

Sustainable solutions
for generations to come.
Our drive. Our energy.

Disclosures on Management Approach

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

Date: 31 December 2018

Contents

General information on reporting the management approach	5
The PDCA model.....	5
Determining the relevance of material topics and their boundaries.....	5
Evaluation of the management approach.....	5
Strategy.....	7
Strategy development	7
Scenario analysis.....	7
Corporate Governance	8
The Austrian Code of Corporate Governance.....	8
Implementation of the Code of Corporate Governance at VERBUND.....	8
Management board.....	9
Supervisory Board.....	9
Annual General Meeting	10
Rules of procedure	11
Minority protection in stock corporation law.....	11
Stakeholder management.....	12
Stakeholder identification	12
Advocacy of interests	20
External memberships and representation on boards and panels	21
Commitment to society	23
Endorsement of external initiatives.....	24
Secure supply of electricity in a liberalised market	26
High-performance power plant portfolio	26
Grid security and grid expansion	27
Energy transition and energy storage.....	27
ENTSO-E Ten-Year Network Development Plan.....	27
Development and impact of infrastructure investments.....	29
Additional benefits of our investments.....	29

Supply chain	30
Organisational allocation of procurement activity	30
Environmental management	31
Environmental management systems and certifications	31
Use of power and materials	32
Energy efficiency of VERBUND's thermal power plants	32
Greenhouse gas emissions and climate protection	33
Airborne emissions	33
Dealing with polychlorinated biphenyls (PCBs)	34
Electric and magnetic fields	34
Biodiversity	34
Water management	36
Waste management	36
Environmental costs	37
Innovation and research	37
The VERBUND model of innovation	37
Innovation at VERBUND	37
Employees	38
Human resources management	38
Personnel planning	38
Recruiting, personnel marketing and employer branding	38
Types of employment and benefits offered	39
Personnel development	39
Executive development	40
Health management	40
Maintaining a work-life balance	40
Succession planning	41
Apprentice training	41
Diversity management	41
Labour-management relations	42
Occupational health and safety technology	43
Compliance management	45
Code of Conduct, Guidelines	45
Organisation	45
Compliance risk survey	45
Prevention, training and information	46
Internal organisation	47
Crisis management	47
Budgeting and medium-term planning process	48
Information security and data protection	48

Opportunity and risk management.....	50
Principles and objectives of risk management.....	50
Structures and processes.....	50
Risk management levels	50
ERM processes.....	51
Identification/classification of opportunities and risks	51
Measurement of opportunities and risks.....	52
Measurement bases	52
Key performance indicators.....	53
Risk control measures.....	53
Risk reporting	53
Climate risk reporting - climate change risk	54
Task Force on Climate-related Financial Disclosures (TCFD)	54
Internal Audit	55
Sustainability management	56
ONR 192500 certification - CSR management system	56

General information on reporting the management approach

The PDCA model

VERBUND has established a variety of management systems at Group level, company level and organisational unit level. These systems follow the PDCA model – which refers to the Plan-Do-Check-Act cycle – either entirely or in part. The repetitive model structure ensures continuous improvement in business process management.

GRI 103-2

The PDCA model as implemented at VERBUND can be described as follows:

- Plan: targets, processes and procedures are established with the aim of achieving results in compliance with the sustainability model.
- Do: the planned processes and procedures are put into action.
- Check: implementation of the processes and procedures is monitored and measured against the sustainability model and the targets established and to determine compliance with any other obligations.
- Act: continuous improvement measures are taken.

Determining the relevance of material topics and their boundaries

In order to identify the extent of VERBUND's social responsibility and establish actionable steps, material topics are defined in accordance with their relevance (none/low/medium/high/very high). The material topics and the relevant action areas for VERBUND were first determined in 2013 through a survey of internal and external stakeholders in Austria and Bavaria. In 2016, the analysis of materiality was reviewed and enhanced in an internal process involving employees in close contact with various stakeholder groups. A survey of the importance of and current level of progress in complying with material sustainability topics was conducted by VERBUND using an online questionnaire directed at members of the sustainability working group as well as representatives from Public Affairs. At a subsequent workshop, the topics were prioritised, and the developmental potential of key issues was considered.

GRI 103-1

Sub-topics of all the material topics were defined and allocated to the corresponding GRI indicators. The results are reviewed each year by the members of the sustainability working group and adjustments are made wherever necessary. The changing conditions in the industry are also taken into account in this process, as are VERBUND's impacts on the environment and society and vice versa.

In most cases, the boundaries of the material topics extend to VERBUND AG and all companies included in its consolidated financial statements as well as those companies in which VERBUND AG holds a sole controlling interest, either directly or indirectly. Special mention will be made of any isolated exceptions to this boundary.

Evaluation of the management approach

VERBUND measures and monitors a number of financial and non-financial indicators. The data and calculations used in sustainability reporting are based on the Global Reporting Initiative (GRI) standards, which are published each year in the Integrated Annual Report. All in all, VERBUND reports more than 100 non-financial performance indicators and GRI disclosures. All data is collected and evaluated across the

GRI 103-3

Group using a proprietary sustainability software. In addition, the individual Group divisions have adopted specific guidelines and executive orders (EOs) that stipulate mandatory annual review.

Participation in various external sustainability ratings (e.g. ISS-oekom, EcoVadis, Sustainalytics, CDP) establishes an industry benchmark and offers additional incentive to make continuous improvements in the area of social responsibility.

Internal audits are conducted periodically for the purpose of checking the compliance of the management systems with the underlying regulatory standards as well as the implementation status of the procedures established to reach the identified targets. The internal audits are conducted at least once per year. In addition to the internal audits, external audits are also conducted in connection with numerous certification processes (e.g. ISO 14001, TÜV SÜD, ZukunftVIELFALT®).

The monitoring and modification processes specified are intended to ensure continuous improvement and updating of the Corporate Social Responsibility (CSR) management system and all other management systems and workflows. The following mechanisms, among others, are used for this purpose:

- workflow optimisation;
- monitoring the status of identified sustainability targets;
- stakeholder feedback;
- studying improvements at other organisational units;
- internal and external audits;
- monitoring, implementing and checking the effectiveness of the corrective actions derived;
- employee suggestions for improvements;
- management evaluations; and
- proposals derived from internal communications.

Strategy

The Group Executive Board is responsible for developing the Group's strategy. It determines the corporate objectives together with the strategy team and the management of the Group subsidiaries as well as the heads of key business areas.

VERBUND's strategy:
www.verbund.com >
[About VERBUND](#) >
[Company](#) >
[Corporate philosophy](#)

Strategy development

VERBUND identifies optimisation potential and specific opportunities for external growth as well as (new) business models and strategic partnership and cooperation opportunities on the basis of an environmental analysis (demographic and technological trends, market developments and the strategic implications of regulatory measures) on the one hand and a company analysis (strategic competitive advantage and unique selling propositions) on the other. These potentials and opportunities are evaluated to determine their strategic fit and in terms of their impact on the economically, legally, technically and environmentally sustainable development of VERBUND.

The strategy development process occurs in close collaboration with the relevant Group company, equity interests or holding company department and culminates in strategic focus areas for the Group and its operating subsidiaries. The strategic determinations made are documented in a Group strategy paper.

This process is followed by monitoring the implementation of the strategies both at the level of the Group and its subsidiaries and equity interests, thus ensuring consistent achievement of the strategies adopted by the Executive Board and, where necessary, enabling short-term corrective action to be taken on the way to reaching the targets.

Scenario analysis

Strategy planning and risk management both make use of scenarios. The scenarios are based on the specific challenge to be addressed and aim to account for possible future developments and their repercussions. This method is also applied at VERBUND in that multiple scenarios and possible developmental trajectories are defined for the various input parameters. Specific options for action can then be derived.

Corporate Governance

The Austrian Code of Corporate Governance is available on the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at

The Austrian Code of Corporate Governance

In September 2002, the Austrian Code of Corporate Governance was presented to the public. Since then, it has been adapted and updated several times. The version currently in effect is from January 2018. 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 provides 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 annual general meetings. In particular, 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 the US through an ADR (American Depositary Receipt) programme. VERBUND's management system is based on Austrian law, in particular the Stock Corporation Act (Aktengesetz, AktG), the Commercial Code (Unternehmensgesetzbuch, UGB) and capital market law, the provisions 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 provides 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 Group's Executive Board and Supervisory Board see it as their primary duty to comply with all of the rules of the Code as fully as possible and to maintain and continue to develop the Group's high internal standards. Active and – in so 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 in 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 2016.

Each year, VERBUND prepares a comprehensive, written Consolidated 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 on compliance with the Code of Corporate Governance and also contains a diversity concept for filling seats on the Executive Board and the Supervisory Board. The report is published in VERBUND's Integrated 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. Membership in both the management board and the supervisory board is not permitted.

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 (Stellenbesetzungs-verordnung, 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.

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 it coordinates with the Supervisory Board. The Executive Board is not required to take instruction from either the Supervisory Board or the Annual General Meeting. However, certain significant Executive Board management actions require the approval of the Supervisory Board.

GRI 102-24

To support its activities, the Executive Board grants signatory authority that is 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 six signatories with “Prokura” authorisation and four representatives with limited authority at VERBUND AG, the Group’s parent company. The major subsidiaries have also granted such legal authorities.

For details on the composition of the Executive Board and on its operation and allocation of responsibilities, please refer to the annual Consolidated Corporate Governance Report.

Supervisory Board

The Supervisory Board of VERBUND AG is comprised of ten members (shareholder representatives) elected by the Annual General Meeting and five members delegated by the Works Council. The shareholder representatives are appointed in accordance with the Austrian Stock Corporation Act 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 Annual General Meeting. Re-appointment is possible. 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 delegate one member to the supervisory board for every two shareholder representatives on the board, with the members delegated by the employee representatives having the same rights and duties as the shareholder representatives. The Supervisory Board of VERBUND AG already fulfils the requirement set forth in the Austrian Stock Corporation Act of having women account for at least 30 % of board members.

GRI 102-24

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

GRI 102-23

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

GRI 102-26

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 effectiveness of risk management. The report from the auditor details sustainability risks in the same manner as in the written quarterly reports on operating risk management that the Supervisory Board discusses at each of its meetings.

The performance of the Supervisory Board is evaluated annually during the ordinary Annual 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:

- an audit committee (annual financial statements, internal control system, accounting);
- a strategy committee (strategy review, special topics);
- an emergency committee (decision-making in urgent situations);
- 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).

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 the handling of conflicts of interest can be found in the Group's annual Consolidated Corporate Governance Report.

