

# Corporate Governance Report 2013

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

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# Corporate governance report

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, the Austrian Commercial Code (UGB) and the regulations governing employee co-determination, the Company's Articles of Association, 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 financial year 2013, 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 and to maintain and continue to develop the Group's high internal standards. As in previous years, an independent auditor externally 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). This was most recently revised in 2012.

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".

### Important events during 2013

The most important events in the area of corporate governance in financial year 2013 were changes in the Executive Board and a change in the committees of the Supervisory Board.

In the Executive Board, three Executive Board members were reappointed, one previous Executive Board member departed, and there was a new appointment of an Executive Board member (CFO). Because of the new composition of the Executive Board, responsibilities have been reallocated.

Within the Supervisory Board, the Audit Committee was separated from the Working Committee in order to form an independent committee, and new members were appointed. The rules of procedure of the Supervisory Board were amended accordingly.

### Deviations

VERBUND complies with almost all the rules in the Austrian Code of Corporate Governance, including the R Rules. The deviations in financial year 2013 that remained the same as in the previous year relate to the Code as amended in July 2012, which applied for financial year 2013. There was a partial and minor deviation in the handling of 2 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 two exceptions.

If a conflict of interest exists in a specific case with the two Supervisory Board members in question, then the chairperson will institute appropriate measures (e.g. withholding of certain information or documents, abstention from voting or departure from the meeting.) This was required during the year under review for only two agenda items in one meeting.

## Executive Board

### Composition of the Executive Board

During financial year 2013, the Executive Board had four members, and, from 1 July 2013, three members. On 5 March 2013, the Supervisory Board resolved an extension of the Executive Board offices held by Dipl.-Ing. Wolfgang Anzengruber, Dr. Johann Sereinig, and Dipl.-Ing. Dr. Günther Rabensteiner for a further five-year period. At the same time, it appointed Dr. Peter Kollmann as a member of the Executive Board and Chief Financial Officer, effective 1 January 2014. Dr. Ulrike Baumgartner-Gabitzler left the Executive Board on 30 June 2013 and on 1 January 2014 she assumed another management position within the Group.

#### 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	31/12/2018
Deputy CEO Dr. Johann Sereinig, Vice-Chairman	1952	1/1/1994	31/12/2018
Dr. Ulrike Baumgartner-Gabitzler, Member of the Executive Board	1957	1/1/2007	30/6/2013
Dipl.-Ing. Dr. Günther Rabensteiner, Member of the Executive Board	1953	1/4/2011	31/12/2018

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

Name	Company	Function
Dipl.-Ing. Wolfgang Anzengruber	Palfinger AG	Member
Dr. Johann Sereinig	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 defines the range of duties of the Executive Board members without prejudice to the overall responsibility of the Executive Board. Responsibilities were reallocated following the departure of Dr. Baumgartner-Gabitzer.

### Allocation of responsibilities

Dipl.-Ing. Wolfgang Anzengruber	Strategy, M&A and corporate development, corporate affairs, legal, communication, innovation, finance, management accounting, risk management Hydropower generation (from 1/7/2013), tourism (from 1/7/2013) Audit, Human Resources Committee
Dr. Johann Sereinig	Business management and marketing, strategic human resources Electricity trading, electricity distribution Telekom services, management services Audit, Human Resources Committee
Dr. Ulrike Baumgartner-Gabitzer (until 30/6/2013)	Transmission grid Hydropower generation Competence Centre for hydropower Tourism
Dipl.-Ing. Dr. Günther Rabensteiner	International equity interests Thermal generation, renewable energy Transmission grid (from 1/7/2013) Competence Centre for hydropower, thermal power and renewables

### Remuneration of the members of the Executive Board

The remuneration of the members of the Executive Board totalled €3,615,088 in 2013 (previous year: €3,274,545). This also includes remuneration in the amount of €190,000 caused by the rescinding of the agreement with Dr. Baumgartner-Gabitzer (pull-forward effect in the disbursement of the variable remuneration for 2012 and 2013) as well as €180,000 for a contractual settlement payment, thus a total of €370,000, which is recognised below as "other remuneration".

