

DMA – Disclosures on Management Approach

Supplement to the
Integrated Annual Report 2021



The Power
to Transform

Verbund

Disclosures on Management Approach

In this document, we present an overview of VERBUND's central management systems.¹

Date: 31 December 2021

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¹ APG, GCA: taking into account the Independent Transmission Operator (ITO) provisions

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General information on management approaches

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 integrated corporate strategy.
- Do: the planned processes and procedures are put into action.
- Check: implementation of the processes and procedures is monitored and measured against the integrated corporate strategy, 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 stakeholder groups 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. In 2019, the survey of internal and external stakeholder groups in Austria and Germany was repeated. The material topics were updated on the basis of questionnaires (quantitative information) as well as in-depth interviews (qualitative information). As a result of the takeover of Gas Connect Austria GmbH (GCA), two expert workshops were held in 2021. In both workshops a total of 15 topics related to environmental, social and governance issues and the economy were evaluated from the perspective of the stakeholders and on the basis of their impact on society and the environment. The material topics of GCA identified in this way were then compared with the material VERBUND topics and reviewed.

GRI 103-1

These results are reviewed each year by the members of the sustainability team, 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.

GRI 103-3

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 Group using 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 ESG, 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, ONR 192500, ZukunftVIELFALT®).

The monitoring and modification processes specified are intended to ensure continuous improvement and updating of the Corporate Responsibility (CR) 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 CR goals;
- 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 and from mini surveys on the intranet.

Strategy

The Group Executive Board is responsible for developing the Group's strategy. It determines the corporate objectives together with relevant divisional heads from the holding company, the management of the Group subsidiaries as well as leading experts in the core areas in which the Group operates.

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

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 advantages, core competencies 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 culminates in strategic focus areas and operational targets 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 performance 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 (Österreichischer Corporate Governance Kodex, ÖCGK) was presented to the public. Since then, it has been adapted and updated several times. The version currently in effect is from January 2021. 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 represents the 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 and 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 (Aktiengesetz, AktG), the Commercial Code (Unternehmensgesetzbuch, UGB) and capital market law, the regulations governing employee co-determination, the Company's Articles of Association, the rules of procedure for the Company's boards and the Austrian Code of Corporate Governance (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 declares its unconditional commitment to the Austrian Code of Corporate Governance (ÖCGK). The Executive Board and Supervisory Board see it as their primary duty to comply with all of the rules of the Code as fully as possible and to maintain and continue to develop the Group's high internal standards. 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 (ÖCGK) are evaluated externally by an independent auditor at regular intervals. The last such evaluation took place for 2019.

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 (Stellenbesetzungsverordnung, Federal Law Gazette II [BGBl] 254/1998) and the relevant provisions of the Code of Corporate Governance apply to the appointment of the Executive Board of VERBUND AG.

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 two 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 (AktG) and the Austrian Code of Corporate Governance (ÖCGK, 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 (AktG) 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 Annual General Meeting, at which the shareholders vote to approve the actions of the Supervisory Board. The Supervisory Board also performs a self-evaluation of its actions each year.

The Supervisory Board shall form the following committees as required by law and the Code of Corporate Governance and in accordance with the Supervisory Board's rules of procedure:

- an audit committee (quarterly and annual financial statements, budget and financial report, internal control system and risk management, 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); and
- a sustainability committee (sustainability, the New Green Deal, decarbonisation, energy transition, climate change, environmental protection).

Detailed information on the operation, meetings and composition of the Supervisory Board and its committees, on the independence of members of the Supervisory Board as well as on the Supervisory Board's self-evaluation and on its 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 are 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. Each year, the Annual General Meeting passes a resolution on the report on the remuneration of the Executive Board and Supervisory Board, but it may not issue instructions to either 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 both the Executive Board and the Supervisory Board.

The rules of procedure for the Executive Board govern the allocation of responsibilities and how the members of the Executive Board 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 due diligence applies to both the management board and the supervisory board of an Austrian joint stock corporation (diligent execution of the action, high level of confidentiality). If that standard of due diligence is violated, the joint stock corporation may demand compensation.

Minority protection in stock corporation law

Austrian stock corporation law requires that all shareholders be treated equally. Small and minority shareholders enjoy special protection. For example, they may convene 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 said minority to the annual general meeting published on the company's website.

Stakeholder management

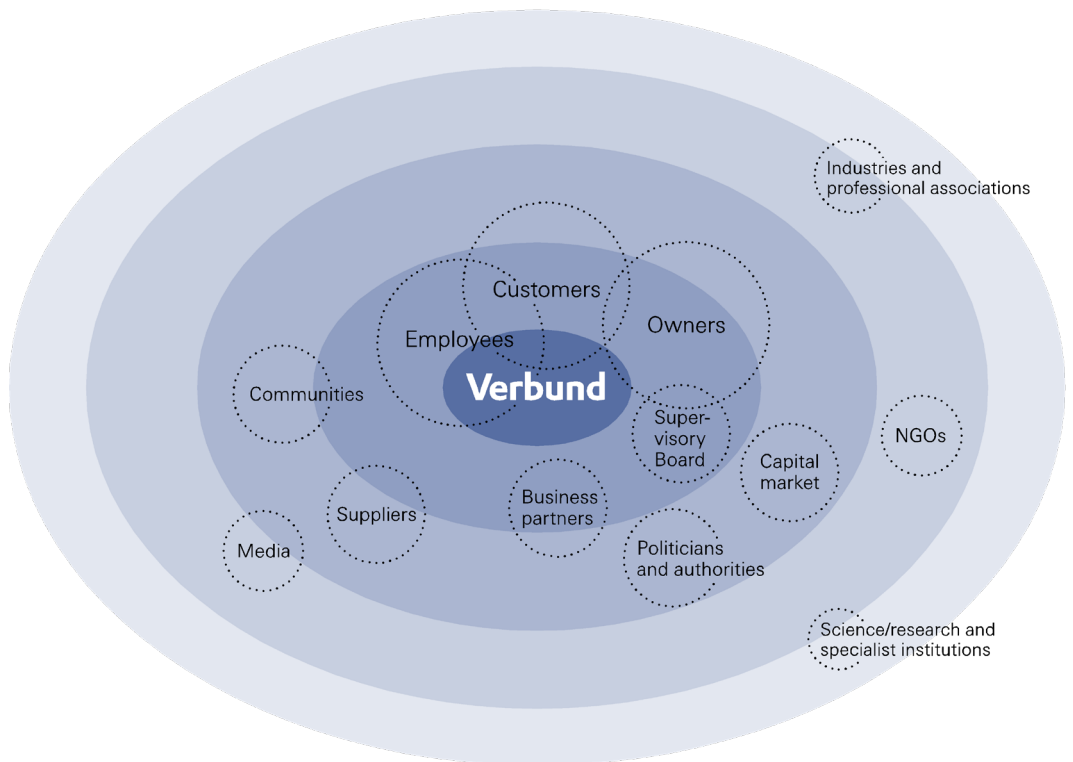
GRI 103-2
GRI 103-3
GRI EU-DMA,
formerly EU19
EU20

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 Corporate 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

Since 2013, VERBUND has carried out a stakeholder analysis that it updates on a regular basis. Building on that analysis – last updated in 2019 – the relevant stakeholder groups have been identified based on their importance and their proximity to the Group:



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:
Information	To keep our stakeholders up to date, we provide them with regular information on the most important current topics at VERBUND.	External: Our website Publications such as brochures, etc. Public relations activities Newsletters Our customer platform Facebook Local resident briefings The VERBUND business breakfast Internal: Intranet Employee informational events Management conference Top-level management meeting
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.	External: Facebook The VERBUND business breakfast VERBUND's customer service number (call centre) Customer satisfaction survey One Day at VERBUND NGO roundtable Hydropower dialogue Morning Meetings EU energy forums Internal: Employee survey Management conference Top-level management meeting Executive Club Issue management workshop
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.	External: Round-table meetings Munich Energy Club Parliamentary evenings Internal: Expert workshops

GRI 103-2
GRI 103-3

Customers

VERBUND supplies private households, agricultural and commercial businesses across Austria with clean electricity from hydropower as well as other renewable energy sources and climate-neutral gas². Besides electricity and gas, private customers also benefit from VERBUND expertise in photovoltaic installations for the home as well as the complete electric car charging package for charging at home and on the road. In addition, VERBUND provides B2B customers with a reliable supply of electrical energy. VERBUND's core activities in its business segment involve trading in energy products in Austria and abroad as bilateral transactions and via exchanges as well as optimisation the use, management and marketing of VERBUND's power plants. The sale of electricity products and guarantees of origin for industry and resellers as well as flexibility marketing for plant operators, especially for wind and hydropower plants in Austria and Germany, round off the Group's product portfolio. Key cornerstones of the Group's business segment include the expansion of distributed generation facilities such as solar plants and battery storage units and the development of commercial products and services in the electromobility sector and green hydrogen solutions for industry and the mobility sector. The VERBUND website, the call centre and VISION, the online platform for large customers, 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 450,000 to 500,000 enquiries by phone or e-mail 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 make changes to their instalment amounts, bank details and their personal profiles, switch their service address or their service plan, and apply their rebates earned in VERBUND's customer club, Ecoclub.

Our communications 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 driving force 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-

² In 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. TÜV NORD publishes details on the certificates used and on projects.

generated is produced by run-of-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 supply 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 (EIWOG) reads as follows: 100% of VERBUND's electricity for standard load profile household customers is generated from hydropower. As a result, no carbon emissions or radioactive waste are incurred for these products.

Payment by instalments

Late payments happen, for example in the case of an extended stay in hospital. VERBUND assists by offering payment by instalments, calculated without adding default interest. Customers who are in payment arrears are given notice of the outstanding amounts 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 will be sent approximately 14 days later. Should the customer still fail to take action, a registered letter will be sent out approximately 14 days thereafter informing them that their electricity or gas supply account will be terminated and that they must find a new electricity or gas supplier. That letter will list the outstanding amount again. The customers will also be given the opportunity to pay the outstanding amount immediately. Should the customer do so in a timely manner, account cancellation will not be initiated.

Account cancellation

Only relatively few customers actually face account cancellation. Before an account is cancelled, the following must occur:

- Two warning notices must be sent including observance of the 14-day payment terms.
- The second warning notice must be sent by registered mail.
- The second warning notice must indicate that the account will be cancelled if the customer fails to pay. It must also inform the customer of the costs and the potential consequences of service disconnection as well as the costs to restore service.

To prevent account cancellations, we recommend that our customers contact us and their power grid operators to discuss their options. There are several options to prevent account cancellation:

- Paying the outstanding invoice in full, or arranging for instalment payments.
- Taking recourse to the right to basic services provided for in Section 77 of the Austrian Electricity Industry Organisation Act (EIWOG):
- The service provider must continue to supply electricity if the customer furnishes a security deposit equal to one monthly instalment payment. From this date forward, if payments are made on time and the outstanding amounts reduced, the security deposit is returned to the customer after six months.
- Having the system operator install a prepaid meter. If a smart meter has already been installed, a prepayment function can be activated.

- Credit is loaded onto the prepaid meters or – in the case of a smart meter – activated and then electricity or gas can be used until the credited amount has been used up, after which the customer will need to top up. A one-off fee is charged to install the meter, and the customer is charged a small monthly fee to use it. System operators are required to install prepaid meters at the request of customers. The only exception to this is in cases where the installation would cause safety concerns. That said, it is not possible to use energy from VERBUND with a prepaid meter.

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.

GRI EU-DMA,
formerly EU24

SDG 7

Customer service

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

Customer satisfaction survey

Each year, a customer satisfaction analysis is undertaken to enable us to become even better at meeting our customers' needs. VERBUND is the best-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, which creates an ideal basis for further expanding our customer base.

