

# Corporate governance report 2011

in accordance with Section 243b of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB)

## Corporate governance – framework

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

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

### General

VERBUND declares its unconditional commitment to the Austrian Code of Corporate Governance as currently amended. It actively implements the requirements of the Code to ensure responsible management and control of the Group directed at the sustainable and long-term creation of value and the creation of a high level of transparency for every stakeholder.

During the 2011 financial year, the Executive Board and Supervisory Board continued to see it as a primary task to comply with all the rules of the Code as fully as possible and to sustain and continue to develop the Group's high internal standards. As in prior years, an independent external auditor evaluated the application of and adherence to the Code, and approved the present corporate governance report.

The Austrian Code of Corporate Governance is available from the website of the Austrian Working Group for Corporate Governance at [www.corporate-governance.at](http://www.corporate-governance.at). Detailed information about the composition and operation of the Executive Board and Supervisory Board as well as the Supervisory Board's committees is provided in the sections on "Executive Board" and "Supervisory Board".

### Important events during 2011

The most important events in the area of corporate governance in the 2011 financial year were the appointment of two Executive Board members, of whom one was a new appointment and the other an extension, as well as the election of two new Supervisory Board members and a change in the General Committee of the Supervisory Board.

The appointment of the Executive Board members was preceded by a public tender. With the appointment of a new Executive Board member effective 1 April 2011, the Supervisory Board reallocated responsibilities within the Executive Board.

In addition to the procedural and content requirements of the Code, the criterion of diversity (Rule 42) was also taken into account during the election of the new Supervisory Board members. The proportion of women in the Supervisory Board therefore increased to 20%.

The change in the General Committee of the Supervisory Board also entailed changes in the composition of the Supervisory Board committees.

### Deviations

VERBUND complies with almost all the rules in the Austrian Code of Corporate Governance, including the R Rules. The deviations in the 2011 financial year that remained the same as in the previous year relate

to the Code as amended in January 2010, which applied for the 2011 financial year. There was a partial and minor deviation in the handling of two C Rules out of the total 83 rules in the Code. In accordance with the “comply or explain” principle, these deviations are explained below:

**C Rule 2:**

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

**C Rule 45:**

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

The amendments to the Code of Corporate Governance adopted at the end of the past year will take effect in 2012. VERBUND will also be in full compliance with the new version of the Code as amended in January 2012.

## Executive Board

### Composition of the Executive Board

During the 2011 financial year, the Executive Board had three members or, following the appointment of one new member as at 1 April 2011, four members.

#### Executive Board

Name	Year of birth	Date of initial appointment	End of current term of office
CEO Dipl.-Ing. Wolfgang Anzengruber, Chairman	1956	1/1/2009	31/12/2013
Deputy CEO Dr. Johann Sereinig, Vice-Chairman	1952	1/1/1994	31/12/2013
Member of the Executive Board Dr. Ulrike Baumgartner-Gabitzer	1957	1/1/2007	31/12/2013
Member of the Executive Board Dipl.-Ing. Dr. Günther Rabensteiner	1953	1/4/2011	31/12/2013

#### Supervisory board mandates of Executive Board members outside the Group

Name	Group	Function
Dipl.-Ing. Wolfgang Anzengruber	Palfinger AG	Member
Dr. Johann Sereinig	Vienna Insurance Group AG FK Austria Wien AG	Member Member
Dr. Ulrike Baumgartner-Gabitzer	FIMBAG-Finanzmarkteteiligung AG	Member

### Operation and allocation of responsibilities

The rules of procedure regulate the allocation of responsibilities and how the members of the Executive Board must work together. In addition, they lay down the Executive Board's duties to inform and its reporting duties, and contain a catalogue of measures that require approval by the Supervisory Board or its Working Committee. These also include material business transactions at the most important subsidiaries.

