

Corporate Governance Report 2015

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

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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. Active implementation of the requirements of the Code is intended to ensure responsible management and control of the Group directed at sustainable, long-term value creation and create a high level of transparency for all stakeholders. 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 not only includes the information prescribed by law but also the additional content stipulated by the Code of Corporate Governance and further information on the relevant indicators under the Global Reporting Initiative (GRI), the global standard on sustainability reporting. Detailed information on the composition and operation of the Executive Board, the Supervisory Board and the Supervisory Board's committees is provided in the sections entitled Executive Board and Supervisory Board.

The Austrian Code of Corporate Governance as amended in January 2015 is available from the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at.

VERBUND will continue to adhere to the Code during financial year 2016. Applying it as fully as possible is an essential building block for strengthening the trust placed in the Group by shareholders, business partners, employees and the public.

Deviations

VERBUND complies with almost all the rules in the Austrian Code of Corporate Governance, including the R Rules. The same deviations applied in financial year 2015 as applied in the previous year. 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 at 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.

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 once for one agenda item in the reporting period.

Executive Board

Composition of the Executive Board

In financial year 2015, the Executive Board was once again composed of four members.

Executive Board

Name	Year of birth	Date of initial appointment	End of current term of office
CEO Dipl.-Ing. Wolfgang Anzengruber, Chairman	1956	1/1/2009	31/12/2018
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
Dr. Johann Sereinig	FK Austria Wien AG	Member

Operation and allocation of responsibilities

The Executive Board conducts the Group's business activities and represents it externally. To assist it in doing so, it grants signatory authority governed by law and either comprehensive in scope ("Prokura") or limited to a defined area (limited authority) to members of senior management with the approval of the Supervisory Board. There are currently seven authorised signatories and five authorised representatives at the parent company of the Group, VERBUND AG.

The rules of procedure govern 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 notify and report, and contain a list of measures that require approval by the Supervisory Board or its Working Committee. These also include material business transactions executed by the Group's main 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.

Allocation of responsibilities

Dipl.-Ing. Wolfgang Anzengruber	Chairman; corporate development (strategy, innovation), corporate office (including audit ¹ and compliance), communications, legal New business solutions
Dr. Johann Sereinig	Vice-Chairman; energy market and business management, Strategic human resources management Trading, sales, services
Dr. Peter F. Kollmann	Financial management and investor relations, Management accounting, corporate accounting and risk management, M&A Grid
Dipl.-Ing. Dr. Günther Rabensteiner	Generation from hydropower, thermal power, wind power/photovoltaics (Austria and international) Tourism

¹ Audit and the Human Resources Committee are the joint responsibility of the chairman and the vice-chairman.

A Group-wide sustainability organisation assumes VERBUND's economic, environmental and social responsibility. This is led by the Group Executive Board, which is also ultimately responsible for sustainability management. Other important bodies include the sustainability officer, the Sustainability Board and the sustainability working group. Further information is available in the Disclosures on Management Approach (DMA) at www.verbund.com > Investor Relations > Financial Reports.

Remuneration of the Executive Board members

Remuneration of the Executive Board members amounted to a total of €4,143,855 in 2015 (previous year: €3,810,420) including €105,924 (previous year: €106,279) in remuneration in kind.

Current remuneration of the Executive Board (incl. variable remuneration)

in €

	2014	(of which variable)	2015	(of which variable)
Dipl.-Ing. Wolfgang Anzengruber	1,158,513	(366,601)	1,187,058	(381,175)
Dr. Johann Sereinig	1,057,908	(302,104)	1,135,638	(365,262)
Dipl.-Ing. Dr. Günther Rabensteiner	737,720	(175,336)	734,879	(162,887)
Dr. Peter F. Kollmann	750,000	(0)	980,357	(217,125)

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. Therefore, the total amount includes variable remuneration components granted to members of the Executive Board in the 2015 reporting period for the 2014 reporting period.

