirements. The protection of people and the environment forms the basis of our endeavour to ensure a secure supply of electricity.

A key indicator of the operational readiness of our power plants is plant availability, which indicates the reliability of electricity generation and, indirectly, of the power supply. The high level of availability of our power plants acts as confirmation of our operation and maintenance strategy and is an important factor in the success of our Group.

### High-performance power plant portfolio

Hydropower plants, which are responsible for more than 90% of the electricity generated by VERBUND, are the main pillar for maintaining the security of supply at VERBUND.

The performance of the power grid represents another pillar of security of supply at VERBUND. This depends on a stable grid frequency, which means that electricity generation must be adapted to fluctuating demand on an ongoing basis. At any given time, as much electricity must be generated as is currently being used. Therefore, a number of system services have been implemented in order to maintain grid stability with regard to selected Austrian power plant operators.

Hydropower is a key element in this process. It is efficient, effective, predictable, regulatable, mature, reliable, available domestically, renewable and cross-generational. The run-of-river power plants located on Austria's rivers provide the "base load" that makes up the major portion of the electricity required each day. To cover peak loads, storage power plants, which can be ramped up when additional electricity is needed, are available in the Alpine areas.

### Grid security and grid expansion

The transmission grid operated by Austrian Power Grid AG (APG), the Group's independently operated subsidiary, forms the backbone of Austria's electricity supply. Current changes in the European electricity system are presenting new challenges for grid operations and will have far-reaching effects in combination with the dynamic electricity market.

Accelerated expansion of generation from renewable energy sources is resulting in changes in the locations at which energy is generated as well as in much more volatile feed-in behaviour. In addition, market players are calling for shorter and shorter lead times on the electricity exchanges in order to market short-term generation fluctuations. This has led to a sharp increase in intraday electricity trading.

High feed-in levels from renewable energy sources, especially in Germany (wind power and photovoltaics), and exports of surplus electricity result time and again in bottlenecks and critical situations for the Austrian transmission grid. Increasing levels of transportation and greater momentum in electricity flows are making secure grid operations more and more challenging.

### Energy transition and energy storage

To compensate for the volatility of generation from new renewable energy sources, it is expedient to store surplus generation to use to cover peak loads in times of high loads. This is of significance both when considering shorter time periods (e.g. hours or days) as well as for seasonal considerations (e.g. summer or winter). Furthermore, deviations in feed-in projections for renewable energy sources must be compensated for, whereby APG's grid regulation ensures that the grid frequency stays at a constant 50 Hz as far as possible. Large quantities of electrical energy are stored mainly with the help of pumped storage power plants.

With their pumped storage power plants, Alpine countries, including Austria, play a key role in the provision of the European electricity supply. The role of APG is to provide the technical basis for ensuring that generation balancing and grid regulation function as efficiently as possible in terms of the interaction between new renewable energy sources and pumped storage power plants. For that reason, a high-performance, 380-kV grid is indispensable in Austria.

The transition to new forms of energy is advancing steadily in Europe. At the end of 2014, Germany, for example, had wind power plants with a capacity of approximately 36 GW and photovoltaic installations with a feed-in capacity of approximately 38 GW. Austria also experienced a massive expansion of wind power plants (installed capacity at the end of 2014: approx. 2.1 GW) and photovoltaic installations (currently approx. 530 MW) in 2013 and 2014. In combination with the European electricity market, this has led to ever greater loads on the APG grid in recent years.

### APG 2030 Master Plan and grid development plan

The grid development plan (GDP) is a statutory requirement under Section 37 of the 2010 Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG 2010). The current version for 2015 is based on the long-term strategic planning in the APG 2030 Master Plan and the 2014 GDP. It provides information on which important transmission infrastructures must be expanded in the next ten years (2016–2025) in APG's grid. It contains a list of investments that have already been approved as well as projects that must be implemented within the next three years.

In addition, the GDP also includes additional grid expansion planning for the next ten years, taking account of energy market performance forecasts. The projects in the GDP are categorised into projects that are of national and European interest, grid networking and/or grid connection projects and specific expansion projects. Grid networking and/or grid connection projects are submitted for approval in the GDP if the necessary conditions and sufficient planning certainty exist.

All relevant market participants had the opportunity to comment on the 2015 GDP during the period from mid-June to mid-July 2015 as part of the APG consultation. After examining and processing the comments received, the GDP was submitted to E-Control Austria (ECA) for approval at the beginning of September 2015. The 2015 GDP was approved by an ECA notice issued at the end of November 2015.

The scope of development covered by the 2015 GDP is broken down into

- approximately 370 kilometres of new lines;
- conversion of approximately 440 kilometres of lines to higher voltage levels and/or support of new transmission lines;
- new construction and expansion of substations, with the extent of expansion being approximately 160 control panels at voltage levels of 380/220/110kV;
- construction of approximately 40 transformers with a total capacity of around 14,000 MVA to supply distribution networks;
- comprehensive coordination of performance and optimisation of line routes as part of major projects;
- disassembly of around 400 kilometres of old, low-capacity lines; and
- comprehensive reinforcement and replacement measures in substations as well as age-related line renovations, particularly at the 220-kV and 110-kV grid levels.

## Development and impact of infrastructure investments

Thanks to its many rivers and mountains, Austria is an ideal country for hydropower. Previous generations realised this long ago and began to take lasting advantage of this benefit.