Because of the change in the composition of the Executive Board, responsibilities within the Executive Board have been reallocated and came into force on 1 April 2011. The Supervisory Board has laid down the areas of responsibility of the members of the Executive Board as follows, without prejudice to the overall responsibility of the Executive Board:

### Allocation of responsibilities

Dipl.-Ing. Wolfgang Anzengruber	Strategy, M&A and corporate development, corporate affairs, legal, communication, innovation, finance, controlling, risk management, auditing, Nomination Committee
Dr. Johann Sereinig	Business management and marketing, strategic human resources management, Electricity trading, electricity distribution, management services, telecom services, auditing, Nomination Committee
Dr. Ulrike Baumgartner-Gabitzer	Hydroelectric generation Transmission grid Tourism Centre of excellence for hydropower
Dipl.-Ing. Dr. Günther Rabensteiner	International equity interests Thermal generation Renewables Centres of excellence for hydropower, thermal power and renewables

### Remuneration of the members of the Executive Board

Remuneration of the members of the Executive Board totalled €2,607,219 in 2011 (previous year: €2,859,553).

### Remuneration of the members of the Executive Board

Name	Fixed remuneration in €	Variable remuneration in €
Dipl.-Ing. Wolfgang Anzengruber	623,569	234,402
Dr. Johann Sereinig	593,957	270,428
Dr. Ulrike Baumgartner-Gabitzer	416,390	153,049
Dipl.-Ing. Dr. Günther Rabensteiner (from 1/4/2011)	315,425	0

Because it is only possible to ascertain at the end of the year whether targets have been reached, variable remuneration components are paid out in the following year. Consequently, the variable remuneration components granted to the members of the Executive Board in 2011 were paid in respect of the 2010 financial year.

Because Dr. Rabensteiner was appointed to the Executive Board only in the course of 2011, he did not receive payment of any variable remuneration in respect of the 2010 financial year.

Variable remuneration depends on performance and is limited to a certain percentage of the respective fixed remuneration. This percentage was a maximum of 50% to 60% in respect of the 2010 financial year. The amount of the performance-dependant remuneration components is based on the extent to which the targets agreed for the financial year are reached. 50% of the target agreement for 2010 related to the attainment of the planned Group result and 50% related to the attainment of qualitative, and in part medium-term, targets, e.g. in the area of research and development as well as in the structural-organisational area.

The principles underlying the Executive Board's share of profit were unchanged from the previous year. The company pension plan for the members of the Executive Board is based on a defined

contribution pension fund. In the 2011 financial year, contributions to the pension fund were paid for the Executive Board in the amount of €132,621 (previous year: €115,714). Statutory regulations apply with respect to the claims of members of the Executive Board upon termination of their position.

In 2011, €491,166 (previous year: €707,387) were paid out for pensions and severance payments in support of beneficiaries. Due to a non-recurring item, the expenses for severance payments and pensions and similar obligations (post-employment benefits) resulted in income of €135,697 (previous year: expense in the amount of €42,891). Expenses for pensions and similar obligations for former Executive Board members and their surviving dependents were €597,362 (previous year: €97,792). No loans or advances were paid out to members of the Group's Boards. Neither the members of the Executive Board nor senior management staff have stock options.

#### **D&O insurance**

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

## Supervisory Board

The Supervisory Board has also expressly declared its commitment to the Austrian Code of Corporate Governance and has also reaffirmed its commitment to the Code as amended in January 2010. Consequently, the Code, together with the Austrian Stock Corporation Act (Aktiengesetz, AktG) and the Austrian Commercial Code (UGB), the Company's Articles of Incorporation and the rules of procedure for the Executive Board and Supervisory Board, has become the basis for the Supervisory Board's actions.

### Personal details, chairpersons and functions on the Board

The Supervisory Board has a total of 15 members. Ten are shareholder representatives elected by the General Meeting, and five are employee representatives appointed by the Works Council.

Following the resignation of two members of the Supervisory Board from their posts, two new members were elected at the Annual General Meeting on 13 April 2011.