Variable remuneration depends upon performance and is limited to a specific percentage of the respective fixed remuneration. This percentage rate was between 30% and 50% for the 2014 reporting period and remains the same for the current 2015 reporting period. The level of performance-based remuneration components depends on the extent to which the targets agreed for the financial year have been reached. 50% of the target agreement for the 2014 reporting period related to the attainment of the Group result, 15% to the attainment of targets in the thermal segment (withdrawal from France and Italy, closure of unprofitable thermal power plants) and 35% to medium-term (two-year and, in some cases, qualitative) targets, such as the attainment of specific cost targets in connection with the internal programmes to increase efficiency and the marketing campaign (e.g. increasing market share, new products and services, expanding B2B activities). 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. In the 2015 reporting period, contributions in the amount of €213,975 (previous year: €172,675) were paid to the pension fund for the Executive Board.

Statutory regulations, including the requirements of Rule 27a of the Austrian Code of Corporate Governance, apply with respect to the entitlements of members of the Executive Board upon termination of their appointment. In the 2015 reporting period, €384,644 (previous year: €525,892) was paid out for pensions and €0 (previous year: €0) for termination benefits in favour of beneficiaries.

Profit or loss for the period included expenses for termination benefits and pensions and similar obligations – i.e. post-employment benefits – in the amount of €68,313 (previous year: €83,689). Expenses for pensions and similar obligations for former members of the Executive Board and their surviving dependants included in profit or loss for the period amounted to a total of €100,629 (previous year: €151,640). In addition, income of €1,203,027 (previous year: expenses of €1,036,706) relating to remeasurements was 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. In 2015, the entire Supervisory Board of VERBUND AG was newly elected at the end of its term of office. For this, the Nomination Committee prepared an appropriate proposal, which the Supervisory Board submitted to the Annual General Meeting.

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 2015, the Supervisory Board had a total of 15 members. Ten were shareholder representatives elected by the Annual General Meeting and five were employee representatives appointed by the Works Council.

At the elections to the Supervisory Board held at the Annual General Meeting on 22 April 2015, Dr. Michael Süß, Mag. Elisabeth Engelbrechtsmüller-Strauß, Mag. Werner Muhm, Dr. Susanne Riess and Mag. Jürgen Roth were elected as new members of the Supervisory Board. Dkfm. Peter Püspök, Mag. Dr. Reinhold Süßenbacher, Dipl.-Betriebswirt Alfred H. Heinzel and Mag. Herbert Kaufmann retired from the Supervisory Board. Dr. Gilbert Frizberg, Mag. Harald Kaszanits, Mag. Dr. Martin Krajcsir, Dipl.-Ing. Dr. Peter Layr and Christa Wagner were re-elected for another term of office.

Name	Year of birth	Date of initial appointment	End of current term of office
Dr. Gilbert Frizberg Chairman Managing director of FI Beteiligungs- und Finanzierungs GmbH, managing director of Transfer Industries GmbH, managing director of Hereschwerke GmbH, managing partner of Franz Heresch & Co GmbH	1956	16/3/2000	AGM 2020
Dkfm. Peter Püspök 1st Vice-Chairman	1946	16/3/2000	22/4/2015
Prof. Dipl.-Ing. Dr. Michael Süß 1st Vice-Chairman CEO of Georgsmarienhütte Holding GmbH; member of the supervisory board of Herrenknecht AG (member) and Oerlikon AG (chairman of the board of directors); Renova AG (manager); Süß Management Systems and Süß Film (shareholder)	1963	22/4/2015	AGM 2020
Mag. Dr. Reinhold Süßenbacher 2nd Vice-Chairman	1949	7/4/2010	22/4/2015
Mag. Elisabeth Engelbrechtsmüller-Strauß 2nd Vice-Chairwoman CEO of Fronius International GmbH	1970	22/4/2015	AGM 2020
Dipl.-Betriebswirt Alfred H. Heinzel Managing partner at several Heinzel Group companies	1947	16/3/2000	22/4/2015
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 2020
Mag. Herbert Kaufmann Former member of the managing board of Flughafen Wien AG	1949	26/3/2008	22/4/2015
Mag. Dr. Martin Krajcsir CEO of Wiener Stadtwerke Holding AG; member of the supervisory board of Wiener Stadtwerke Finanzierungs-Services GmbH (chairman), IWS TownTown AG (chairman), B&F Wien – Bestattung und Friedhöfe GmbH (chairman), Wien Energie GmbH (vice-chairman) and Wiener Netze GmbH	1963	9/4/2014	AGM 2020
Dipl.-Ing. Dr. Peter Layr Spokesman of the managing board of EVN AG; chairman of the supervisory board of Netz Niederösterreich GmbH, Rohöl-Aufsuchungs AG and RAG-Beteiligungs-AG	1953	13/4/2011	AGM 2020

