

Corporate governance report 2012

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, specifically including stock corporation and capital market law, regulations governing employee co-determination, the Company's Articles of Association, the rules of procedure for the Company's Boards, and the Austrian Code of Corporate Governance (Österreichischer Corporate Governance Kodex, ÖCGK).

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 financial year 2012, the Executive Board and Supervisory Board saw it as their primary duty to act in compliance with all the rules of the Code as fully as possible, as well as to maintain and continue to develop the Group's high internal standards. As in previous 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. It was revised in January 2012 and again in July 2012, primarily as a result of the incorporation of legislative changes.

More 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."

Deviations

VERBUND complies with almost all of the rules in the Austrian Code of Corporate Governance, including the R Rules. The deviations in financial year 2012, which remained the same as those in the previous year, relate to the Code as amended in July 2012, which applied for financial year 2012. 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 Association based upon this. This reads, "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 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 2 exceptions.

Executive Board

Composition of the Executive Board

The Executive Board had four members in financial year 2012. There were no changes in the Executive Board.

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	Company	Function
Dipl.-Ing. Wolfgang Anzengruber	Palfinger AG	Member
Dr. Johann Sereinig	VIENNA INSURANCE GROUP AG (until 20 June 2012)	Member
	FK Austria Wien AG	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.

The allocation of responsibilities within the Executive Board is part of the rules of procedure, and like these rules, it remained unchanged during the past financial year. The areas of responsibility of the members of the Executive Board are specified there 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, audit, Human Resources Committee
Dr. Johann Sereinig	Business management and marketing, strategic human resources management, electricity trading, electricity distribution, telecom services, management services, audit, Human Resources Committee
Dr. Ulrike Baumgartner-Gabitzer	Transmission grid Hydropower generation Centre of excellence for hydropower Tourism
Dipl.-Ing. Dr. Günther Rabensteiner	International equity interests Thermal generation Renewable energy 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 €3,274,545 in 2012 (previous year: €2,607,219).

Remuneration of the members of the Executive Board

Name	Fixed remuneration in €	Variable remuneration in €
Dipl.-Ing. Wolfgang Anzengruber	647,528	428,625
Dr. Johann Sereinig	616,793	353,216
Dr. Ulrike Baumgartner-Gabitzer	434,474	205,000
Dipl.-Ing. Dr. Günther Rabensteiner	435,610	153,299

Because the achievement of targets can be ascertained only at the end of the year, variable remuneration components are paid out in the following year. Consequently, the variable remuneration components granted to the members of the Executive Board in 2012 were paid for financial year 2011.

Because Dr. Rabensteiner was appointed to the Executive Board only on 1 April 2011, he did not receive payment of any variable remuneration for 2011.

Variable remuneration is performance-based and is limited to a certain percentage of the respective fixed remuneration. This percentage ranged from 50% to 70% for financial year 2011. The amount of the performance-based remuneration components is based on the extent to which the targets agreed for the financial year are reached. 50% of the target agreement for 2011 was based upon the attainment of the planned Group result, and 50% was based upon the attainment of qualitative, and in part medium-term, targets in areas such as research and development or organisational structures. The principles underlying the Executive Board's share of profit were unchanged from the previous year.

A company pension plan has been set up for members of the Executive Board in the form of a defined contribution pension fund agreement. In financial year 2012, contributions to the pension fund were paid for the Executive Board in the amount of €148,552 (previous year: €132,621). Statutory regulations apply with respect to the claims of members of the Executive Board upon termination of their position.

In 2012, €507,589 was paid out for pensions and severance payments in support of beneficiaries (previous year: €491,166). The profit or loss for the period included expenses for severance payments and pensions (post-employment benefits) in the amount of €107,451 (previous year: income due to a non-recurring item of €135,679). Expenses recognised in the profit or loss for the period for pensions and similar obligations for former members of the Executive Board and their surviving dependants amounted to a total of €666,635 (previous year: €597,362). In addition, expenses relating to remeasurements in the amount of €624,983 were recognised in other comprehensive income.