Name	Year of birth	Date of initial appointment	End of current term of office
Dr. Gilbert Frizberg Chairman Sole member of the managing board of FI Beteiligungs- und Finanzierungs AG, CEO of Hereschwerke GmbH, managing partner of Franz Heresch&Co GmbH	1956	16/3/2000	AGM in 2015
Dr. Maximilian Eiselsberg 1st Vice-Chairman (to 13/4/2011) Lawyer	1947	23/2/1993	13/4/2011
Dkfm. Peter Püspök 1st Vice-Chairman (from 13/4/2011) 2nd Vice-Chairman (to 13/4/2011) Member of the supervisory board of Semper Constantia Privatbank (vice-chairman)	1946	16/3/2000	AGM in 2015
Mag. Dr. Reinhold Süßenbacher 2nd Vice-Chairman (from 13/4/2011) Member of the supervisory boards of KSV 1870 Holding AG (vice-chairman), Richter Pharma AG (vice-chairman), Bene AG (vice-chairman), Voglauer Möbelwerk Gschwandtner & Zwilling GesmbH, UMDASCH AG, LICON Treuhand- und VerwaltungsGesmbH and LISEC Maschinenbau GesmbH	1949	7/4/2010	AGM in 2015
Dipl.-Betriebswirt Alfred H. Heinzl Managing partner of Heinzl Holding GmbH, member of the supervisory boards of Miba AG, Allianz Elementar Versicherungs AG, Zellstoff Pöls AG (chairman), Wilfried Heinzl AG (chairman), Europapier AG (chairman), Biocel Paskov AS in the Czech Republic (chairman), and Estonian Cell AS in Kunda/Estonia	1947	16/3/2000	AGM in 2015

Name	Year of birth	Date of initial appointment	End of current term of office
Dr. Burkhard Hofer Chairman of the supervisory board of EVN AG, member of the supervisory boards of BEGAS Energie AG, Burgenland Holding AG, RAG-Beteiligungs AG, Flughafen Wien AG and HYPO NOE Gruppe Bank AG	1944	27/5/1999	13/4/2011
Mag. Harald Kaszanits Head of cabinet of the Federal Ministry of Economy, Family and Youth	1963	7/4/2010	AGM in 2015
Mag. Herbert Kaufmann Member of the supervisory board of Austro Control österreichische Gesellschaft für Zivilluftfahrt mbH	1949	26/3/2008	AGM in 2015
Dipl.-Ing. Dr. Peter Layr Speaker of the managing board of EVN AG, vice-chairman of the supervisory board of Burgenland Holding AG, chairman of the supervisory board of RAG Rohöl-Aufsuchungs AG and RAG Beteiligungs AG	1953	13/4/2011	AGM in 2015
Dr. Gabriele Payr Chairwoman of the managing board of WIENER STADTWERKE Holding AG, chairwoman of the supervisory boards of WIEN ENERGIE GmbH, WIEN ENERGIE Gasnetz GmbH, WIEN ENERGIE Stromnetz GmbH, Aktiengesellschaft der Wiener Lokalbahnen, B&F WIEN – Bestattung und Friedhöfe GmbH, Gemeinnützige Wohnungs- und Siedlungsgesellschaft der Wiener Stadtwerke Gesellschaft m.b.H., WIENER STADTWERKE Beteiligungsmanagement GmbH, member of the supervisory board of WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, member of the General Council of Österreichische Nationalbank	1959	13/4/2011	AGM in 2015
Christa Wagner Managing partner of JOSKO Fenster und Türen GmbH	1960	7/4/2010	AGM in 2015
Ing. Siegfried Wolf Chairman of the board of OJSC Russian Machines, member of the supervisory boards of Österreichische Industrieholding AG, Siemens AG Österreich, STRABAG SE, GAZ Group, Russian Machines OJSC, Glavstroy Corporation LLC, PSK Transstroy LLC, Banque Baring Brothers Sturza SA and Continental AG	1957	16/3/2000	AGM in 2015