Name	Year of birth	Date of initial appointment	End of current term of office
Mag. Werner Muhm Director of the Vienna Chamber of Labour and the Federal Chamber of Labour; member of the supervisory board of Wiener Städtische Versicherung, AWH Beteiligungsges.m.b.H., Kommunalkredit and KA Finanz; member of the General Council of OeNB; member of the managing board of Leopold Museum Privatstiftung	1950	22/4/2015	AGM 2020
Dr. Susanne Riess CEO of Bausparkasse Wüstenrot AG; member of the supervisory board of Wüstenrot Versicherungs-AG (chairwoman), Wüstenrot stambena štedionica d.d., Croatia (chairwoman), Wüstenrot životno osiguranje d.d., Croatia (chairwoman), Wüstenrot Fundamenta-Lakáskassza Zrt., Hungary (vice-chairwoman), Wüstenrot stavebná sporiteľňa a.s., Slovakia (vice-chairwoman), Wüstenrot poisťovňa a.s., Slovakia (vice-chairwoman) and IHAG Privatbank Zürich (member of the board of directors)	1961	22/4/2015	AGM 2020
Mag. Jürgen Roth Managing director of Roth Heizöle GmbH (until September 2015), managing partner at Tank Roth GmbH (from September 2015); member of the supervisory board of ICS Internationalisierungcenter Steiermark GmbH (chairman) and ELG (Erdöllagergesellschaft)	1973	22/4/2015	AGM 2020
Christa Wagner Shareholder in Josko Fenster und Türen GmbH, sole shareholder in Josko Immobilien GmbH, shareholder in Eurosun AG	1960	7/4/2010	AGM 2020

Supervisory Board mandates at 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 board of Stadtwerke Voitsberg GmbH (vice-chairman) and 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	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

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 five years.
- The Supervisory Board member shall not maintain or have maintained in the past year any business relationships with the Company or one of its subsidiaries to an extent that would be significant to 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 on 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 three years.
- The Supervisory Board member shall not be a member of the managing board of another company in which a member of the Executive Board of the Company is a supervisory board member.
- The Supervisory Board member may not remain on the Supervisory Board for more than 15 years. This shall not apply to Supervisory Board members who are shareholders with a direct equity interest in the Company or who represent the interests of such a shareholder.
- The Supervisory Board member shall not be a close relative (direct 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. Seven of them have declared their independence, and three members of the Supervisory Board have classified themselves as not being independent (in each case, with respect to only one criterion; Frizberg with respect to length of membership of the Supervisory Board, Krajcsir and Layr with respect to the “relationships with related parties” criterion). 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, Süß, Engelbrechtsmüller-Strauß, Muhm, Riess, Roth and Wagner. 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 2015. The overall attendance rate of all Supervisory Board members was 92%. No member of the Supervisory Board 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 focused on decisions relating to the following topics in particular:

- consolidated financial statements and annual financial statements of VERBUND AG for 2014;
- motions for the Annual General Meeting;
- election of the General Committee of the Supervisory Board and constitution of the committees;
- appointment of auditor;
- adaptation of the investment plan for the Reißeck II power plant;
- construction of the Gries power plant on the Salzach River;
- approval of agreements with entities that are related parties of Supervisory Board members;
- amendment of the Supervisory Board’s rules of procedure; and
- approval of the Group’s budget for 2016.