As in the previous year, no loans or advances were paid out to members of the Boards of the Group or the subsidiaries. Neither the members of the Executive Board nor senior management staff of VERBUND 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 reaffirmed its commitment in 2012. Consequently, the Code, together with the Austrian Stock Corporation Act (Aktengesetz, AktG) and the Austrian Commercial Code (UGB), the Company's Articles of Association, and the rules of procedure for the Executive Board and Supervisory Board, have 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. There were no changes in the Supervisory Board in 2012.

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 Transfer Industries GmbH, Wildon, managing partner of Franz Heresch & Co GmbH	1956	16/3/2000	AGM in 2015
Dkfm. Peter Püspök 1st Vice-Chairman 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 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, LISEC Holding GmbH (formerly LICON Treuhand- und Verwaltungs-GmbH), and LISEC Maschinenbau GesmbH	1949	7/4/2010	AGM in 2015
Dipl.-Betriebswirt Alfred H. Heinzel Managing partner of Heinzel Holding GmbH, member of the supervisory boards of Miba AG, Allianz Elementar Versicherungs AG, Zellstoff Pöls AG (chairman), Wilfried Heinzel AG (chairman), Europapier AG (chairman), Biocel Paskov A.S. (chairman) in the Czech Republic, and Estonian Cell A.S. in Kunda/Estonia	1947	16/3/2000	AGM in 2015

Name	Year of birth	Date of initial appointment	End of current term of office
Mag. Harald Kaszanits General Secretary and 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 boards of Letisco Kosice-Airport Kosice a.s., Ksc Holding a.s., Flughafen Friedrichshafen GmbH, and Austro Control Österreichische Gesellschaft für Zivilluftfahrt mbH (until September 2012), member of the boards of VIE (Malta) Limited and MMLC-Malta Mediterranean Link Consortium Limited	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 boards of 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., 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 supervisory board of GAZ Group, Russian Machines OJSC, Glavstroy Corporation LLC, SBERBANK Europe AG (formerly Volksbank Int. AG), member of the supervisory boards of Österreichische Industrieholding AG, Siemens Aktiengesellschaft Österreich, STRABAG SE, Banque Baring Brothers Sturdza 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, although 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 audit firm or have worked there as an employee in the past 3 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.”

On the basis of these guidelines for independence defined in the decision of the Supervisory Board on 23 February 2010 (Annex to the Austrian Code of Corporate Governance), all ten shareholder representatives have issued a written declaration of 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 (with respect to one criterion in each case). In addition, the following shareholder representatives on the Supervisory Board meet the criteria for independence contained in C Rule 54 (not representing the interests of a shareholder with a holding of more than 10%): Frizberg, Püspök, Süßenbacher, Heinzl, Kaufmann, Wagner, and Wolf.

Meetings of the Supervisory Board

6 plenary meetings of the Supervisory Board were held during financial year 2012. The overall attendance rate of all the members of the Supervisory Board was approximately 91%. 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:

- Consolidated financial statements and annual financial statements of VERBUND AG for 2011
- Motions for the General Meeting
- Election of the General Committee of the Supervisory Board and constitution of the committees
- Asset swap with E.ON through the purchase of shares in Bavarian hydropower plants in return for selling equity interest in the Turkish joint venture EnerjiSA
- Acquisition of wind power projects in Germany
- Streamlining of the investment portfolio through the sale of shares in STEWEAG-STEAG GmbH and Energie Klagenfurt GmbH, and the increase in shares in VERBUND Thermal Power
- Sale of shares in Gletscherbahnen Kaprun AG and Kärntner Restmüllverwertungs GmbH
- Capitalisation of E-Mobility Provider Austria
- Borrowing and the furnishing of guarantees and assumption of liabilities
- Approval of the Group's budget for 2013

(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 once again conducted a self-evaluation during the past financial year. This was done as part of a detailed discussion in the 366th meeting, in which the Supervisory Board reviewed its activities without participation by the Executive Board, focussing primarily on its organisational and operational efficiency.

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 chairperson of the Supervisory Board.