Customer recruiting programme

VERBUND's customer referral programme offers VERBUND customers the opportunity at certain times of the year to reduce their electricity or gas bills by recommending VERBUND to others. New customers can be recruited at www.verbund.at or by post. If the new customer subsequently purchases an electricity or gas product while the campaign is underway, the "recruiter" will receive a reward of €30 credited to their electricity or gas bill as a bonus. The reward is €15 for products purchased after the campaign ends.

Local communities

It is important to us to maintain good contact with communities, landowners and farmers directly affected by the project, as well as local residents and interest groups at our sites – hydropower plants, wind farms, grid facilities, transmission lines 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. This 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 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, communication on equal terms, respect as well as credibility and transparency are the most important principles in our communications.

VERBUND assumes responsibility for the necessary intervention and impacts on nature, the environment and mankind and for the resulting accompanying and compensatory measures. Measures we take in construction, for example, include compliance with the “Guidelines for proper soil re-cultivation of agricultural and forestry land”, implementation of environmental construction monitoring and construction supervision and controlling non-native and invasive species. Viewpoints 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 of any issues or complaints. 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. Neighbouring property owners and interested parties may also visit VERBUND in person or get in touch by phone, e-mail or 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.

GRI 413-1
GRI EU-DMA,
formerly EU19

SDG 9
SDG 16

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.

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

VERBUND and its subsidiary Austrian Power Grid AG (APG), which is a certified independent transmission operator or “ITO” and therefore autonomous and independently operating, plan all major projects such that neighbours are not subject to compulsory relocation.

GRI EU20
GRI EU22

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 top- and middle-level management members about current topics at VERBUND.

Top-level management meeting

Held twice per year, top-level management meetings serve as a forum for exchanging information between executives at the senior 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.

YoungStars network

YoungStars@VERBUND is a network for employees under the age of 35 that has been in existence since 2020. It aims to promote networking within the Group, actively help shape VERBUND and thus support the generation change.

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. The plant sites are combined into power plant groups responsible for on-site decision making, including decisions with far-reaching consequences.

All tenders are processed in accordance with strict 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, 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;
- e-mails;
- 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 position on energy and climate policy 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 in both Austria and Germany as well as with the institutions of the European Union.

Dialogue with policymakers 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 contribute to political decision-making processes with professional know-how in a transparent and constructive manner. In line with our mission statement and our basic values, we are committed to the responsible, sustainable advocacy of our interests.

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

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 code incorporates the most 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 the topics on which we have taken a position 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. Certain events were once again moved to an online format or postponed to a later date in 2021 due to the restrictions enacted to combat the spread of the coronavirus.

- **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.
- **Morning Meetings – an energy breakfast with VERBUND** Morning Meetings are a series of discussions organised by VERBUND several times each year. Guests include energy policy decision-makers and leading energy experts in Austria. The breakfast begins with a keynote speech on current topics in energy policy, followed by a discussion between the keynote speaker and VERBUND CEO Michael Strugl along with questions from the audience.
- **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 an understanding of the respective 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 and climate policy – mostly relating to Europe – with representatives at operational level from politics, interest groups and the energy sector.

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 European and national interest groups as well as on 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 interest 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, particularly with Eurelectric. VERBUND is also active in various working groups established by 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. VERBUND makes no financial donations to political parties, grass-roots political organisations or holders of political office.

- Explicit justification must be given if a personal membership is taken out that is in the interest of the Group and is paid for by the Group rather than a corporate membership.

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

- Oesterreichs Energie
- Bundesverband der Energie- und Wasserwirtschaft e.V. (German Association of Energy and Water Industries)
- Hydrogen Europe
- SolarPower Europe
- European Federation of Energy Traders
- Federation of Austrian Industries
- Austrian Water and Waste Management Association
- Austrian National Committee of the World Energy Council
- German Chamber of Commerce in Austria
- Global Reporting Initiative: Organizational Stakeholder
- respACT
- UN Global Compact ("Network Austria")
- Transparency International

VERBUND employees are also active in Eurelectric bodies based on nomination by Oesterreichs Energie.

Commitment to society

GRI 103-2
GRI 103-3
GRI 203-1

SDG 4

VERBUND is dedicated to promoting the conservation and efficient use of electricity. Therefore, VERBUND is also involved in educating young people about the environment and climate change. For example, the VERBUND Hohe Tauern National Park climate school and the VERBUND electricity school have been in existence since 2010.

In cooperation with Caritas, a Catholic charity, VERBUND also contributes to relieving energy poverty in Austria, and together with the Protestant welfare organisation 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 Electricity Relief Fund run by Caritas

GRI EU DMA:
Access to electricity,
formerly EU23

GRI 203-1
SDG 7

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 financial assistance for 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 are implemented, the energy consultant measures their effectiveness.

VERBUND Empowerment Fund run by Diakonie

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 embrace 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 Labour, Family 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 Labour, Family 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.

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 women 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, the Group aims 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 "amaZone Award" by the "Sprungbrett" association, which recognises businesses with a particular commitment to training women in trade and technical professions.

The VERBUND COLLECTION brings added value

In 2004, the VERBUND Executive Board took the decision to start building an art collection that would be both international and contemporary. VERBUND took on this project – in its role as an active citizen – in order to help shape the development of society over and above its own economic interests and issues. Later in 2004, art historian and curator Gabriele Schor was put in charge of the VERBUND COLLECTION by the VERBUND Executive Board. The collection built by Gabriele Schor focuses on two main, socially relevant themes: "Feminist avant-garde of the 1970s" and "Perceiving spaces and places". The collection is an expression of VERBUND's sense of responsibility to society, represented on the one hand by VERBUND's mandate to supply clean energy to Austria as the Group's core business, and on the other by VERBUND's efforts to infuse new "energy" into the world of art.

International presence

The VERBUND COLLECTION currently consists of some 900 works by 159 artists. With the aim of going deeper, not wider, the works of art collected are intended to enable an in-depth look at the artists' creative processes. The works included in the VERBUND COLLECTION are grouped by theme and presented at art exhibitions. The first exhibition was held in 2007 at the Vienna Museum of Applied Art, and the second in 2008 at Istanbul Muserum of Modern Art – which was also the first international exhibition. Gabriele Schor coined the expression "feminist avant-garde of the 1970s", the title under which the exhibition has been touring. These works of art have been presented to great acclaim in the following museums: Galleria nazionale d'arte moderna e contemporanea in Rome (2010), PHotoEspaña in Madrid (2013), Palais des Beaux-Arts in Brussels (2014), Mjellby Konstmuseum in Halmstad (2014/2015), Hamburg Kunsthalle (2015), The Photographers' Gallery in London (2016/2017), Vienna Museum of Modern Art (2017), ZKM – Center for Art and Media in Karlsruhe (2018), Stavanger Art Museum in Norway (2019), Haus der Kunst

in Brunn (2018/2019), Centre de Cultura Contemporània de Barcelona (2019) and Lentos Kunstmuseum in Linz (2021). The second theme, “Perceiving spaces and places” was the focus of exhibitions at the Museum der Moderne in Salzburg and the Brussels Palais des Beaux-Arts.

Connecting people through art

VERBUND offers its employees the opportunity to view the company’s art collection in museums as well as at the workplace (in the Vertikale Galerie, located in the stairwell of the main building). The VERBUND COLLECTION team holds talks about the art on display, the idea being to give the employees access to modern art. In addition, lectures on art are offered every Wednesday for customers, guests, students and anyone else interested in art.

Acknowledgement for cultural work

The number of media reports about the Group has increased in both Austria and abroad thanks to the international exhibitions and appearances at biennial art exhibitions (such as the 2019 Venice Biennale, where Austria was represented by collection artist Renate Bertlmann), along with lectures, interviews and panel discussions featuring Gabriele Schor. All of this has come to the attention of national and international opinion leaders. The VERBUND COLLECTION is being presented on behalf of VERBUND AG to communicate a positive message about the Group. By taking an interest in art, VERBUND is making a contribution to sustainability. This is because without a cultural vision, i.e. a civilisation in which humanity can express itself, there can be no sustainability.

The art collection promotes the VERBUND brand and enhances the positive associations with our Group. In 2013, VERBUND was awarded the OscArt for special achievements in the area of art and publicity. In his speech honouring the collection, Christoph Thun-Hohenstein, director of the Museum of Applied Arts in Vienna remarked that “The VERBUND COLLECTION has become a world-class collection. It demonstrates in an impressive manner how a company can make a high-quality contribution to our culture by taking a targeted approach to creating a well-conceived collection.”

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

SDG 7

Secure supply of gas and electricity in a liberalised market

One of VERBUND's key concerns is ensuring that customers enjoy a secure supply of electricity, which entails reliable and sustained electricity generation. Prior to liberalisation of the electricity market, VERBUND had a legally defined mandate to supply electricity (Nationalisation Act of 1957), i.e. 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 responsibility for the high-voltage grid.

Yet "security of supply" is not limited to the transmission grid. It 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 and 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 grid 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 extremely 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 95% of the electricity generated by VERBUND, are the main pillar for maintaining the security of supply at VERBUND.

The high-performance 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. In order to maintain grid stability, Austrian providers use a large number of system services.

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 used predominantly for covering peak loads and providing system services.

Grid security and expansion and security of supply

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 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 and solar power), 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.

The VERBUND subsidiary Gas Connect Austria GmbH (GCA) is an Austrian gas transmission and distribution grid operator and, as such, plays a key role in the energy supply in Austria and Central Europe. Starting from the Baumgarten hub, GCA operates a state-of-the-art, powerful high-pressure network with connections to Germany, Slovakia, Slovenia and Hungary, as well as domestic storage and production facilities. There are five compressor stations, 40 metering and transfer stations and over 100 transfer measuring points along the 900-kilometre-long pipeline system. The core task is the marketing of transport capacities for domestic supply and at the international border points. Along with the subsidiary Trans Austria Gasleitung GmbH (TAG), GCA operates the import and distribution station at Baumgarten an der March, through which around 40 billion cubic metres of gas flow annually.

Gaseous energy, currently in the form of natural gas and in future in the form of renewable gases, also plays an important role in security of supply. Gas is used in households, businesses, energy-intensive industry, mobility and freight transport. It covers over 20% of the domestic energy requirement and is reliably available 24 hours a day, 365 days a year. Gas can be stored in large quantities and can thus compensate for the fluctuations in solar, wind and hydropower and relieves the load on the electricity grids when required. Gas can also be produced renewably in the form of biogas, synthetic methane or green hydrogen. Gaseous energy will also be indispensable for the chemical industry and the steel industry in future. GCA is actively working to prepare the gas grid for the transport of renewable gases.

Energy transition and energy storage

To compensate for the volatility of generation from new renewable energy sources, it is advantageous to store surplus generation for later use to cover demand peaks during periods of high demand and low supply. 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 from 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 Hertz. 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. In Austria, too, the adoption of the Austrian Renewable Energy Development Act (Erneuerbaren Ausbau Gesetz, EAG, Federal Law Gazette [BGBl] from 27 July 2021) set far-reaching targets for the expansion of renewable energy by 2030. Under this act, 27 terawatt hours (TWh) of additional green electricity are to be provided by 2030 (relative to base year 2019) and 5 TWh are to be produced from renewable gases by 2030. This expansion of renewable energy sources combined with the changes in the European electricity market has caused loads on the APG grid to increase steadily, a trend which will continue in future.

GCA has been working for years to decarbonise the gas grid. From 2014 to 2017, the “Wind2Hydrogen” pilot plant at the Auersthal site was used to test how electricity from wind power plants can be converted to hydrogen via electrolysis and fed into the gas grid. The mixing of hydrogen into the gas grid is called blending. A highly energy efficient process for re-extracting the hydrogen from the gas pipeline in its pure form – called debinding – has been developed together with the Vienna University of Technology (TU) as part of the “HylyPure” project.

