

Corporate Governance Report 2014

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

Content

Corporate governance – framework.....	2
Declaration of commitment to the Austrian Code of Corporate Governance.....	2
General.....	2
Deviations.....	2
Executive Board.....	3
Composition of the Executive Board.....	3
Operation and allocation of responsibilities.....	4
Remuneration of the members of the Executive Board.....	4
Supervisory Board.....	5
Personal details, chairpersons and other Board functions.....	6
Independence.....	8
Meetings of the Supervisory Board.....	9
Composition and operation of the Committees.....	10
Contracts requiring consent – conflicts of interest.....	13
Remuneration of members of the Supervisory Board.....	13
Measures for the promotion of women.....	15
Compliance.....	16

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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. The Executive Board and Supervisory Board see it as their primary duty to comply with all the rules of the Code as fully as possible and to maintain and continue to develop the Group's high internal standards. VERBUND 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. Application of and compliance with the Code are evaluated externally by an independent auditor at regular intervals. The last such evaluation took place for 2013.

This Corporate Governance Report includes not only the disclosures required by law but also the additional content as intended by the Code of Corporate Governance. 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".

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 last year and is now available as amended in January 2015.

VERBUND will continue to adhere to the Code during financial year 2015. Applying it as fully as possible is an essential building block in strengthening the trust placed in the Group by shareholders, business associates, employees and the public.

Deviations

VERBUND complies with almost all the rules in the Austrian Code of Corporate Governance, including the R Rules. The deviations in financial year 2014 that remained the same as in the previous year already relate to the most recent version of the Code (as amended in January 2015). From a total of 83 rules in the Code, there are slight deviations in the application of two C rules. 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. 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 two Supervisory Board members in question each carry out leading functions on boards in companies which are shareholders of VERBUND AG. If there is a conflict of interest with them in a specific case, 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 a total of three agenda items in two meetings.

Executive Board

Composition of the Executive Board

During financial year 2014, the Executive Board had four members. The term of office of Dr. Peter Kollmann as the Chief Financial Officer began on 1 January 2014.

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. Peter F. Kollmann, Member of the Executive Board	1962	1/1/2014	31/12/2018
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

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. The responsibilities were reallocated following the appointment of Dr. Kollmann to the Executive Board.

Allocation of responsibilities

Dipl.-Ing. Wolfgang Anzengruber	Chairman; corporate development (strategy, innovation), corporate office, communications, legal New business solutions Audit, Human Resources Committee
Dr. Johann Sereinig	Energy market and business management Strategic human resources management Trading, sales, services Audit, Human Resources Committee
Dr. Peter F. Kollmann	Financing/investor relations Management accounting, risk management, corporate accounting, M&A Grid
Dipl.-Ing. Dr. Günther Rabensteiner	Generation from hydropower, thermal power, wind power/photovoltaics (Austria and international) Tourism

Remuneration of the members of the Executive Board

Remuneration of the members of the Executive Board totalled €3,810,420 in 2014 (previous year: €3,615,088) including €106,279 in remuneration in kind.

Remuneration of the members of the Executive Board

Name	Fixed remuneration in €	Variable remuneration in €
Dipl.-Ing. Wolfgang Anzengruber	791,912	366,601
Dr. Johann Sereinig	755,804	302,104
Dr. Peter F. Kollmann (from 1/1/2014)	750,000	0
Dipl.-Ing. Dr. Günther Rabensteiner	562,384	175,336

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 members of the Executive Board in the 2014 reporting period relate to the 2013 reporting period.

Variable remuneration depends upon performance and is limited to a specific percentage of the respective fixed remuneration. This percentage rate was between 50% and 70% for the 2013 reporting period. 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 2013 related to attainment of the Group result and 50% related to the attainment of quantitative/qualitative (and, in part, medium-term) targets (e.g. in the areas of innovation, research and development and in the consolidation and restructuring of the equity interest portfolio and the strategic repositioning for internationalisation). 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 the 2014 reporting period, contributions to the pension fund were paid for the Executive Board in the amount of €172,675 (previous year: €130,892).

Statutory regulations apply, taking account 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 the 2014 reporting period, €525,892 (previous year: €622,259) was paid out for pensions and severance payments in favour of beneficiaries.

Profit or loss for the period included expenses for severance payments and pensions and similar obligations - i.e. post-employment benefits - in the amount of €83,689 (previous year: €137,153). 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 €151,640 (previous year: €183,423). In addition, remeasurement expenses amounting to €1,036,706 (previous year: €276,313) 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. As in the previous year, 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 (Aktiengesetz, AktG) and the Austrian Commercial Code (UGB), the Austrian Labour Constitutional Act (Arbeitsverfassungsgesetz, ArbVG), the Company's Articles of Association and the rules of procedure for the Executive Board and Supervisory Board, has become the basis for the Supervisory Board's actions.