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

During financial year 2010, 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. The Working Committee consists of the chairperson, the two vice-chairpersons, and another member of the Supervisory Board. The membership of employee representatives is governed by Section 92(4) of the Austrian Stock Corporation Act (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 (AktG), 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 listed in Annex 2 of the Executive Board’s rules of procedure.

The chairperson 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 chairperson 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 chairperson of the Supervisory Board chairs the Working Committee, and in the event he or she is hindered from doing so, the vice-chairpersons chair the Committee in the selected sequence.

Members of the Working Committee

Name	Function
Dr. Gilbert Frizberg	Chairman
Dkfm. Peter Püspök	1st Vice-Chairman
Mag. Dr. Reinhold Süßenbacher	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 financial year 2012. The Audit Committee also met 6 times. The Working Committee granted its consent to the final closing of the asset swap with E.ON in a written consent procedure in accordance with the authorisation by the Supervisory Board.

The activities of the Working Committee focused on:

- preparing meetings of the Supervisory Board
- asset swap with E.ON through the purchase of shares in Bavarian hydropower plants in return for selling equity interest in the Turkish joint venture EnerjiSA
- outsourcing of parts of the distribution company VSA
- sale of the property belonging to the Zeltweg power plant
- reports of the Executive Board pursuant to the rules of procedure

The activities of the Audit Committee focused on:

- preparing the resolution on the annual financial statements for 2011, including appropriation of profit
- proposal for the election of the auditor
- semi-annual financial statements for 2012
- monitoring financial reporting processes
- internal control, audit and risk management systems
- coordinating the audit priorities for 2012 with the auditor
- public tender for the 2013 audit
- 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 chairperson and the two vice-chairpersons. 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

Name	Function
Dr. Gilbert Frizberg	Chairman
Dkfm. Peter Püspök	1st Vice-Chairman
Mag. Dr. Reinhold Süßenbacher	2nd Vice-Chairman

The expert required by Rule 43 of the Code (ÖCGK) is at the Remuneration Committee's disposal. The Remuneration Committee met once during financial year 2012. The meeting dealt with the target agreements and the variable remuneration components of the members of the Executive Board. 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 chairperson and the two vice-chairpersons. 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

Name	Function
Dr. Gilbert Frizberg	Chairman
Dkfm. Peter Püspök	1st Vice-Chairman
Mag. Dr. Reinhold Süßenbacher	2nd Vice-Chairman
Anton Aichinger	Employee representative
Dipl.-Ing. Ingeborg Oberreiner	Employee representative

The Nomination Committee met once in financial year 2012 to prepare its submissions for appointments to the Executive Board.

Contracts requiring consent – conflicts of interest

In financial year 2012, the Supervisory Board of VERBUND AG, in accordance with the Austrian Stock Corporation Act (Aktengesetz, AktG) and the Austrian Code of Corporate Governance (Rule 49) approved the following contracts and/or transactions between the VERBUND Group and individual Supervisory Board members or companies having close relationships with Supervisory Board members exists:

Supervisory Board member Dr. Gilbert Frizberg

VERBUND Sales GmbH entered into a framework agreement with Hereschwerke Regeltechnik GmbH, a company over which Supervisory Board member Dr. Gilbert Frizberg exercises a degree of economic influence, as an expert partner for the construction of photovoltaic plants for VERBUND customers. Based upon this agreement, which was entered into under customary market conditions, Hereschwerke Regeltechnik GmbH paid VERBUND agency fees totalling €4,800.

Trade payables of Hereschwerke Regeltechnik GmbH for VERBUND Hydro Power AG and VERBUND Telekom Service GmbH had already been approved by the Supervisory Board in 2011 were in part only paid and settled in financial year 2012.