GCA is a member of the European Hydrogen Backbone (EHB) initiative, which advocates rapid development of a Europe-wide hydrogen network and is proactively developing plans for this. One of GCA’s objectives is for Baumgarten, as a critical gas hub, to also develop into a central transfer and distribution hub for hydrogen in future. A concept for a power-to-gas real laboratory which aims to improve the integration of electricity and gas is currently being developed along with APG. GCA is keen for all those responsible in the energy market to think across sectors, to engage in integrated planning and to have the opportunity to research in all directions with an open mind to technology, because this will enable the energy transition to be completed as quickly as possible.

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 2021 pursuant to the 2010 Austrian Electricity Industry and Organisation Act (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. During the APG consultation on the 2021 NDP the relevant market players were able to submit their comments on the NDP in the period from mid-June to mid-July 2021. After evaluating and processing the comments received, the 2021 NDP was submitted to E-Control Austria (ECA) for approval at the end of August. The 2021 NDP was approved by way of an ECA notice issued at the end of November 2021.

- Approximately 240km of new power lines will be added to the transmission grid.
- Approximately 110kilometres of existing power lines will be converted to higher voltage levels.

- Around 290kilometres of pipeline will be replaced and upgraded; 20 new substations (“green field” substations) will be constructed by 2030 to strengthen the connections of the distribution networks and existing substations will be expanded with additional transformers.
- Approximately 50 new transformers with a total capacity of around 18,000megavolt-amperes (MVA) are planned for coupling the grid voltage levels.
- In addition, extensive measures as well as age-related general overhauls and upgrades of switchgears are planned as operating investments

Within the scope of the European Ten-Year Network Development Plan (TYNDP 2020), GCA also defined its future orientation and its willingness to actively contribute to the energy transition. In this context, GCA submitted its “P2G4A” (Power to Gas for Austria) project for the TYNDP 2020.

Development and impact of infrastructure investments

GRI 103-2
GRI 203-1

SDG 7
SDG 9

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.

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 carbon-free generation method, hydropower is by far the most efficient of all generation technologies. Of all the renewable energy sources, water also offers the highest level of output security 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 becoming a producer of electricity from purely renewable sources, 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 in a cost-effective manner.

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 ensuring that rivers remain passable 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 means of access created during the construction of the 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 2021 NDP comprises a planned investment volume of around €3.5bn (including substations and operational expenditure). 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. The investments planned by APG to fulfil the NDP will create more than 10,000 jobs in Austria, according to the aforementioned studies.

E-Control approved GCA's network development plan in January 2020. In its new network development plan, GCA has placed a focus on innovation projects relating to renewable gases, and a possible future Austrian hydrogen transport network is being outlined together with Austrian Gas Grid Management AG (AGGM) and TAG.

Supply chain

When placing orders for goods and awarding contracts for services, 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 VERBUND Code of Conduct and Supplier Code of Conduct stipulate that the Group's suppliers and business partners must likewise observe the Group's quality standards and sustainability principles.

Due to its position as an awarder of contracts, VERBUND is subject in defined areas to the provisions of the Austrian Federal Procurement Act (Bundesvergabegesetz, BVergG), which stipulates strict equal treatment of bidders (fairness) and transparency in tender procedures. The tenders received are preferably assessed in accordance with the "best bidder principle", meaning that not only the price but also the quality and technical, legal and commercial aspects are considered along with sustainability criteria. Selecting the "best bidder" entails taking a comprehensive view of costs over the entire product lifecycle (e.g. purchase price, cost effectiveness, ancillary and follow-up costs, training costs, maintenance costs and disposal costs in addition to considering technical, financial, legal and risk-related aspects). To establish their suitability, suppliers must furnish evidence of both their ability to render the service in question and their authorisation to do so as part of the tendering process. When certain threshold levels are reached, VERBUND additionally performs "integrity checks" of suppliers prior to awarding a contract. The integrity check is carried out to ensure that all statutory requirements are met at both the EU and national levels and to secure VERBUND's good reputation. By performing integrity checks, we are fulfilling our corporate due diligence obligation to ensure that preventive measures are taken against financial crime, corruption and money laundering.

Since 2012, tenders have been processed online in our electronic supplier portal. When registering for the portal, all potential suppliers 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 occupational health and safety measures for employees. Responses must be submitted to all questions in order to participate in VERBUND's tendering process.

The responses to the questions on sustainability, compliance, environmental protection and occupational health and safety do not directly influence the selection of bidders in an 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 also began holding annual meetings with select key suppliers on the topics of the environment, sustainability and compliance, which are attended by all affected departments. In April 2020, we added a Supplier Code of Conduct (SCoC) to all of our contracts with suppliers. The

GRI 103-2

GRI 103-3

SDG 16

GRI 414-1

GRI 308-1

SCoC governs VERBUND's principles and requirements vis-à-vis contractors supplying goods and providing services. The SCoC is divided into topics, each of which contains both mandatory requirements and recommendations intended to promote continuous development of the contractors' corporate responsibility. The SCoC is based on national and international requirements, particularly international human rights standards or the ten principles of the UN Global Compact.

Since the second half of 2021 VERBUND has also been working on implementing a new sustainability performance rating system for suppliers. To this end, VERBUND is collaborating with external provider EcoVadis, whose ESG ratings are to be used to measure sustainability in future. The system will initially be rolled out to the TOP 100 suppliers and will be developed by 2023.

Organisational allocation of procurement activity

Group procurement³ 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

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

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

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. Whenever those standards are updated, VERBUND updates its reporting. 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.

GRI 102-18

³ excl. APG, GCA

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 impacts are carried out at regular intervals and include taking lifecycle impacts into account. Environmental impacts can be either positive or negative. 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.

Under normal operating conditions, the VERBUND plants present no significant risks with potentially negative effects for the environment. By operating the facilities in compliance with the law, VERBUND further minimises the likelihood that any such risk will materialise. For extreme events (severe flooding, earthquakes, etc.) VERBUND has specific contingency plans and a crisis management team. Should any unexpected discharges of substances occur that could impact the environment, for example, the necessary countermeasures are implemented immediately. In addition, all specified internal and external offices get informed.

Environmental impact assessment

All EU Member States are subject to the 2011 Environmental Impact Assessment (EIA) Directive, which was implemented in Austria in the form of the EIA Act. The legislation requires an integrative, cross-media environmental impact assessment prior to granting approval for certain, particularly relevant projects. The assessment involves identifying, describing and analysing the environmental impact of a project.

The EIA process aims to identify any substantial environmental impacts of the project in question on people, animals and plants and their surrounding areas and habitats. The analyses also cover areas such as biodiversity, land use, climate change and disaster risks. All environmental aspects are described and assessed in full in the environmental impact statement (EIS) submitted by the project applicant. The approval process takes into account the environmental impact statement, the ensuing environmental impact report from the responsible expert at the authority and all information provided by parties involved in the process.

Whenever VERBUND projects are subjected to an EIA, the key project parameters are published on the websites of the environmental authority having jurisdiction. The data for Austria can be found on the EIA database maintained by the Federal Environment Agency and the data for Germany on the national EIA database or the databases maintained by the German states.

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

GRI 103-1
GRI 103-3
GRI 403-7

Use of materials

GRI 301-1

VERBUND is working to significantly reduce the use of materials within the Group. The discontinuation of coal-fired generation of district heat and electricity at the end of March 2020 has meant a significant reduction in the use of materials for flue gas treatment in particular.

Information on the material needed for operating and maintaining our plants is gathered for the purpose of calculating materials ratios. In the maintenance of power plants and grid facilities oils and greases are the mainly used materials as well as technical workshop materials (primarily non-renewable materials). In the administrative area, paper consumption is calculated as a KPI for renewable materials use.

Use of energy

GRI 103-2
GRI 302-1
GRI EU2
Current information
can be found at
www.verbund.com >
About VERBUND >
Responsibility >
Environment >
Environmental
indicators and targets

SDG 7
SDG 12
SDG 13

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 currently run exclusively on natural gas as a fuel. Thermal energy generation from hard coal and from biomass (by co-firing sewage sludge) was discontinued at the end of March 2020, and as a result the fossil fuel hard coal has not been used since that time. VERBUND also does not use brown coal, oil or nuclear power to generate electricity.

In recent years, VERBUND has reduced the direct use of fuels in the Group. With regard to electricity generated from renewable energy and electricity transport, energy consumption is 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.

VERBUND invests in the development of forward-looking energy management solutions. In the area of the technology and innovation centre in Mellach, testing of hydrogen technologies includes both hydrogen production using the current method of high-temperature electrolysis as well as the subsequent use of hydrogen in fuel cells, gas engines or as a fuel additive in natural gas-fired turbine plants. These activities are planned and implemented with research and industry partners, thus building expertise in these fields and gaining practical experience.

Energy efficiency of VERBUND's thermal power plants

GRI EU11

Our existing power plants achieve the following generation efficiency levels:

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

SDG 7
SDG 13

Mellach district heating power plant (hard-coal fired until 31 March 2020):

Full capacity, excluding district heat extraction:

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

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

Net generation efficiency (electric): 30.6%

Fuel efficiency: 72.9%

Now that coal-fired operation has been discontinued, it is possible to use natural gas. Experience to date indicates that a net generation efficiency (= level of fuel usage) of between 38% and 39% can be reached when running at maximum capacity on natural gas (135 MW net electric).

Mellach combined cycle gas turbine plant (natural gas):

The Mellach combined cycle gas turbine plant (CCGT) 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 efficiency: 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 efficiency: 80.9% for generator 10 and 80.7% for generator 20.

Greenhouse gas emissions

Electricity generation 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. The GHG balance was expanded, improved and adjusted as part of the Corporate Carbon Footprint (CCF) project in accordance with international standards. GHG emissions are presented according to the Greenhouse Gas Protocol for Scope 1, Scope 2 and all relevant Scope 3 categories. As part of the recalculation the greenhouse gas balance was also determined in accordance with the requirements of EN ISO 14064-1:2018. Direct comparability of any historical publication of GHG-related data is only possible in Scope 1 for the share of VERBUND thermal power plants that are subject to EU ETS. For other GHG emissions, a recalculation was carried out in some cases and a complete initial calculation in other cases. In addition, GHG emissions from the operation of GCA's gas grid were included in the ongoing measurement for the first time in 2021, due to the acquisition of a 51% stake.

Scope 1 captures direct emissions, which at VERBUND comprise direct CO₂, CH₄ 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. CH₄ emissions originate from the GCA gas grid from incomplete combustion and from blow-out volumes during maintenance and servicing. The generation of electricity from the renewable energy sources water, wind and sun produces no direct emissions.

Scope 2 captures indirect emissions from VERBUND's own electricity consumption. The indirect GHG emissions for the electricity and heat drawn from the grid and consumed internally at VERBUND are calculated using the carbon emission factor and expressed as CO₂e. At VERBUND, this includes the electricity procured from the grid for pump and power plant operation, for administrative locations and for the operation of APG and GCA facilities and the electricity procured to compensate for grid losses. Both the location-based and the market-based calculation method are applied and both values are reported. The location-based figure is calculated using the carbon emission factor of the local electricity

GRI 103-2
GRI 103-3
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

grid. Therefore, it only changes if there are modifications in the quantities of electricity purchased and/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 include all other material indirect emissions resulting from upstream or downstream activities that are not included in Scope 1 or Scope 2. By way of a materiality analysis, all Scope 3 categories of relevance for VERBUND were identified in the CCF project – these include emissions from purchased goods and services, capital goods, fuel and energy-related activities, business trips and use of the products sold. Reporting on GHG emissions is integrated into the internal quarterly reports made to the Executive Board and the Supervisory Board. The reported KPI shows the current status of GHG emissions of the generation portfolio and the GHG forecast according to the medium- to long-term plan.

GRI 305-7

SDG 3

SDG 13

Mellach environmental statement:

www.verbund.com >

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Environment >

Environmental

management

GRI EU DMA:

long-term phasing-out of PCBs

SDG 12

Airborne emissions

“Airborne emissions” refer to emissions of CO, NO_x and dust from the combustion of natural gas in our thermal power plants and CGA's gas compressor stations. Due to the discontinuation of coal-fired energy generation at the end of March 2020, these emissions have declined significantly, while SO₂ emissions have been eliminated completely. 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 the VERBUND website.