Annual General Meeting

The Annual General Meeting is the Group's most senior body. All shareholders may exercise their rights at the meeting, which is held at least once per year. The shareholders have the opportunity to engage in dialogue with the Executive Board and the Supervisory Board and to express their opinions on the meeting agenda and state their concerns. This also applies to NGOs participating in the Annual General Meeting as shareholders.

Irrespective of their shareholding, each shareholder participating in the Annual General Meeting has the right to take the floor, ask questions, submit motions and vote. Each share in VERBUND AG grants the holder one vote ("one share, one vote"). The sole exception to this is based on a restriction on voting rights stipulated in the Federal Act on the Regulatory Authority for Electricity and Natural Gas (Federal Legal Gazette I [BGBl] No. 143/1998: "Constitutional Act on Ownership Structures in the Austrian Electricity Sector") and in the provision of the Company's Articles of Association based upon that document. That provision states: "With the exception of regional authorities and companies in which regional authorities hold an interest of at least 51%, the voting rights of each shareholder at the Annual General Meeting shall be restricted to 5% of the share capital."

The Annual General Meeting is chaired by the Chairman of the Supervisory Board. Questions posed by shareholders at the Annual 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 Annual 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. Exceptions to this are

nominations for election to the Supervisory Board, which may only be submitted by shareholders with a stake of at least 1% of the share capital.

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

The agendas of the Annual General Meetings, 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 the Executive Board and the Supervisory Board each.

The rules of procedure for the Executive Board govern the allocation of responsibilities and how the members of the Executive Board are to 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 requiring approval from the Supervisory Board (including threshold values for the requirements to obtain approval). The measures requiring approval also include material transactions proposed 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 can 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 an annual general meeting or request 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 annual general meeting published on the company's website.

Stakeholder management

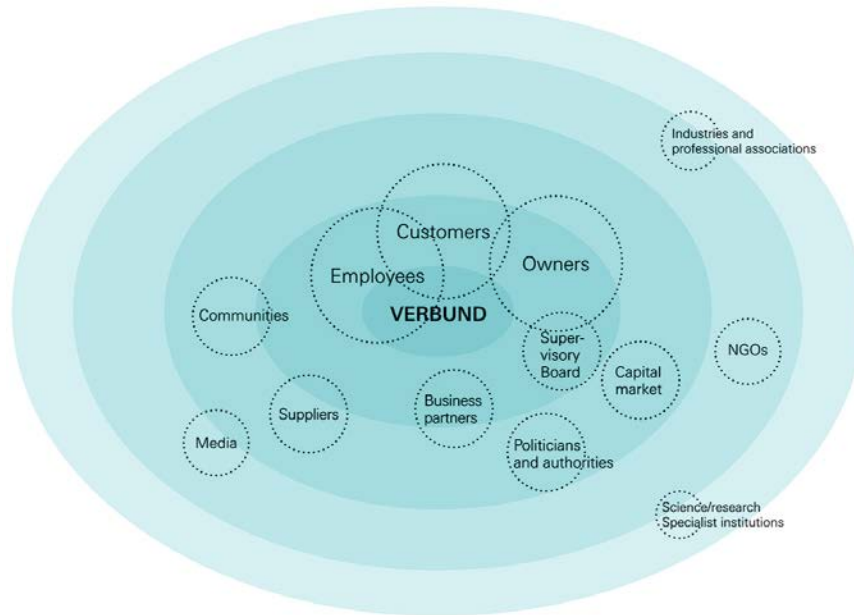
GRI 103-2
 GRI 103-3
 GRI EU-DMA,
 formerly EU19
 EU20

Stakeholder management, which focuses on stakeholders in a 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 in cooperation with Legislative Affairs. Other stakeholder groups are managed and supported by the organisational unit responsible for the area of expertise concerned.

Stakeholder identification

GRI 102-40
 GRI 102-42
 GRI 102-43

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:



The table below lists examples of the various methods VERBUND uses to involve the defined stakeholder groups. This is followed by a comprehensive description of the stakeholder groups and stakeholder engagement.

STAKEHOLDER ENGAGEMENT

Format	Description	Examples:
Provision of information	To keep our stakeholders up to date, we provide them with information on the most important current topics at VERBUND on a regular basis.	<p>External:</p> <p>Our website</p> <p>Publications such as brochures, etc.</p> <p>Public relations activities</p> <p>Newsletters</p> <p>Our customer platform</p> <p>Facebook</p> <p>Local resident briefings</p> <p>The VERBUND business breakfast</p> <p>Internal:</p> <p>Intranet</p> <p>Informational events for employees</p> <p>Annual management conference</p> <p>First-level management meeting</p>
Stakeholder dialogue	Because we want to know what's truly important to our stakeholder groups, we request feedback from them on a regular basis. This enables us to incorporate a variety of opinions into our activities.	<p>External:</p> <p>Facebook</p> <p>The VERBUND business breakfast</p> <p>VERBUND's customer service number (call centre)</p> <p>Customer satisfaction survey</p> <p>One Day at VERBUND</p> <p>Hydropower dialogue</p> <p>Energy breakfast</p> <p>Internal:</p> <p>Employee survey</p> <p>Annual management conference</p> <p>First-level management meeting</p> <p>Executive Club</p>
Participatory events	We value the participation of our stakeholders in projects and initiatives in order to promote an active exchange of information and mutual learning.	<p>External:</p> <p>Round-table meetings</p> <p>Munich Energy Club</p> <p>Parliamentary evenings</p> <p>Energylab</p> <p>Internal:</p> <p>Expert workshops</p>

GRI 103-2
GRI 103-3

Customers

VERBUND supplies private households as well as agricultural and commercial businesses across Austria with clean hydropower and, since November 2014, with climate-neutral gas as well¹. In addition, VERBUND provides customers in the business and industrial segments with a reliable supply of electricity. VERBUND also offers customised products to its resellers and corporate customers in Germany. The customer platform on the VERBUND website and the call centre are the preferred channels through which customers contact us. Regular newsletters, the VERBUND Facebook page, the VERBUND shop in Vienna and the Group's presence at trade fairs present additional opportunities for contact.

VERBUND's free customer service number (+43 (0) 800 210 210) 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 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 go online to view their bills and change instalment amounts, bank details and their personal profiles, switch their service address or discontinue service, and view their annual consumption data.

Our communication work complies with the PRVA Code of Honour promoted 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 underlying legislation relevant to our specific sector is the Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG) and the Electricity Labelling Regulation (Stromkennzeichnungsverordnung, SKV).

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 long been known as one of Austria's most environmentally friendly producers of electricity, and the Group is a pioneer in the area of hydropower certification. Since 1999, the electricity generated from hydropower each year has been certified by the TÜV SÜD technical inspection authority (southern Germany branch). All of 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 Electricity Industry and Organisation Act 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 are incurred for these products.

¹In the case of climate-neutral natural gas products, the emissions resulting from the use of natural gas are offset by the subsidisation and expansion of renewable energy at the Ashta hydropower plant in Albania. This has been officially confirmed by TÜV NORD, a reputable, independent technical inspection authority in Germany.

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. 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 service continues without interruption.

In addition, our customers may also appeal to the VERBUND Caritas Electricity Relief Fund. This fund supports 350–400 households per year, 1–2% of which are VERBUND customers.

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.

GRI EU-DMA,
formerly EU24

SDG 7

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 Austrian electricity sector 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, creating an ideal basis for further expanding our customer base.

Customers Recruit Customers programme

Our customer referral programme offers VERBUND customers the opportunity to reduce their electricity or gas bills at any time during the year by recommending VERBUND to others. At www.verbund.com, new customers can be recruited via email, Facebook or by post. If the new customer purchases the product while the campaign is underway, the "recruiter" will receive a reward of €30 credited to his or her electricity or gas bill as a bonus. The reward is €15 for products purchased after the campaign ends.

The VERBUND Business Breakfast

For our corporate customers, VERBUND holds these informational events at regular intervals to discuss current developments in the energy market and new products and services offered by VERBUND.

GRI 413-1
GRI EU-DMA,
formerly EU19

SDG 9
SDG 16

Local communities

It is important to us to maintain good contact with the local property owners near our sites (which include 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 and abroad that impact the public as well as in all 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 concerned informed, promptly and throughout all phases of a project (the planning phase, the environmental impact assessment and the construction phase). For each project, the group of affected parties is determined under a communication plan set out to include the time schedule, the responsibilities and the budget for the communication measures. Major suppliers and general contractors involved in the project are also included in the project communications. The environmental impact of the project is monitored continuously, and stakeholders are informed in a suitable manner.

The contact at the project site is either the responsible regional communications manager or the responsible project head. Their contact data is provided in all of our media, and they are the first point of contact in the event that any issues or complaints are escalated. With respect to reaching out to concerned parties, the main communication channels and methods are as follows:

- community informational events;
- community forums;
- public relations activities;
- project info centres, either locally or at information fairs and on informational tours, ombudspersons;
- 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 the deputy manager act as the general point of contact for all kinds of information, from tour requests to suggestions and complaints. Neighbours and interested parties may 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, on the VERBUND blog and during office hours, etc.

Officially prescribed measures

If a project is subject to an environmental impact assessment (EIA), VERBUND is legally obligated to inform the community. The authorities do not prescribe the details of individual measures. For on-site projects, either the responsible 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 goes beyond the official requirements. We identify interest groups with whom we discuss our plans and whose input is incorporated into project planning and implementation.

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 or provide another option for further 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 hold 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 charitable organisations

VERBUND’s social responsibility is evident, among other ways, in our support for the local emergency services organisations in the vicinity of our hydropower plants.

A Group-wide guideline on sponsorship, donations and collaboration ensures proper cooperation.

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. One example of cooperation at a regional level is the partnership with a local association at the Ybbs-Persenbeug site. With the support of VERBUND, a regional organisation conducts tours of the plant and maintains and updates an exhibit at the power plant location. VERBUND enables local school groups to take part in the tours free of charge.

When renovation projects are being carried out in the vicinity of power plants, VERBUND works closely with local tourism associations to reroute or completely redesign bicycle lanes. For example, a new bicycle bridge was built in the area of the rehabilitated Traisen River as part of the project to restore the Traisen estuary at the Altenwörth plant on the Danube.

Handling complaints

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

GRI EU20
GRI EU22

VERBUND and its independently operated grid subsidiary, APG, plan all major projects such that neighbours are not subject to compulsory relocation.

Employees

VERBUND places great value on providing training and continuing education to its employees as well as on a healthy work-life balance. The ability to work together constructively and successfully is based on open communication and a culture of discussion in which appreciation is shown for others.