### Employee representatives

Name	Year of birth		
Anton Aichinger Chairman of the Group's employee representatives	1955	since 25/10/2006	appointed by the employee representatives
Kurt Christof Chairman of the Central Works Council, member of the supervisory board of Sparkasse Voitsberg/Köflach Bankaktiengesellschaft	1964	since 8/3/2004	appointed by the employee representatives
Harald Novak Chairman of the Central Works Council	1952	27/9/1991–9/5/1993 since 15/12/2000	appointed by the employee representatives
Dipl.-Ing. Ingeborg Oberreiner Chairwoman of the Works Council, member of the supervisory board of BAV Pensionskassen AG	1951	since 29/8/2006	appointed by the employee representatives
Ing. Joachim Salamon Member of the Central Works Council	1956	since 25/10/2006	appointed by the employee representatives

### Independence

#### Criteria for independence

During its meeting on 23 February 2010, the Supervisory Board of VERBUND AG defined the following criteria for its independence (pursuant to C Rule 53 of the Austrian Code of Corporate Governance):

- “The Supervisory Board member shall not have served as a member of the Executive Board or as a member of the senior management staff of the Company or one of its subsidiaries in the past 5 years.
- The Supervisory Board member shall not maintain or have maintained in the past year any business relations with the Company or one of its subsidiaries to an extent of significance for the member of the Supervisory Board. This shall also apply to relationships with companies in which the member of the Supervisory Board has a considerable economic interest, but not to exercising functions in the boards of the Group. The approval of individual transactions by the Supervisory Board pursuant to L Rule 48 shall not automatically mean that the person is deemed not to be independent.
- The Supervisory Board member shall not have acted as auditor of the Company or have owned a share in the auditing company or have worked there as an employee in the past three years.
- The Supervisory Board member shall not be a member of the managing board of another company in which a member of the Executive Board of the Company is a supervisory board member.
- The Supervisory Board member may not remain on the Supervisory Board for more than 15 years. This shall not apply to Supervisory Board members who are shareholders with a direct equity interest in the Company or who represent the interests of such a shareholder.
- The Supervisory Board member shall not be a close relative (direct offspring, spouse, life partner, parent, uncle, aunt, sibling, niece, nephew) of a member of the Executive Board or of persons who hold one of the aforementioned positions.”

Following the re-election of the Supervisory Board in April 2010 and the amendment to this rule in the Code (now, half of the shareholder representatives must be independent), the independence of the members of the Supervisory Board was reassessed in response to a letter from the compliance officer in June 2010. This occurred in the summer of 2011 with regard to the two members who were newly appointed in April 2011.

Assessment took place on the basis of the decision of the Supervisory Board dated 23 February 2010, in which the Supervisory Board reaffirmed its commitment to the Austrian Code of Corporate Governance as amended on 1 January 2010 and defined how the criteria for independence are to be applied (Annex to the Code). All ten shareholder representatives have provided written statements regarding their independence. Eight of them have declared their independence, and two members of the Supervisory Board (Layr, Payr) have classified themselves as not being independent (in respect of one criterion in each case). In addition, the following shareholder representatives meet the criteria for independence contained in C Rule 54 (not representing the interests of a shareholder with a stake of more than 10%): Frizberg, Püspök, Süssenbacher, Heinzl, Kaufmann, Wagner and Wolf.

### Meetings of the Supervisory Board

Six plenary meetings of the Supervisory Board were held during the 2011 financial year. The overall attendance rate of all the members of the Supervisory Board was approximately 92%.

No members of the Supervisory Board attended fewer than half of the meetings in person.

The activities of the Supervisory Board focused primarily on resolutions related to the following topics:

- the consolidated financial statements and annual financial statements of VERBUND AG for 2010;
- motions for the General Meeting (including election of the Supervisory Board);
- appointment of two Executive Board members;
- the reallocation of responsibilities within the Executive Board;
- approval for the wind farm project in Casimcea/Romania;
- re-election of the General Committee of the Supervisory Board and constitution of the committees;
- the restructuring of POWEO;
- investment programme for Turkey;
- the sale of shares in VERBUND-Innkraftwerke GmbH;
- the unbundling of grid subsidiary APG;
- borrowings and the furnishing of guarantees and assumption of liabilities;
- the programme to increase efficiency at the Zillertal power plant group;
- the issuance of a signatory authority ("Prokura");
- approval of the Group's budget for 2012.