**Remuneration of the members of the Executive Board**

Name	Fixed remuneration in €	Variable remuneration in €
Dipl.-Ing. Wolfgang Anzengruber	665,954	465,256
Dr. Johann Sereinig	634,407	401,385
Dipl.-Ing. Dr. Günther Rabensteiner	447,920	247,568
Dr. Ulrike Baumgartner-Gabitzer (until 30/6/2013)		
pro rata remuneration (until 30/6/2013)	222,698	159,900
other remuneration		370,000

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 2013 were paid in respect of financial year 2012. Variable remuneration depends upon performance and is limited to a certain percentage of fixed remuneration. This percentage rate was between 50% and 70% for financial year 2012. The level of performance-based remuneration components depends on the extent to which the targets agreed for the financial year are reached. 50% of the target agreement for the 2012 reporting period related to attainment of the planned Group result and 50% related to the attainment of qualitative, and, in part, medium-term, targets in areas such as innovation, research and development, consolidation and restructuring of the equity interest portfolio, as well as rationalisation and increasing efficiency. The successful completion of the asset swap (sale of the Turkish equity interest and acquisition of shares in run-of-river power plants on the Inn and Danube rivers) were also taken into account. 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 2013, contributions to the pension fund were paid for the Executive Board in the amount of €130,892 (previous year: €148,552). Statutory regulations apply, under consideration of the requirements of Rule 27a of the Austrian Code of Corporate Governance, with respect to the claims of members of the Executive Board upon termination of their position.

In 2013, €622,259 (previous year: €507,589) was paid out for pensions and severance payments in support of beneficiaries. Profit or loss for the period included expenses in the amount of €137,153 (previous year: €107,451) for severance payments as well as for pensions and similar obligations (post-employment benefits). Expenses for pensions and similar obligations for former members of the Executive Board and their surviving dependants included in the profit or loss for the period amounted to a total of €183,423 (previous year: €666,635). In addition, expenses relating to remeasurements in the amount of €276,313 (previous year: €624,983) were recognised in other comprehensive income.

As in the previous year, no loans or advances were paid out to members of the Group's or subsidiaries' Boards. 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 authorised signatories and other senior management staff of subsidiaries. The costs are borne by the Group.

## Supervisory Board

The Supervisory Board has also explicitly affirmed its commitment to the Austrian Code of Corporate Governance. 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. In financial year 2013, there was one change among the employee representatives on the Supervisory Board, and no changes in the shareholder representatives.

Name	Year of birth	Date of initial appointment	End of current term of office
Dr. Gilbert Frizberg Chairman CEO of FI Beteiligungs- und Finanzierungs GmbH, CEO of Transfer Industries GmbH, managing partner of Franz Heresch & Co GmbH	1956	16/3/2000	AGM in 2015
Dkfm. Peter Püspök 1 <sup>st</sup> Vice-Chairman Member of the supervisory boards of Semper Constantia Privatbank (vice-chairman), of Mareto Kunststoffverarbeitung GmbH and of TUPACK Verpackungen GmbH	1946	16/3/2000	AGM in 2015
Mag. Dr. Reinhold Süßenbacher 2 <sup>nd</sup> Vice-Chairman Member of the supervisory boards of KSV 1870 Holding AG (vice-chairman), of Richter Pharma AG, of Bene AG (vice-chairman), of Voglauer Möbelwerk Gschwandtner & Zwilling GesmbH, of UMDASCH AG, of LISEC Holding GmbH and of LISEC Austria GmbH	1949	7/4/2010	AGM in 2015
Dipl.-Betriebswirt Alfred H. Heinzel Managing partner in several companies of the Heinzel Group; member of the supervisory boards of Miba AG (vice-chairman), of Allianz Elementar Versicherungs AG, of Zellstoff Pöls AG (chairman), of Wilfried Heinzel AG (chairman), of Europapier AG (chairman), of Europapier International AG (chairman), of Laakirchen Papier AG (chairman), of Mitterbauer Beteiligungs-AG (vice-chairman) and of 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., of Ksc Holding a.s. and of Flughafen Friedrichshafen GmbH, Board of VIE Malta Limited and of MMLC-Malta Mediterranean Link Consortium Limited	1949	26/3/2008	AGM in 2015
Dipl.-Ing. Dr. Peter Layr Spokesman of the managing board of EVN AG; vice-chairman of the supervisory board of Burgenland Holding AG, chairman of the supervisory boards of Netz Niederösterreich GmbH, of Rohöl-Aufsuchungs AG and of RAG-Beteiligungs-AG	1953	13/4/2011	AGM in 2015
Dr. Gabriele Payr Chairwoman of the managing board of WIENER STADTWERKE Holding AG (until 31/12/2013); chairwoman of the supervisory boards of WIEN ENERGIE GmbH (until 20/9/2013), of WIEN ENERGIE Gasnetz GmbH (until 27/7/2013), of WIENER NETZE GmbH (until 20/9/2013), of WIPARK Garagen GmbH (until 31/12/2013), of Aktiengesellschaft der Wiener Lokalbahnen, of B&F WIEN – Bestattung und Friedhöfe GmbH, of 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 Oesterreichische Nationalbank	1959	13/4/2011	AGM in 2015
Christa Wagner Managing partner of several companies of the JOSKO Group	1960	7/4/2010	AGM in 2015
Ing. Siegfried Wolf Chairman of the Board of Russian Machines LLC; Chairman of the supervisory boards of GAZ Group, of Glavstroy OJSC, of SBERBANK Europe AG (formerly Volksbank Int. AG), member of the supervisory board of Österreichische Industrieholding AG (vice-chairman), of Siemens Aktiengesellschaft Österreich, of STRABAG SE, of Banque Baring Brothers Sturdza SA and of Continental AG	1957	16/3/2000	AGM in 2015