Polychlorinated biphenyls

Phasing out polychlorinated biphenyls (PCBs) has always been of great importance to VERBUND, both now and in the past. The gradual, systematic phasing out of PCBs used in transformers has been pursued consistently since the prohibition/labelling requirement took effect for materials containing PCBs (in Austria, Federal Law Gazette [BGBl] No. 210/1993; in Germany, Federal Law Gazette [BGBl] No. 38/1989 (regulation prohibiting the use of PCBs, PCTs and VCs)). 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. No maintenance (such as oil purification) is carried out on these components.

As soon as oil-filled equipment reaches the end of its lifetime, it is subjected to chemical analyses and quality controls and is subsequently properly disposed of.

Biodiversity

Projects to promote biological diversity

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, managing grasslands as ecological systems 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. At power plant sites where there is either limited land availability or a large altitude difference to overcome, technical fish passes are erected. 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.

Along the Danube, VERBUND's strategy is to carry out large-scale projects in close cooperation with stakeholders. The Group has managed to gain federal government ministries, via donau, state government offices, state fishing associations and property owners as project partners. Scientific studies confirm that large-scale projects such as the new construction of the Traisen estuary at the Altenwörth power plant on the Danube positively impact ecological diversity, both upstream and downstream.

Gaps between existing restoration areas on the Danube have been closed in the context of the long-term LIFE+ Danube Network project. Thus, the effectiveness of measures previously implemented by VERBUND and other stakeholders is improved.

When designing fish passes, value is placed on natural bypass rivers where possible. Thus, kilometres of additional river routes were created parallel to the Danube at the Ottensheim, Abwinden-Asten, Greifenstein and Altenwörth power plants. In line with ecological specifications, the bodies of water are diversified in order to create a natural river landscape. Gravel shoreline zones, low spots, meanders, gravel banks and deadwood structures were specifically adapted to the respective habitats. The newly created waters are between four and 14 kilometres long and are left to develop their own dynamics. They therefore simulate natural bodies of water according to the latest state of the art.

Other measures aimed at promoting biodiversity in the vicinity of hydropower plants include designing riparian zones near the plant waters in accordance with ecological criteria. Such projects entail structural measures and morphological changes, for example, such as creating shallow water areas and additional side channels. On land, the biodiversity of plants and animals, such as rare orchids, herbs, wild bees, lizards, grasshoppers, butterflies and spiders, is promoted by way of natural meadow management and ecological maintenance measures. Another area where measures are being taken to promote biodiversity is in open-field solar installations. Replacement habitats are created if necessary, thus achieving ecological upgrading.

Monitoring

The verification of the effectiveness of measures is often already stipulated in official notices. For example, after completion of a replacement habitat, a company authorised to do so will carry out an assessment. Any necessary improvement measures will be proposed in line with the conditions of the notice and agreed with the official nature conservation expert.

GRI 103-2
GRI EU13
Information on current projects can be found at www.verbund.com > About VERBUND > Responsibility > Environment > Biodiversity

<https://www.life-traisen.at/en-at>
<https://www.life-netzwerk-donau.at/en-at>

<https://www.life-network-danube-plus.at/en-at>

SDG 15

VERBUND uses a wide range of methods for monitoring the functionality of fish passes. In addition to electrofishing and the temporary installation of mobile fish traps, video monitoring is also used. Aquatic organisms are recorded on video cameras as they pass through fish pass structures and then analysed using learning software. In electrofishing, fish along the Danube are microchipped. Thanks to special underwater antennae along the newly created fish passes on the Danube and Inn rivers, the quality of the ecological measures can be evaluated based on migratory movements and duration of stay. Several tens of thousands of specimens of the known Danube fish species have been fitted with transmitters.

Power plant dismantling and remediation of contaminated thermal power plants

VERBUND endeavours to restore abandoned power plant sites to a natural state or to prepare them for subsequent use. Over the last number of years, the Pernegg, Zeltweg, Voitsberg, Neudorf-Werndorf power plants (all in Styria) at VTP and its predecessor organisations were fully dismantled. The Sankt Andrä site in the Lavant Valley (Carinthia) was adapted for commercial use. During these activities, some areas were renaturalised. This means that valuable areas are not lost but can be used again or left to the re-colonisation of plants and animals – i.e. ecological succession.

One example of a project for sustainable handling of resources can be seen at the Sankt Andrä site in the Lavant Valley. A by-product from coal-fired power generation including downstream flue gas purification produced in the period 1986 to 1994 was temporarily stored here. This by-product is now to be recovered and recycled as building material. A project at the Dürnrohr site is currently investigating the condition of an historical contaminated site, where groundwater was contaminated with hydrocarbons. As part of a cost/benefit analysis, the most appropriate preservation and remediation concept is being developed for this.

Sustainable route management

The GCA gas network and the APG electricity grid lead through various landscape areas in Austria. Depending on the region, the climate, the naturally occurring circumstances and the type of use by humans, the route types to be found along GCA's pipeline routes and APG's power lines include routes through forests, grasslands and farmland. The routes not only contain the power lines, but also provide valuable habitats for flora and fauna.

When planning the construction of new gas pipeline and high-voltage power lines, the aim is always to plan the route such that it avoids sensitive areas (nature reserves, bird sanctuaries, biotopes, natural and archaeological monuments, etc.). If this is not possible, we consult with nature conservation experts to determine how we can limit our interference in the natural environment to the greatest extent possible. At GCA, such measures include ecological site supervision, compliance with guidelines for proper soil recultivation, reforestation, official monitoring, control of non-native and invasive species, gopher relocation and wildlife corridors. At APG, for example, we have taken measures to ensure the continuous ecological functionality (CEF) of the habitats in which the wood grouse is found. In addition, the creation of numerous amphibian spawning grounds along with nesting areas and woodpiles is planned to compensate for encroaching on the terrestrial ecosystem.

In its operations, APG attempts to do justice to the significance of environmental protection in all areas of route maintenance. APG therefore works closely together with biologists and experts from nature conservation and forestry offices to develop initiatives that will enable APG to contribute to maintaining and improving biodiversity and the ecosystem. In this context, 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 with unsealed surfaces and has been systematically implemented for many years. All maintenance and upkeep measures are carried out with as little impact on the natural surroundings as possible.

APG's philosophy of sustainable route management is based on the following five guiding principles:

- Ensuring operational safety is of the utmost priority APG maintenance personnel take any action that is indispensable for ensuring operational safety on their own initiative. Where there are different options for ensuring security of supply, the property owner makes the choice.
- APG maintenance personnel are available to property owners and advocacy groups in an advisory capacity to promote awareness of the advantages of ecological route upkeep.
- APG takes a precautionary approach to high-voltage system maintenance by avoiding any encroachment on residents and their environment to the best of its ability.
- To add regional value, all work is carried out by local agricultural and forestry service providers whenever possible.
- APG gears its upkeep activities towards the natural potential of the site and its surroundings. In so doing, it endeavours to establish harmony between the natural landscape and the man-made elements in the region.

GRI 304-2 EU ADD

Please refer to the website of VERBUND subsidiary APG:
<https://www.apg.at/en/>

More information is available at:
<https://www.apg.at/en/Ueber-uns/Umwelt-und-Zukunft>

<https://www.apg.at/en/Ueber-uns/Umwelt-und-Zukunft/Tierschutz-im-APG-Netz>

<https://www.apg.at/en/Ueber-uns/Umwelt-und-Zukunft/Die-nachhaltige-Stromtrasse>

SDG 15

Biotope and species conservation projects are carried out as part of APG's sustainable route management. Examples of successful species conservation projects are projects to protect bird species such as the Great Bustard, the Saker Falcon, the Eurasian Hoopoe and the Ural Owl. Biotope conservation projects focus mainly on forest routes and popular sanctuaries, breeding grounds and feeding grounds for birds, insects and small mammals as well as on valuable habitats for rare and endangered plant species. In regions of high agricultural density, the areas under the pylons are specially designed to serve as sanctuaries for a variety of plants and animals. The type of upkeep measure applied depends on the route type and is geared towards taking advantage of the natural potential of the biotopes running along the power lines.

Particular consideration is given to the environmental 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 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.

Bird diverters

As our subsidiary in charge of operating the power grid, APG has concerned itself with the topic of bird diverters since 1989. It has carried out comprehensive studies and analyses of the effectiveness of markers installed on power lines. Together with ornithologists, APG has identified critical line sections where the likelihood of bird collisions is high.

They found the greatest need to take action at spots where power lines traverse river valleys or run along bodies of water. APG therefore installed bird diverters (flags) at intervals of 30 to 35 metres on the power lines in such areas. The diverters consist of separate, black and white metal rods that move with the wind so that birds can easily see them. Extensive experience and data gathered over the years demonstrate that the line markers are easily identified by the birds, which fly around them. It has thus been possible to substantially reduce the risk of collision in recent years.

The installation of state-of-the-art bird diverters is already provided for in the planning phase for overhead lines to be placed in the vicinity of designated avian sanctuaries, or those traversing areas where maps created in the course of preparing environmental impact statements (EISs) have identified an increased need to protect avian species.

To determine the effectiveness of the markers, APG is installing video monitoring systems at selected overhead lines throughout Austria. The data collected is used to study the flight patterns and avoidance behaviour of birds in the vicinity of power lines and to document how effective the bird diverters are.

Sites in protected areas

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

An internal geographic information system (GIS) is used to retrieve a depiction of all facilities and land areas included in operations, their position relative to the protected area and other linked information. Plant sites in protected areas are assessed every two years.

Interested third parties can find the location of the facilities on VERBUND's website. In addition, all protected areas are identified on the GIS portals of the public authorities in the Austrian states.

GRI 304-1

SDG 15

Water and effluents

VERBUND stands for sustainable and responsible use of water resources. We seek to avoid potential adverse effects of wastewater on bodies of water and the environment in general. Important considerations in the area of water and effluents are the geographical location of VERBUND sites on the one hand and the use and treatment of water on the other.

In terms of geography, the only location at which VERBUND operates thermal power plants is the Mellach/Austria site. VERBUND's hydropower plants are located in Austria and in Bavaria/Germany. The APG transmission grid is located entirely within Austria, and the wind farms are located in Austria, Romania and Germany. Except for the wind farms in Germany, which are part of the Rhine catchment area, all of these facilities are located in the Danube catchment area between the Enns and Morava rivers and the Inn and Traun rivers as well as in the areas surrounding the Inn, Salzach, Traun, Enns, Leitha, Drau and Mur rivers. All operating facilities are located within the European Union and are therefore subject to EU regulation.

The second important consideration is information on the purpose for which water is withdrawn, consumed and discharged and in which quantities and quality. This is described in the following for the various types of power generating facilities.

GRI 303-1 (2018)

GRI 103-2
GRI 303-1 (2018)
GRI 303-2 (2018)

Additional information is
available at
www.verbund.com >
About VERBUND >
Responsibility >
Environment >
Environmental
indicators and targets

www.wri.org/application/s/aqueduct/water-risk-atlas

SDG 6

Water stewardship at thermal power plants

The vast majority of the water consumed by VERBUND is used to cool the thermal power plants located in Mellach/Austria. The cooling water is subsequently discharged into the water body chemically unchanged.

Such water withdrawal and discharge and consumption of water for use at thermal plants occurs only at the Mellach plants and only with respect to the Mur river outfall. The cooling water is discharged into the outfall in compliance with regulatory provisions and is monitored continuously (emission quantity, temperature and heat load calculation). The temperature of the Mur is likewise monitored after backmixing the heated 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. In production operations, water is consumed when it evaporates in the cooling towers. In much smaller quantities, groundwater is used for processing to demineralised water for the operation of water/steam cycles. The wastewater resulting from this process is physically and chemically purified and discharged in a controlled manner into the Mur receiving water in accordance with the legal and official requirements. Details on water quality and the treatment methods applied are published in the annual environmental statement.