In addition to discussions in person, important channels of communication include informational events, the intranet and the “kontakt” employee magazine.

Employee informational events

Employees at all locations are informed about new developments and current topics of interest at informational events held at regular intervals by the Group Executive Board or the local company management.

Management conference

The management conference is held once per year and involves the Executive Board informing our first- and second-level management members about current topics at VERBUND.

First-level management meeting

Held twice per year, first-level management meetings serve as a forum for exchanging information between executives at the top management level. Human resources topics are also discussed at the meetings.

Executive Club

The Executive Club holds meetings three to four times per year. External presenters are invited to hold short talks to kick off discussions on various topics of relevance to the Group.

VERBUND women's network

The VERBUND women's network promotes equal treatment for women in the Group.

Surveys

Employee surveys are conducted on a regular basis to provide concrete starting points for improving the Group's corporate culture and for promoting workplace satisfaction. The surveys enable us to identify any issues before they become problematic and collect suggestions for improvements.

Other activities

Additional activities, such as personnel development programmes, participation in Girls' Day and career trade fairs, are described in the section of our Integrated Annual Report entitled Human resources and social responsibility.

Shareholders

The Investor Relations department maintains contact with VERBUND shareholders to ensure that 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 GmbH 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 Annual General Meeting held annually are the communication tools used specifically for this stakeholder group.

Suppliers

In addition to face-to-face contact with our staff in Purchasing, the electronic supplier portal on our website contributes to the efficient processing of tenders and the awarding of contracts while taking sustainability aspects into account. VERBUND takes part in the local and regional economy in the areas in which it maintains sites. Combined into power plant groups, the sites are responsible for making decisions with far-reaching consequences at the locations.

All tenders are processed in accordance with strict award criteria. Although no explicit provisions have been made for giving preferential treatment to local suppliers, experience shows that when major investments are made, some 30–70% of the added value comes from the nearby vicinity.

NGOs

VERBUND stays in regular contact with representatives from the major environmental protection organisations such as ÖKOBÜRO, Klimabündnis, Greenpeace, GLOBAL 2000 and WWF. This includes participating in round table meetings at which current issues are discussed, common interests explored and further initiatives agreed. The Group also maintains an open and trusting relationship with consumer organisations and employee representatives.

In addition, we have been in close contact with social NGOs since 2009 through the VERBUND Caritas Electricity Relief Fund and the VERBUND Empowerment Fund in cooperation with Diakonie, a Protestant welfare organisation.

Media reports

As Austria's largest utility, VERBUND is frequently in the focus of media reports on energy-related issues. Our goal is to offer journalists comprehensive, up-to-date information on our activities in order to familiarise them with energy-related issues and our Group. The most important channels of information and communication for VERBUND stakeholders are:

- face-to-face discussions;
- the VERBUND website and the VERBUND blog;
- emails;
- newsletters;
- publications and brochures;
- the Integrated Annual Report (until 2014: Annual Report and Sustainability Report);
- citizen forums;
- hotlines;
- media reports;
- social media;
- trade fairs, conferences and events;
- press conferences and press releases; and
- expert presentations.

Political and administrative bodies

VERBUND communicates the Group's goals and positions to political decision-makers and the public. We take a clear stand on important issues, and we make our position known by engaging in active dialogue with political bodies and authorities at the 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.

VERBUND has established clear policies dictating transparency and responsibility in advocating for its interests vis-à-vis the stakeholders. 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.

Advocacy of interests

For VERBUND, the responsible representation of interests to our stakeholder groups is of central importance. Our most important partners in this dialogue 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 exchange information with these groups on energy, climate and environmental policy topics on a regular basis.

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 VERBUND Code of Conduct incorporates the most

Our Code of Conduct –
Representation of
Interests and our
positions are available at:
www.verbund.com >
About VERBUND >
Company >
Advocacy of interests >
Our positions

GRI 103-2, GRI 103-3

important principles of our internal guidelines and specifies clear and transparent procedures for the representation of our interests. The Code is published on the VERBUND website.

Our in-house lobbyists are registered in the public Lobbying and Advocacy Register. External consultants providing public affairs/lobbying services to VERBUND are likewise 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 relevant fields is disclosed in the Transparency Register. VERBUND's positions on policymaking and legislative proposals are published on the websites of the respective institutions, including those maintained by the Austrian parliament, EU institutions and E-Control.

VERBUND's advocacy work includes regular stakeholder events held to inform key decision-makers about topics of importance to VERBUND and about developments in the electricity market. Another objective is to work on joint concepts for solutions:

- **One Day at VERBUND:** This half-day event for selected stakeholder groups focuses on the transfer of knowledge. Presentations are given by and discussions held with VERBUND executives on relevant matters such as VERBUND's concept/strategy, the energy markets, current hydropower topics, models for innovation and new business models. Participants can take part in an optional plant tour after the event.
- **Munich Energy Club:** Together with Bayernwerk AG, VERBUND organises the Munich Energy Club as a platform for the regular exchange of information and ideas by decision-makers in politics, industry, the scientific community and sector associations on the topics of energy policy and the energy market in Bavaria. The club is intended, among other things, to contribute to a mutual understanding of the challenges in energy policy and to finding suitable approaches.
- **Hydropower dialogue:** Once per year, a strategic discussion on hydropower in Bavaria – particularly concerning the areas near the Austrian border – is held with Bavarian district administrators from the districts where power plants are located.
- **Parliamentary dialogues:** Panel discussions are held with representatives of state or national parliaments on energy policy issues.
- **EU energy forums:** The forums involve discussions of topics relevant to energy policy – mostly relating to Europe – with representatives from politics, interest groups and the energy sector. On average, 30 participants attend the forums.
- **energylab:** The energylab is a brainstorming workshop on energy-related topics. energylab participants include various stakeholders at the EU, national and regional levels, and the workshops cover current topics of discussion or are convened in response to specific events. The tools and methods applied in the energylab workshops – which include agile methodologies such as design thinking – assist the participants in developing solutions to complex topics. Quick prototyping of the individual solutions ensures that the proposals can be readily grasped and comprehended.

External memberships and representation on boards and panels

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 of value in its ongoing activities.

GRI 102-12
GRI 102-13

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.

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 an internal guideline. The guideline governs responsibilities 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 boards and panels of Group-wide importance. In addition, overall coordination and support for all of the Group's memberships are bundled into a single organisational unit.

VERBUND works actively with the sector association Oesterreichs Energie, the Federation of Austrian Industries, the Austrian Economic Chambers, the Austrian Chamber of Labour and other advocacy groups and associations.

At the European level, VERBUND is in regular contact through its liaison office with the European Commission, the European Parliament and various European advocacy groups and associations working in the field of energy. VERBUND is also on the management board of Hydrogen Europe, a hydrogen advocacy group located in Brussels.

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 demonstrated.
- 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 political functionaries.
- 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
- Bundesverband der Energie- und Wasserwirtschaft e.V. (German Association of Energy and Water Industries)
- German Chamber of Commerce in Austria
- European Federation of Energy Traders
- Federation of Austrian Industries
- Oesterreichs Energie

- Hydrogen Europe
- Austrian Water and Waste Management Association
- Austrian National Committee of the World Energy Council
- Global Reporting Initiative: organizational stakeholder
- respACT
- Transparency International
- Wirtschaftsrat Deutschland e.V. (German Council of Economic Affairs)

VERBUND employees are also active on boards and panels of EURELECTRIC and other European advocacy groups as a result of nominations by Oesterreichs Energie.

Commitment to society

VERBUND is dedicated to promoting the conservation and the efficient use of electricity. Therefore, VERBUND is 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 alleviating energy poverty in Austria and, together with Diakonie, supports people who depend on assistive technologies for communication.

Support for local youth

VERBUND supports teachers by providing lesson materials, continuing education opportunities and excursions to power plants free of charge as part of the VERBUND electricity school and the VERBUND Hohe Tauern National Park climate school.

VERBUND Caritas Electricity Relief Fund

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, resealing windows, 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 right at the outset of the Electricity Relief Fund.

Interim financing of electricity bills: If a household is unable to pay its electricity bills and cannot afford to make instalment payments either, the Electricity Relief Fund steps in prior to disconnection, regardless of who the service provider is. In this way, the household also avoids 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.

GRI 103-2
GRI 103-3

SDG 4

GRI EU DMA:
Access to electricity,
formerly EU23

SDG 7

VERBUND Empowerment Fund in cooperation with the Diakonie welfare organisation

More than 60,000 people with speech impediments live in Austria. With the aid of the VERBUND Empowerment Fund run by Diakonie, help has been provided to around 9,000 people during the past five years to enable them to live considerably more independent lives by using modern technologies.

Endorsement of external 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.

Diversity management with ZukunftVIELFALT®

ZukunftVIELFALT® is both a management concept that helps companies to develop a comprehensive diversity management system as well as a distinction honouring comprehensive diversity management. VERBUND aims to firmly entrench diversity within the Group and to systematically expand on and update its diversity strategy. In this manner, we promote diversity within the Group and guarantee equal treatment.

VERBUND was awarded ZukunftVIELFALT® certification for the first time in 2017.

Companies for Families

The Companies for Families network (“Unternehmen für Familien”) is an initiative of the Austrian Federal Ministry for Women, Families and Youth to promote awareness and acceptance of a family-friendly work-life balance. Companies and communities pledge to focus their actions on the interests of families 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 for Women, Families and Youth offering certification for companies that promote a work-life balance. VERBUND received Work and Family Audit certification in 2009 and renewed its certification in 2012, 2015 and 2018.

TUtheTOP

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

Women’s Scholarship

VERBUND awards a women’s scholarship each year together with the Vienna University of Technology Career Center. The objective is for the Group to attract a greater number of qualified women, particularly for technical positions.

Women in Technology

Women in Technology (“Frauen in die Technik”, or FIT) aims to generate interest among young girls to pursue technical professions, motivate female high school graduates to study technical subjects and present successful women in technical professions as role models. In this way, we aim to alleviate doubts about pursuing an education in a technical or scientific field.

Take Your Daughter to Work Day

For many years, VERBUND has participated in 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 sprungbrett association’s amaZone Award, which recognises businesses with a particular commitment to training women in trade and technical professions.

Secure supply of electricity in a liberalised market

GRI 103-2
GRI 103-3
GRI EU-DMA,
formerly EU6

SDG 7

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 electric energy.

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

Therefore, "security of supply" now 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. VERBUND also complies with internationally coordinated standards for network operation. 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 is an important factor in the success of our Group.