(See also the focuses of the activities of the Supervisory Board's committees.)

### Self-evaluation of Supervisory Board activity

Pursuant to the requirement of the Austrian Code of Corporate Governance (Rule 36), the Supervisory Board again conducted a self-evaluation during the past financial year. The evaluation was made by means of a questionnaire, which asked above all about the efficiency, organisation and operation of the Supervisory Board. The results, which were analysed by an external auditor, were then discussed by the Supervisory Board.

### **Composition and operation of the Committees**

According to the Supervisory Board's rules of procedure, the Supervisory Board shall annually elect a Working Committee following the Annual General Meeting that shall, at the same time, function as the Audit Committee and Emergencies Committee, as well as a General and Remuneration Committee and a Nomination Committee.

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

### **Working Committee, which also functions as the Audit and Emergencies Committee**

During the 2010 financial year, the number of members of the Working Committee, which also functions as the Audit and Emergencies Committee (hereinafter referred to as the "Working Committee"), was reduced from six to four elected members. It consists of the chairman, the two vice-chairmen and one other member of the Supervisory Board. The membership of employee representatives is governed by Section 92(4) of the Austrian Stock Corporation Act (Aktengesetz, AktG). The financial expert required by law and by the Code (Rule 40) is at the disposal of the Audit Committee.

The Working Committee

- is required to prepare the meetings of the Supervisory Board and to assist the Supervisory Board in the continuous monitoring of the Company's management without prejudice to the rights of the Supervisory Board pursuant to Section 95 of the Austrian Stock Corporation Act (AktG),
- acts as the Audit Committee within the meaning of Section 92(4a) of the Austrian Stock Corporation Act, and
- as the Emergencies Committee (Rule 39 of the Austrian Code of Corporate Governance).

The Supervisory Board has permanently assigned to the Working Committee responsibility for the matters that are subject to approval as laid down in Annex 2 of the Executive Board's rules of procedure.

The chairman is required to create the prerequisites for rapid decision making on matters that fall within the scope of competence of the Emergencies Committee or are referred to that committee for a decision (calling of a meeting within a shorter period, video conferences). The grounds for urgency must be stated. If necessary, the Working Committee can assign decision-making competence to its chairman in a specific individual case.

The Emergencies Committee makes decisions on all matters where an immediate Supervisory Board decision is needed to gain economic advantages or to fend off the threat of financial damage.

The Working Committee is chaired by the chairman of the Supervisory Board, or, if he is prevented from taking the chair, by the vice-chairmen in the specified order.

**Members of the Working Committee**

<b>Name</b>	<b>Function</b>
Dr. Gilbert Frizberg	Chairman
Dr. Maximilian Eiselsberg (to 13/4/2011)	1st Vice-Chairman
Dkfm. Peter Püspök	1st Vice-Chairman (from 13/4/2011) 2nd Vice-Chairman (to 13/4/2011)
Mag. Dr. Reinhold Süssenbacher (from 13/4/2011)	2nd Vice-Chairman
Mag. Harald Kaszanits	Member
Anton Aichinger	Employee representative
Dipl.-Ing. Ingeborg Oberreiner	Employee representative

The Supervisory Board's Working Committee met 6 times during the 2011 financial year. The Audit Committee also met 6 times. The Emergencies Committee was involved in the written consent procedure for the sale of parts of POWEO.

The activities of the Working Committee focused on:

- preparing meetings of the Supervisory Board;
- approval of the furnishing of guarantees;
- the restructuring of POWEO;
- the establishment of an e-mobility provider company;
- capital increase at VERBUND Trading Romania.