Supervisory Board member Dr. Gabriele Payr

Between VERBUND and the Wiener Stadtwerke Group, of which Dr. Gabriele Payr is the chairwoman of the managing board, there are a number of contractual relationships, some of which have been in existence for many years; they had already been entered into before Dr. Payr became a member of the Supervisory Board. An order volume totalling €1m was processed in financial year 2012 on the basis of existing contracts. This involved primarily electricity bills, transmission losses, system fees, and other payments for various VERBUND companies. In addition, contractual relationships for electricity supply exist with e&t Energie HandelsgmbH, in which Wiener Stadtwerke holds a 45% interest.

Supervisory Board member Dipl.-Ing. Dr. Peter Layr

Between VERBUND and the EVN Group, of which Dr. Peter Layr is the Executive Board spokesman, there are a number of contractual relationships, some of which have been in existence for many years; they had already been entered into before Dr. Layr became a member of the Supervisory Board. An order volume totalling €6.52m was processed in financial year 2012 on the basis of existing contracts. This involved primarily electricity, gas, or grid purchases, operational management, usage fees, grid access fees, and other payments and recharging of costs for various VERBUND companies. (The largest individual item was a gas purchase in the amount of €2.35m). In addition, contractual relationships for electricity supply exist with e&t Energie HandelsgmbH, in which EVN holds a 45% interest.

Supervisory Board member Mag. Dr. Reinhold Süßenbacher

In return for the granting of an easement for a line on his property, Dr. Reinhold Süßenbacher received one-off compensation from VERBUND Telekom Service GmbH in the amount of €16,231. The amount of the compensation was commensurate with local conditions.

In addition, the Supervisory Board dealt extensively in its 366th meeting with (other) possible conflicts of interest among Supervisory Board members that could result in particular from activities or equity interests in the energy area. In this process, individual members disclosed their involvement or equity interests, primarily in the area of small hydropower plants and wind power projects. In the assessment of the Supervisory Board, none of the disclosed activities represent a fundamental conflict of interest that would necessarily involve further measures. Should such conflicts occur in individual cases in the future, then suitable measures, such as the withholding of voting rights or non-participation in providing advice and voting on individual agenda items, must be taken in a timely manner.

Remuneration of members of the Supervisory Board

Remuneration of the members of the Supervisory Board totalled €203,679 in 2012 (previous year: €200,133). This includes reimbursements of recharged 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 for financial year 2012:

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

These arrangements also apply mutatis mutandis for the Supervisory Board's Working Committee.

In detail, the following remuneration was paid to the members of the Supervisory Board for financial year 2012:

Remuneration of members of the Supervisory Board	in €	
Name (without title)	Annual remuneration	Attendance fees
Gilbert Frizberg, Chairman	30,000	4,800
Peter Püspök, Vice-Chairman	22,500	4,000
Reinhold Süßenbacher, Vice-Chairman	22,500	4,000
Alfred Heinzl	7,500	2,000
Harald Kaszanits	15,000	4,400
Herbert Kaufmann	7,500	2,400
Peter Layr	7,500	2,400
Gabriele Payr	7,500	2,400
Christa Wagner	7,500	1,600
Siegfried Wolf	7,500	1,600
<i>Employee representatives</i>		
Anton Aichinger	–	4,800
Kurt Christof	–	2,000
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 222).

Measures taken to promote women

(Section 243b(2) Line 2 of the Austrian Commercial Code (UGB))

In accordance with its commitment to sustainable management, VERBUND addresses issues of social relevance such as equal opportunity in the workplace. VERBUND treats all its employees equally,

regardless of their gender, age, religious beliefs, culture, skin colour, social origins, sexual orientation, or nationality. Decisive action is taken against any form of discrimination or harassment.

On 1 January 2007, Dr. Ulrike Baumgartner-Gabitzer 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.

Because choosing the members of the Supervisory Board is solely the responsibility of the shareholders (i.e. the General Meeting), the Executive Board has little influence over whether there are women in the Supervisory Board of VERBUND AG. With Dr. Gabriele Payr, Christa Wagner, and Dipl.-Ing. Ingeborg Oberreiner (as employee representative), the Supervisory Board of VERBUND AG now has three female members.