High-performance power plant portfolio

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

The capacity of the power grid represents another pillar of security of supply at VERBUND. For the grid to operate efficiently, the grid frequency must be stable - meaning 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. Austrian power suppliers therefore provide a number of system services in order to maintain grid stability.

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. The storage power plants in the Alpine areas are the main installations responsible for covering peak loads and providing system services.

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 electricity transmission and supply in Austria. Current changes in the European electricity system are presenting massive new challenges for transmission system operators 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 lead time and again to congestion and critical situations for the Austrian transmission grid. Rising transmission volumes and increased dispatch variability mean that ever greater efforts must be made to ensure grid stability.

Energy transition and energy storage

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

The pumped storage power plants located in the Alpine countries, including Austria, play a key role in supplying Europe with electricity. One of the tasks 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 of new renewable energy sources with pumped storage power plants and load centres. 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. Austria has also experienced a massive expansion of wind power plants and photovoltaic installations in recent years. This situation in combination with the changes in the European electricity market has led to ever greater loads on the APG grid.

ENTSO-E Ten-Year Network Development Plan

The success of the integrated internal electricity market in Europe depends to a great extent on how quickly it will be possible to adapt the electricity grid, which constitutes the economic means of achieving the energy transition. The ENTSO-E Ten-Year Network Development Plan (TYNDP) and APG's current network development plan (NDP) for 2018 pursuant to the 2010 Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG 2010) represent the basis for improvements to and expansion of the grid to enable future requirements to be met. The NDP projects for the coming ten years will take the projections of trends in the energy market as the basis for developing the grid infrastructure to the point of being able to supply us with electricity in the decades to come.

The projects included in the network development plan are categorised into projects that are of national or European interest and grid connection projects (instigated by market participants,

distribution system operators, power plant operators, customers and merchant lines). The grid connection projects will be added to the network development plan once coordinated plans are available as the basis for the project. With regard to the 2018 network development plan, the relevant market participants were able to submit their comments during the APG consultation period from mid-June to mid-July 2018. After evaluating and processing the comments received, the 2018 NDP was submitted to E-Control Austria (ECA) for approval at the beginning of September. The 2018 NDP was approved by way of an ECA notice issued at the end of November 2018 and includes the following:

- Approximately 220 km of new power lines will be added to the transmission grid.
- Approximately 100 km of existing power lines will be converted to higher voltage levels.
- Around 400 km of power lines will be replaced and upgraded.
- New substations will be constructed and existing substations expanded to voltage levels of 380/220/110 kV (around 150 switching fields in total).
- Approximately 30 new transformers with a total capacity of around 11,000 MVA are planned for coupling the grid voltage levels and supplying the distribution networks.
- Extensive efforts to coordinate and optimise power lines are underway in connection with major NDP projects, for example the 380-kV Salzburg line. This will enable the removal of around 400 km of old, low-capacity lines.
- Comprehensive measures are also planned to reinforce and replace switching stations/substations in addition to general, age-related line renovations, particularly at the 110-kV and 220-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 taking advantage of Austria's location for sustainable hydropower generation.

Electricity generated from hydropower represents a key factor in the development of our society, and today is Austria's most significant and cost-effective renewable source of electricity. As a domestic, regional and CO₂-free generation method, hydropower is by far the most efficient of all generation technologies. Hydropower also offers the highest level of output security of all the renewable energy sources as well as maximum flexibility in implementation and the most sustainable storage options. It thus supplies valuable energy for covering base and peak load demand and acts as a stabiliser for renewable technologies. Taking advantage of the potential to expand hydropower will be a key factor in reaching energy and climate change targets.

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

GRI 103-2
GRI 203-1

SDG 7
SDG 9

Additional benefits of our investments

At power plant sites:

Hydropower plants not only generate energy but are also key factors in the economy as well as providers of additional functional benefits relating to 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 fishing areas offer new recreational opportunities for sports enthusiasts, families and fishermen alike. 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 uses – wherever it is economically justifiable – 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 2018 NDP comprises a planned investment volume of around €2.9bn, including substations and other maintenance CAPEX. According to studies by the Graz University of Technology and the Institute for Industrial Research (Industriewissenschaftliches Institut, IWI), the domestic value added content of APG projects is as high as 70%. Therefore, implementation of the APG projects serves not only to significantly boost the economy but also to safeguard Austria's position as a business location. Every one billion euros invested will create more than 10,000 jobs in Austria, according to the aforementioned studies.

Supply chain

GRI 103-2
GRI 103-3

SDG 16

As a company involved in the award of major contracts, we endeavour to ensure that our suppliers and business partners adhere to our objectives relating to the environment and society. VERBUND has expressed its commitment to sustainable management in its mission statement. The Code of Conduct stipulates that the Group's suppliers and business partners must likewise observe the Group's quality standards and sustainability principles.

Due to its role as sector contract awardee, VERBUND is subject in defined areas to the provisions of the Austrian Federal Procurement Act (Bundesvergabegesetz, BVergG), which stipulates equal treatment of bidders and transparency in tender procedures. The tenders received are assessed in accordance with the "best bidder principle", meaning that not only the price but also the quality and the technical, legal and commercial aspects are considered along with sustainability criteria. Selecting the "best bidder" entails taking a comprehensive view of all costs (e.g. ancillary and follow-up costs, training costs, servicing costs, disposal costs, conversion costs and financing costs in addition to considering legal and risk-related aspects). To establish their suitability, suppliers must present certificates and self-certifications as part of the tendering process. In isolated cases, suppliers are reviewed to evaluate their social, societal and environmental impact. By accepting the order terms and conditions of VERBUND, suppliers agree to comply with the relevant statutory provisions and to additionally adhere to VERBUND's regulations concerning occupational health and safety.

GRI 414-1
GRI 308-1

Since 2012, tenders have been processed online in our electronic supplier portal. When registering for the platform, each potential supplier must complete a questionnaire on the topics of sustainability, compliance, environmental protection and occupational safety. Questions relate to the number of workplace accidents per year, environmental and climate targets and policies (including audit certificates), information on any violations of environmental laws during the past five years and the occupational health and safety measures provided to employees. Responses must be submitted to all questions in order to participate in VERBUND's tendering process.

The content of the responses and the documents submitted by registered suppliers are periodically analysed and examined (currently at two-year intervals). If responses are missing or insufficiently detailed, VERBUND asks the supplier to resubmit or expand on the information and, if necessary, may contact the supplier directly.

The responses to the questions on sustainability, compliance, environmental protection and occupational health and safety do not directly influence the selection of bidders in the award process. Rather, bidders are selected by defining appropriate sustainability criteria (for instance in procurement processes for cleaning services, plant kitchens, copy machines, etc.). The criteria are tailored to the respective scope or content in consultation with the user of the service to be provided during the award process.

In 2015, we began holding annual meetings with select key suppliers on the topics of the environment, sustainability and compliance attended by all affected departments.

Organisational allocation of procurement activity

Group procurement is responsible for central management and execution of the tender award process and for placing orders with suppliers. Minor purchases (in terms of monetary amount) may be ordered directly from decentralised offices (e.g. at the power plant sites), whereby such orders are generally placed via the online catalogue platform.

Environmental management

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

The structures, processes and responsibilities that make up our environmental management system ensure compliance with the requirements of environmental law, nationally and internationally accepted regulations and the Group's own, more stringent standards.

The Environment 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 VERBUND's environmental data. Detailed information on the standards applied and applicable factors is available from VERBUND upon request.

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 defines strategic environmental and climate targets based on the Group's corporate strategy.

Environmental management systems and certifications

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. Suitable environmental management systems were implemented and certified.

When the environmental management systems were introduced, all necessary regulations were adopted and processes created for the purpose of fulfilling the requirements of ISO 14001. This ensured, for example, that 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 suggestions or complaints received from stakeholders.

Assessments of environmental aspects are carried out at regular intervals considering lifecycle impacts. The assessments are used as the basis for establishing the objectives of environmental programmes for the individual power plant groups and sites. The steps necessary to reach these objectives are planned, implemented and evaluated annually.

VERBUND also makes contingency plans for emergency situations. Should any unexpected discharges of substances occur that impact the environment, the necessary countermeasures are implemented immediately. All specified internal and external offices are also informed.

GRI 103-2
GRI 103-3
Further information on environmental management and VERBUND's environmental mission statement is available at www.verbund.com > About VERBUND > Responsibility > Environment

GRI 102-18

A comprehensive overview of our certifications can be found at www.verbund.com > About VERBUND > Responsibility > Environment > Certifications

GRI 103-2
GRI 301-DMA
GRI 301-1
GRI 302-1
GRI EU2

Current information can
be found at
www.verbund.com >
About VERBUND >
Responsibility >
Environment >
Environmental
performance

SDG 7
SDG 12
SDG 13

GRI EU11
More information about
our power plants is
available at
www.verbund.com >
About VERBUND >
Power plants >
Our power plants

SDG 7
SDG 13

Use of power and materials

Nearly all of the electricity generated by VERBUND comes from renewable energy sources. Hydropower is used to operate VERBUND's pumped storage power plants. VERBUND's thermal power plants run on natural gas and hard coal. Electricity is generated from biomass by co-firing sewage sludge. VERBUND does not use brown coal or nuclear power to generate electricity.

In the coming years, VERBUND plans to further reduce the direct use of combustible and other fuels in the Group. Lower thermal energy generation will lead in particular to a significant decline in the use of the fossil fuel hard coal. 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 are always directed at improving efficiency and thus increasing generation, which also lowers the quantities of energy needed. This enables a reduction in energy intensity (power use per unit generated).

VERBUND also promotes the efficient use of energy among its customers by investing in the development of forward-looking energy management solutions.

Information on the requirements for operating and maintaining our plants is gathered for the purpose of calculating materials ratios. "Additives and consumables" refers primarily to the non-renewable materials used for flue gas treatment and for the maintenance of power plants and grid facilities. In the administrative area, paper consumption is calculated as a KPI for renewable materials use.

Energy efficiency of VERBUND's thermal power plants

Our existing power plants achieve the following generation efficiency levels:

Mellach district heating power plant (hard coal):

Full capacity, excluding district heat extraction:

Net generation efficiency (electric) = fuel use: 41.6%.

Full capacity, with district heat extraction of 230 MW_{thermal}:

Net generation efficiency (electric): 30.6%

Fuel use: 72.9%.

Mellach CCGT (natural gas):

The Mellach CCGT (combined cycle gas turbine plant) comprises two generator units situated side by side and fundamentally identical in construction. Generator 10 is cooled by fresh water while generator 20 has a closed circuit cooling system with cooling towers.

Full capacity, excluding district heat extraction:

Net generation efficiency (electric) = fuel use: 59.6% for generator 10 and 58.7% for generator 20.