Supervisory Board mandates in publicly listed companies and significant comparable companies are listed with respect to (ancillary) functions. Full-time functions are listed where appropriate.



### 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 boards of Stadtwerke Voitsberg GmbH (vice-chairman) and of Sparkasse Voitsberg/Köflach Bankaktiengesellschaft	1964	since 8/3/2004	appointed by the employee representatives
Ing. Wolfgang Liebscher Chairman of the Central Works Council	1966	since 1/11/2013	appointed by the employee representatives
Harald Novak Chairman of the Central Works Council	1952	27/9/1991–9/5/1993 15/12/2000– 31/10/2013	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 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.”

Based upon these guidelines for independence (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

5 plenary meetings of the Supervisory Board were held during financial year 2013. The overall attendance rate of all the members of the Supervisory Board was 87%. One member of the Supervisory Board attended fewer than half of the meetings in person. One of the meetings was held in the power plant group Malta and was accompanied by a guided tour of the construction site for the Reißeck II power plant. In addition, an all-day informational event was held for the Supervisory Board members.

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 2012
- Motions for the General Meeting
- Appointment or reappointment of Executive Board members
- Election of the General Committee of the Supervisory Board and constitution of the committees
- Appointment of auditor
- Authorisation for sale of the Graz district heating power plant
- Capital increase at Austrian Power Grid AG
- Authorisation for the ending or collateralisation of the Freudenau Cross-Border Leasing Transaction
- Implementation of investments in VERBUND Hydro Power AG
- Borrowing and assumption of guarantees and liabilities
- Changes at VERBUND Thermal Power, including accompanying measures
- Structural changes at equity interests, including consolidation of companies
- Authorisation for sale of the Sorgenia shares
- Approval of the Group’s budget for 2014

(Please also refer to the activities focused upon by 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 last meeting of the past financial year. In a detailed discussion without the participation of the Executive Board, the Supervisory Board addressed the efficiency of its activities, and above all its organisational and operational efficiency. Implementation of the improvements adopted in the previous year was also determined and additional suggestions were discussed.

### Composition and operation of the Committees

According to the Supervisory Board's rules of procedure, following the Annual General Meeting the Supervisory Board shall annually elect a Working Committee, which will simultaneously function as the Emergencies Committee, and shall also elect an Audit Committee, a General and Remuneration Committee and a Nomination Committee. In the past year, the Supervisory Board separated the Audit Committee from the Working Committee, set it up as an independent committee, and appointed a new chairman. In this sense, the rules of procedure of the Supervisory Board were amended.