Water stewardship at hydropower plants

Hydropower plants, such as run-of-river and storage power plants, convert the kinetic energy generated from the renewable resource of water into electricity. The water is used, but not consumed, in electricity generation.

Cooling water and process water are the main types of water used at hydropower plants, where the water is withdrawn and then returned to the system. Since all of VERBUND's storage power plants are annual or daily storage plants, they are not used for long-term water storage. Effluent from sites that are not connected to the public sewer system is discharged after it is treated in line with the statutory provisions or official notices from the regulator. The water flowing through hydropower plant turbines is returned directly to the body of water concerned without changing its biochemical composition.

Water stewardship at other power generating facilities

Wind farms, gas grid systems, transmission lines and substations connected to the power grid only withdraw, discharge and consume small quantities of water. The offices and administrative sites at these facilities only consume drinking water, and the only water discharged into the water system is of household quality.

Water and effluent KPIs

GRI 303-3 (2018)
GRI 303-4 (2018)

Water use is monitored throughout the Group, and standard reports on VERBUND's water balance are produced. The reports include figures on water withdrawal, both by source (groundwater, surface water or public water supply) and by intended use. Water is normally withdrawn from freshwater bodies. The GRI standards define fresh water as water having a TDS (total dissolved solids) count of less than 1,000mg/l. When the water is discharged, it is separated into fresh water and other water (water with a TDS count of more than 1,000mg/l).

To determine whether sites are located in areas where the water stress level is over 40%, the location of VERBUND sites is checked against the World Resource Institute's (WRI) "Aqueduct Water Risk Atlas", which indicates areas of high to extremely high water stress. The review indicates that all of VERBUND's

operating sites are located in areas where the water stress level is below the threshold. Therefore, it is not necessary for VERBUND to present separate figures for water withdrawal or water consumption from areas of high water stress or water discharge into areas of high water stress.

Waste management

No direct waste is produced in the process of generating energy from the renewable energy sources of water, wind and sun or in our power and natural gas grids. Most of the waste from renewable energy generation plants is produced in the context of maintenance and repair work. At hydropower plants, varying amounts of flotsam are washed up every year and removed from the water as screened debris. Screened debris quantities depend primarily on the water supply and any high water events occurring in the reporting period. Such debris is not caused by power plant operations. Therefore, it cannot be influenced or prevented by the plant operator. Generation at the two thermal power plants at the Mellach site does produce waste in the production process, which is disclosed in the environmental statement. The usual office waste is generated at our administrative locations.

Waste inputs at VERBUND comprise all materials and goods that are required during operation, when maintenance is being carried out and for projects such as renovation and new construction projects. A variety of waste is produced in the upstream value chain when such sourced products are manufactured. The materials used become waste in the course of operational activities – often after a significant time delay.

The outputs of the production process are electricity and district heat. As with the supply of natural gas to customers, these outputs are not waste-relevant since no waste is generated downstream when the energy is consumed.

Waste management at VERBUND follows the principles of the European Union's five-step waste hierarchy: waste prevention before reuse and preparation for reuse, before recycling, before recovery and before disposal.

All Group companies have appointed waste officers, including deputy waste officers and local waste officers. The waste officers determine the composition of the waste generated and classify it as either hazardous or non-hazardous. They monitor on-site compliance with waste regulations, such as separating waste as specified by the waste disposal company, and transfer the waste to haulers for transport and to waste disposal companies or licensing-exempt reclaimers (dealers) for treatment. Waste may only be transferred to authorised waste collection or waste treatment operations. Confirmation that the disposal company has been issued the required authorisations must be obtained prior to transfer. The confirmations (bill of delivery, consignment note, weighing note and invoice) relevant to the disposal process are sent to the party awarding the contract. This procedure ensures compliance with the legal requirements for waste treatment and minimises the impact of waste generation.

Waste-related data is collected by all VERBUND companies in accordance with statutory record-keeping requirements. The waste officers submit the figures for their area of responsibility for publication in the Group report.

Waste quantities are reported as waste from operations and projects, broken down into hazardous and non-hazardous waste, with an additional "screened debris" category for hydropower plants. The data is subsequently aggregated to represent the Group as a whole.

GRI 103-2
GRI 306-1 (2018)
GRI 306-2 (2018)
GRI 306-3

SDG 12

Please refer to the
Mellach Environmental
Statement:
www.verbund.com >
[About VERBUND >](#)
[Responsibility >](#)
[Environment >](#)
[Environmental
management](#)

Innovation and research

GRI 103-2
GRI 103-3

SDG 9
SDG 17

VERBUND mission statement on 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 are committed to working towards the sustainable generation and transmission, and efficient and climate-friendly use, of renewable hydropower, wind power and solar energy. Ecological factors and biodiversity are integral parts in these efforts. Together with strategic partners, we develop and test innovative solutions aimed at optimising methods for coupling green electricity, green hydrogen, local storage solutions, electromobility and digital transformation in energy-intensive processes for the purpose of developing new business models and responding at an early stage to the growing challenges posed by climate change. In this way, VERBUND contributes to reaching both Austrian and EU climate targets.

Innovation management organisation at VERBUND

Innovation at VERBUND comprises several pillars. Strategic innovation is anchored in the Group's corporate strategy. Since 2019, our Corporate Innovation and New Business unit has been implementing the Group's innovation strategy together with the operating units included in the Group's innovation portfolio. Corporate Innovation and New Business offers a set of management systems and tools ranging from corporate governance structures, incentive-based mechanisms and incubator mechanisms all the way to structured collaborations with national and international partners, research institutes and start-ups. This innovation ecosystem was established in 2019 and has been consistently implemented ever since.

VERBUND also takes active part in both national and international innovator platforms. The goal is to take advantage of the Group's research, development and innovation activities to produce economically relevant contributions, develop new lines of business and secure the status of existing lines of business over the medium to long term.

Innovation, research and development occurs in the operating units and is aligned with the Group's innovation portfolio, which covers the entire spectrum of activities, from generation and transmission to trading and sales, and also includes developing new business models aimed at expanding the existing value chain.

Employees

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; and
- diversity and inclusion.

Demographically, our society is steadily aging. At the same time, it must still create prospects for future generations. VERBUND is already paying very close attention to the main demographic trends. Our Group has already taken important steps in this regard by implementing the Work and Family Audit, qualified succession planning and the VERBUND apprenticeship training programme. Another benefit we provide to all employees is free counselling for work-related or personal problems under the Employee Assistance Programme.

Personnel planning

VERBUND has been using a modern, user-friendly planning and reporting tool for personnel data, for which it received the “Bronze Winner – Large Implementations” SAP quality award in 2013. This integrated personnel and expense planning system makes the personnel planning process simple and transparent. Consistent and strict personnel planning promotes the 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 important that VERBUND continue to hire such employees and ensure their long-term loyalty to the Group. This is the only way for VERBUND to remain competitive in the current market and in the future. It requires actively positioning VERBUND as an attractive employer. The employer branding process is an important 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.

GRI 103-2
GRI 103-3

SDG 4
SDG 5

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 Recruiters Study conducted by Career, which serves as an independent benchmark. Our nine Gold 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.

GRI 103-2
GRI 401-2

SDG 3
SDG 8

VERBUND offers a number of voluntary benefits and benefits under collective bargaining agreements that are available to its employees, regardless of whether they work part time or full time. These include a pension fund, supplementary health insurance, discounted lunches, dependent child benefits and health checks.

VERBUND declares 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. This model uses targets based on both individual performance and the Group's profitability and ensures fair pay for employees at all levels.

Personnel development

GRI 103-2
GRI EU-DMA,
formerly EU14

GRI 404-2

SDG 4

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 training and continuing education is carried out within the unit by a team of experts. The specific measures are coordinated with the individual Group companies and are included 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. All change processes are supervised by personnel development to ensure that the Group's corporate culture continues to develop as intended.

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 Company 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

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.

GRI 103-2

Once per year, all executives attend a management conference at which the Executive Board updates them on current topics at VERBUND. Top-level management meetings take place twice per year and serve as a forum for an exchange of information between executives at the senior 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 project manager and specialist careers.

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, 2018 and 2021. 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 company agreement on remote and mobile working, 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: Federal Ministry for Labour, Family 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 based on external appraisals or internal management development audits – 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 is 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 offer 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/skilled 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

GRI 103-2
GRI 103-3

SDG 5

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 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 and disability. Further aspects will be introduced gradually over the medium and long term. Here, too, VERBUND assumes a degree of socio-political responsibility by cooperating with cross-enterprise initiatives such as the Integration Fund, the Austrian Public Employment Service (AMS), the Austrian Economic Chambers, the Zero Project 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.

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.

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

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 may 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.

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 occupational changes, all of which VERBUND complies with in full as a matter of course.

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. In particular these economic symposiums give employees the opportunity to voice their suggestions, concerns and recommendations to the Executive Board via 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 decisions.

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

GRI 102-41

GRI 402-1

Health and safety at the workplace

VERBUND's vision for occupational health and safety

The topic of occupational health and safety is afforded very high priority at VERBUND. VERBUND has summarised its vision for occupational health and safety in the form of guiding principles designed to ensure health and safety at the workplace.

Occupational health management

GRI 403-6 (2018)

We operate 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. Our "Fit & Healthy at VERBUND" initiative contributes to our both the physical and mental well-being of our employees by motivating them to take charge of their health.

Targeted, effective programmes are offered in Austria and Bavaria in the areas of health promotion and disease prevention. The programmes include the action areas of nutrition, exercise, addiction and mental health. For example, VERBUND employees can participate in expanded health screenings offered at the Group's external sites, "healthy back" courses held in person or online and smoking cessation workshops in addition to webinar series on mental health and improving resilience. Since 2021, an app-based motivation platform has been used to carry out regular challenges to promote physical activity and health and to raise awareness of various sustainability issues. We endeavour to keep entry barriers to a minimum in all of these programmes, including by making participation free of charge whenever possible, not requiring advance registration and enabling employees to take part in selected programmes during work hours.

GRI 403-4 (2018)

VERBUND's occupational health management programme is run by a health management board made up of representatives of the relevant Group segments (Corporate Responsibility, Human Resources Management, Training and Continuing Education, Corporate Communication), coordinators of occupational health services, safety experts and employee representatives. The health management board is also responsible for communications on health-related topics.

Accessibility management also aims to reduce barriers of all sorts to both employees and customers. To achieve this, we are working on reducing physical barriers, minimising barriers to the use of information and communication technology (ICT barriers) and breaking down mental barriers.

Occupational health services

GRI 403-3 (2018)

The Group's Occupational Health Service fulfils the statutory requirements for preventative healthcare, is centrally structured and led and coordinated by a physician. The services themselves are provided by external occupational medicine physicians or occupational health centres. All occupational medicine physicians have completed the required occupational medicine training and regularly attend relevant continuing professional education courses.

Occupational medicine physicians primarily offer advice on matters relating to occupational health, programmes promoting health in relation to working conditions and ergonomic workplace design. They also inspect workplaces, help to identify and assess hazards and decide on preventative healthcare measures. The Occupational Health Service is also responsible for organising the provision of first aid and executing vaccination campaigns (e.g. vaccinations free of charge for TBE, influenza and diphtheria/tetanus/polio/pertussis).

Employees may take advantage of the services offered and occupational health consultations whenever they are offered at their locations. The Occupational Health Service documents its services and activities and reports on them to the respective occupational health and safety committees.

Occupational health and safety

At the VERBUND Group, the tasks involved in occupational health and safety technology are performed at the strategic level by the Corporate Responsibility division at the holding company and at the operational level by safety experts with many years of experience in the field of occupational health and safety technology.