Full capacity, with district heat extraction of 200 MW_{thermal} each:

Net generation efficiency (electric): 52.6% for generator 10 and 52.5% for generator 20.

Fuel use: 80.9% for generator 10 and 80.7% for generator 20.

Greenhouse gas emissions and climate protection

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

In determining our strategic direction, we consider requirements such as those set forth in the EU Emissions Trading System (EU ETS), the EU Energy Efficiency Directive (EED), the EU Water Framework Directive and international treaties on climate change. Moreover, we also account for the public's heightened awareness of climate change, thermal power plant emissions and the risks associated with nuclear power.

Greenhouse gas (GHG) emissions at VERBUND comprise all direct and indirect greenhouse gas emissions resulting from activities under the Group's control. Figures are presented for Scope 1, Scope 2 and some Scope 3 category emissions.

Scope 1 captures direct emissions, which at VERBUND comprises direct CO₂ and SF₆ emissions. Scope 1 emissions include emissions from the use of combustible and other fuels at VERBUND plants and by its vehicle fleet. SF₆ emissions are calculated on the basis of the quantities of refilled SF₆ used each year as an insulating gas at grid switching stations. The generation of electricity using renewable energy sources does not itself produce any direct emissions. A small portion of the emissions results from the co-incineration of sewage sludge and therefore counts as biogenic waste. These biogenic emissions are not reported due to their low volume.

Scope 2 captures indirect emissions from VERBUND's own electricity consumption. At VERBUND, this includes the electricity procured from the grid for pump and power plant operation and the electricity procured to compensate for grid losses. Both location-based and market-based figures are calculated and reported.

The location-based figure is calculated using the carbon emission factor for the local powergrid. Therefore, it only changes if there are modifications in the quantities of electricity purchased or changes in the European generation landscape.

The market-based figure, however, can be reduced through strategic procurement of electricity generated from sources with low emissions per kWh purchased. For many years, VERBUND has been promoting the use of pumped storage power plants operated exclusively using electricity with guarantees of origin from 100% renewables and has thus sharply reduced the Group's market-based emission levels.

Scope 3 emissions, which are not subject to mandatory reporting, include any other significant indirect emissions not included in Scope 2. These include, for instance, emissions arising from upstream activities, such as the extraction and transport of fossil fuels, or from business travel.

Reporting on GHG emissions is integrated into the internal quarterly reports made to the Executive Board and the Supervisory Board. The GHG ratio shows the current status of GHG emissions in the generation portfolio, and the GHG projections act as a forecast of the medium- to long-term trend.

Airborne emissions

"Airborne emissions" refer to emissions of CO, SO₂, NO_x and dust from our thermal power plants. Once our coal-fired thermal plant is no longer used to generate energy, airborne emissions will be significantly reduced. Details can be found in the environmental statement in accordance with the EMAS III regulation for the Mellach power plants site. The environmental statement is available for download from our website.

GRI 103-2
GRI 103-3
GRI 305-DMA
GRI 305-1
GRI 305-2
GRI 305-3
GRI 305-4

Further information on the topic of climate protection is available at www.verbund.com > About VERBUND > Responsibility > Environment > Climate protection

SDG 3
SDG 12
SDG 13

GRI 305-7

SDG 3
SDG 13

GRI EU-ADD
GRI EU-DMA:
long-term phasing-out
of PCBs

SDG 12

Dealing with polychlorinated biphenyls (PCBs)

Phasing out polychlorinated biphenyls (PCBs) has always been of great importance to VERBUND, both now and in the past. 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

GRI 103-3
GRI EU-DMA:
Community health risks
GRI 416-1

The generation, transmission and consumption of electricity create electric and magnetic fields with a frequency of 50 Hertz (Hz) in the vicinity of power lines and plants. These electric and magnetic emissions are within a range that does not constitute a health hazard. Our electrical installations are operated such that the applicable thresholds are not exceeded.

Electric fields are created by the voltage flowing 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. Moreover, the electric field is shielded by objects such as trees, bushes, buildings, etc.

A magnetic field forms around the conductor through which electricity is flowing. The field can be described in terms of its magnetic field strength or magnetic flux density. The magnetic flux density (measured in Tesla units) 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 increases.

Biodiversity

Projects to promote biological diversity

GRI 103-2
GRI EU13
Information on current
projects can be found at
www.verbund.com >
About VERBUND >
Responsibility >
Environment >
Protection for humans
&nature

SDG 15

Environmental measures have been an important part of plant construction and operation for many years. We maintain and promote biodiversity at and near our sites by constructing fish passes, 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 respective project websites.

Connecting riverways is of great significance in restoring the natural diversity of revitalised stretches, in genetic exchange and in balancing out population fluctuations. Establishing functional fish passes enables fish and other organisms to pass through the barrage barriers and continue their migration in the usual way. 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 passes 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 the plants, for example creating shallow water areas and additional side channels.

Sustainable route management

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 concept takes account of all of the areas surrounding the APG line routes that are not sealed off. 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.
- Regional value creation is promoted.

Particular consideration is given to the ecological development potential of routes in forested areas. This involves assessing various criteria: the local site conditions (land relief, soil, 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 as needed to small changes in biotope patches.

Two different management approaches are generally applied: "basic" management is used for "regular" forest routes and "specific" management for "special" forested regions.

Basic management involves allowing the biotope to develop naturally along the route, from habitats for pioneer vegetation to tall flowering vegetation and shrubbery. Small and large-scale biotopes exist alongside each other without following any stereotypical patterns. Landscape conservation measures such as planting permanent vegetation along the route and arranging tall plants as coverage in the vicinity of pylons are all part of standard route management. APG employees manage the forest routes in consultation with the property owners in accordance with certain criteria, such as selective removal of fast-growing tree varieties, small-scale use, removal of individual tree stumps, etc.

At some special forested sites, the basic management approach of creating a heterogeneous patchwork of vegetation cannot be applied in view of the necessity to preserve species and habitats. Any measures to be implemented at such special forested sites must be coordinated with the nature conservation authorities to account for the site's specific requirements in order to achieve the desired objectives. Those special sites include forests and shrubbery at warm, dry sites, stone pits and colluvial forests.

These management approaches are implemented in accordance with our EN ISO 14001-certified environmental management system. Responsibilities for executing the projects have been assigned. The project plans are updated continuously as needed or based on local environmental conditions.

Sites in protected areas

Some of our plants and grid facilities are located in nature conservation areas or other protected areas. In most cases, these areas were not designated as protected areas until many years after our facilities had been constructed.

VERBUND takes the following types of protected areas into account in making its evaluation: international protected areas such as the Natura 2000 and Ramsar regions, national protected areas such as parks and biosphere reserves, protected landscapes, nature reserves and state parks. These include

GRI 304 EU-ADD
Additional information is available on the website of APG, VERBUND's grid subsidiary, at www.apg.at

SDG 15

GRI 304-1

SDG 15

both areas owned by VERBUND and easement areas along the line routes of our independent grid subsidiary APG. Since the area designations overlap, it is not possible to calculate a total figure for all types of protected areas.

Water management

Water use is monitored throughout the Group, and standard reports on VERBUND's water balance are produced. The reports include figures on total water withdrawal, both by source (groundwater, surface water or public water supply) and by usage. Water discharge is reported by destination (directed to surface water, public wastewater treatment, etc.).

Most of the water is used to cool thermal power plants. After being used, the cooling water is returned chemically unchanged to the source water body. Thermal power plants also use water in much smaller quantities for other processes, such as flue gas desulphurisation and ash sluicing.

Water is withdrawn from and discharged into the Mur River for use in thermal power plants at the Mellach site. The cooling water discharged into the outfall is monitored continuously (quantity, temperature and heat load calculation of the emissions) and the temperature of the Mur is checked after backmixing the warmed cooling water (immission temperature). Both the quantities withdrawn and those discharged make up less than 5% of the average annual outflow volumes of the Mur. Details on water quality and the treatment methods applied are published in the annual environmental statement of Mellach.

At hydropower plants, the water flowing through the plant turbines is returned to the source water body without changing its biochemical composition. No significant water withdrawal or discharge occurs here. Likewise, no significant water withdrawal or discharge occurs due to transmission lines or substations in the transmission grid either.

Waste management

With regard to waste management, VERBUND prioritises waste prevention over recycling or recovery over waste disposal. The recycling of materials takes priority over thermal energy recovery. We hand over all of our waste to authorised waste management companies.

Data on waste is collected at all companies consolidated in the Group. The waste officers in the operating segments report their figures to the Group, with the waste broken down into hazardous and non-hazardous waste, waste from current operations and waste from projects.

The quantities of screened debris collected at our hydropower plants vary from year to year. Screened debris quantities depend primarily on the water supply and high water events occurring in the reporting period. They are not caused by power plant operations. Therefore, they cannot be influenced or prevented by the plant operator.

GRI 103-2
GRI EU-DMA
GRI 303 EU-ADD
GRI 306-1

Additional information is
available at
www.verbund.com >
About VERBUND >
Responsibility >
Environment >
Environmental
performance

SDG 6

GRI 103-2
GRI 306-2

SDG 12

Environmental costs

At all VERBUND companies, we record our environment-related income and expenses in accordance with a uniform Group standard. This entails deducting the environmental revenue generated from the current costs incurred for environmental management and preventive measures as well as the capital expenditure for plants and projects.

GRI 103-2
Our current environmental KPIs are available at www.verbund.com >
[About VERBUND >](#)
[Responsibility >](#)
[Environment >](#)
[Environmental performance](#)

Innovation and research

The VERBUND model of innovation

The transition to renewable energy occurring in Europe has already taken hold in many areas of the economy and private life. Innovation, research and development play a crucial role in achieving the energy transition. As Austria's leading utility and one of Europe's largest producers of hydropower, VERBUND takes its responsibility for a climate- and environmentally friendly energy future very seriously. We work dedicatedly to achieve energy efficiency, electromobility and sustainable energy management. We are also working on Smart Generation, Smart Storage and Smart Grids. We do this because we want a smarter electricity future for Austria and for all of Europe. In this respect, VERBUND is among the companies contributing to the advancement of society.

GRI 103-2
GRI 103-3

SDG 9
SDG 17

Innovation at VERBUND

Innovation at VERBUND comprises several pillars. Strategic innovation is anchored in the Group's corporate strategy and involves keeping abreast of technological developments and taking part in European and Austrian research projects. VERBUND organises and leads alliances with research and development partners, including partners in the start-up community. VERBUND also takes active part in national as well as international platforms. Together, these pillars ensure that the knowledge we acquire is well-founded for use in practical applications.