The statutory provisions specify that the Supervisory Board is comprised of members elected by the Annual General Meeting in accordance with the requirements of the Austrian Stock Corporation Act (shareholder representatives) and members appointed by the employee representatives. For the election of the shareholder representatives, the Supervisory Board must submit a proposal to the Annual General Meeting which must be made public well in advance. As the entire Supervisory Board of VERBUND AG is up for re-election at the end of the term in 2015, the Supervisory Board instructed its Nomination Committee to prepare such a proposal.

Personal details, chairpersons and other Board functions

The Supervisory Board is led by a chairperson elected each year from among its members by the Supervisory Board with its two vice-chairpersons.

As at 31 December 2014, the Supervisory Board had a total of fourteen members. Nine were shareholder representatives elected by the Annual General Meeting, and five were employee representatives appointed by the Works Council. Mag. Dr. Martin Krajcsir was elected to the Supervisory Board by the Annual General Meeting on 9 April 2014 in the place of Dr. Gabriele Payr, who resigned her post. Ing. Siegfried Wolf left the Supervisory Board on 30 June 2014.

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 2015
Dkfm. Peter Püspök 1st 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 2015
Mag. Dr. Reinhold Süßenbacher 2nd Vice-Chairman Member of the supervisory boards of KSV 1870 Holding AG (vice-chairman), of Richter Pharma AG, of Voglauer Möbelwerk Gschwandtner & Zwilling GesmbH, of UMDASCH AG, of LISEC Holding GmbH and of LISEC Austria GmbH	1949	7/4/2010	AGM 2015
Dipl.-Betriebswirt Alfred H. Heinzl Managing partner in several companies of the Heinzl Group; member of the supervisory boards of Miba AG (vice-chairman), of Zellstoff Pöls AG (chairman), of Wilfried Heinzl 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 2015

Name	Year of birth	Date of initial appointment	End of current term of office
Mag. Harald Kaszanits, Head of Cabinet of the Vice-Chancellor and Federal Minister, General Secretary of the Federal Ministry of Science, Research and Economy	1963	7/4/2010	AGM 2015
Mag. Herbert Kaufmann, former member of the managing board of Flughafen Wien AG	1949	26/3/2008	AGM 2015
Mag. Dr. Martin Krajcsir CEO of Wiener Stadtwerke Holding AG; member of supervisory boards of Wiener Stadtwerke Finanzierungs-Services GmbH (chairman), of IWS TownTown AG (chairman), of B&F Wien - Bestattung und Friedhöfe GmbH (chairman), of Wien Energie GmbH (vice-chairman) and of Wiener Netze GmbH	1963	9/4/2014	AGM 2015
Dipl.-Ing. Dr. Peter Layr Spokesman of the managing board of EVN AG; chairman of the supervisory boards of Netz Niederösterreich GmbH, of Rohöl-Aufsuchungs AG and of RAG-Beteiligungs-AG	1953	13/4/2011	AGM 2015
Dr. Gabriele Payr, former chairwoman of the managing board of Wiener Stadtwerke Holding AG	1959	13/4/2011	9/4/2014
Christa Wagner Managing partner of several companies of the JOSKO Group	1960	7/4/2010	AGM 2015
Ing. Siegfried Wolf Chairman of the board of Russian Machines LLC	1957	16/3/2000	30/6/2014

Supervisory Board mandates in publicly listed companies and other significant companies are included with respect to (ancillary) functions. Full-time functions are disclosed 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
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

The appointment of employee representatives by the Group's employee representatives is for an unlimited period and can be revoked at any time.

Independence

Criteria for independence

In 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 descendant, 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 and Payr/Krajcsir) have classified themselves as not being independent (with respect to only the criterion “Relationships with Related Parties” 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. Both quotas required for independence by Rule 53 and Rule 54 of the Code are thus met.

Meetings of the Supervisory Board

Five plenary meetings of the Supervisory Board were held during financial year 2014. The overall attendance rate of all Supervisory Board members was 92%. Before retiring from the Supervisory Board, one member attended fewer than half of the meetings in person.

In addition to coordinating the ongoing strategic direction of the Company with the Executive Board, the Supervisory Board focussed in particular on decisions on the following topics:

- Consolidated financial statements and annual financial statements of VERBUND AG for 2013
- Motions for the Annual General Meeting
- Election of the General Committee of the Supervisory Board and constitution of the committees
- Appointment of auditor
- Establishing a New Solutions joint venture with EnBW
- Independence of VERBUND Trading GmbH
- Restructuring measures in the area of thermal power plants
- Sale of the French Pont-sur-Sambre and Toul gas power plants (circular resolution in writing)
- Disposal of wind farm shares in Bulgaria
- Power plant joint venture on the Inn
- Borrowing, and issuance of a syndicated loan
- Restructuring the electromobility cooperation with Siemens (SMATRICS)
- Approval of the Group’s budget for 2015

(Please also refer to the activities focused upon by the Supervisory Board’s committees).