The activities of the Audit Committee focused on:

- preparing the resolution on the annual financial statements for 2010;
- making a proposal for the election of the auditor;
- the semi-annual financial statements for 2011;
- monitoring financial reporting processes;
- the internal control, auditing and risk management systems;
- coordinating the audit priorities for 2011 with the auditor;
- Internal audit's audit programme and audit reports.

**The General and Remuneration Committee**

According to its rules of procedure, the Supervisory Board is required to appoint a General and Remuneration Committee made up of the chairman and the two vice-chairmen.

The Supervisory Board has permanently assigned responsibility for the following matters to the Remuneration Committee:

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

#### **Members of the General and Remuneration Committee**

<b>Name</b>	<b>Function</b>
Dr. Gilbert Frizberg	Chairman
Dr. Maximilian Eiselsberg (to 13/4/2011)	1st Vice-Chairman
Dkfm. Peter Püspök	1st Vice-Chairman (from 13/4/2011) 2nd Vice-Chairman (to 13/4/2011)
Mag. Dr. Reinhold Süssenbacher (from 13/4/2011)	2nd Vice-Chairman

The expert required by Rule 43 of the Code (ÖCGK) is at the Remuneration Committee's disposal. The Remuneration Committee met 3 times during the 2011 financial year. The meetings dealt with the target agreements and the variable remuneration components of the members of the Executive Board as well as the conclusion of contracts with the newly appointed Executive Board member and the member whose term had been extended. In addition, the General Committee met regularly to discuss current issues. In part, it did so with the Executive Board or individual members of the Executive Board.

#### **Nomination Committee**

According to its rules of procedure, the Supervisory Board is required to appoint a Nomination Committee made up of the chairman and the two vice-chairmen. Employee co-determination is governed by Section 92(4) of the Austrian Stock Corporation Act (AktG).

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

#### **Members of the Nomination Committee**

<b>Name</b>	<b>Function</b>
Dr. Gilbert Frizberg	Chairman
Dr. Maximilian Eiselsberg (to 13/4/2011)	1st Vice-Chairman
Dkfm. Peter Püspök	1st Vice-Chairman (from 13/4/2011) 2nd Vice-Chairman (to 13/4/2011)
Mag. Dr. Reinhold Süssenbacher (from 13/4/2011)	2nd Vice-Chairman
Anton Aichinger	Employee representative
Dipl.-Ing. Ingeborg Oberreiner	Employee representative

The Nomination Committee met 3 times during the 2011 financial year in order to prepare for the appointment of two members of the Executive Board and the by-election of two members of the Supervisory Board.

### Contracts requiring consent

In the 2011 financial year, Hereschwerke Regeltechnik GmbH provided goods and services totalling €331,569.58 net to the Group companies VERBUND Hydro Power AG (VHP) and VERBUND Telekom Service GmbH (VTS) for electrical installations in the Peggau power plant. The contracts forming the basis for these orders by VHP and VTS were approved by the Supervisory Board of VERBUND AG in accordance with the Austrian Stock Corporation Act (AktG) and the Austrian Code of Corporate Governance (Rule 49).

Hereschwerke Regeltechnik GmbH is a company over which Supervisory Board member Dr. Gilbert Frizberg exercises a degree of economic influence.

### Remuneration of members of the Supervisory Board

Remuneration of the members of the Supervisory Board totalled €200,133 in 2011 (previous year: €212,779). This includes reimbursements of charged costs (travel expenses).