At the start of 2014, we established VERBUND Solutions GmbH for the specific purpose of offering innovative, energy-related services in all customer segments. Today, VERBUND Solutions GmbH develops new markets, enters into partnerships and adds customer value by creating innovative solutions, especially solutions aimed at increasing energy efficiency by using renewable energy sources. Our development and sales alliances focus on working with specialised partners to launch products and services.

In addition, all operating companies in the VERBUND Group – from generation companies to marketing firms – provide innovation, research and development services, the results of which can usually be put into practice immediately.

Employees

GRI 103-2
GRI 103-3

SDG 4
SDG 5

Human resources management

The Human Resources Management department at VERBUND has the authority to issue guidelines concerning all issues relating to human resources management in the VERBUND Group. Focus is placed on the following topics:

- coordinating personnel planning and management;
- preparing a Group personnel budget;
- recruiting, personnel marketing and employer branding;
- strategic alignment of the application of labour and social security law, and 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.

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. Our Group has already taken important steps in this regard by implementing occupational health management, the Work and Family Audit, qualified succession planning and the VERBUND apprenticeship training programme.

Personnel planning

VERBUND utilises a modern, user-friendly personnel planning and reporting tool, for which it received the “Bronze Winner – Large Implementations” SAP quality award in 2013. This integrated personnel and expense planning system makes the personnel planning process simple and transparent. Consistent and strict staff planning promotes an optimal use of resources.

Recruiting, personnel marketing and employer branding

Having highly educated and trained employees and executives is essential to the Group’s success. It is imperative that VERBUND continue to efficiently recruit such employees and ensure their long-term loyalty to the Group. Doing so allows VERBUND to remain competitive in the current market and in the future, and it requires actively positioning VERBUND as an attractive employer. The employer branding process is an important component of brand positioning for the Group as a whole. We have developed unique features based on our corporate brand to differentiate us from the competition on the labour market, and we have streamlined our employer brand profile.

In order to maintain the attractiveness of VERBUND’s employer brand, VERBUND invests in selected employer branding measures that are adapted to match the current economic situation. VERBUND is prominently positioned in the labour market, for example through its presence at trade fairs and in print and online media. Strategic focus is placed on measures to promote the advancement of women, such as the annual award of the VERBUND women’s scholarship at the Vienna University of Technology, as well as

on communication measures for apprentices as a target group. Thus, VERBUND continues to be an attractive employer for key internal and external personnel.

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.

Each year, we elect – with great success – to have our recruiting processes assessed in the Best Recruiter Study conducted by Career, which serves as an independent benchmark. Our five Gold Seal awards and two Silver Seal awards testify to the high quality of the Group's recruiting process.

Types of employment and benefits offered

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 and 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 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 declared its commitment to paying its employees in line with market standards and employee performance. To meet this commitment, we have had a performance-based remuneration model in place since 2010. The model incorporates both individual targets and the profitability of the Group as a whole to ensure fair pay for employees at all levels.

GRI 103-2
GRI 401-2

SDG 3
SDG 8

Personnel development

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 Human Resources Management at the holding company. Operational management of the training/continuing education programmes is carried out within his department 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. All training and continuing education programmes are evaluated by the participants upon completion.

Continuing education is also a key part of implementing measures ensuing from internal reorganisation programmes in a socially responsible manner. For the employees affected by restructuring, targeted retraining creates lasting prospects and opens up new opportunities and roles, among other benefits.

GRI 103-2
GRI EU-DMA,
formerly EU14

GRI 404-2

SDG 4

Against the backdrop of the current situation and the results of the programmes to increase efficiency and in light of demographic change, expertise must not only be continuously advanced but also retained at the Group after employees leave. The loss of employee-specific knowledge and valuable experience is particularly critical. Keeping this knowledge within the Group is essential. Strategic personnel development therefore supports executives in all knowledge transfer processes. In addition to personal consultations, easy-to-use tools are available such as checklists and structured questionnaires.

Executive development

GRI 103-2

Ongoing improvement of our leadership culture is an important component in developing our corporate culture. VERBUND therefore places special focus on executive development as part of personnel development. Executives at VERBUND have access to numerous seminars and workshops under our Management Development Programme. Mandatory training is additionally provided for new executives and whenever current topics dictate. Our executives can also take advantage of individual coaching sessions. Since 2014, we have offered opportunities for executives to receive feedback at regular intervals. This also gives our senior personnel a chance to reflect on their own roles and on how they perceive their position in the Group. The feedback received by executives forms the basis for our employee promotion and personnel development initiatives, both on an individual basis and across the Group.

Once per year, all executives attend a management conference at which the Executive Board updates them on current topics at VERBUND. First-level management meetings take place twice per year and serve as a forum for an exchange of information between executives at the top management level. Human resources topics are also discussed at the meetings.

The Executive Club holds meetings three to four times per year. External presenters are invited to hold short talks to kick off discussions on various topics of relevance to the Group.

To provide incentives for our top performers to stay with the Group as well, we have expanded our well-established tripartite career model to also include specialist careers.

Health management

We have created an occupational health management programme targeted at keeping our workforce healthy for an extended 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 for work-related or personal problems under the Employee Assistance Programme.

Maintaining a work-life balance

Work-life balance is an important topic at VERBUND. The Group therefore underwent an audit of family-friendliness and fostering work-life balance in 2009. The audit was repeated in 2012, 2015 and 2018. We have also been a part of 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.

A number of measures have been implemented and carried out for many years: the option to take a third year of parental leave, a telecommuting option, various working time models, a pension plan, a child allowance and more. In recent years, we have added a free crisis hotline for employees in difficult situations, child care options during holidays and an optional parental leave month for fathers. Since 2015, we have participated in the Companies for Families initiative sponsored by the former Austrian Federal Ministry of Families and Youth (since 2018, the Federal Ministry for Women, Families and Youth) and in this way are providing even greater support for improving work-life balance.

Succession planning

Structured succession planning is the basis for finding replacements for those leaving key management positions at VERBUND. It also provides employees with ongoing opportunities for advancement. Individually customised educational programmes – some involving external appraisals – support the succession candidates in their development. We also emphasise the advancement of women in our succession planning with the goal of increasing the number of women in leadership positions.

Apprentice training

The maintenance and operation of our plants are another key area at our Group. To ensure reliable operations, we began offering our apprentices a four-year dual vocational training programme (electrical engineering and metalworking) back in 1983 as one of the first companies in Austria to do so. These dual professional qualifications are in high demand and present excellent opportunities for the future. From the second year onwards, the apprentices work at one of our power plants to help them acquire the necessary familiarity with the plant. This ensures the transfer of expertise in the technical/trade area.

The high quality of our apprenticeship training is evident not only in the outstanding achievements seen in the final apprenticeship examinations. VERBUND has also been recognised as a nationally certified training company by the Austrian Federal Ministry of Science, Research and Economy (since 2018, the Federal Ministry of Education, Science and Research).

Diversity management

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.

By signing the 2012 Diversity Charter, VERBUND has demonstrated the significance of diversity for the Group. The initial focus is on diversity topics that have traditionally been at the forefront of VERBUND's day-to-day operations, such as gender, disability and age. Further aspects will be introduced gradually over

GRI 103-2
GRI 103-3

SDG 5

the medium and long term. Here, too, VERBUND assumes a degree of social responsibility by cooperating with cross-enterprise initiatives such as the Integration Fund, the Austrian Public Employment Service (AMS), the Austrian Economic Chambers and various federal ministries. Since 2011, VERBUND has had an equal opportunities officer, and diversity and inclusion management was introduced in 2014. This function bundles all of the Group's diversity activities and includes execution and documentation of the development, implementation and realisation of equal opportunity objectives and measures. The diversity and inclusion strategy adopted in 2016 enables us to promote diversity in an even more structured manner. Moreover, our ZukunftVIELFALT[®] certification is confirmation of the sustainability of the diversity management system implemented at VERBUND.

For more information,
please refer to the
Endorsement of external
initiatives section

The advancement of women is a key element of our diversity management programme. Inspiring women to enter technical professions is important to VERBUND. VERBUND therefore participates in several initiatives such as Take Your Daughter to Work Day in Vienna, Women in Technology ("Frauen in die Technik", or FIT) and the amaZone Award. Since 2009, we have awarded the VERBUND women's scholarship to talented female students who have completed a recognised technical education programme. Women at VERBUND also receive support from the VERBUND women's network.

Current information on diversity management is available in the Report on non-financial information (NFI-Report) and in the Corporate Governance Report in VERBUND's Integrated Annual Report.

Labour-management relations

Industrial relations in Austria are based on a tradition of cooperation between employers and employees ("Sozialpartnerschaft"). This involves joint cooperation between employers and employee representatives in the preparation and execution of economic and socio-political measures. In so doing, taking a macroeconomic view is regarded as being of the utmost importance.

Trade unions enter into collective agreements with the respective employer associations. Due to the "outsider effect" anchored in labour law, all employees are subject to the collective agreements regardless of whether they themselves belong to the union or not.

Collective agreements have a particular impact on labour-management relations within their scope of application. Company agreements and employment contracts must adhere to collective agreements and may not contain any provisions that are less advantageous than those contained in the respective collective agreement. Some of the areas governed by collective agreements are employees' minimum salaries, working hours and supplemental payments (holiday and Christmas bonuses). Under the provisions of Austrian labour law, companies with five or more employees can elect a works council to represent the interests of employees.

The same applies to Germany, where employees are subject to the provisions of German collective agreements. The social benefits provided for in those agreements are similar to Austria, with the exception of the performance-based pay system.

GRI 103-2
EU DMA: Freedom of
association and right to
collective bargaining

GRI 102-41

Austrian labour law sets out a number of rights to which the works council is entitled in relation to information, cooperation and consent as well as minimum notification periods for operational changes, all of which VERBUND complies with in full as a matter of course.

GRI 402-1

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 employee representatives about the economic situation, all human resources management measures and other current developments in the Group. These economic symposiums in particular offer employees the opportunity to voice their suggestions, concerns and recommendations to the Executive Board through the Works Council.

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 voice employee concerns in the Supervisory Board's decision-making process.

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.

GRI EU18

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 that employers are required by law to comply with and, if possible, cooperating with the responsible employees in implementing the measures in operations. 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 installations supported comprise all run-of-river power plants and storage power plants, the thermal power plants, the wind power plants and the high-voltage grid. Subsidiaries tasked with technical, tourism-related and administrative responsibilities are also included.