Electricity generated from hydropower represents a key factor in the development of our society, and today is Austria's most significant and economical source of electricity from renewable energy. As a domestic, regional and CO<sub>2</sub>-free generation method, hydropower is not only the most efficient of all generation technologies by far, but also offers the highest level of output security of all renewable energy sources as well as maximum flexibility in implementation and the most sustainable storage options. Taking advantage of the potential to expand hydropower will also contribute to reaching energy and climate change targets.

In line with VERBUND's strategy of only generating renewable electricity, and in light of the current market environment, the bulk of VERBUND's efforts are directed at using efficiency-boosting measures to take advantage of the potential to expand its existing plants cost-effectively.

### Additional benefits of our investments

#### **At power plant sites:**

Hydropower plants not only generate energy but are also key factors in the economy and providers of additional functional benefits such as flood protection, water provision, wastewater treatment, infrastructure and shipping.

For example, the Danube power plant chain makes shipping safer, faster and cheaper in addition to making it possible at all when water levels are low. Neighbours also benefit from the additional recreational areas created as part of power plant construction: bicycle lanes, swimming areas, marinas and fish waters offer new recreational opportunities for sports enthusiasts, families and fishermen. For example, tourism has benefited substantially from the extended reservoirs of the Drau River power plants and the bathing lakes formed from former branches of the river. The former branches of the Danube River have also become popular recreational areas. In the mountains, VERBUND Tourismus GmbH is today using the access ways created during the construction of the Reißeck and Kaprun storage power plants to allow hikers to enjoy the Austrian mountainscape and the engineering feats of Alpine hydropower. Each year, some 400,000 visitors take advantage of the opportunity to experience nature and technology in the Alpine areas.

#### **In the grid segment:**

APG's 2015 grid development plan (GDP) comprises a planned investment volume of €1.4bn by 2020, including substations and operating investments. According to studies by the Graz University of Technology and the Institute for Industrial Research (Industriewissenschaftliches Institut, IWI), APG projects will contribute up to 70% to value creation in Austria. Therefore, implementation of the APG projects serves not only as a significant boost to the economy but also safeguards Austria's position as a business location. Every one billion euros invested will create approximately 13,000 jobs in Austria, according to the aforementioned studies.

## Supply chain

VERBUND has expressed its commitment to sustainable management in its mission statement. In its Code of Conduct, it requires the Group's suppliers and business partners to likewise observe the Group's quality standards and sustainability principles.

As a sector contractor, VERBUND is subject in many areas to the provisions of the Austrian Federal Procurement Act (Bundesvergabegesetz, BVergG), which stipulates equal treatment of bidders and transparency in tender procedures. To determine their suitability, suppliers must present certificates and self-declarations as part of the tender process. In isolated cases, suppliers are reviewed with regard to their effects on the Company. By accepting our order terms and conditions, suppliers agree to comply with the relevant statutory provisions and to additionally adhere to the Group's internal regulations on occupational health and safety, sustainability and compliance.

Since 2012, all tenders have been conducted via an electronic tendering platform. When registering for the platform, each potential supplier completes a questionnaire on sustainability, compliance, environmental protection and occupational safety. Enquiries are made, for example, into the number of workplace accidents per year, environmental targets and climate policy measures including audit certificates, violations of environmental laws during the past five years and occupational health and safety measures provided to employees. This is a requirement for participating in the tender process.

The responses from the top 150 suppliers are analysed at regular intervals. Companies that do not supply sufficient information on sustainability factors in their questionnaires are asked to sign VERBUND's Values Agreement, which summarises the Group's principles on the environment, occupational safety, sustainability, compliance and anti-corruption.

Administrative Services employees are the internal point of contact for minor purchases at the power plant sites, whereas the Procurement department employees are responsible for all other requirements. The placing of orders with suppliers is also the responsibility of the respective office.

## Environmental management system

VERBUND bears responsibility for preserving the natural environment. The Group works continuously to reduce the environmental impact of its corporate activities, plants, products and services. Our environmental mission statement lays out the environmental principles followed by VERBUND.

Existing structures, processes and responsibilities in environmental management ensure compliance with legal requirements, nationally and internationally accepted regulations and the Group's own, more stringent standards.

The Environmental executive order and additional environmental provisions define the framework for the systematic planning, execution and measurement of and reporting on our environmental achievements.

International standards such as the Global Reporting Initiative (GRI) guidelines and the Greenhouse Gas Protocol form the basis for the Group-wide collection of and reporting on environmental data.

A decision-making body at the highest management level, working teams made up of our environmental experts and interfaces to relevant organisations ensure that internal and external requirements for professional environmental management are met. The decision-making body decides on strategic environmental and climate targets. The environmental programme involves setting specific targets and implementing measures that are evaluated each year.

Environmental protection has been integrated into the normal activities of all of our business areas since the 1970s. In 1995, we began to introduce environmental management systems certified in accordance with either ISO 14001 or EMAS at VERBUND sites. Our aim is to implement suitable environmental management systems at all VERBUND plants and have them certified.

When the environmental management system was introduced, all necessary regulations were adopted and processes created for the purpose of fulfilling the requirements of ISO 14001. VERBUND therefore ensured, for example, that any environmental enquiries would be handled in an orderly fashion and followed up on. Management review is used as an instrument for regular reporting to management on any such suggestions or complaints from stakeholders. Should any discharges occur that impact the environment, the necessary countermeasures are taken in all cases. All specified internal and external offices are also informed.