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 Emergencies Committee

4 years ago, the number of members on the Working Committee was reduced from six to four elected members. It consists of the chairperson, the two vice-chairpersons, and an additional member of the Supervisory Board. The membership of employee representatives is governed by Section 92(4) of the Austrian Stock Corporation Act (AktG).

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), and
- acts 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 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 in which an immediate Supervisory Board decision is needed to gain economic advantages or to fend off the threat of financial damage.

The Chairman of the Supervisory Board chairs the Working Committee, and in the event he or she is unable to attend, the vice-chairpersons chair the Committee in the selected sequence.

### Members of the Working Committee

Name	Function
Dr. Gilbert Frizberg	Chairman
Dkfm. Peter Püspök	1 <sup>st</sup> Vice-Chairman
Mag. Dr. Reinhold Süßenbacher	2 <sup>nd</sup> Vice-Chairman
Mag. Harald Kaszanits	Member
Anton Aichinger	Employee representative
Dipl.-Ing. Ingeborg Oberreiner	Employee representative

The Supervisory Board's Working Committee met 4 times during financial year 2013. The activities of the Working Committee focused on:

- preparing meetings of the Supervisory Board
- sale of shares in Almenland Energie GmbH
- contract with Executive Board member in Austrian Power Grid AG (circular resolution)
- reports of the Executive Board pursuant to rules of procedure

#### **Audit Committee**

The Audit Committee was established pursuant to Section 92(4a) of the Austrian Stock Corporation Act (AktG) and was included in the Supervisory Board's rules of procedure in 2013 as an independent committee within the Supervisory Board (an offshoot from the Working Committee). It consists of the chairperson, the two vice-chairpersons, and an additional member of the Supervisory Board. The membership of employee representatives is governed by Section 92(4) of the Austrian Stock Corporation Act (AktG).

The Audit Committee performs the tasks pursuant to Section 92(4a) of the Austrian Stock Corporation Act (AktG) and Rule 40 of the Austrian Code of Corporate Governance. It has the financial expert required by law and by the Code at its disposal, who is also the chairperson of the committee.

#### **Members of the Audit Committee**

<b>Name</b>	<b>Function</b>
Dkfm. Peter Püspök	Chairman
Dr. Gilbert Frizberg	1 <sup>st</sup> Vice-Chairman
Mag. Dr. Reinhold Süßenbacher	2 <sup>nd</sup> Vice-Chairman
Mag. Harald Kaszanits	Member
Anton Aichinger	Employee representative
Dipl.-Ing. Ingeborg Oberreiner	Employee representative

The Supervisory Board's Audit Committee met 3 times during financial year 2013. The activities of the Audit Committee focused on:

- preparing the resolution on the annual financial statements for 2012, including appropriation of profit
- making a proposal for the election of the auditor
- the semi-annual financial statements for 2013
- monitoring financial reporting processes
- internal control, audit and risk management systems
- coordinating the audit priorities for 2013 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 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	1 <sup>st</sup> Vice-Chairman
Mag. Dr. Reinhold Süßenbacher	2 <sup>nd</sup> Vice-Chairman

The expert required by Rule 43 of the Code (ÖCGK) is at the Remuneration Committee's disposal in the person of Dr. Frizberg. The Remuneration Committee met 3 times during financial year 2013. The meetings dealt with the target agreements and the variable remuneration components of the members of the Executive Board as well as the contract for the newly appointed Executive Board member. 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 3 times during financial year 2013 in order to prepare for Executive Board appointments.

### Contracts requiring consent – conflicts of interest

The following contracts or transactions in the financial year 2013 between the VERBUND Group and individual Supervisory Board members or companies where a related party relationship with Supervisory Board members exists, which 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), and which are reported on an annual basis in the Supervisory Board, were as follows:

**Supervisory Board member Dr. Gilbert Frizberg**

Hereschwerke Regeltechnik GmbH, a company over which Supervisory Board member Dr. Gilbert Frizberg exercises a degree of economic influence, provided services in 2013 and billed for orders from Group companies from the previous years that were approved by the Supervisory Board. Based upon the billing statement, payments totalling €115,673 (incl. VAT and payout of a retention of invoice on account) were made in 2013. In addition, two small follow-up orders with a total value of €3,900 were issued and billed.