In addition to the meetings of the Supervisory Board and its committees (see below), weekly discussions or teleconferences took place between the chairpersons and the Chairman of the Executive Board as well as individual discussions with the individual members of the Executive Board.

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, focusing primarily on its organisation and operation. The evaluation was carried out on the basis of a comprehensive written questionnaire completed by all members. In the next meeting, the results of the evaluation were

presented and examined by the Supervisory Board during a lengthy discussion without the participation of the Executive Board. As part of this, the Supervisory Board considered the implementation of some suggestions for further improvements.

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.

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

Four 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, elected by the Supervisory Board. The membership of employee representatives is governed by Section 92(4) of the Austrian Stock Corporation Act (AktG applies in relation to employee representatives).

The Working Committee

- is required to do the preparatory work for the meetings of the Supervisory Board and 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 (convening a meeting at short notice, 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 avoid impending financial losses.

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	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 two times during financial year 2014. The activities of the Working Committee focused on:

- preparing for Supervisory Board meetings
- establishing a joint venture of VERBUND Solutions with GETEC (contracting)
- managing director's contract at Poweo Pont-sur-Sambre SAS (France)
- 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, elected by 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 under 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

Name	Function
Dkfm. Peter Püspök	Chairman
Dr. Gilbert Frizberg	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 Audit Committee met four times during financial year 2014. The activities of the Audit Committee focused on:

- preparing the resolution on the annual financial statements for 2013, including appropriation of profit
- making a proposal for the election of the auditor
- the semi-annual financial statements for 2014
- monitoring financial reporting processes
- internal control, audit and risk management systems

- coordinating the audit priorities for 2014 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 this committee:

- entering into 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

With Dr. Frizberg, the Remuneration Committee has the expert required by Rule 43 of the Code (ÖCGK) at its disposal. The General and Remuneration Committee met six times during financial year 2014, at times together with the Executive Board or with individual members of the Executive Board. The meetings dealt with the target agreements and the variable remuneration components of the members of the Executive Board as well as an examination of current key issues (international, thermal power plants, optimisation of Group organisation).

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 did not meet during financial year 2014.

Contracts requiring consent – conflicts of interest

In financial year 2014, contracts and/or transactions 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) existed between the VERBUND Group and individual Supervisory Board members or companies with which Supervisory Board members have close relationships. These contracts and transactions are reported to the Supervisory Board on an annual basis, and they are as follows:

Supervisory Board members Dr. Gabriele Payr and Mag. Dr. Martin Krajcsir

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 and of which Mag. Dr. Martin Krajcsir has been chairman of the managing board since 1 January 2014. These had already been entered into even before Dr. Payr and Mag. Dr. Krajcsir became members of the Supervisory Board. In financial year 2014, an order volume totalling €978k was processed on the basis of existing contracts (excluding transactions with grid subsidiary APG). This primarily involved invoices for electricity, gas and district heating purchases and system fees 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 2014, an order volume totalling €3.92m was processed on the basis of existing contracts (excluding transactions with grid subsidiary APG). 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. In addition, contractual relationships for electricity supply exist with e&t Energie HandelsgmbH, in which EVN holds a 45% interest.

The Supervisory Board also thoroughly addressed possible (other) conflicts of interest involving Supervisory Board members in financial year 2014, which could have in particular resulted 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. One member disclosed a competitive situation in electricity sales. Other than that, there were no reports 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 €318,543 in financial year 2014 (previous year: €314,969). This includes reimbursements of recharged costs (travel expenses).

An increase in the remuneration, which had remained unchanged since 2006, was resolved at the Annual General Meeting held on 17 April 2013 in view of the increased demands in terms of the scope of duties and responsibilities 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 Annual General Meeting and the attendance fees (for all members).

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

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

In detail, the following remuneration was paid to the members of the Supervisory Board for financial year 2014:

Remuneration of members of the Supervisory Board	in €	
Name (without title)	Annual remuneration	Attendance fees
Gilbert Frizberg, Chairman	65,000	5,500
Peter Püspök, Vice-Chairman	55,000	5,000
Reinhold Süßenbacher, Vice-Chairman	45,000	5,500
Alfred Heinzel	10,000	2,500
Harald Kaszanits	30,000	4,000
Herbert Kaufmann	10,000	2,500
Martin Krajcsir (from 9/4/2014)	7,500	2,000
Peter Layr	10,000	2,000
Gabriele Payr (to 9/4/2014)	2,500	500
Christa Wagner	10,000	2,500
Siegfried Wolf	5,000	500
<i>Employee representatives</i>		
Anton Aichinger	–	5,500
Kurt Christof	–	2,500
Wolfgang Liebscher	–	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 Annual General Meeting, the Executive Board has little influence over whether there are women in the Supervisory Board of VERBUND AG. With Christa Wagner and Dipl.-Ing. Ingeborg Oberreiner (as employee representative), the Supervisory Board of VERBUND AG has two female members.