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

Each year during the audit of the financial statements, the auditor provides the Supervisory Board with a separate report on the reliability of risk management. This includes sustainability risks, as do the written quarterly reports on operating risk management, which the Supervisory Board discusses at each of its meetings.

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 individual members of the Executive Board.

Evaluation of Supervisory Board activity

The performance of the Supervisory Board is evaluated annually during the Ordinary General Meeting, at which the shareholders vote to approve the actions of the Supervisory Board. At the 68th Annual General Meeting on 22 April 2015, the actions of all Supervisory Board members were approved.

As required by the Austrian Code of Corporate Governance (Rule 36), the Supervisory Board also evaluates its activities itself. In 2015, it was not planned to conduct such a self-evaluation with external support due to the Supervisory Board being newly constituted. However, a self-evaluation based on a questionnaire has been scheduled again for the following year.

Composition and operation of the Committees

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

Each chairperson of a committee is required to report to the Supervisory Board on the work of the committee he or she chairs 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/Emergencies Committee

The Working Committee 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 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 make the necessary preparations for rapid decision-making on matters that fall within the remit 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 authority to its chairperson in a specific instance.

The Emergencies Committee makes decisions on all matters for 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 (until 22/4/2015)	1st Vice-Chairman
DI Dr. Michael Süß (from 22/4/2015)	1st Vice-Chairman
Mag. Dr. Reinhold Süßenbacher (until 22/4/2015)	2nd Vice-Chairman
Mag. Elisabeth Engelbrechtsmüller-Strauß (from 22/4/2015)	2nd Vice-Chairwoman
Mag. Harald Kaszanits	Member
Anton Aichinger	Employee representative
Dipl.-Ing. Ingeborg Oberreiner	Employee representative

The Supervisory Board's Working Committee met three times during financial year 2015. The activities of the Working Committee focused on:

- preparing for Supervisory Board meetings; and
- reports of the Executive Board pursuant to rules of procedure.

At its meeting on 2 December 2015, the Supervisory Board decided on an amendment to its rules of procedure that increases the number of elected members of the Working Committee from four to six. The amendment to the rules of procedure took effect on 1 January 2016.

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 of 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 (until 22/4/2015)	Chairman
Mag. Elisabeth Engelbrechtsmüller-Strauß (from 22/4/2015)	Chairwoman
Dr. Gilbert Frizberg	1st Vice-Chairman
Mag. Dr. Reinhold Süßenbacher (until 22/4/2015)	2nd Vice-Chairman
Dipl.-Ing. Dr. Michael Süß (from 22/4/2015)	2nd Vice-Chairman
Mag. Harald Kaszanits	Member
Anton Aichinger	Employee representative
Dipl.-Ing. Ingeborg Oberreiner	Employee representative

The Supervisory Board's Audit Committee met three times during financial year 2015. The activities of the Audit Committee focused on:

- preparing the resolution on the annual financial statements for 2014, including appropriation of profit;
- making a proposal for the election of the auditor;
- the semi-annual financial statements for 2015;
- monitoring financial reporting processes;
- internal control, audit and risk management systems;
- coordinating the audit priorities for 2015 with the auditor; and
- internal audit's audit programme and audit reports.

The amendment to the Supervisory Board's rules of procedure mentioned in relation to the Working Committee also provides for an increase in the number of elected members of the Audit Committee from four to six.