### Energy consumption

The VERBUND Group will continue to reduce its direct energy use in the coming years. The decrease in thermal energy generation will lead to a significant decline in the use of fossil fuels as an energy source. With regard to electricity generated from renewable energy and electricity transport, energy consumption will be kept as low as possible by using efficient plants. With respect to the modernisation of power plants, efforts will be directed at increasing efficiency and thus increasing generation, which will also lower the specific emissions.

VERBUND also promotes the efficient use of energy among its customers. VERBUND is investing in the development of forward-looking energy management solutions such as Smart Homes and Smart Grids and the use of energy-efficient appliances.

### Emissions

Electricity generation from hydropower and wind power is a crucial element in VERBUND's generation portfolio. The Group's focus on electricity generation from renewable energy is a crucial factor in reducing and avoiding emissions.

In determining our strategic direction, standards such as emissions trading systems, energy efficiency guidelines, water framework directives and international regulations such as the Kyoto Protocol and EU directives aimed at promoting low-carbon technologies are taken into account. Moreover, we also consider the public's heightened awareness of climate change, thermal power plant emissions and the risks involved in nuclear power.

As part of its corporate strategy, the Group pursues specific targets: by the end of 2020, all electricity is to be generated from renewable energy, and specific greenhouse gas emissions are to be reduced to below 10 t CO<sub>2</sub>e/GWh by 2021. VERBUND's long-term objective is to be climate-neutral by 2050.

Reporting on greenhouse gas emissions is integrated into the internal quarterly reports to the Executive Board and the Supervisory Board. The figures – greenhouse gas emissions of t CO<sub>2</sub>e/GWh in

accordance with the international standard of the GHG protocol – demonstrate the current trend in emissions in the generation portfolio and act as a medium- to long-term forecast.

### Dealing with polychlorinated biphenyls (PCBs)

The phase-out of polychlorinated biphenyls (PCBs) has been and continues to be of great importance to VERBUND. The use of PCBs in transformers is being phased out gradually. A large-scale replacement programme was initiated following a PCB inspection of potentially affected components. At present, only a few smaller transformers with threshold levels just over the labelling requirement (> 30 ppm) and a few transformers with residual content, i.e. PCB traces in a range of 1 to 30 ppm, are still in use. Under current laws, transformers with a PCB content of < 500 ppm may be used until they are decommissioned.

### Electric and magnetic fields

The generation, transmission and consumption of electricity creates electric and magnetic fields with a frequency of 50 Hertz (Hz) in the vicinity of power lines and plants. These emissions fluctuate in a range that is not harmful to health. In Austria, electrical installations are operated so that the applicable thresholds are not exceeded.

Electric fields are caused by the voltage that flows between two bodies with different electric charges. The intensity of the electric field (measured in V/m; volts per meter) decreases rapidly as the distance from the source increases. The electric field is shielded by conductive objects (such as trees, bushes, buildings, etc.).

A magnetic field forms around the conductor through which electricity is flowing. It can be described in terms of magnetic field strength or magnetic flux density. Magnetic flux density (measured in Tesla) depends on the amount of current as well as on the distance from the conductor, and also diminishes rapidly as the distance from the source decreases.

### Biodiversity

Environmental measures have for many years been an important part of plant construction and operation. We maintain and promote biodiversity at and near our sites by constructing fish passages, restoring stretches of rivers, creating wetlands and promoting sustainable route management. The specific projects currently being carried out by the divisions are described on the websites of VERBUND and APG as well as on the project websites.

“Connecting riverways” is of great significance to restoring the natural diversity of revitalised stretches, genetic exchange and balancing out population fluctuations. Establishing fish passages enables fish and other organisms to pass through the barrage barriers and continue on their journey in their accustomed manner. The fishways, most of which are designed to blend in with their surroundings, offer additional habitats for flora and fauna. Numerous projects are being carried out in cooperation with scientists to examine how fish passages can be optimised, and the findings are being implemented at both new and existing power plants.

Other measures aimed at promoting biodiversity in the vicinity of hydropower plants include ecological landscaping projects near power plants, for example creating shallow water areas and additional side channels.

APG, VERBUND's independent grid subsidiary, attempts to do justice to the significance of environmental protection in all areas of route maintenance. Building on its corporate concept, APG has developed a comprehensive mission statement around "sustainable route management".

The philosophy of sustainable route management is based on the following five guiding principles:

- ensuring operational safety is of the utmost priority;
- maintenance measures are carried out with respect for nature (precautionary principle);
- upkeep measures are geared towards the natural potential of the site and its surroundings;
- close communication is maintained with landowners and the authorities; and
- regional value creation is promoted.

Particular consideration is given to the ecological development potential of routes in forested areas. This depends on various criteria: the local site conditions (land relief, ground, climate), the direction in which the power line corridors run (heat regulation, wind) and the maximum possible height of trees along the route. In practice, the methods and measures implemented are adapted flexibly to small changes in biotope patches.

#### Water management

For thermal power plants: water abstraction and discharge for use in thermal power plants occurs for two plants (Mur River outfall). Neither the quantities abstracted nor discharged are classified as significant under the GRI since those quantities make up less than 5% of the average annual outflow volumes on the Mur. The discharge of cooling water into the outfall is monitored continuously (quantity, temperature and heat load calculation of the emissions) and the temperature on the Mur is checked after backmixing the warmed-up cooling water (ambient temperature).