The following remuneration scheme for the members of the Supervisory Board was adopted by the 59th Annual General Meeting held on 20 March 2006, when the annual remuneration for the members elected by the General Meeting and the attendance fees (for all members) were decided. This remuneration scheme also applied in respect of the 2011 financial year:

Remuneration scheme	€
Annual remuneration	
Chairman	15,000
Vice-Chairman	11,250
Member	7,500
Attendance fee	400

These arrangements also apply in respect of the Supervisory Board's Working Committee. In detail, the following remuneration was paid to the members of the Supervisory Board in respect of the 2011 financial year:

<b>Remuneration of members of the Supervisory Board</b>		in €
<b>Name (without title)</b>	<b>Annual remuneration</b>	<b>Attendance fees</b>
Gilbert Frizberg, Chairman	30,000	4,800
Maximilian Eiselsberg, Vice-Chairman (to 13/4/2011)	6,350	1,200
Peter Püspök, Vice-Chairman	22,500	4,800
Reinhold Süßenbacher, Vice-Chairman (Vice-Chairman from 13/4/2011)	18,266	4,400
Alfred Heinzel	7,500	2,000
Burkhard Hofer (to 13/4/2011)	2,116	800
Harald Kaszanits	15,000	4,400
Herbert Kaufmann	7,500	2,000
Peter Layr (from 13/4/2011)	5,383	1,200
Gabriele Payr (from 13/4/2011)	5,383	1,200
Christa Wagner	7,500	2,400
Siegfried Wolf	7,500	1,200
Employee representatives		
Anton Aichinger	–	4,800
Kurt Christof	–	2,400
Harald Novak	–	2,400
Ingeborg Oberreiner	–	4,800
Joachim Salamon	–	2,400

No loans or advances were disbursed to the members of the Supervisory Board. All members of the Supervisory Board are covered by the D&O insurance taken out by VERBUND (see above, page 80).

## Measures taken to promote women

in accordance with Section 243b(2) of the Austrian Commercial Code (UGB)

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

On 1 January 2007, Dr. Ulrike Baumgartner-Gabitzner became the first woman appointed to the Executive Board of VERBUND. This makes VERBUND one of the very few listed companies in Austria with a woman in a high-ranking management position.

VERBUND AG cannot influence whether there are women in the Supervisory Board because choosing the members of the Supervisory Board is the sole responsibility of the shareholders. At the Supervisory Board's suggestion, the Annual General Meeting held on 13 April 2011 elected another woman, Dr. Gabriele Payr, to the Supervisory Board of VERBUND AG. Together with Christa Wagner and Dipl.-Ing. Ingeborg Oberreiner (as employee representative), the Supervisory Board now has three female members.

On 31 December 2011, twelve women held managerial positions within the Group (including the Executive Board and the first and second tiers of management). This represents a 14.3% decline in the number of women in senior positions compared with the previous year. The number of women as a percentage of all Group employees remained constant compared with the previous year at 18.3%.

To promote the topic of equal treatment (diversity management) at VERBUND, responsibility for all currently existing measures was concentrated in the position of an equal opportunities officer, and will be continuously refined going forward. As an equal treatment initiative, VERBUND has maintained information since March 2011 on gross monthly base salaries under the collective agreement for internal and external job postings. Thus VERBUND was one of the few companies to fulfil this obligation from the very beginning. The goal is to provide better information to job applicants regarding employment conditions and to create greater transparency.

In 2011 VERBUND created for the first time an income overview containing information on average salaries for men and women. In accordance with the statutory requirements, the data from the VERBUND Group, as well as VERBUND Hydro Power AG as its largest subsidiary, were analysed and transmitted to the Works Council for informational purposes. The results of the income overview show no direct discrimination against women. This can be attributed to the Group's strict compliance with the classifications of the collective agreement as well as implementation of the performance-related payment scheme. Nevertheless, socio-political and cultural aspects such as increased part-time work among women, the lower number of women in technical professions, and the difficulty of women to achieve more highly paid (management) positions are also reflected within VERBUND.

VERBUND takes the results of this income overview very seriously, and will continue to place a high priority on targeted measures for promoting women in the future. The goal is to attract more qualified women, and above all engineers, as employees within the enterprise. As a result, for the third time, in the spring of 2011, VERBUND awarded women's scholarships to three outstanding female students at Vienna University of Technology. A jury chose a first-year student of mechanical engineering, a masters student of electrical engineering and a PhD student in technical mathematics. They will be supported by made-to-measure scholarship packages worth €5,000 each.