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 (until 22/4/2015)	1st Vice-Chairman
Dipl.-Ing. Dr. Michael Süß (from 22/4/2015)	1st Vice-Chairman
Mag. Dr. Reinhold Süßenbacher (until 22/4/2015)	2nd Vice-Chairman
Mag. Elisabeth Engelbrechtsmüller-Strauß (from 22/4/2015)	2nd Vice-Chairwoman

With Dr. Frizberg, the Remuneration Committee has the expert required by Rule 43 of the Austrian Code of Corporate Governance at its disposal. The General and Remuneration Committee met four times during financial year 2015, in some cases together with the Executive Board or with individual members of the Executive Board. The meetings dealt with the target agreements and variable remuneration of the members of the Executive Board, the allocation of responsibilities within the Executive Board, the preparations for Supervisory Board and committee meetings, and an examination of current key issues, in particular the strategy review.

Nomination Committee

According to its rules of procedure, the Supervisory Board is required to appoint a Nomination Committee consisting of the chairperson and 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 on appointments to 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 Supervisory Board members.

Members of the Nomination Committee

Name	Function
Dr. Gilbert Frizberg	Chairman
Dkfm. Peter Püspök (until 22/4/2015)	1st Vice-Chairman
Dipl.-Ing. Dr. Michael Süß (from 22/4/2015)	1st Vice-Chairman
Mag. Dr. Reinhold Süßenbacher (until 22/4/2015)	2nd Vice-Chairman
Mag. Elisabeth Engelbrechtsmüller-Strauß (from 22/4/2015)	2nd Vice-Chairwoman
Anton Aichinger	Employee representative
Dipl.-Ing. Ingeborg Oberreiner	Employee representative

The Nomination Committee met twice during financial year 2015 to deal with the preparations for the new election of the Supervisory Board at the Annual General Meeting.

Contracts requiring consent – conflicts of interest

In financial year 2015, the following 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:

Supervisory Board member Mag. Elisabeth Engelbrechtsmüller-Strauß

In the reporting period, the Supervisory Board issued a general authorisation for the Fronius Group, of which Mag. Elisabeth Engelbrechtsmüller-Strauß is CEO, to supply inverters in the amount of €600k per year. The devices are supplied to the Group through Solavolta (in which VERBUND has held a 50% interest since the previous year) and through external intermediaries. In addition, an amount of €60k per year was approved for the direct supply of small devices to VERBUND companies. The extent to which this is used each year must be reported to the Supervisory Board.

Supervisory Board member Mag. Dr. Martin Krajcsir

A number of contractual relationships, some of many years standing, exist between VERBUND and the Wiener Stadtwerke Group, of which Mag. Dr. Martin Krajcsir is CEO. These had already been entered into before Mag. Dr. Krajcsir became a member of the Supervisory Board. The business transacted under these contracts and their volume are reported to the Supervisory Board on an annual basis. In financial year 2015, an order volume totalling €940k 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 the supply of electricity 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 managing board. These had already been entered into before Dr. Layr became a member of the Supervisory Board. The business transacted under these contracts and their volume are reported to the Supervisory Board on an annual basis. In financial year 2015, an order volume totalling €3.69m was processed on the basis of existing contracts (excluding transactions with grid subsidiary APG). These primarily involved electricity, gas or grid purchases, usage fees, grid access fees and other payments and recharging of costs for various VERBUND companies. In addition, contractual relationships for the supply of electricity exist with e&t Energie HandelsgmbH, in which EVN holds a 45% interest.

In 2015, the Supervisory Board also approved the sale by VTP of coal from the Dürnröhr power plant to EVN at a price of €8.54m.

Supervisory Board member Mag. Jürgen Roth

In the reporting period, the Supervisory Board approved a contract for the supply of electricity from VSA for filling stations of Tank Roth GmbH with an estimated order volume of €170k per year from 2016. The contract runs until the end of 2018. Mag. Jürgen Roth is managing partner at Tank Roth GmbH.