For hydropower plants: the water flowing through hydropower plant turbines is returned to the body of water without changing its biochemical composition. No significant water abstraction or discharge occurs here.

For the transmission grid: given that this involves transmission lines and substations, no significant water abstraction or discharge occurs.

## Employees

### Personnel development/training and continuing education

The Personnel Management department at VERBUND has the authority to issue guidelines for all issues relating to personnel management for the VERBUND Group. Focus is placed on the following topics:

- coordinating personnel planning and personnel monitoring;
- preparing a Group personnel budget;
- recruiting, personnel marketing and employer branding;
- strategic alignment of the application of labour and social law, employer representation in interactions with employee representatives;
- remuneration and benefits for executives and employees;
- personnel development;
- basic questions relating to occupational health care; and
- diversity and inclusion.

Since 2012, VERBUND has been using a modern, user-friendly planning and reporting tool for personnel data, for which it received the “Bronze Winner – Large Implementations” SAP quality award in 2013. This integrated personnel and expenses planning system greatly simplifies the planning process and increases transparency. Consistent and tightly organised personnel planning promotes the optimal use of resources.

Having highly educated and trained employees and executives is key to the Company’s success. VERBUND must continue to recruit such employees and ensure their long-term loyalty to the Group. This is the only way for VERBUND to remain competitive in the current market and in the future. It requires actively positioning VERBUND as an attractive employer. The employer branding process is an important supplement to the brand positioning of the Group as a whole. Differentiators from the competition on the labour market have been developed based upon the corporate brand, and the employer brand profile has been streamlined.

When recruiting new employees, VERBUND relies on a multi-step selection process that employs a mix of methods (interviews, exercises, practical tests, analyses of potential) as well as benchmarking systems. The methods used in the selection process are adapted to the qualifications necessary for the position advertised to ensure that the right decision can be made.

VERBUND generally offers permanent contracts to all of its employees. Temporary employment contracts are only entered into when there are objective reasons for doing so (e.g. to replace employees on parental leave). VERBUND makes it possible for employees to work under various working-time models, including full-time, part-time and part-time during parental leave. Temporary workers are also hired to cover capacity peaks and for project work. We engage external contractors for clearly defined construction, overhaul or maintenance contracts in particular. The employees at these firms are subject to the same safety precautions as VERBUND personnel, which is why they are issued the same safety instructions.

VERBUND offers a number of voluntary social benefits and benefits under collective bargaining agreements that are available to all employees. These include a pension fund, supplementary health insurance, discounted lunches, dependent child benefits and health checks.

VERBUND has highly trained employees whose dedication, motivation and versatility make a significant contribution to the success of the Group. This is why the Group has traditionally invested in comprehensive training and continuing education.

The personnel development and training/continuing education units report directly to the Group Executive Board. Strategic guidelines are drafted by Strategic Personnel Management at the holding company. Operational management of training and continuing education is carried out within the unit by a team of experts who run the programmes in close cooperation with external specialists. The specific measures are coordinated with the individual Group companies and are listed in the education and training budget.

Continuing education is also key to ensuring that all measures are implemented in a socially responsible manner within the context of internal reorganisation programmes. For the employees affected by restructuring, targeted retraining creates lasting prospects and opens up new opportunities and roles, among other benefits.

Even as our society ages in the context of demographic change, it must still create prospects for future generations. VERBUND is already paying very close attention to the significant demographic trends. We have already taken important steps in this regard with our occupational health management, Work and Family Audit, qualified succession planning and apprenticeship training programme.

We have created an occupational health management programme targeted at keeping our workforce healthy for a longer period of time and contributing to a smooth transition from generation to generation. VERBUND's "Fit and Healthy" initiative is designed to promote a healthy lifestyle. The initiative motivates employees to do something for their health on a voluntary basis. Another benefit we provide to all employees is free counselling on work-related or personal problems under the Employee Assistance Programme.

Work-life balance is an important topic at VERBUND. In 2009, the Group therefore underwent an audit of "family-friendliness and fostering work-life balance". The audit was repeated in 2012 and 2015. We have also been included in the "Companies for Families" network since 2015. The goal is to improve and update the level of knowledge of executives and employees via activities on the topic of "work-life balance" and to initiate additional projects.

Structured succession planning is the basis for finding replacements for those leaving key management positions at VERBUND. It also provides employees with an opportunity to undertake continuous professional development. Individual, tailored education supports the succession candidates in their development.

The maintenance and operation of our plants is another key area at our Group. To ensure reliable operations, we provide our apprentices with dual vocational training ("electrical engineering and metalworking technician"). From the second year onwards, the apprentices work at our power plants, where they are able to acquire the necessary knowledge about the plant. This secures the transfer of expertise in the technical/trade area.

Diversity is essential to VERBUND's growth and success. Only in this way can we as an enterprise remain innovative and adapt to future conditions in a dynamic economic environment.

VERBUND is among the signatories to and a premium member of the Diversity Charter ("Charta der Vielfalt"). This initiative promotes appreciation for all members of society. We at VERBUND are committed to fostering tolerance and respect for all employees, regardless of their gender, skin colour, nationality, ethnic origin, religious or cultural beliefs, disabilities, age, sexual orientation or identity. The Diversity Charter is based on the realisation that diversity is an inherent feature of Europe, with regard to both its history and its society.

### Occupational health and safety technology

The tasks involved in occupational health and safety technology are carried out at the VERBUND Group by safety experts with many years of experience.