**Supervisory Board member Dr. Gabriele Payr**

A number of contractual relationships, some of many years standing, exist between VERBUND and the Wiener Stadtwerke Group, of which Dr. Gabriele Payr was chairwoman of the managing board until 31 December 2013. These had already been entered into even before Dr. Payr became a member of the Supervisory Board. In financial year 2013, an order volume totalling €645k was processed on the basis of existing contracts. This primarily involved invoices for electricity, transmission losses, system fees, and other services for 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 Dr. Peter Layr**

A number of contractual relationships, some of which have been in existence for many years, exist between VERBUND and EVN, of which Dr. Peter Layr is spokesman of the executive board. These had already been entered into even before Dr. Layr became a member of the Supervisory Board. In financial year 2013, an order volume totalling €5.63m was processed on the basis of the existing contracts. These primarily involved 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 €3.42m). In addition, contractual relationships for electricity supply exist with e&t Energie HandelsgmbH, in which EVN holds a 45% interest.

In addition, the Supervisory Board also thoroughly addressed possible (other) conflicts of interest involving Supervisory Board members in financial year 2013, which could have resulted in particular from activities or equity interests in the energy area. In this process, individual members referred to involvements or equity interests already disclosed in the previous year, primarily in the area of small hydropower plants and wind power projects. There were no new notifications or disclosures. In the assessment of the Supervisory Board, none of the disclosed activities involve a fundamental conflict of interest that would require further measures. Should such conflicts arise in future, suitable measures, such as withholding of voting rights or non-participation in providing advice and voting on individual agenda items, will have to be taken in a timely manner.

**Remuneration of members of the Supervisory Board**

Remuneration of the members of the Supervisory Board totalled €314,969 in financial year 2013 (previous year: €203,679). This includes reimbursements of recharged costs (travel expenses).

Since the remuneration of the Supervisory Board members had remained unchanged since 2006, an increase was resolved at the 66th Annual General Meeting held on 17 April 2013 in light of the increased demands with respect to scope of duties and responsibility of the Supervisory Board. In this resolution, the following remuneration scheme for the members of the Supervisory Board was established, which

regulates the annual remuneration for the members elected by the General Meeting and the attendance fees (for all members).

<b>Remuneration scheme for the Supervisory Board</b>	in €
Annual remuneration	
Chairman	25,000
Vice-Chairman	15,000
Member	10,000
Attendance fee	500

This remuneration also applies to work in the Working Committee and to work in the Audit Committee. As previously, there is no separate remuneration for work carried out in the other committees.

In detail, the following remuneration was paid to the members of the Supervisory Board for financial year 2013:

<b>Remuneration of members of the Supervisory Board</b>	in €	
<b>Name (without title)</b>	Annual remuneration	Attendance fees
Gilbert Frizberg, Chairman	65,000	5,500
Peter Püspök, Vice-Chairman	55,000	5,500
Reinhold Süßenbacher, Vice-Chairman	45,000	5,500
Alfred Heinzl	10,000	0
Harald Kaszanits	30,000	5,500
Herbert Kaufmann	10,000	2,500
Peter Layr	10,000	1,500
Gabriele Payr	10,000	2,500
Christa Wagner	10,000	2,000
Siegfried Wolf	10,000	1,500
<i>Employee representatives</i>		
Anton Aichinger	–	5,500
Kurt Christof	–	2,500
Wolfgang Liebscher	–	500
Harald Novak	–	2,000
Ingeborg Oberreiner	–	5,500
Joachim Salamon	–	2,500

No loans or advances were paid out to members of the Supervisory Board. All members of the Supervisory Board are covered by the D&O insurance taken out by VERBUND.

## Measures for the promotion of women

(Section 243b(2)(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.

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 has three female members.

As at 31 December 2013, 15 women held management positions within the Group (first and second tiers of management). The percentage of women in management positions is therefore 11.8%. The percentage of women among employees throughout the Group is 18.4%. Since 2012, female executives have been able to perform their duties on a part-time basis.

To promote the subject matter of equal treatment (diversity management) at VERBUND, responsibility for all existing measures was centralised and given to the equal opportunities officer; these measures will be continually refined going forward. For example, the VERBUND Women's Network was launched in 2012. The medium-term focus is primarily on guaranteeing equal treatment of male and female employees. Over the long-term, the network should cover all aspects of diversity management, particularly when these involve the transformation of 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.