In financial year 2015, the Supervisory Board also looked in detail at possible (other) conflicts of interest involving Supervisory Board members that could have resulted from activities or equity interests in the energy sector in particular. During this process, individual members referred to involvements or equity interests already disclosed in the previous year, primarily in the small hydropower plant segment, none of which had changed. Other than that, there were no reports or disclosures. According to what they have said, there are no conflicts of interest involving the new members of the Supervisory Board. According to 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 abstention from voting or from providing advice and voting on individual agenda items, will have to be implemented promptly.

Remuneration of members of the Supervisory Board

The remuneration of the members of the Supervisory Board (including reimbursement of costs/travel expenses recharged) amounted to a total of €312,665 in 2015 (previous year: €318,543).

At the Annual General Meeting held on 17 April 2013, the following remuneration scheme was adopted for members of the Supervisory Board. This establishes 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	
Chairperson	25,000
Vice-chairperson	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.

Specifically, the following remuneration was paid to the members of the Supervisory Board for financial year 2015:

Remuneration of Supervisory Board members

	in €	
Name (without title)	Annual remuneration	Attendance fees
Gilbert Frizberg, Chairman	65,000	5,500
Peter Püspök, Vice-Chairman (until 22/4/2015)	18,333	1,000
Michael Süß, Vice-Chairman (from 22/4/2015)	30,000	2,500
Reinhold Süßenbacher, Vice-Chairman (until 22/4/2015)	15,000	1,000
Elisabeth Engelbrechtsmüller-Strauß, Vice-Chairwoman (from 22/4/2015)	36,667	4,000
Alfred Heinzl (until 22/4/2015)	3,333	500
Harald Kaszanits	30,000	5,500
Herbert Kaufmann (until 22/4/2015)	3,333	500
Martin Krajcsir	10,000	2,500
Peter Layr	10,000	2,500
Werner Muhm (from 22/4/2015)	6,667	2,000
Susanne Riess (from 22/4/2015)	6,667	1,500
Jürgen Roth (from 22/4/2015)	6,667	2,000
Christa Wagner	10,000	2,000
<i>Employee representatives</i>		
Anton Aichinger	--	5,500
Kurt Christof	--	2,500
Wolfgang Liebscher	--	2,500
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.

Annual General Meeting

At the Annual General Meeting, which is held at least once a year, shareholders exercise their rights and their voting power. Under their right to request information and propose motions, all shareholders have the opportunity to engage in dialogue with the Executive Board and the Supervisory Board and to express their opinions and state their concerns. This also applies to NGOs participating in the Annual General Meeting as shareholders.

The main tasks and responsibilities of the Annual General Meeting include deciding on the appropriation of profit, electing the Supervisory Board, electing the auditor, approving the actions of the Executive Board and the Supervisory Board and making amendments to the Articles of Association.

Further information on the Annual General Meeting is available in the DMA document at www.verbund.com > Investor Relations > Financial Reports.

The agenda for the 68th Annual General Meeting held on 22 April 2015, the resolutions adopted and the voting results can be viewed on the website at www.verbund.com > Investor Relations > General Meeting.

Measures for the advancement of women

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

In line 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.

Since the selection of Supervisory Board members is solely the responsibility of the Annual General Meeting, the Executive Board has little influence over whether there are any women on the Supervisory Board of VERBUND AG. With Elisabeth Engelbrechtsmüller-Strauß, Susanne Riess, Christa Wagner and Ingeborg Oberreiner (as employee representative), the Supervisory Board of VERBUND AG has four women members, which equates to a female membership of 26.7%.

As at 31 December 2015, seven women held management positions within the Group (first and second tiers of management). The percentage of women in management positions is therefore 7.4%. The percentage of women among employees throughout the Group is 17.8%. Since 2012, one female executive has been afforded the opportunity to perform her duties on a part-time basis.