As at 31 January 2012, 18 women held managerial positions within the Group (including the Executive Board and the first and second tiers of management). This increased the number of women in senior positions by 29% compared with the previous year. The percentage of women throughout the Group is 19%, which is an increase over the previous year. In addition, one female executive was allowed to perform her duties part-time in 2012.

In order to promote the subject matter of equal treatment (diversity management) at VERBUND, responsibility for all existing measures was concentrated in the position of an equal opportunities officer; these measures will be continually refined going forward. For example, the VERBUND Women's Network was launched in 2012 at the initiative and under the sponsorship of Dr. Baumgartner-Gabitzer. Over the medium term, the focus will be on ensuring equal opportunities for male and female employees. Over the long term, the network will address all aspects of diversity management, particularly issues related to changes in socio-political conditions.

Participation in the "Zukunft.Frauen" (Women.Future) executive personnel programme is another specific measure in this direction. This programme was initiated by the Austrian Federal Ministry of Economy, Family and Youth, the Austrian Federal Economic Chamber and the Federation of Austrian Industries. Its goal is to give women support on their way to the top and to strengthen their confidence in their ability to hold management positions.

In order to actively promote equal treatment, VERBUND has been committed for many years to focussing on the promotion of highly qualified women. The goal is to recruit more qualified women, above all technicians, as employees for the Company. As a result, in the spring of 2012, VERBUND for the fourth time awarded women's scholarships to three outstanding female students at Vienna University of Technology. A jury chose a first-year student of civil engineering, a masters student of microelectronics, and a PhD student in the technical mathematics field. They will be supported by made-to-measure scholarship packages worth €5,000 each.

In addition, the Company was able to recruit two former VERBUND award recipients for the VERBUND trainee programme in 2012.

VERBUND also participates each year in Take Your Daughter to Work Day ("Töchterttag") 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 encourage them to explore the fascinating technical professions. The Group is also glad to have a growing number of female apprentices each year commence their training in a unique dual profession with good prospects, namely electrical engineering and metalworking.

VERBUND is serious in its commitment to the goal of maintaining work-life balance, and has successfully implemented various measures for this purpose, such as flexible working hours or the

option of claiming a third year of parental leave. Since being awarded the basic certificate in the "Career and Family Audit" in 2009, the many activities available have been supplemented each year by targeted measures such as the introduction of an Employee Assistance Programme, which offers advice and coaching to support employees who are having family or career problems. Another audit was performed in 2012 and VERBUND received the full "Career and Family" certificate valid until 2015.

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

Since its introduction in 2002, VERBUND has had its application of and adherence to the Austrian Code of Corporate Governance evaluated annually by an external auditor.

Following the now tenth such evaluation, the Executive Board issued the following statement:

"The Austrian Code of Corporate Governance was applied within VERBUND AG during financial year 2012, and was 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 financial year 2013 and will continue to endeavour to comply with all rules as fully as possible.

From the outset, VERBUND has placed a very high priority on 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, 1 February 2013

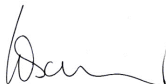
Executive Board



Dipl.-Ing. Wolfgang Anzengruber



Dr. Johann Sereinig



Dr. Ulrike Baumgartner-Gabitzer



Dipl.-Ing. Dr. Günther Rabensteiner

External audit

As in previous years, an independent auditor carried out a voluntary external evaluation of adherence to the provisions of the Austrian Code of Corporate Governance for financial year 2012.

Summary of the results of the evaluation of adherence to the Austrian Code of Corporate Governance during financial year 2012

We evaluated adherence to the recommendations of the Austrian Code of Corporate Governance as amended in July 2012 (ÖCGK; issued by the Austrian Working Group for Corporate Governance) at VERBUND AG during financial year 2012.

Management's responsibility: 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").

Auditors' responsibility: 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 judgement, 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.

Audit opinion: Based upon the results of our evaluation, in our opinion that the Executive Board's Declaration of Conformity correctly represents the implementation of the recommendations in the Code at VERBUND AG during financial year 2012.

Vienna, 1 February 2013
Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Helmut Maukner
Certified Public Accountant

Mag. Elfriede Baumann
Certified Public Accountant