The safety experts are tasked not only with taking the preventive measures required by the Occupational Health and Safety Act (Arbeitnehmer/-innenschutzgesetz, ASchG), but also with independently identifying all necessary health and safety measures which employers are required to comply with under law and cooperating with the responsible employees in implementing them in operations, insofar as this is possible. The safety experts therefore assume responsibility for operating tasks, which they are able to perform in an optimum manner by leveraging synergies across the Group. The areas supported comprise all river power plants and storage power plants, the thermal power plants and the high-voltage grid as well as subsidiaries with technical, tourism-related and administrative responsibilities.

Human resources support extends to all executives, employees, safety officers and staff bodies in the areas of workplace safety, safety technology, waste management and environmental protection. Their areas of focus are:

- Advising executives and other employees responsible for workplace safety on compliance with statutory workplace safety provisions. In addition, providing support when implementing new legislation, directives or legally binding standards and drafting safety-related plans and binding guidelines.
- Cooperating with the appointed occupational health physicians, safety officers and staff representatives as well as external service providers such as the labour inspectorate, the Allgemeine Unfallversicherungsanstalt insurance company, fire departments, etc.
- Supervision of maintenance and construction with respect to technical safety, preparation of the documents required in that context, ongoing adaptation and improvement of accident prevention measures.
- Administering the Group-wide safety competition in which employees who have not suffered any workplace accidents for which they are at fault receive an annual bonus.
- Maintaining knowledge and providing training in the necessary areas of specialisation, particularly fall protection, electro protection, fire protection, explosion protection, noise protection, work material assessment, hazardous material management, waste management, skin protection, avalanche protection, occupational psychology, changes in legislation, etc.

- Involvement in various expert committees responsible for technical safety such as the Association of Austrian Electricity Companies, the Austrian Standards Institute and the “Safety Engineers” working group.
- Responsibility for the functions of environmental officer, fire protection officer, materials management officer, waste management officer, hazardous materials handling and transport officer.
- Instructing and informing employees, including preparation and maintenance of the necessary documents, holding plant inspections and taking safety-related measurements, assisting in the preparation of publications and reports through to opinions on draft legislation and participating in expert committees for technical safety.
- Instructing all contractor employees on technical safety before they take up work, including preparing and providing written instructions. Also, checking and monitoring the safety awareness and legally compliant conduct of contractors.

To meet its statutory obligation, the Group has set up twelve regional occupational safety committees, one central occupational safety committee and one voluntary, superordinate occupational safety committee covering the entire Group. Selection of the members of the regional committees goes beyond the legal requirements by taking account of all sites, employees and activities. The occupational safety committees must ensure that information is shared, experience is exchanged and occupational safety facilities are coordinated. They must also work towards improving safety, occupational health and working conditions and offer advice on all matters relating to safety, occupational health, programmes promoting health at work and ergonomic workplace design.

All external contractors working for VERBUND must contractually commit (order terms and conditions) to complying with all workplace safety and technical safety provisions. Each external contractor must be provided with instructions in the legally specified and internally prescribed manner, as specified in an internal process. Compliance with all occupational safety provisions is monitored on an ongoing basis. Acts of gross misconduct after multiple warnings may lead to the suspension of a construction site. Any workplace accident suffered by an employee at an external contractor engaged by the Group must be reported to VERBUND immediately. The accident data are also captured and analysed in VERBUND’s internal statistics.

### Labour-management relations

Industrial relations in Austria (“Sozialpartnerschaft”) refers to the traditional cooperation between employers and employees. It involves joint cooperation between employers and employee representatives in the preparation and execution of economic and socio-political measures. In so doing, taking an overall economic view is regarded as being of the utmost importance.

The unions enter into collective agreements with the respective employer associations. Due to the “outsider effect” established under labour law, all employees are subject to the collective agreements regardless of whether they themselves belong to the union or not.

The collective agreement has a particular impact on the labour-management relations within its scope. Company agreements and employment contracts must respect the collective agreement and may not contain any provisions that are less advantageous than those contained in the collective agreement. The collective agreement governs employees’ minimum salaries, working hours and supplemental payments (holiday and Christmas bonuses), among other things. Companies with five or more

employees must elect a works council to represent the interests of employees pursuant to the provisions of Austrian labour law.

Austrian labour law sets out a number of rights to which the works council is entitled in relation to information, cooperation and consent, all of which VERBUND of course complies with in full.

One of the ways in which cooperation takes place is in the form of economic symposiums that are held each quarter and at which the Executive Board informs the staff representatives about the economic situation, all personnel management measures and other current developments in the Group. The economic symposiums offer employees the opportunity to voice their suggestions, concerns and recommendations to the Executive Board.

Under the Austrian Labour Constitution Act, employees must be represented on the supervisory boards of stock corporations via the works council. At VERBUND as well, one-third of the Supervisory Board members are employee representatives who sit facing the Executive Board at the Supervisory Board meetings and are able to integrate employee concerns into the Supervisory Board's decisions.

## Compliance management

### Code of conduct, guidelines

For VERBUND, it is important to employ fair, transparent and sustainable business practices. This is why a Group-wide compliance management system was established back in 2009. The system is based on VERBUND's Code of Conduct. The Group's key values and principles and its conduct towards stakeholder groups are set out in that part of the mission statement.