In order to ensure that the company diversity management system is permanently integrated into and established within the Group, all equal opportunity agendas will be fully executed by the Diversity & Inclusion manager.

VERBUND promotes women through a variety of measures, listed here as examples:

- The VERBUND women's network addresses the ongoing development of a sustainable strategy for the advancement of women within VERBUND.
- Each year, VERBUND awards a scholarship to highly qualified women studying technical subjects.
- In 2015, VERBUND received the amaZone Award in the "Public and Quasi-Public Companies" category.
- Each year, VERBUND takes part in Take Your Daughter to Work Day so that it can engage with girls while they are still at school and awaken their interest in the fascinating technical professions.
- In 2015, VERBUND received the Work and Family Audit certificate for the third time.
- On a regular basis, VERBUND prepares an income report comparing the salaries of men and women.
- 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 Economic Chambers and the Federation of Austrian Industries. Its goal is to support women on their way to the top and to boost their confidence in their ability to hold management positions.

Detailed information on measures to advance women can also be found in the section entitled Human resources and social responsibility.

Compliance

Compliance management system, Code of Conduct

As an expression of our business ethics, we aim to employ fair, transparent and sustainable business practices. This is why a Group-wide compliance management system was established several years ago. This system is based on VERBUND's Code of Conduct. This part of the mission statement sets out the Group's key values and principles and its conduct towards stakeholder groups. The compliance management system is intended to assist in implementing the Code of Conduct and complying with regulations. It includes compliance guidelines that serve to set out the Code of Conduct in greater detail. In addition, it provides for a compliance organisation for the entire Group. To prevent misconduct, it defines sources of information, reporting offices, communication measures and procedures for reports and notifications. This organisation is the responsibility of a Group-wide compliance team under the leadership of a full-time Chief Compliance Officer.

The Executive and Supervisory Boards regularly receive written compliance reports. In addition, in the reporting period, the Chief Compliance Officer conducted a presentation on the compliance management system for the newly elected Supervisory Board.

Further information on the compliance management system can be found in the DMA document at www.verbund.com > Investor Relations > Financial Reports. VERBUND's Code of Conduct is available on the website at www.verbund.com > About Us > Corporate Mission.

Compliance risk survey

As recommended by an external compliance check in 2014, a systematic Group-wide compliance risk survey was conducted for the first time in the reporting period together with Risk Management and with the involvement of all division managers at the holding company and the consolidated subsidiaries in their capacity as risk owners. Using a standardised questionnaire, they carried out a qualitative compliance risk assessment based on three criteria: materiality, probability of occurrence and maturity of existing measures.

These risk analyses were then discussed in detail at compliance meetings conducted by the Chief Compliance Officer with all risk owners. During this process, targeted measures to prevent potential damage to the Company were also discussed. In this way, corruption risks in particular in all parts of the Group were examined and documented. The findings show no significant corruption risks. The plan is to update the risk surveys annually.

Training, consulting and information

Preventive measures are at the forefront of our compliance management system. In this vein, conducting training sessions and presentations, providing one-on-one consulting on numerous occasions and disseminating information on specific matters were once again important focal points of our compliance work in 2015. The Chief Compliance Officer and the compliance officers of the Group companies provided information on correct conduct in response to more than 300 queries. The most common topics included invitations, participation in events, gifts and other benefits and also questions regarding conflicts of interest. This shows the level of sensitivity among executives as well as employees when dealing with compliance topics.

In order to further improve the ability to deal with compliance matters, the compliance rules were addressed in a comprehensive training programme throughout the Group. In the reporting period, the Chief Compliance Officer conducted 19 classroom training sessions, which were attended by a total of

some 490 employees from across the Group. In addition to general compliance training sessions (e.g. for subsidiaries), there were area-specific workshops (in particular in various holding company units and for Group Executive Board assistants), events focusing on the prevention of corruption, special workshops dedicated to competition law (primarily for executives and areas particularly affected, such as trading and sales) and training for new employees and new executives. The compliance officers at the subsidiaries also held nine classroom training sessions.