GRI 103-2

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 statutory accident insurance institution (AUVA), fire departments, etc.
- Supervision of maintenance and construction with respect to technical safety, preparation of the documents required in that context, and 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, electrical 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 as well as 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.

GRI 403-1

SDG 3

GRI 103-3

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, experiences are 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.

GRI EU18

All external contractors working for VERBUND must contractually commit (in the 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 established in an internal process.

Compliance with all occupational safety provisions is monitored on an ongoing basis. Serious lapses may lead to the suspension of a construction site after multiple warnings. Any workplace accidents suffered by an employee working at an external contractor engaged by the Group must be reported to VERBUND immediately. The accident data are also captured, analysed and reported continuously in VERBUND’s internal statistics.

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 as part of the Group's corporate philosophy. The Code sets out the Group's key values and principles and defines guidelines for interactions with stakeholder groups.

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:

- capital market compliance aimed at implementing requirements under capital market law and avoiding market abuse and insider transactions;
- anti-corruption (fair business practices) to prevent corruption;
- compliance with competition law to avoid violations of cartel law; and
- data protection (adherence to data protection laws).

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

Organisation

The compliance management system provides for a compliance management organisation across the entire Group in which sources of information, reporting channels, communication measures and procedures for reports and notifications are defined in order to prevent misconduct. The compliance organisation is headed up by:

- 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 and Supervisory Boards and acts as the Group's central point of contact for all compliance-related questions and reports submitted by employees as well as by third parties.
- the Compliance Committee, which is chaired 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 within the Group and on the website. They are also available to external parties wishing to offer suggestions or submit complaints.

Compliance risk survey

As recommended by an external compliance check, a systematic Group-wide compliance risk survey was conducted for the first time in 2015 together with Risk Management and with the involvement of all

GRI 103-2
 GRI 103-3
 Code of Conduct:
www.verbund.com >
[About VERBUND >](#)
[Company >](#)
[Corporate philosophy](#)

SDG 16

division managers at the holding company and the significant consolidated subsidiaries in their capacity as risk owners. This survey of risk exposure has been conducted every year since then, including in 2018.

All compliance risks, particularly corruption risk, are examined and documented across the Group using a standardised questionnaire and on the basis of extensive discussions with the Chief Compliance Officer on the materiality, probability of occurrence and degree of maturity of the measures currently in place. The survey findings indicated no significant risk of corruption. It is planned to continue updating the risk surveys annually during the coming years.

Prevention, training and information

The compliance management system focuses on preventive measures. For that reason, we place particular importance on training programmes and general informational events along with one-on-one consulting and briefings on specific matters from the Chief Compliance Officer.

In order to further improve the Group's ability to handle compliance issues, a comprehensive training programme – which includes both on-site classes and online modules – has been implemented across the entire Group to deal with compliance regulations. All Group executives, holding company employees and employees in departments that are particularly affected (e.g. Key Account Management, Trading, Purchasing) are required to complete the corresponding online survey each year. 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.

Anti-corruption measures are detailed in the Report on non-financial information (NFI-Report) included in each of VERBUND's Integrated Annual Reports.

Internal organisation

VERBUND's primary structures and processes are described in its regulations, which are updated on an ongoing basis and are accessible to all employees via the Group intranet. We distinguish between three levels of regulations at VERBUND:

GRI 103-2
GRI 103-3

- **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. For example, one executive order governs the internal control system (ICS). The ICS 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 ICS executive order as part of the area of responsibility assigned to them.

Crisis management

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

GRI EU-DMA,
formerly EU21

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

To underline the value of crisis management at VERBUND, a separate Group Crisis Management unit was integrated into the IT Security and Organisation department of VERBUND Services GmbH in 2018.

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. Group management accounting prepares the planning assumptions for the Group as a whole 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.

Information security and data protection

GRI 418-1

Information security and data protection are given high priority at VERBUND. An integrated management system defines information security and data protection processes, workflows and requirements on the basis of the Information Security Policy applicable across the Group and the targets defined therein.

In 2017/2018, a project was carried out to improve and expand the information security management system (ISMS). In 2018, VERBUND for the first time applied for and obtained ISO 27001 certification for selected critical infrastructure components (the operation of essential services). It is planned to extend the scope of certification in 2019. ISO certification is also important against the backdrop of the now applicable EU Directive on Security of Network and Information Systems (NIS Directive). The ISMS ensures continuous management of information security risk. This enables risks to be identified and actions for dealing with the identified risks to be planned and implemented.

Internal audits and technical security reviews are additionally carried out on an ongoing basis to ensure continuous improvement of information security. The Chief Information Security Officer (CISO) has primary responsibility for ensuring information security and for the proper functioning of the ISMS. The CISO is supported by his or her Information Security Team and the Information Security Officers at the Group companies. In addition, all Group divisions have established bodies authorised to make decisions and implement organisational and technical measures. The suitability, appropriateness and effectiveness of the ISMS is subject to ongoing assessment by the CISO and by management.

Back in 2015, a data protection management system was established for the Group companies located in Germany. The system was designed to allow for adaptation for use at the Austrian companies once the General Data Protection Regulation (GDPR) took effect.

Since adhering to the statutory requirements is quite labour intensive, VERBUND's data protection management system not only serves to document the data protection procedures but also helps advance the digitalisation of VERBUND.

Individual responsibilities are defined in the context of the data protection organisation. The certified Group Data Protection Officer plans, manages and coordinates all data protection-related matters across the Group. Each Group company moreover appoints an internal data protection officer, who liaises with the Group Data Protection Officer in handling all matters addressed by data protection law at the company in question. The data protection officers are assisted by our in-house attorneys.

A proprietary software solution developed by VERBUND supports the data protection officers in documenting procedures, preparing records of processing activities and ensuring the rights of the data subjects.

The Group's training concept foresees either physically attending a training course - an option chosen by approximately 1,500 employees in 2018 - or taking an e-learning course culminating in an online examination.

The Group Data Protection Officer, the CISO and the risk management organisation coordinate with each other on an ongoing basis to ensure that data protection and information security comprise an integrated management system. Prior to each purchase or development of a new process, the potential impact on data protection and information security is analysed to enable any necessary countermeasures to be taken.

Opportunity and risk management

Ever since the start of efforts to liberalise the Austrian electricity market in 2000, risk and opportunity management has been a separate component of VERBUND's comprehensive management system. Risk management structures, processes and products are subject to ongoing development as part of Enterprise Risk Management (ERM) at VERBUND. Recent focus has been placed in particular on continuing to develop a risk-return approach for the Group, a multi-year risk assessment and a risk-bearing capacity concept. Our reporting processes have also been revised and expanded as part of this process. Under this approach, risk management extends to strategic decision-making, project management and the management of current operations.

We continuously adapt the ERM system to reflect changes in internal and external requirements. Each year, VERBUND's auditor reviews and confirms the effectiveness of the ERM system based on the recommendations contained in the ISO 31000:2009 reference model. A qualitative/quantitative description of VERBUND's current risk position is contained in the Integrated Annual Report.

Principles and objectives of risk management

GRI 103-2
GRI 103-3

SDG 16

VERBUND bases its actions upon guiding principles such as increasing enterprise value, securing the energy supply and sustainability. VERBUND's ERM system integrates seamlessly with the Group's management concept, which is based on the IFRS figures. The robust design ensures that the system will be effective even in the event of significant changes in requirements. We continue to work on developing a sustainable risk culture. We define risk in the wider sense as possible deviations from our (target) management KPIs. Negative deviations are referred to as "risk in the narrower sense" and positive deviations as "opportunities".

We regard the use of management targets as the key to implementing risk-based enterprise management. This approach provides for clarity and transparency in the data (i.e. the IFRS KPI including the explanation; see Measurement bases below), the risk horizon (i.e. the time period in which the risk could materialise) and the calculation model (e.g. value driver trees, which are described under "Accounting policies" in the notes to the consolidated financial statements contained in the Integrated Annual Report).

Structures and processes

VERBUND's overarching risk and opportunity management system includes the following areas relevant to risk management: the internal control system, compliance management, internal audit, information security and data protection, crisis management and separate risk management systems in the Grid, Trading and Finance areas (for more information, please refer to the description in VERBUND's Integrated Annual Report). VERBUND subsidiary APG was certified as an independent transmission systems operator in 2012, and since that time has maintained its own independent risk management system.

Risk management levels

The Chief Risk Officer (CRO) is in charge of risk and opportunity management at VERBUND. The CRO is part of the Group Management Accounting, Corporate Accounting and Risk Management departments and has the authority to issue instructions in professional matters. Chief Officers are in charge of compliance (Chief Compliance Officer, CCO) and internal audit (Chief Audit Officer, CAO). In addition,

a Chief Information Security Officer (CISO) monitors risk in the areas of information security and data protection.

Trading and Finance have their own operating risk management units. Various risk management committees (RMCs) manage the risk inherent in current business operations. The RMCs deal with topics such as energy management, business management, financial management and regulatory conditions as well as information security and data protection. The Group also has a risk management committee in which the Group Executive Board participates and current topics such as the risk outlook and the Group's top risks and their mitigation are discussed. Risk-specific matters are discussed and decided on in consultation with the affected operating units on a quarterly or as-needed basis.

VERBUND has established a Group-wide crisis management system to handle unusual incidents. The system is structured along similar lines as the national crisis and disaster protection management systems. In the event of a crisis, the Group's internal crisis management system facilitates cooperation with federal institutions and emergency services organisations. VERBUND's trained crisis team runs periodic simulations of specific threat scenarios for practice purposes.

ERM processes

VERBUND implements the following steps to ensure the Group's long-term existence:

- analysing, modelling and assessing external and internal developments;
- facilitating forums for discussion and decision-making with regard to measures impacting opportunities and risks; and
- reporting on opportunities and risks relevant to management.

The ERM management cycle comprises the following processes that are repeated at regular intervals:

1. risk identification;
2. risk analysis and measurement;
3. investigating possible causes of deviations;
4. deriving rules for measuring risk;
5. assigning and monitoring countermeasures; and
6. risk reporting.

This workflow is integrated into both the periodic planning and reporting processes (current operations) as well as the decision-making processes for investments and divestments (strategic corporate development and project management). The ability to hold discussions based on facts and figures is a challenge that we at VERBUND face proactively.

Identification/classification of opportunities and risks

Risk identification involves the systematic identification of factors having the potential to impact the business model based on origin. It is the key prerequisite for all subsequent processes. The effectiveness and efficiency of risk identification is reflected in the Group's risk culture (i.e. the degree of maturity in dealing with risk).