The compliance management system is intended to assist in implementing the Code of Conduct and complying with standards. It includes compliance guidelines that serve to set out the Code of Conduct in greater detail. The main compliance guidelines relate to the following areas:

- issuer compliance for the purpose of implementing stock exchange requirements and avoiding insider transactions;
- anti-corruption (fair business practices) to prevent corruption; and
- compliance with competition law to avoid violations of cartel law.

The compliance management system also works towards ensuring compliance with and implementation of the Austrian Code of Corporate Governance.

### Organisation

The compliance management system provides for the organisation of compliance across the entire Group. To prevent misconduct, it defines sources of information, reporting offices, communication measures and procedures for reports and notifications.

The main parties responsible for the organisation of compliance are:

- the Chief Compliance Officer, who is responsible for the implementation of all compliance guidelines. The position of Chief Compliance Officer is a full-time job. The officer appointed reports directly to the Executive Board or the Supervisory Board and acts as the Group's central point of contact for all compliance-related questions and notifications from employees as well as from third parties.

- the compliance committee, which is led by the Chief Compliance Officer and is composed of the compliance officers of the Group companies that manage personnel as well as the sustainability officers and employee representatives.

Reports of compliance incidents are treated confidentially by the Chief Compliance Officer. The reporting channels are communicated in the Group and on the website. They are also available to external parties wishing to offer suggestions or submit complaints.

### Prevention, training and information

The compliance management system focuses on preventive measures. Training sessions and programmes, one-on-one consulting and information on specific matters from the Chief Compliance Officer are therefore particularly important.

In order to further improve the ability to handle compliance issues, a comprehensive training programme has been implemented for the entire Group to deal with compliance rules. The objective is to avoid compliance incidents anywhere in the Group.

The compliance management system is refined on an ongoing basis. Exchanging information on past experience is a large part of this, as are external consultations and expert assessments.

## Internal organisation

VERBUND's primary structures and processes are described in its regulations, which are being refined continuously and are accessible to all employees via the Group intranet.

We distinguish between three levels of regulations at VERBUND:

- **Executive orders** are applicable to the entire Group and are enacted by the Executive Board. Executive orders govern, for example, the organisational structure, the responsibilities of the organisational units, the hierarchical allocation of powers, the organisational framework for project and crisis management, authority to sign, etc.
- **Guidelines** are prepared by the organisational unit responsible for the matter in hand and adopted either by the responsible member of the Group Executive Board as a guideline applicable to the entire Group or by the management of a Group company for the company in question.
- **Standard operating procedures** are enacted by the head of an organisational unit for that specific area or for a precisely defined scope of application.

The Regulatory System executive order sets forth the principles, roles and responsibilities for the regulatory system and serves as a superordinate regulation at VERBUND. One executive order, for example, governs the internal control system. This comprises all measures provided for in the Group organisation to safeguard existing assets, maintain operational capacity, ensure the completeness of documentation, comply with business policy and promote operational efficiency. All executives are obligated to comply with the executive order as part of the area of responsibility assigned to them.

### **Crisis management**

Emergency response and crisis management is organised according to the principle of taking a comprehensive view. It thus includes not only crisis management but also prevention and evaluation.

The superordinate Crisis Management executive order defines protection targets and roles in crisis management, including powers and responsibilities: company management, crisis managers, crisis staff, communications managers, heads of operations, operations staff, the operational team and the emergency response team. It also specifies the conditions for and implementation of organisational measures for the purpose of emergency responses and crisis management.

The crisis management guideline governs joint and uniform structures, tasks, processes and the command procedure in a crisis situation. To supplement the line organisation, a temporary organisational structure takes effect in the event of a crisis to enable quick decision-making. The command procedure in crisis management consists of five individual steps and enables systematic teamwork. Both the organisation of staff and the command procedure are based on the specifications of the authorities and emergency services for work in crisis and disaster teams.

Regular training sessions and courses are held to familiarise those involved with processes and the command procedure, in addition to crisis simulation exercises in which external partners (disaster teams and the authorities) are also involved.

### **Budgeting and medium-term planning process**

The planning assumptions for the budget and the medium-term planning process are made on the basis of strategic objectives. The planning assumptions for the Group as a whole are prepared by the Group management accounting department with the involvement of experts from the holding company and from the relevant operating companies. They are then presented to the Executive Board for approval. All companies involved in the planning process are informed of the specifications and assumptions approved by the Group Executive Board. Budgeting and medium-term planning are mapped out as a workflow in the SAP planning portal, which allows for continuous monitoring. The Group Executive Board is regularly informed of the expected results and the status of the budget process, and approves the budget on completion of the planning process. The budget and the first two years of the medium-term planning are presented to the Supervisory Board along with the report on the third quarter.

## Risk management

Risk and opportunity management has been an integral part of VERBUND's comprehensive internal control system ever since 2000. Today, all significant decisions are discussed and taken on the basis of a risk-return perspective, in addition to other factors. This is an approach used throughout our strategic management and project management as well as in the management of ongoing operations. The auditor regularly compares the way in which VERBUND's risk management system functions with the recommendations contained in the ISO 31000:2009 reference model.

To ensure VERBUND's long-term existence, risk management performs the following functions:

- reporting on opportunities and risks relevant to management;
- analysing, modelling and assessing external and internal developments; and
- participating in discussion forums and decisions on opportunities and risks.

### Organisation of risk and opportunity management

Risk and opportunity management covers the following functions associated with risk management at VERBUND: the internal control system, compliance management, internal audit, information security and data protection in addition to the separate organisation of risk management systems in the grid, trading and finance segments. VERBUND subsidiary APG was certified as an independent transmission systems operator in 2012, and since that time has had its own independent risk management system.