In the reporting period, this training programme was once again supplemented by the e-learning programme on the intranet, which comprises two compliance courses (anti-corruption and financial market compliance). All executives and all employees at the holding company and from areas that are particularly affected (e.g. key account management, trading, purchasing) are required to complete the online questions on an annual basis.

Prevention of corruption, compliance incidents

Our objective is to avoid compliance incidents. Corruption prevention therefore plays a key role in our compliance management activities and was once again the subject of extensive internal communication and a whole series of training measures in the reporting period. As a result, 40% of all Group employees and 88% of executives received anti-corruption training in 2015.

In addition, the channels for reporting compliance incidents and the principles and procedures for dealing with such reports were set out in writing and communicated throughout the Group. The Chief Compliance Officer also acts as the point of contact for notifications from outside the Group. When implementing the anti-corruption guidelines, the Chief Compliance Officer ensures strict compliance with the rules in the guideline relating to giving and receiving benefits, gifts and invitations in particular. He monitors whether mandatory value limits and authorisations are being observed and whether the documentation requirements are met. He is supported in this by the officers at the individual Group companies. In 2015, the Chief Compliance Officer approved the giving or receiving of invitations or participation in events in over 150 cases, and refused this in ten cases.

Six suspected compliance cases were reported and thoroughly investigated. In the process, no cases of corruption were identified. In three cases, it emerged that there had been misconduct (as a result of violating internal regulations), to which VERBUND responded by taking disciplinary steps and organisational measures to avoid future misconduct.

In 2015, there was one incident that can be classified as discrimination on the basis of gender. Measures were initiated immediately. Further preventive measures are planned for 2016.

Legal compliance

Information on the following legal actions is reported for the purposes of the related GRI indicators: In January 2015, an action initiated by Wien Energie under the Federal Act against Unfair Competition (Bundesgesetz gegen den unlauteren Wettbewerb, UWG) was concluded by way of a settlement.

In the actions by the Austrian Financial Market Authority (FMA) against members of VERBUND's Executive Board, the penal decision imposed on CEO Anzengruber for market manipulation is final and non-appealable according to the second-instance decision. In the action against several members of VERBUND's Executive Board for failing to make ad-hoc disclosures in June 2012, the penal decision has been entirely revoked in accordance with the final and non-appealable second-instance decision. In the final action, the Austrian Supreme Administrative Court has not yet taken a decision regarding the FMA's special audit.

In addition, a private individual has filed a complaint under Section 108 of the Austrian Criminal Code (Strafgesetzbuch, StGB) (Deception) against CEO Anzengruber in his capacity as Chairman of VERBUND's Executive Board due to the use of the description "klimaneutrales Erdgas" ("climate-neutral gas") in VERBUND's German-language advertising. It is not yet clear whether the matter will be taken up by the public prosecutor's office in Vienna.

Business partner compliance

Not only are we committed to high standards for proper and fair behaviour; we also expect our business partners to comply with our principles. In order to document VERBUND's high standards of integrity, all contracts include a corresponding anti-corruption clause. The requirement for suppliers to comply with certain compliance principles has also been more firmly incorporated into VERBUND's purchase order terms and conditions.

Since 2014, our trading subsidiary VERBUND Trading GmbH has conducted systematic checks on all business partners using third-party software. In some cases, this caused VERBUND to decline to enter into a business relationship.

To roll out such integrity checks throughout the Group, the "Principles of Business Partner Compliance" were prepared based on a risk-oriented approach. These principles define which business partners will be audited in which way and according to which criteria. In addition to business partners, the focus is primarily on very large suppliers and customers, project and collaboration partners and advisers. The gradual roll-out at the other Group companies began during the past financial year.

The business partner checks are intended to fulfil legal requirements and safeguard the Group's reputation.

Vienna, 11 February 2016

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