VERBUND aggregates all relevant risks in a comprehensive risk catalogue. The risk position reflects the potential impact of the risks contained in the catalogue on the Group's target achievement. Various criteria are used to classify the individual risks. This enables a review of completeness during the risk identification phase and is a prerequisite for subsequent risk clustering in the (Group) reporting process. VERBUND classifies risk in terms of various aspects (origin, impact and control level). Individual risks are aggregated into the following categories for the purpose of reporting to the Executive Board and the Supervisory Board:

- volume risk;
- price risk;
- legal risk;
- financial statements impact;
- investment risk;
- operational risk;
- financial risk;
- other risk; and
- portfolio impact.

The individual risks and opportunities identified are assessed for the Group as a whole from a quantitative perspective depending on their degree of impact on earnings and their probability of occurrence.

Measurement of opportunities and risks

All new opportunities and risks are analysed and measured in the context of workshops. The workshops serve to develop a risk measurement approach with the assistance of the operating units. Outside experts are called in as needed. The risk position is updated on the basis of the quarterly risk reports. Clear allocation of responsibilities, strict deadline monitoring, proper documentation of possible deviations and systematic follow-up on issues are key prerequisites for obtaining high-quality data.

Measurement bases

The confidence level is indicated either as a threshold value (e.g. a 5% upper/lower threshold that will not be exceeded/fallen short of 95% of the time) or as a range (i.e. a 90% range of fluctuation for all figures lying within the 5% upper/lower threshold). The range thus indicates deviations with a low probability of occurrence. In addition to the above ratios, ranges of fluctuation with a certainty of 40% or 60% are provided to support the management of operations with a high probability of deviations. Normally, the range for a commitment issued with a high degree of certainty is many times greater than one issued with a low degree of certainty. This is because a high degree of certainty also takes low probability incidents (once-in-a-century events) into account.

Statistical measurement techniques are based on an evaluation of historical time series. We apply these techniques primarily to measure fluctuations in the supply of wind and water and in market prices for electricity products, interest rates and securities. In many areas, we model correlations or utilise the existing planning system.

The budget created using the planning system is based on processing a set of underlying planning assumptions (calculation parameters). To supplement this, enterprise risk management is used to process sets of assumptions that are either more or less likely to occur (see confidence level above). A critical part of risk measurement at VERBUND involves expert assessments (e.g. regarding the outcome of pending legal proceedings, unplanned repairs, etc.). We support these assessments through the use of models such as cost-benefit analyses, decision-making trees and external data. Simulations serve to consolidate the numerous individual risks into the aforementioned reporting categories. The top risks to which the Group is exposed are an additional point of focus.

Key performance indicators

Measurement of individual risks results in the identification of potential deviations from targets (in the following after accounting for risk measures). The specific risk exposure ensues from the reference indicator selected and the level of confidence observed. Management KPIs such as EBITDA, the Group result and free cash flow as well as equity and net debt are used as reference indicators. The IFRS impact of individual risks (see reporting categories above) refers to how each risk impacts the income statement and the cash flow statement. From this, we derive the extent of the impact on the aforementioned KPIs.

Risk control measures

To successfully implement risk countermeasures, it is important to have a good understanding of the measurement results and be able to verify how they were reached. The economic justification for implementing countermeasures is therefore based on the potential extent of the risk (risk exposure). Risks to the Group's going-concern basis are to be avoided, serious risks are to be actively mitigated (insurance policies) or hedged (hedging transactions) and business-specific risks are to be absorbed. Defining and adhering to limit systems are additional risk control mechanisms. The ERM system acts as a management tool when implementing countermeasures, which are generally executed within the current organisation (personnel, systems, etc.).

Risk reporting

VERBUND manages its commercial operations on the basis of the published targets (guidance). Current forecasts are taken as the basis for deriving the KPIs relevant to current operations. Those KPIs are calculated using a variety of assumptions, which taken together comprise the "expected scenario." The ERM system takes the KPIs and adds the range of fluctuation, i.e. the potential impact of alternative scenarios. Projects are managed in a manner similar to current operations. Defined project objectives are pursued in the context of a structure established on a temporary basis. Alternative projects are evaluated in the form of profitability calculations (scenarios).

As a listed company, VERBUND is subject to strict publication requirements. Changes in KPIs in combination with greater price volatility, for example, can result in adjustments to the target figures (guidance) during the year (insider information). The ERM system is regularly used to prepare the necessary information for this process.

The risk management organisation reports both internally and externally on the Group's opportunities and risks on a quarterly basis. In addition to the current risk position, the reports specify ranges of fluctuation in the aforementioned risk control KPIs. Risks are aggregated into the reporting categories listed above. Focus is also placed on presenting the Group's top risks in an opportunity and risk matrix. Opportunities and risks are positioned in the matrix in accordance with their probability of occurrence and degree of impact on earnings.

Climate risk reporting – climate change risk

Climate risk reporting, which focuses on the carbon footprint of business operations and thus on the Group's impact on climate change, has been a central theme in the Group in recent years. Focus is now increasingly turning to climate change risk as capital market participants and rating agencies demand ever-greater transparency about financial impacts on business operations. In response, VERBUND decided in 2018 to hold a workshop aimed at examining the topic of climate change risk on an in-depth basis in cooperation with the Risk Management, Corporate Development and Energy Market, and Marketing departments.

With respect to climate change aspects, VERBUND works with scenarios that focus on meteorology and hydrology. Climate change scenario analyses directly impact VERBUND's strategy in that the Group's investment programmes focus predominantly on the construction of new renewable power plants, developing the transmission grid and improving the efficiency of existing power plants.

Task Force on Climate-related Financial Disclosures (TCFD)

The TCFC was established in 2015 by the Financial Stability Board (FSB). The Task Force was commissioned to develop recommendations on climate-related risk disclosures for use by companies in demonstrating to the capital markets their resilience to climate change. Recommendations have been developed in four areas (governance, strategy, risk management, and metrics and targets) with the objective of identifying, measuring, managing and reporting on climate-related risks and opportunities.

VERBUND has now set itself the goal of being one of the first Austrian companies to successively implement the recommendations, in a process to extend over multiple years. On the one hand, this presents a chance to offer well-structured, "readable" reports to informed capital market participants and on the other, to prepare for potential mandatory reporting requirements.

In a joint workshop in which an external consultant participated, it emerged that VERBUND already complies with many of the TCFD recommendations in comparison with the benchmark. For example, the Executive and Supervisory Boards are already involved in monitoring and measuring climate-related risk, climate-related risks and opportunities and their financial impacts are accounted for in risk management, and climate-related metrics (Scope 1 to 3 emissions) are reported. The next step is to continue improving the risk management system, Group strategy and scenario analysis techniques.

Internal Audit

Internal Audit, which carries out its duties for the entire Group, reports directly to the Chairman of the Executive Board and 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 those processes. The review covers the reliability, usefulness, completeness and profitability of the systems as well as the establishment and achievement of targets and regulation of responsibilities. Internal Audit contributes to value creation by identifying potential for improvements while carrying out auditing and advisory activities and by reducing risk and actively supporting the Group in reaching its targets. Standardised follow-up by Internal Audit ensures that the recommendations adopted by the Executive Board are actually implemented.

Sustainability management

VERBUND has issued an executive order to ensure compliance with the principles of sustainability in all of the Group's actions and decisions. The executive order establishes the staffing and duties of the Sustainability Board, the sustainability working group and the position of sustainability officer.

GRI 102-18

Ultimate responsibility for sustainability lies with the Group Executive Board, which sets the strategic sustainability targets.

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:

- creating the sustainability mission statement;
- setting targets and points of focus in the area of sustainability;
- passing on new ideas from the subsidiaries to the sustainability working group; and
- communicating the sustainability principles to executives and employees of the subsidiaries they represent.

The Group Sustainability Officer heads up the sustainability working group – the working committee of the Sustainability Board. The sustainability working group is composed of one representative from each Group company along with social, environmental, economic, research and communication experts plus one employee representative. The working group coordinates sustainability-related activities across the Group and sustainability reporting. The main topics related to sustainability are presented each year in VERBUND's Integrated Annual Report.

In addition, the sustainability working group reports on the current implementation status of sustainability projects at Group companies and suggests specific targets and measures aimed at promoting sustainability within the Group.

VERBUND is also a member company of respACT – austrian business council for sustainable development, where it is represented by a member of the Group's Executive Board. This membership enables VERBUND to help develop and refine sustainability criteria and Corporate Social Responsibility (CSR) principles for Austrian companies.

VERBUND's position in this sector is underscored, among other things, by the numerous awards it has received, including for its sustainability reporting (Austrian Sustainability Report). The Company also received one of the highest scores in the CDP climate performance leadership index.

ONR 192500 certification – CSR management system

In order to systematically anchor the concept of sustainability within the Group, VERBUND has implemented a CSR management system in accordance with the requirements of ONR 192500 (Social Responsibility of Organisations). ONR 192500 is the Austrian standard implementing the international ISO 26000 standard for corporate social responsibility.

ONR 192500 defines the following CSR principles, which are also contained in VERBUND's mission statement:

- accountability;
- transparency;
- ethical behaviour;
- respect for stakeholder interests;
- respect for rule of law;
- respect for international norms of behaviour; and
- respect for human rights.

The certified CSR management system is applicable to VERBUND AG and all of the companies included in its consolidated financial statements as well as those companies in which VERBUND AG holds a sole controlling interest, either directly or indirectly. However, it does not apply to Austrian Power Grid AG (APG) due to the legal unbundling requirement.

ONR 192500 is being implemented on the basis of the PDCA (Plan-Do-Check-Act) model. This ensures that implementation of the system will be subjected to regular review, adaptation and improvement and that suitable targets and actions will be derived.

Seven core subjects related to social responsibility make up the heart of ONR 192500. VERBUND reviews the core subjects to determine their relevance for the Group and conducts detailed analyses of weaknesses, strengths, risks and opportunities on a regular basis. In carrying out the review, VERBUND identifies opportunities for impacting the individual core subjects and thus the environment and society as well as the impacts that the core subjects have on VERBUND.

ONR 192500 provides guidance on the following core subjects:

- organisational governance;
- human rights;
- labour practices;
- the environment;
- fair operating practices;
- consumer issues; and
- community involvement and development.

A variety of approaches are used to measure the effectiveness of the CSR management system. These include the numerous KPIs that are calculated and published each year in the Integrated Annual Report. Once a year, the CSR management system is reviewed in the context of an evaluation performed by the top management level. Periodic internal audits are also conducted to ensure that the CSR management system complies with the regulatory standard and the principle of appropriateness. If any issues are discovered, corrective action is taken to ensure continuous improvement of the CSR management system and the underlying targets.