The Chief Risk Officer (CRO) is in charge of risk and opportunity management at VERBUND. The CRO operates out of the Group's management accounting department and has the power to issue instructions in professional matters. In addition to the Chief Risk Officer, a Chief Compliance Officer (CCO) and Chief Audit Officer (CAO) have also been appointed. The trade and finance segments have their own operating risk management units. The risk arising from current business operations is managed by Risk Management Committees (RMCs). In addition, a Chief Information Security Officer (CISO) monitors the risk management committees for information security and data protection. Under the supervision of the CRO, the RMCs deal with the following topics, among others: energy management, business management and financial management, regulatory conditions, information security and data protection. Risk-specific questions are discussed with the affected operating units and decisions are made on a quarterly or as-needed basis.

VERBUND has established a Group-wide crisis management system to handle unusual incidents. The system is based on the relevant official recommendations for crisis management and disaster control (collaboration with federal institutions and emergency services organisations). VERBUND's trained crisis team runs periodic simulations of specific threat scenarios for practice purposes.

For crisis management, see also "Internal organisation"

### Management of opportunities and risks inherent in VERBUND's business model

We define risk and opportunity management as involving the management of the following regularly occurring processes: risk identification, risk analysis, risk measurement, investigation of possible causes

for deviations, derivation of rules for measurement, monitoring of specific developments and implementation of measures. This procedure is integrated into our periodic planning and reporting processes as well as into our decision-making processes for divestments/investments.

Risk and opportunity management at VERBUND is based upon guiding principles such as increasing enterprise value, securing the energy supply and sustainability. Our risk and opportunity management integrates seamlessly with the management concept which is based on IFRS KPIs. Risks are generally viewed from the perspective of either cause or effect. When identifying, classifying and modelling risk, the focus is on obtaining information on the cause. The next step concerns the effects as well as risk measurement, followed by deciding on countermeasures.

Risk identification involves the systematic identification of unknown factors that influence the business model. Risk may arise from any of the categories of the energy market risk landscape specified below. The categories are presented using their strategic umbrella term, followed by an example (in brackets) from current business operations:

- environmental factors: regulation (legislation, directives), climate (weather) and other (attacks);
- market factors: market participants (customers, suppliers), the demand trend, technology; and
- internal factors: personnel strategy (employee turnover), investment strategy (availability), structures and processes (compliance) and contract management (legal and commercial).

Evaluation of the risk position may result in the identification of deviations from targets. When the deviation is negative, we call this “risk in the narrower sense”, and when the deviation is positive we refer to this as an “opportunity”. Statistical measurement models are applied whenever it is impossible for all practical purposes to model the correlations, and meaningful time series data is available (e.g. figures on water and wind supply trends for environmental risk or the trend in interest rates and wholesale prices for market risk). In cases where this does not apply, risk is measured by means of expert estimates (of flooding, the outcome of ongoing legal proceedings, unplanned repairs, etc.). Measurement models are integrated into the IFRS internal management accounting process as far as possible (planning uncertainty). The models also take account of impacting factors that have not been included in the business plan due to their low probability of occurrence (e.g. risk of incidents such as flooding, legal disputes, etc.).

Risk exposure is a key factor in calculating the economic justification for implementing countermeasures. Risks to the Group’s continued existence are to be avoided, serious risks are to be passed on (insurance) and business-specific risks are to be absorbed (managed). Risk exposure becomes apparent from the selection of reference indicators (EBITDA, the Group result, free cash flow, equity) and the level of confidence observed. With regard to reference indicators, the tables provided in the notes to the consolidated financial statements of the respective integrated VERBUND annual report offer an overview of the absolute exposure and deviations. Regarding the level of confidence, experience shows that the range of a commitment issued with a high degree of certainty is normally many times greater than one with a low degree of certainty. A high degree of certainty also takes “low probability incidents” (once-in-a-century events) into account, and vice versa.

### Identifying opportunities and risks

The business activities of VERBUND are focussed on the long term and tie up significant financial resources. They require the use and availability of technically complex systems and operating procedures. They are also part of the socio-political discussion. Our plants meet the highest environmental standards, and their construction is generally preceded by lengthy approval processes. Early inclusion of interest groups, compliance with regulatory conditions and effective project management ensures the success of VERBUND's projects. The operation and maintenance of assets used over many years require highly qualified employees. Ratings agencies consider the majority owner, the Republic of Austria, and the integrated business model of VERBUND (generation, grid, trading, sales and energy-related solutions) to be significant, stabilising elements, thus protecting the current (investment grade) credit rating.

The transformation of the European energy system is increasing the severity of the external risk factors arising from politics, the economy, the energy market and the larger society, i.e. risk factors that cannot be influenced directly. The loss of planning certainty means that the business model must be adjusted and investment decisions delayed or postponed indefinitely, and also leads to substantial write-downs. The economic crisis and misdirected regulation have overruled market pricing rules. The priority given to feeding wind and photovoltaic energy into the grid has overridden the former variable production cost-based sequence. This also applies to the distinction between base and peak loads. By added energy-related services to its business model, VERBUND is entering into new areas of risk, particularly in relation to IT protection requirements for consumers.