In addition, each year, VERBUND takes part in Take Your Daughter to Work Day ("Töchertag") and in the Women in Technology ("Frauen in die Technik", FIT) information days. This enables us to address a female target group when they are still very young and get them interested in the fascinating technical professions. The Group is also glad to have a growing number of female apprentices each year commencing their training in a unique double profession with good prospects, namely electrical engineering and metalworking.

During certification within the scope of the career and family audit ("Audit Beruf und Familie") process, a record was made of all the measures and offerings that are already in place within the Group to help employees achieve a successful work/life balance. VERBUND has been able to continue to increase an already high level of compatibility between working and family life. The audit will be conducted again in 2012.

## Executive Board's Declaration of Conformity to the Austrian Code of Corporate Governance

Following the now ninth evaluation of conformity to the Austrian Code of Corporate Governance, the Executive Board has issued the following statement:

"The Austrian Code of Corporate Governance was applied within VERBUND AG during the 2011 financial year and adhered to in accordance with the explanatory notes above. There were only 2 rules in the Code from which partial deviations occurred. These were in part the result of legislative circumstances and were explained and justified accordingly. VERBUND will continue to adhere to the Code in its amended form during the 2012 financial year and will continue to endeavour to comply with all rules as fully as possible.

From the outset, VERBUND has given very high priority to applying the Code of Corporate Governance. Its application is an essential building block in strengthening the trust of shareholders, business associates, employees and the public in the Group"

Vienna, 31 January 2012

Executive Board



Dipl.-Ing. Wolfgang Anzengruber



Dr. Johann Sereinig



Dr. Ulrike Baumgartner-Gabitzer



Dipl.-Ing. Dr. Günther Rabensteiner

## External audit

As in prior years, an independent auditor carried out a voluntary external evaluation of adherence to the provisions of the Austrian Code of Corporate Governance for the 2011 financial year.

### Summary of the results of the evaluation of adherence to the Austrian Code of Corporate Governance during the 2011 financial year

We evaluated adherence to the recommendations of the Austrian Code of Corporate Governance as amended in January 2010 (ÖCGK; issued by the Austrian Working Group for Corporate Governance) at VERBUND AG during the 2011 financial year.

*Responsibility of the legal representatives:* The Executive Board of the Company is responsible for reporting on the implementation of and adherence to corporate governance principles within the Group (“Declaration of Conformity”).

*Responsibility of the auditor:* Our task is to ascertain, based on our evaluation, whether the statements in the Declaration of Conformity are accurate. We performed our evaluation in accordance with the Austrian professional standards for other audits (KFS/PG 13). According to these standards, we must maintain our professional obligations, including requirements of independence, and must plan and perform the mandate in accordance with the principle of materiality in such a way that we can issue our opinion with sufficient certainty. The procedures selected depend on the auditor’s judgment, and include in particular the following activities: we carried out our evaluation on the basis of the questionnaire for the voluntary external evaluation of adherence to the Code (ÖCGK) published by the Austrian Working Group for Corporate Governance. The evaluation was carried out by questioning the Boards of the Company and the employees of the Company named by them and by inspecting the documents made available to us by the Company. Our evaluation also included the random sample-based auditing of the proofs presented to us and the statements made. The subject matter of our mandate is neither an audit nor a review of financial statements. Similarly, our mandate does not include either the discovery and clarification of criminal offences, e.g. misappropriations or other breaches of trust and violations of law, nor does it include an assessment of the effectiveness and economic efficiency of the Company’s management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion concerning the adequacy of the Declaration of Conformity.

*Opinion:* Based upon the results of our evaluation, the Executive Board’s Declaration of Conformity correctly represents the implementation of the recommendations in the Code at VERBUND AG during the 2011 financial year.

Vienna, 31 January 2012

Ernst & Young

Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Helmut Maukner  
Certified Public Accountant

Mag. Elfriede Baumann  
Certified Public Accountant