GRI EU18

GRI 103-2

Occupational health and safety – strategy

The tasks comprising the Group's occupational health and safety strategy include the following:

- making ongoing refinements to occupational health and safety management and the corresponding management system;
- selecting, introducing and operating IT tools for occupational health and safety and preparing instructions for their use;
- representing VERBUND in the national and international arena in matters of strategic occupational health and safety;
- preparing reports on occupational health and safety for internal (Group) and external publications, and preparing and analysing Group statistics;
- initiating, taking responsibility for and leading projects on occupational health and safety strategies at a national and international level;
- reporting on strategic topics in occupational health and safety in the relevant Group boards and committees;
- fostering a culture of behaviour-based safety at all levels and at all VERBUND companies through Group communications; and
- sharing information on good and best practices in occupational health and safety and benchmarking practices as well as consulting on and providing strategic support regarding topics relevant to workplace safety.

Occupational health and safety – operations

Our safety experts (Sicherheitsfachkräfte) – known in Germany as occupational safety experts (Fachkräfte für Arbeitssicherheit) – are tasked not only with taking the preventive measures required by the Occupational Health and Safety Act (ArbeitnehmerlInnenschutzgesetz, ASchG; Arbeitsschutzgesetz, ArbSchG in Germany) 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 operational responsibilities, which they are able to perform in an optimum manner by leveraging synergies across the Group.

All safety experts have completed the specialist training required by law pursuant to the Regulation on the Training of Safety Experts (Verordnung über die Fachausbildung der Sicherheitsfachkräfte, SFK-VO) or, in Germany, the Occupational Safety Act (Arbeitssicherheitsgesetz, ASiG).

The installations supported comprise all run-of-river and storage power plants, the thermal power plants, the wind power plants and the high-voltage and gas pipeline grids to which the plants connect. Subsidiaries tasked with technical, tourism-related, business and administrative responsibilities are also included, as is the holding company.

GRI 403-1 (2018)

Human resources support extends to all executives, employees, safety officers and staff bodies in the areas of occupational health and safety, waste management and materials management. Employees on loan are treated like our own personnel. Such equal treatment covers VERBUND's principal working and employment conditions (instructing workers, accident reporting, internal regulations, etc.).

Areas of focus are:

- Advising executives, the occupational health and safety officers and employees on compliance with statutory occupational health and 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 occupational health physicians appointed, safety officers, staff representatives and the safety coaches from our "We Live Safety" initiative 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 and of projects to improve efficiency, preparation of the documents required in that context, and ongoing adaptation and improvement of accident prevention measures.
- Administration of the Group-wide safety competition – a reward system for no accidents at work.
- 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, evaluations, 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.
- Assuming 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.

GRI 403-5 (2018)

- Executing and/or organising safety-related vocational training programmes, training courses and exercises on specific workplace hazards, hazardous activities or dangerous situations with a focus on personal protective equipment (PPE), electromagnetic fields, working around water, working at heights, working under voltage pursuant to EN 50110, working in containers, hazardous working materials, securing loads and ergonomics.

- 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.

Evaluation

Employers are required by law to identify and assess existing risks to the health and safety of employees and to take measures to prevent hazards in the context of workplace evaluations. This process is documented in occupational health and safety documents. In addition to remedying identified deficiencies, the evaluation is targeted at enabling ongoing improvements to be made to workplace health and safety. It especially targets those areas in which the legislator has defined safety targets, but no directly implementable regulations are in force.

The evaluation considers facility design and furnishings, the design and use of work equipment, the use of working materials, workplace design, the design of work processes and procedures and their interaction and the design of work tasks and activity types as well as the working environment, workflows and work organisation, the status of training and worker instruction, and workers needing special protections.

The evaluation is reviewed, and if necessary amended, upon justified request by the labour inspectorate following accidents, in the event of illnesses when there is a reasonable suspicion that they are work-related, in the event of other circumstances or incidents that point to the existence of workplace hazards, when new work equipment is introduced, when new working materials are introduced, when new work processes are introduced, when new knowledge is gained about the state of the art, when new knowledge is gained in the field of work design and in the event of other altered circumstances that could impact the health and safety of employees. Accident post-evaluation is performed in line with the following internally defined process sequence: conducting a root cause analysis with open discussion, adding a description of common accident types in subsequent instructions, documenting (if necessary, with a photo log) and filing findings together with the occupational health and safety documents, communicating internally on incidents involving accidents, monitoring the implementation and effectiveness of the measures taken and amending the basic evaluation.

GRI 403-2 (2018)

Occupational health and safety committees

To meet its statutory obligation, the Group has set up twelve regional occupational health and safety committees, one central occupational health and safety committee and one voluntary, superordinate occupational health and 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 (through employee representatives and safety officers) and activities. The respective occupational health and safety committees meet at least once per calendar year as legally required. Usually, two meetings are held each year.

The occupational health and 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. In addition, they offer advice on all matters relating to safety, occupational health, programmes promoting health at work and ergonomic workplace design.

GRI 403-1 (2018)
GRI 403-4 (2018)
GRI 103-3

SDG 3

GRI EU18
GRI 403-7 (2018)

External contractors

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. In terms of safety, external contractors working at VERBUND facilities or at VERBUND construction sites are governed by either the Austrian or the German occupational health and safety acts or by the Act on the Coordination of Construction Works (Bauarbeitenkoordinationsgesetz, BauKG) (or, in Germany, the Regulation on Health and Safety at Construction Sites (Baustellenverordnung, BaustellV)).

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.

Safety culture project

To enhance the occupational health and safety culture at the Group, the "We Live Safety" project was launched in 2018 and 2019. Since 2020, the project has continued as a permanent initiative. The project is intended to lead to positive change in terms of ensuring an atmosphere of trust and fostering a role model culture and not least by improving the Group's safety KPIs by introducing behaviour-based approaches to safety.

In addition to providing intensive training for executives, establishing safety walks and creating an incident reporting database (near-miss reports), 36 safety coaches from all Group divisions were trained, and safety communications were improved through regular safety awareness measures. Each year, further focal points and programmes are set, such as the introduction of a safety award or the publication of monthly safety tips. Further training and workshops for managers as well as for employees are run on an ongoing basis.

GRI 403-2 (2018)

Reporting hazards

All employees are able to submit suggestions for safety measures, hazard reports and reports of near misses directly to the incident database. The reports are reviewed by the Group's safety experts and, wherever possible, the appropriate improvements are made in consultation with the responsible organisational unit.

Work-related hazards and hazardous situations may be reported to the incident database anonymously to protect employees against reprisals. Confidential reports may also be made to the respective safety officer or, later in the process, to the responsible employee representative.

In accordance with the general employer obligations set out in the Occupational Health and Safety Act, suitable measures must be taken and suitable instructions issued to enable all employees to cease their activities in the event of serious and imminent danger and to seek safety by leaving the workplace immediately. Employees are protected from reprisals by the employer's legal duty of care.

Management system for health and safety at the workplace

No changes were made to the management approach to workplace health and safety during the reporting year. At the current time, the companies APG, VUM and GCA have an ISO 45001-certified management system. VERBUND's medium-term objective is to achieve Group-wide ISO 45001 certification. Initial preparations were made in 2020 by conducting an ISO readiness audit of one hydropower plant group and one administrative location. Development of an ISO 45001 standard management system for the head offices in Vienna commenced in 2021.

GRI 103-3
GRI 403-8

Plant and process safety

Electric and magnetic fields

The generation, transmission and consumption of electricity create electric and magnetic fields with a grid frequency of 50 Hertz 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 metre) 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.

GRI 103-3
GRI EU DMA:
Community health risks

GRI 403-7 (2018)
GRI 416-1

Dam safety at hydropower plants

VERBUND's 29 dams at storage power plants and its around 100 run-of-river power plants are continuously monitored. This monitoring is based on the regulations prescribed under water law and operating and monitoring regulations. Our dam managers and their deputies are responsible for monitoring dam safety. The dam wardens are in charge of the continuous monitoring on site. Metrological controls such as measurements or hydrographic surveys ensure the safety of the run-of-river power plants and headwater areas of rivers. Continuous maintenance of the safety installations extends to both the structures and the headwater areas. Sediments such as sand and gravel must be moved for flood protection. This is done by lowering water levels or dredging sediment in the headwater areas (sediment management).

Blade ice and turbine safety in wind power plants

Ice, hoar frost and snow deposits can form on the rotor blades of wind turbines. Preconditions for this are high air humidity, rain or snowfall at temperatures around the freezing point. Various precautionary measures are taken at VERBUND wind power plants to prevent people from being hit by falling ice or snow.

At the Austrian wind power plants, ice is detected on the rotor blades by ice sensors and via the power curve method. In sub-zero temperatures, this method indicates ice deposits when the power, the known wind speed and rotational speed deviate from a set point. If a deviation is detected, the turbine will stop, employees must clear the ice manually and then restart it. An additional technical measure to warn local residents and road users of potential dangers is the ice warning beacon at the access roads to the wind

farm. As soon as ice build-up is detected on a turbine in the wind farm, the ice warning beacon activates and signals the potential danger.

In Germany, some wind turbines also have rotor blade heating systems. As soon as the turbine detects ice formation, it will stop and automatically start the blade heater so that it can restart as quickly as possible.

In addition to this more season-specific monitoring, the rotor blades of the wind turbines are also regularly inspected and serviced by employees during the year. Wind turbines of type Enercon E101 also have an automated system that monitors the distance from the rotor blade bearing, in order to detect possible damage to the rotor blade bearing in a timely manner. If the system is triggered, the turbine will stop and must be inspected by a service team before it can be restarted.

There is a fire protection and rescue concept for each wind turbine that describes the rescue procedure from the individual sections of the turbine (ladder ascent, gondola, spinner, basement).

Plant safety in thermal generation

Due to their size (fuel thermal output over 50 MW) the Mellach district heating plant and the CCGT plants are subject to the Industrial Emissions Directive. This ensures compliance with the state of the art.

Due to the storage of larger quantities of hazardous fuels in Mellach, risk potential arises that must be taken into consideration in the overall context of the respective site situation and be reduced as far as possible by preventive measures. This includes compliance with the technical and organisational requirements under the Industrial Accident Ordinance, the various alarm plans and appropriate training of personnel.

In a complex power plant like Mellach, there is a fundamental risk of emergencies such as fire, oil or fuel spillages, etc. occurring. Based on the assessment of risk potential, comprehensive preventive operational measures are developed, such as catch basins, the installation of warning and alarm systems or regular drills and training, in order to minimise the occurrence and impact of such emergencies. In addition, there is a safety concept in place at the site that was developed based on the Industrial Accident Ordinance, which also contains emergency response plans, among other things. An internal emergency response plan was also drafted in accordance with the Styrian Disaster Control Act.

Plant safety in the gas pipeline network

GCA's plants meet all requirements under the Austrian Gas Industry Act and the guidelines of the Austrian Association for Gas and Water (Österreichische Vereinigung für das Gas- und Wasserfach, ÖVGW) and are carefully inspected and maintained at regular intervals. GCA runs far-reaching programmes to continuously improve safety for people and the environment on an ongoing basis. The specialist staff are highly trained and, due to continuous further training, follow the latest safety standards. Our contractors are subject to the same strict safety guidelines as employees at VERBUND themselves, and compliance with these is also regularly checked and verified. Prevention and cooperation is common practice. Extensive contingency plans for dealing with emergencies and managing incidents are in place for all pipeline systems. Potential emergency scenarios are practised regularly – also in cooperation with the authorities and emergency services. Annually updated gas alarm plans are in place for all facilities and are also available to the authorities and emergency services. GCA's crisis management system is continuously evaluated and drills for different scenarios are practised regularly, sometimes also with the involvement of emergency services. All safety measures are continuously analysed in all areas and improved if necessary. Particular attention is always paid to the safety of our employees and direct neighbours.

In accordance with the requirements of the Regulation on the Protection of Workers from Explosive Atmospheres (Verordnung explosionsfähige Atmosphären, VEXAT), GCA's gas installations are categorised into defined potentially explosive areas, so-called "Ex zones", and process areas with regard to explosion protection, and the systems are technically designed accordingly. The equipment used is periodically inspected by external experts (inspection organisation).