As a leader in electricity generated from renewable sources, VERBUND is heavily dependent upon weather patterns (water and wind), which cannot be influenced. Our storage power plants and some of our high voltage power lines are located in high-altitude Alpine regions. Over the long term, climate change can affect both the seasonal and the annual supply of wind and water. Geological conditions could also change (permafrost). Natural phenomena such as floods, storms or avalanches could cause an unscheduled outage of electricity generation or transmission as well as result in consequential damage such as blackouts. Output from run-of-river plants can be controlled only to a very minor extent (hydropeaking). By contrast, storage power plants are operated with daily, monthly or yearly retention periods. The profitability of VERBUND's pumped storage is based upon the flexibility of the overall system, which has been built up over decades. Revenue opportunities will result from longer operating hours to cover the short-term demand peaks arising from volatile generation from new renewable energy sources (wind, photovoltaics). This means that additional energy will have to be generated or temporarily "stored" in pumped storage facilities, and grids will have to be stabilised by means of flexible power plant output. This flexible earnings contribution depends largely upon the frequency and absolute extent of short-term price fluctuations in the electricity markets. However, it will by no means be able to compensate for the collapse in electricity wholesale prices.

Information and communication systems form the backbone of VERBUND's business activities. VERBUND is addressing the growing risks from cyber space by implementing preventive information security strategies, processes and internal guidelines. In addition to providing the necessary resources internally, we participate actively in the relevant national and international bodies (e.g. (energy-CERT)). VERBUND places high priority on the security of its control systems. For security reasons, they are operated largely independently of administrative networks. Our administrative buildings and our decentralized plants are protected by physical structures as well as electronic monitoring systems.

We use effective financial management to minimise our business partners' production losses and payment defaults (counterparty risk). Adhering to the dual control principle, counterparty limits are managed (awarding, monitoring) centrally and implemented during the course of the business process. Stable cash flows from the operating business ensure that debt can be serviced. In addition, VERBUND possesses sufficient credit lines to be able to access liquid funds at short notice.

#### **New business model necessitates amendments to long-term agreements**

To facilitate the conduct of its business, VERBUND has entered into long-term agreements with employees, customers, suppliers and the co-owners/joint users of the individual power plants. Some of these agreements have become less profitable due to the changed economic climate. However, amending the agreements can increase the risk of potential countermeasures being taken by the counterparties. VERBUND adapted its structural organisation in a project to increase efficiency. This entailed, among other things, shutting down locations and cancelling purchase or supply agreements as well as implementing personnel measures in a socially responsible manner. In accordance with the International Financial Reporting Standards (IFRSs), VERBUND recognises provisions for contractually agreed expenses from ongoing reorganisation programmes, for pensions and termination benefits and for the post-use phase of generation facilities (e.g. for the costs of dismantling facilities). Any deviations from the assumptions used when recognising these provisions may produce fluctuations in the Group result. Countermeasures are constantly being implemented to mitigate against the potential crystallisation of prevailing securities. This also includes the potential effects of a further change in VERBUND AG's rating on the off balance sheet cross border leasing transaction.

## Internal Audit

Internal Audit, which is responsible for the whole Group, reports directly to the Chairman of the Executive Board or his deputy as part of the corporate office. It performs its work based on an audit programme that is approved each year by the Executive Board members responsible. Internal Audit is required to examine profitability, compliance with the applicable regulations and security at all companies in the VERBUND Group. It must provide independent and objective audit and advisory services directed at safeguarding the Group's assets, creating added value and optimising business processes. It reviews accounting-related processes by topic, measures the effectiveness and efficiency of the internal control system and the management process using a systematic, risk-based approach and actively supports the optimisation of these processes. Testing extends to the reliability, usefulness, completeness and profitability of these systems as well as the establishment and achievement of targets and demarcation of responsibilities. Internal Audit contributes to value creation by identifying potential for improvements while carrying out auditing and advisory activities and/or by reducing risk and by actively supporting the Group in reaching its targets. Standardised follow-up by Internal Audit ensures that the recommendations adopted by the Executive Board are also implemented.

## Sustainability management

In 2002, the VERBUND Executive Board decided to base the Group's activities even more closely on the principles of sustainability and to present these activities each year in a report. This VERBUND sustainability report was published up until 2014; from 2015, the sustainability content is presented in the integrated VERBUND annual report.

An executive order was issued to ensure compliance with the objective of ensuring sustainability in all actions and decisions taken by VERBUND. The organisational policies and duties of the Sustainability Board, the sustainability working group and the sustainability officer are established in the executive order.

Ultimate responsibility for sustainability lies with the Group Executive Board, which sets the sustainability targets and policies. The Sustainability Report is reviewed and approved by the Executive Board. The Sustainability Board is chaired by a member of the Executive Board and includes managing directors from the Group's major subsidiaries, the heads of the relevant holding company departments and the sustainability officer. The Sustainability Board is tasked with the following:

- setting targets and points of focus in the area of sustainability;
- passing on new ideas from the subsidiaries to the sustainability working group;
- communicating the sustainability principles to executives and employees of the subsidiaries they represent; and
- approving the basic layout for publications.

The sustainability working group is the working body of the Sustainability Board. The working group coordinates sustainability-related activities across the Group and sustainability reporting. The Group's sustainability officer heads the sustainability working group, which is made up of industrial relations, environmental, economic, research and communications experts. The working group also includes one employee representative. Each of the Group's consolidated companies is represented by one member of the sustainability working group.

The sustainability working group suggests specific targets and measures aimed at promoting sustainability within the Group and reports on the ongoing implementation of sustainability projects in the companies.