As part of its efforts to actively promote equal treatment, VERBUND has been committed for years to the deliberate promotion of highly qualified women. The goal is to create enthusiasm among a greater number of qualified women, above all technicians, to join the Company. For this reason, in the spring of 2013, VERBUND awarded women's scholarships for the fifth time to three outstanding female students at Vienna University of Technology. A jury chose a first-year student of Mechanical Engineering/Management, a masters student of Mechanical Engineering/Management, and a PhD student in Electrical Engineering and Energy Technology. They will receive support in the form of made-to-measure scholarship packages worth €5,000 each.

The first alumni meeting of VERBUND women's scholarship recipients was also held in 2013. All recipients of VERBUND scholarship packages since 2009 were invited. This initial alumni event was another step in not only providing individual support to women in technology, but also promoting the exchange of knowledge between them and giving them a networking opportunity.

In 2013, VERBUND was bestowed the amaZone Award in the "Public and Quasi-Public Companies" category. This award from the Sprungbrett Association recognises companies who are involved in training women for the trades and the technical professions. The award is a confirmation that VERBUND is committed to the training of young women in the technical professions and is the sign of a progressive personnel policy that is focused on equal opportunities for all. In addition, each year, VERBUND takes part



in Take Your Daughter to Work Day (“Töchtertag”) and in the Women in Technology (“Frauen in die Technik”, FIT) information days. This allows us to address a female target group when they are still very young and to foster their interest in the fascinating technical professions. The Group is delighted to have a growing number of female apprentices each year commencing 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 already successfully implemented a number of measures such as flexible working hours or the option of claiming a third year of parental leave. Since being awarded the basic “Work and Family Audit” certificate in 2009, the many activities available have been supplemented each year by adding targeted measures, such as the introduction of an Employee Assistance Programme, which helps employees with family and career-related problems by providing advice and coaching. In 2013, for example, the Company for the first time supported holiday child care initiated by the Works Council and set up parent-child rooms in two office locations which can be used to overcome short-term difficulties with childcare arrangements.

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

The Austrian Code of Corporate Governance was applied within VERBUND AG during financial year 2013 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 during financial year 2014 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, 18 February 2014

Executive Board

Dipl.-Ing. Wolfgang Anzengruber  
Chairman of the Executive Board

Dr. Johann Sereinig  
Vice-Chairman of the Executive Board

Dipl.-Ing. Dr. Günther Rabensteiner  
Member of the Executive Board

Dr. Peter F. Kollmann  
Member of the Executive Board

## 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 2013.

### Summary of the results of the evaluation of adherence to the Austrian Code of Corporate Governance during financial year 2013

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 2013, and also whether the Corporate Governance Report of VERBUND AG for the financial year ended 31 December 2013 complies with the legal requirements in Section 243b of the Austrian Commercial Code (UGB) as well as the requirements of the Austrian Code of Corporate Governance and whether the statements made therein are accurate.

*Management's responsibility:* The Executive Board of VERBUND AG is responsible for reporting on the implementation of and adherence to corporate governance principles within the Group ("Declaration of Conformity") and for the proper preparation of the Corporate Governance Report pursuant to Section 243b of the Austrian Commercial Code (UGB) and the Austrian Code of Corporate Governance.

*Auditor's responsibility:* Our task is to ascertain, based on our evaluation, whether the statements in the Declaration of Conformity are accurate and whether the Corporate Governance Report for the financial year ended 31 December 2013 complies with the legal requirements in Section 243b of the Austrian Commercial Code (UGB) as well as the requirements of the Austrian Code of Corporate Governance and whether the statements made therein 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:* In our 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 financial year 2013. Furthermore, the Corporate Governance Report of VERBUND AG for the financial year ended 31 December 2013 complies with the legal requirements in Section 243b of the Austrian Commercial Code (UGB) as well as the requirements of the Austrian Code of Corporate Governance, and the statements made therein are accurate.

Vienna, 18 February 2014  
Ernst & Young  
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Erich Lehner  
Certified Public Accountant

Mag. Elfriede Baumann  
Certified Public Accountant