In order to continuously improve plant safety and availability, GCA analysed possible potential opportunities for improvement and described these in a five-year plan, the "GCA PS Roadmap 2020–2025", including relevant focal points and appropriate measures.

Compliance management

GRI 103-2
GRI 103-3

The VERBUND Code of
Conduct:
www.verbund.com >
About VERBUND >
Company >
Code of Conduct

SDG 16

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. This Code of Conduct was revised and completely rewritten in 2021. As an expression of the significant importance of the sustainability principle for the Group's activities, it was combined with the sustainability model and is now called the Code of Conduct for Sustainable Business. This Code stipulates the key values and principles for the Group's conduct; it defines how to deal with stakeholder groups and contains rules of conduct for employees.

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 (ÖCGK) and includes the relevant reporting practices.

Compliance management organisation

The compliance management system provides for a compliance management organisation across the entire Group. To prevent misconduct, it defines sources of information, reporting offices, communication measures and procedures for reports and notifications. 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. The whistleblower system was expanded in 2021 to include a digital reporting platform, which enables secure and easy communication, even with anonymous whistleblowers.

Compliance risk survey

As recommended by an external compliance check, a systematic, Group-wide survey of compliance risk was conducted for the first time in 2015 together with Risk Management and the risk owners. This survey of risk exposure has been conducted every year since then, including in 2021. The risk owners comprise all divisional managers at the holding company plus the management of the Group's principal consolidated subsidiaries. The survey involved reviewing and assessing all compliance risks, particularly corruption risk, 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 results of the compliance risk analysis form the basis for the actions to be taken and are incorporated into the risk map prepared by the Group's risk management organisation. No substantial corruption risks were identified in the compliance risk survey. 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. In addition to general training, particularly for new employees and new managers, there are also special training courses on specific topics and for specific target groups and areas. 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.

Tax compliance

Conscious of its responsibility towards the economy, the environment and society, VERBUND, as a tax payer, makes a fair contribution to the tax revenue of the Republic of Austria and of other countries where VERBUND conducts its business. In determining and paying the taxes in a timely manner, VERBUND complies with the applicable tax regulations.

VERBUND refrains from aggressive tax planning. Instead, VERBUND focuses on trusting, cooperative, fair and reliable cooperation with the tax authorities. VERBUND participates in the "accompanying control" that exists in Austria's tax administration, was already involved in the related "Horizontal Monitoring" pilot project from 2012 and is therefore one of the pioneers in the area of "Co-operative Tax Compliance" in Austria.

The companies have appropriate tax control systems (TCS) in place in order to ensure compliance with tax regulations. The TCS ensures that the tax bases for the respective type of tax are calculated in the correct amount and that the taxes due are paid on time and in the correct amount. The TCS for the company participating in the accompanying control system is subject to review by an external auditor.

Internal organisation

GRI 103-2
GRI 103-3

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:

- **Executive orders** are applicable to the entire Group and are enacted by the Executive Board. Executive orders govern, for example, the Group's 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

GRI EU-DMA,
formerly EU21

Business continuity management, emergency response and crisis management are organised in accordance with the principle of holistic approach. This means that focus is not placed solely on crisis management but also includes prevention and evaluation.

The superordinate executive order entitled "Business continuity management, emergency response and crisis management" defines protection targets and key roles in crisis management, including powers and responsibilities with respect to company management, crisis managers, crisis staff and communications managers. The executive order furthermore lays out the principle of business continuity and crisis management and provides for formation of a business continuity and crisis management committee.

A crisis management guideline provides for uniform structures and processes throughout the Group and governs the command procedure to be executed in a crisis situation. To enable quick decision-making, this temporary organisational structure takes effect in the event of a crisis to supplement the line organisation. The crisis management command procedure consists of eight individual steps and enables systematic teamwork and decision-making. 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.

The guideline "Task descriptions for and information management in crisis teams" defines in detail the tasks and responsibilities involved in the individual roles and the flow of information and the management of information in crisis teams. Reference is also made to the use and handling of crisis software for crisis management documentation.

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

To underline the value of crisis management at VERBUND, a separate Group Crisis Management unit was established at 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.

Digital transformation, information security and data protection

Digitalisation

Transformation to a digital society is placing high demands on the organisation and its own transformation. To enable these demands to be met and digital initiatives to be launched, a Technology Master Plan has been established as a key management tool. The plan was fine-tuned in 2020. The Technology Master Plan governs portfolio and performance management for three subordinate master plans: the Digital Transformation Master Plan, the Information Security Master Plan and the Information Technology Master Plan. The Digital Transformation Master Plan governs operational management of central digital transformation projects such as establishment of a Group-wide aerial drone strategy and implementation of basic technologies in the area of machine learning. The Master Plan is broken down into regular reports in combination with a comparison with initial projections (schedule, budget, progress). It is therefore possible to unlock digital transformation potential and implement innovative solutions in all areas, from generation, through trading, to sales. A number of projects from the Digital Transformation Master Plan were already successfully completed in 2020. Four committees have been implemented to ensure governance for digital transformation, information security (InfoSec) and IT. These are:

- the Strategy Board Digital, InfoSec and IT;
- the Digital, InfoSec & IT Board;
- the Architecture Board; and
- the Security Board.

All four committees were reformed in 2021 under guideline HI-01 “Governance for digital transformation, information security and IT”. In autumn 2020, the Supervisory Board resolved the consolidation of the topics digital transformation and information security with IT and telecommunications and implemented this in March 2021. Based on the new allocation of responsibilities for the Executive Board, the topics of digitalisation and information security will be combined into a single area with IT and telecommunications. The project “#DigitalizeIT” included work on effective management, greater focus on products and services, stronger end-to-end orientation and further expansion of technological expertise. A maturity level is used to reflect the digital transformation process within VERBUND. This instrument serves the systematic review and gradual improvement of capabilities, processes, structures and general conditions at organisations. It provides an insight into how much progress the Group has made so far in the digital transformation process. The digital maturity level also shows in what areas VERBUND is already well positioned and where there is still need for action, and thus gives direction with regard to starting points for digitalisation projects. The project goals are to improve efficiency in digitalisation, information security, IT and telecommunications, to safeguard and expand competitiveness, and to demonstrate a transparent, stable development plan and investment path.

The resulting benefit is the expansion of technological expertise, strengthening of product focus and strengthening of End2End digitalisation in our actions and deeds.

Information security

GRI 103-2
GRI 103-3

The subsidiaries VERBUND Energy4Business GmbH, VERBUND Hydro Power GmbH, Grenzkraftwerke GmbH and VERBUND Thermal Power GmbH & Co KG, as well as the wind power plants in Romania, were identified as operators of an essential service according to the European NIS Directive on security of network and information systems and its national transpositions. This requires that the national NIS authorities be provided with evidence that VERBUND and these companies have implemented network and information system security measures that conform to the current state of the art. Provision of this evidence began in 2021 with the performance of extensive external reviews and audits. Information security is an important concern at VERBUND, above and beyond legal requirements, due to responsible corporate actions and due to its role as an operator of critical infrastructure. A management system based on the international standard ISO 27001 and that follows the Plan-Do-Check-Act (PDCA) model of many management systems, defines processes, procedures and requirements for information security and data protection. The basis for this is provided by the Group-wide “Information Security Policy” (an executive order issued by the Executive Board) and the objectives defined therein.

The information security management system (ISMS) has been continuously improved and expanded since 2017. The switch to matrix certification for the standard ISO 27001 means that the system is more centrally controlled and intragroup synergies can be exploited. The focus on meeting normative information security management requirements already extends across a large proportion of the Company’s divisions. The certified areas range from the internal provision of IT and telecommunications services to the operation of the power plants as part of the critical infrastructure. This “scope” of the management system is continuously expanded. This certification represents a basis for the future evidence required to demonstrate compliance with the Austrian Network and Information Systems Security Act (NISG). However, the evidence required by the authorities extends far beyond the requirements of the general standard. The ISMS ensures continuous management of information security risk. This enables risks to be identified and quantified and actions for dealing with the identified risks to be planned and implemented.

Scheduled internal audits and technical security reviews are additionally carried out in the interest of continually improving information security. Chief responsibility for guaranteeing information security and ensuring the proper functioning of the ISMS lies with the Information Security department of the holding company's Digital Transformation, Information Security and IT unit, to which the Chief Information Security Officer (CISO) and the Group Data Protection Officer have also been allocated. The CISO and the Group Data Protection Officer are assisted by the information security officers and the internal data protection officers at the Group companies. The Group Data Protection Officer, the CISO and the risk management organisation coordinate their actions on an ongoing basis. 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.

In 2021, great efforts were once again put into the implementation of the Information Security Master Plan drafted and approved by the Executive Board in 2019. A series of projects designed to enhance information security was executed and completed under the Information Security Master Plan, increasing VERBUND's information security maturity level across the board. In addition, the basis for the next Information Security Master Plan 2.0 was developed, which will ensure that the high information security requirements are met in future, too, and will prepare the Company for the constantly changing threat landscape and ever-increasing cybercrime.

Data protection

VERBUND maintains a data protection management system that includes all Group companies⁴. The system was set up back in 2015 for all VERBUND companies located in Germany and was designed to allow for adaptation for use by the Group's Austrian companies after the General Data Protection Regulation (GDPR) took effect in 2018.

GRI 103-2
GRI 103-3

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

The Group's certified Data Protection Officer plans, manages and coordinates all of the Group's data protection-related matters. The Group officer is supported in this by data protection officers at the individual companies together with the company's own legal advisors.

TOM&PIA is a proprietary data protection tool developed by VERBUND to support the Group's data protection officers in their work, namely, ensuring compliance with the GDPR's documentation and evidence requirements – above all, updating records of processing activities, upholding the rights of data subjects and handling reports to data protection agencies.

Regardless of the size and complexity of a company, the rights of the data subjects (rights to information and rights of revocation, deletion, etc.) must be safeguarded by asking: on what legal basis are which categories of data being processed on which groups of individuals? The source of the data and the office to which it is to be conveyed must also be ascertained.

The level of protection is guaranteed by means of technical and organisational measures, recorded using TOM&PIA and allocated to the respective processing operation(s). The more sensitive the personal data is, the greater the dangers and risks are to which the data are exposed, and the more serious any violations of the data subjects' personal rights are in the event of a data breach. Moreover, the higher the value of the data for the company is, the higher the level of protection is that must be defined.

⁴ excl. APG, GCA

The goal is to record all operating business processes and data processing in order to present the complete set of data protection-relevant facts and processing in a transparent and verifiable manner, in addition to incorporating overlap with the functions of compliance, IT security and internal audit.

We have meanwhile begun offering our TOM&PIA data protection tool to other companies under a SaaS model.

To maintain data protection awareness, the training concept requires all employees to renew their data protection qualifications each year. They may choose between attending a classroom training session and taking advantage of the online option offered on the intranet, an e-training course or online courses created in-house called “Stories of TOM&PIA”.

Opportunity and risk management

VERBUND pursues proactive, topical and transparent risk management based on current international standards (primarily COSO II and ISO 31000). The structure of VERBUND’s risk management system (RMS) ensures that all possible areas of opportunity and risk are covered in full, with uniform, Group-wide principles forming the basis for standardised handling of opportunities and risks. Each year, VERBUND’s auditor reviews and confirms the effectiveness of the RMS based on the recommendations contained in the ISO 31000 reference model. All of VERBUND’s risk management system structures, processes and products are subject to ongoing evaluation and improvement to adapt them to changing internal and external requirements. Recent focus has been placed in particular on continuing to develop a risk-return approach for the Group (especially in connection with planned projects and investments), carrying out a multi-year risk assessment of current business risk along with identifying and assessing strategic risk and developing a risk-bearing capacity concept. A stress test analysis was also introduced, which is carried out once a year or as required. Our reporting processes have also been revised and expanded as part of this process. With regard to external reporting, VERBUND’s risk management organisation additionally provides risk-adjusted guidance to inform the financial markets.