As at 31 December 2014, eleven women held management positions within the Group (first and second tiers of management). The percentage of women in management positions is therefore 9.6%. The percentage of women among employees throughout the Group is 17.8%. Since 2012, one female executive has been able to perform her duties on a part-time basis.

In order to ensure that the company diversity management system is permanently ingrained and established within the Group, all equal opportunities agendas will be fully exercised by the Diversity & Inclusion manager. She is entrusted with the task of bundling all Group-wide diversity and inclusion management activities; in addition to the development, implementation and application of objectives and measures related to diversity and equal opportunities, she is also responsible for their monitoring and regular documentation.

The VERBUND Women's Network, launched in 2012, has since become well established, and during the restructuring projects in 2014, it made a valuable contribution to the sensitisation of management and executives for the gender dimension. For instance, the VERBUND Women's Network addressed the ongoing development of a sustainable strategy for the promotion of women within VERBUND. The medium-term focus is primarily on guaranteeing the 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 the socio-political environment.

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 Science, Research and Economy, 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 for the Company among a greater number of qualified women, above all technicians. In the spring of 2014, VERBUND therefore awarded women's scholarships for the sixth time to three outstanding female students at Vienna University of Technology. A jury chose a first-year student and a master's student of Electrical Engineering and Information Technology and a PhD student in Civil Engineering. They will each receive support in the form of made-to-measure scholarship packages worth €5,000.

With the support of the VERBUND Women's Network, the second alumni meeting of VERBUND women's scholarship recipients was also held in 2014. Once again, all recipients of VERBUND women's scholarship packages since 2009 were invited. The second alumni event represented yet another step not only

towards providing individual support to women in technology, but also towards promoting the exchange of knowledge and networking opportunities with other female executives and employees.

In 2014, VERBUND was honoured with the amaZone Award for the promotion of women in apprenticeship training, this time achieving the number one spot in the “Public and Quasi-Public Companies” category. This award from the Sprungbrett Association recognises companies involved in training women for the trades and the technical professions. For the 2014 amaZone jury, the primary factors in choosing to honour VERBUND were its active efforts towards achieving equal opportunities, the numerous measures aimed at increasing the numbers of women in skilled positions, the commitment to supporting girls, the excellent quality of the apprenticeship training and the increase in female apprentices at VERBUND.

In addition, each year, VERBUND takes part in Take Your Daughter to Work Day (“Töchertag”) and in the Women in Technology (“Frauen in der Technik”, FIT) information days. Doing so enables us to address girls while they are still at school and awaken 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 a work-life balance and has already successfully implemented a number of measures such as flexible working hours and the option of taking 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. Every year, for instance, the Company supports holiday child care initiated by the Works Council, setting up family rooms in two locations which can be used for short-term difficulties with childcare arrangements.

Compliance

Code of Conduct, guidelines

It is important to us to employ fair, transparent and sustainable business practices. For this reason, a Group-wide compliance management system was established several years ago. This system is based on VERBUND’s Code of Conduct. In this part of the corporate mission, we establish the essential values and principles and define our behaviour towards the stakeholder groups. The compliance management system is intended to help implement this Code of Conduct and to comply with regulations. It includes compliance guidelines to more precisely define the Code of Conduct, the most important of which refer to the following areas:

- Issuer compliance, for implementation of stock-exchange legislation and avoidance of insider transactions;
- Anti-corruption (fair business practices), to avoid corruption;
- Competition compliance, to avoid violations of competition law.

Organisation

The compliance management system provides for a compliance system for the entire Group in which information and reporting channels, communication measures and procedures for reports and notices are defined so as to avoid misconduct. This organisation is the responsibility of a Group-wide compliance team under the leadership of a Chief compliance officer.

During the reporting year, the Supervisory Board also dealt intensively with the compliance management system and its interaction with risk management and audit. In addition to discussing regular compliance reports, the Supervisory Board initiated the performance of an external review of the compliance management system, the results of which will be the basis for ongoing successful improvements.

Prevention, training and information

Preventative measures are at the forefront of our compliance management system. Therefore, training plays a special role as do individual consultations and information provided by the compliance officers in the event of specific questions. In order to further strengthen safety measures for dealing with compliance issues, the compliance rules are covered by a comprehensive training programme throughout the Group.

Avoiding compliance incidents is our long-term goal. In 2015, all employees in the specific areas affected who are obliged to undergo training will receive training.

Vienna, 26 February 2015

The 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