Under this approach, risk management extends to strategic decision-making, project management and the management of current operations. A qualitative/quantitative description of VERBUND’s current risk position is contained in the Integrated Annual Report.

Principles and objectives of risk management

In line with the Group's overarching corporate strategy, VERBUND's risk policy is based on the following objectives:

GRI 103-2

GRI 103-3

SDG 16

- ensuring the Group's going-concern status;
- securing the Group's financial targets;
- permanently increasing enterprise value;
- guaranteeing supply security;
- optimising the risk-benefit ratio; and
- achieving social, environmental and sustainability targets.

In implementing these risk policy objectives, risk management is regarded as an active management function. Therefore, focus is placed not only on cataloguing risk factors but on optimising risk and return. To achieve clarity and transparency regarding the data, the risk horizon (i.e. the time period in which risk could materialise) and the calculation model, the risk management system has been integrated into VERBUND's management concept, which is based on the IFRS figures. 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".

Structures and processes

VERBUND applies a modified, three-lines-of-defence risk management model as a key element of its risk management system. The concept involves using three lines of defence in VERBUND's Group-wide risk management system for the purpose of protecting the Group from exposure to significant risk and fostering the systematic exploitation of opportunities. VERBUND's Group-wide opportunity and risk management system is therefore in regular contact with the following VERBUND units and functions:

- the operating companies, the internal control system (policies and processes);
- compliance management, corporate responsibility, information security and data protection, crisis management, the risk management committees; and
- Internal Audit.

In addition, the Grid, Trading and Finance segments operate their own separate risk management organisations.

VERBUND subsidiary APG and majority holding GCA, as independent electricity and gas grid operators, respectively, have their own separate risk organisations.

Risk management levels

The Chief Risk Officer (CRO) is in charge of opportunity and risk 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 likewise 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 area of information security.

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 to 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 response teams run periodic simulations of specific threat scenarios for practice purposes.

Risk management system processes

To achieve VERBUND's risk policy objectives, all Group activities are considered in their entirety from a risk perspective and analysed and reported. VERBUND takes the following steps in this process:

- identifying, 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 risk management cycle at VERBUND comprises the following processes that are repeated at regular intervals:

- risk identification;
- risk analysis and measurement;
- investigating possible causes of deviations;
- deriving rules for measuring risk;
- assigning and monitoring countermeasures; and
- 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).

Identification/classification of opportunities and risks

Risk identification involves the systematic identification of factors having the potential to impact the business model based on their 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 identified 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
- Plant risk
- Operational risk
- Financial risk
- Project risk
- Other risks
- Portfolio impact

In addition to a qualitative risk assessment, 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 Group's risk position is updated on the basis of the quarterly risk reports from the operating units. 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.

Statistical measurement processes based on historical data are the main techniques used to measure fluctuations in the supply of wind and water and in market prices for electricity products, interest rates and securities. To supplement this, the risk management system is used to process sets of assumptions that are either more or less likely to occur (see confidence level above). The assumptions are based on estimates made by experts (e.g. on the outcome of pending court proceedings or unplanned repairs). 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 that risk measurement results are comprehensible and verifiable. The economic justification for implemented or planned measures is based on the potential extent of the risk (risk exposure). The countermeasures taken or planned are targeted at reducing the probability of occurrence or limiting potential damage. An economic cost-benefit analysis is also an important planning component in deciding on risk reduction measures to be taken.

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 risk management system acts as a management body in implementing countermeasures, which are generally executed within the current organisation (personnel, systems, etc.).

Risk reporting

The risk management organisation reports both internally and externally on the Group's opportunities and risks on a quarterly basis. At VERBUND, risk management is viewed as a continuous process that is integrated into the control loop for Group processes. The risk and opportunity report is therefore included in regular management reporting. 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 risk management system takes these KPIs and adds the range of fluctuation, i.e. the potential impact of alternative risk/opportunity scenarios. 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.

In addition to the compilation of regular reports as part of management reporting, reports on significant risk areas and risk-relevant developments in the Group and its environment are presented to and discussed by the Executive Board in the context of quarterly meetings of the Group Risk Management Committee (Group RMC).

As a listed company, VERBUND is moreover 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. The risk management organisation provides risk-adjusted targets on a quarterly basis to inform the financial markets.

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 has dealt closely with the topic of climate change risk in the form of workshops and in cooperation with the Risk Management, Corporate Development and Energy Market, and Marketing departments.

With respect to climate change aspects, VERBUND works with scenarios from the Intergovernmental Panel on Climate Change (IPCC) 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 regenerative power plants, developing the transmission grid and improving the efficiency of existing power plants.

Task Force on Climate-related Financial Disclosures

The Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board (FSB). The TCFD 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.

For further information on dealing with climate change risks, please refer to the VERBUND CDP report available at www.cdp.net

VERBUND has set itself the goal of successively implementing 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, represents preparation for potential mandatory reporting requirements.

Some of the main recommendations of the TCFD have already been implemented. For example, the Executive and Supervisory Boards are 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 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 responsible for auditing the internal control system, profitability, compliance with the applicable regulations and security at all companies in the VERBUND Group (with the exception of APG and GCA, each of which independently conducts the internal audit responsibilities). Internal Audit 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 Group Executive Board are actually implemented.

Corporate responsibility 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 Corporate Responsibility Committee (CRC), the sustainability team and the Sustainability Officer.

Ultimate responsibility for Corporate Responsibility (CR) lies with the Group Executive Board, which sets the strategic sustainability goals. The Executive Board member responsible for CR ensures that sustainability aspects are incorporated into business processes and reports on the implementation of the CR strategy and progress in achieving CR goals to the Supervisory Board's Sustainability Committee. Formed in 2020, the Sustainability Committee deals with topics such as decarbonisation, energy transition, climate change and environmental protection and regularly reviews sustainability strategy and goals.

GRI 102-18

The CRC is chaired by the Executive Board member responsible for CR. The members of the CRC are as follows: one assistant per Group Executive Board member, one management representative from each of the companies included in the consolidated financial statements, all divisional heads from the holding company, the chairperson of the Group's employee representatives, the Group Compliance Officer, the head of Corporate Responsibility, the Group Sustainability Officer, the Group Environmental Officer and the Group Health Officer. The Corporate Responsibility Committee deals with the topics of sustainability and the environment as well as reporting on occupational health and safety strategies and accessibility.

With respect to these topics, the CRC's tasks and areas of responsibility include the following: advising the Executive Board member responsible for CR on the strategic issues under their purview, defining strategic corporate responsibility goals and passing on suggestions from the companies and holding company divisions represented on the committee to the sustainability team. The CRC furthermore ensures that executives and employees at the respective companies and holding company divisions sufficiently adhere to sustainability principles, and it approves the basic concept proposed by the sustainability team for the non-financial content of the Integrated Annual Report.

The Group Sustainability Officer heads up the sustainability team – the working group of the CRC. The sustainability team is comprised of one representative from each of the companies included in the consolidated financial statements and the holding company divisions that are represented on the CRC, one representative from the Group Works Council and the Group Environmental Officer. One APG and one GCA representative is invited to attend the sustainability team meetings as a guest. Along with the environmental team and the accessibility and health team, the sustainability team is one of the expert committees included on the Corporate Responsibility Committee. Its tasks are as follows: suggesting specific targets for promoting sustainability in the Group, reporting on the implementation of special sustainability projects in the Group, preparing suggestions for continuously improving sustainability in the Group and drafting the content of the non-financial information included in the Integrated Annual Report. The following chart provides a brief overview of CR responsibilities and integration of CR within the organisation:

Corporate Responsibility: responsibilities and integration within the organisation

Supervisory Board

Sustainability Committee

Reviews the sustainability strategy and monitors VERBUND's sustainability goals

Executive Board

VERBUND's Group Executive Board

Develops and defines the integrated corporate strategy and (non-)financial corporate objectives

Top management of Corporate Responsibility

Responsibility for content lies with the Executive Board member in charge of Corporate Responsibility

Group-wide committees

Corporate Responsibility Committee (CRC)

Defines the strategic direction and the goals of sustainability, environment, health and accessibility management

Health Management Committee

Specifies the Group's fitness and health strategy

Central Occupational Safety Committee

Superordinate, Group-wide Central Occupational Safety Committee

Working groups

Sustainability team

Working group of the CRC for sustainability topics

Environment team

Working group of the CRC for environmental topics

Health team

Working group of the Health Management Committee

Employee protection working group

Monitors technical safety measures

Implementation

Group officers

Coordinate Group-wide management approaches (sustainability, environment, etc.)

Company officers

Coordinate a company's local (environmental) officers

Local officers

Implement measures and activities at the different sites

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 Responsibility (CSR) principles for Austrian companies.

ONR 192500 certification – CR management system

In order to systematically anchor the concept of sustainability within the Group, VERBUND has implemented a CR 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 CR 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 APG or GCA 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. As part of this analysis, VERBUND identifies possibilities to influence the individual core subjects and thus the environment and society as well as how these influence 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 CR management system. These include the numerous KPIs that are calculated and published each year in VERBUND's Integrated Annual Report. Once a year, the CR 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 CR 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 CR management system and the underlying targets.

Human rights

Principles

VERBUND is aware of its responsibility to protect human rights in all Group divisions and in any other areas in its sphere of influence. ONR 192500 (Social Responsibility of Organisations) is the basis for the due diligence processes at VERBUND concerning respect for human rights. In 2018, the Group was certified in accordance with this standard for the first time and was re-certified in 2021.

The CR standard rests on the careful handling of human rights issues at all levels. Relationships with business partners involved in human rights violations are to be avoided, as is discrimination, particularly that of vulnerable groups. All types of civil, political, economic, social and cultural rights are to be respected. Fundamental labour rights and principles such as equal opportunity, freedom of association and collective bargaining are to be observed.

In this sense, VERBUND commits to uphold these ONR recommendations along with the Ten Principles of the UN Global Compact on human rights. An internal guideline entitled "Human rights due diligence" sets forth the details of the Group's commitment to human rights.

Equality and non-discrimination

The VERBUND Code of Conduct for sustainable corporate management provides for equal treatment of all people, regardless of their gender, age, religious beliefs, culture, skin colour, education, social origin, sexual orientation, nationality or any disability. VERBUND firmly rejects any form of discrimination, bullying and sexual harassment. Executive development places high priority on teaching these values.

VERBUND has had an Equal Opportunities Officer since 2011, and diversity and inclusion management was introduced in financial year 2014. This function bundles all related activities within the Group. The responsible persons within this function develop, implement and document equality targets and the corresponding measures.

The diversity and inclusion strategy adopted in 2016 enables VERBUND to promote diversity in an even more structured manner. The Group's ZukunftVIELFALT® certification confirms that VERBUND has implemented a sustainable diversity management system.

Freedom of association and collective bargaining

Industrial relations in Austria are based on a tradition of cooperation between employers and employees ("Sozialpartnerschaft"). This involves joint cooperation between employer and employee representatives to prepare and execute economic and socio-political measures. In so doing, taking an overall economic 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 minimum salaries, working hours and supplemental payments (holiday and Christmas bonuses). Under the provisions of Austrian labour law, companies with five or more employees may 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 these agreements are similar to Austria, with the exception of VERBUND's performance-based pay system.

Austrian labour law sets out a number of rights to which works councils are entitled in relation to information, participation and consent, as well as minimum notification periods for operational changes. VERBUND complies with these in full as a matter of course.

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

Under the Austrian Labour Constitution Act, employees must be represented on the supervisory boards of stock corporations by the works council. At VERBUND, too, 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 include employee concerns in the Supervisory Board's decision-making process.

A large, bold, white letter 'V' is centered in the middle of the image. It is superimposed over a background of a mountain range and a body of water. The mountains are dark and rugged, with some snow patches visible on their peaks and slopes. The sky is blue with scattered white clouds. The water in the foreground is a deep teal color, reflecting the sky and the mountains. The overall composition is a full-page background image with the 'V' as a prominent graphic element.

Responsibility
for the Future