

Remuneration Policy of VERBUND AG

Table of Content

Remuneration Policy for the Executive Board of VERBUND AG	1
Introduction	1
1. Process regarding remuneration policy	2
2. Overview of remuneration policy.....	3
3. Remuneration policy in detail.....	6
4. Deviation from the remuneration policy.....	16

Remuneration Policy for the Executive Board of VERBUND AG

Introduction

In accordance with Section 78a of the Austrian Stock Corporation Act (AktG), the Supervisory Board must provide a remuneration policy for members of the Executive Board. The previous remuneration policy (hereinafter: “2020 remuneration policy”) of VERBUND AG (hereinafter: “VERBUND” or “the Company”) was presented to the 73rd ordinary Annual General Meeting on June 16, 2020 in accordance with Section 78b AktG for a resolution, and was approved by 99.38 % of the votes cast. The remuneration policy provides an overview of the principles of the remuneration of the Executive Board and explains how this promotes the business strategy and the long-term development of the Company.

The remuneration policy is regularly reviewed and presented to the ordinary Annual General Meeting at least every fourth year, or if any fundamental changes are made. In developing and revising the remuneration policy the Supervisory Board must be guided by the legal regulations and other applicable statutory provisions of special laws, in particular the provisions of the Public Appointments Act (Stellenbesetzungsgesetz), the Federal Regulation on Specimen Contracts (Bundes-Vertragsschablonenverordnung) and the Austrian Corporate Governance Code.

In the 2022 and 2023 financial years the Remuneration Committee of the Supervisory Board examined the remuneration policy of the Executive Board of VERBUND and identified potential for improving the incentive effect. Here, the focus was also on the feedback of VERBUND’s investors and the latest market development. The revision of the 2020 remuneration policy is designed to

- clearly strengthen the pay-for-performance aspect,
- achieve an incentive effect connected even more closely to the 2030 strategic targets of the VERBUND Mission V strategy, and
- establish an effective link between the interests of the Executive Board and the expectations of the investors.

Based on the identified improvement potential, the Remuneration Committee of the Supervisory Board developed substantial revision proposals for the 2020 remuneration policy. The revised remuneration policy (hereinafter: “remuneration policy”) was adopted by the Supervisory Board on March 15, 2023 following a proposal by the Remuneration Committee. The revised remuneration policy for the Executive Board of VERBUND is described below and will be presented to the 76th ordinary Annual General Meeting on April 25, 2023 for approval in accordance with Section 78b AktG.

The remuneration policy presented in detail below is to come into force following approval by the Annual General Meeting as of January 1, 2024 for all actively serving and future members of the Executive Board. If the Annual General Meeting rejects the proposed remuneration policy, VERBUND shall present a reviewed remuneration policy to the following Annual General Meeting.

1. Process regarding remuneration policy

1.1 Process for determining, reviewing and implementing the remuneration policy, and for avoiding and dealing with conflicts of interest

The remuneration policy for the members of the Executive Board is discussed in the Remuneration Committee and the Supervisory Board, and adopted by the Supervisory Board for submission to the Annual General Meeting. The remuneration policy is based on international benchmarks, is regularly reviewed to determine if it is up-to-date, and is revised if necessary. In accordance with Section 78a AktG, the remuneration policy will be presented to the Annual General Meeting for a resolution at least every fourth financial year, and also following any material change.

The Supervisory Board and/or the Remuneration Committee may obtain external expertise for reviewing, developing, implementing and executing the remuneration policy. The principles for the remuneration of the members of the Executive Board were developed based on the applicable statutory provisions of special laws (Stellenbesetzungsgesetz, Bundes-Vertragsschablonenverordnung), which applies for VERBUND.

The remuneration policy is implemented in such a way that contracts for the members of the Executive Board are concluded exclusively based on the provisions in this policy. Furthermore, the remuneration policy is generally implemented continually by means of the strategic annual target-setting process (not only for short-term but also long-term remuneration), and also by determining actual target achievements and, if applicable, through additional measures necessary for implementing the remuneration policy. The Supervisory Board and/or its Remuneration Committee are responsible for the review.

The Remuneration Committee of VERBUND's Supervisory Board is responsible for defining and implementing the remuneration for the Executive Board based on the remuneration policy and taking the initiative for revising it. The Remuneration Committee is primarily made up of independent members of the Supervisory Board.

All members of the Remuneration Committee and the Supervisory Board must – on their own initiative – report every conflict of interest on topics related to the remuneration policy and, if necessary, withhold their vote.

There is a detailed presentation of the implementation of the remuneration policy in the annual remuneration report, which has been presented every year to the Annual General Meeting since 2021.

1.2 Principles of the remuneration policy

In defining the remuneration policy, the following principles are taken into account in particular:

- **Promotion of business strategy and long-term development of the Company**

The remuneration of the members of the Executive Board is linked to the implementation of the strategy and the long-term development of the Company. The remuneration elements are designed to support the strategic targets and hence the basis for the Company's long-term and sustainable development. In addition to annual base salary, fringe benefits and contributions to the pension scheme, in particular the short-term remuneration (annual variable remuneration - STI) and the long-term remuneration (Long-Term Incentive - LTI) focus on the Company's long-term and sustainable development.

- **Pay-for-Performance**

The performance-related variable remuneration components represent the strategic alignment of the Company and provide incentives for a sensible balance between the necessity of optimizing business operations and increasing VERBUND's medium and long-term company value. Tying every member of

the Executive Board to VERBUND's strategy through (individual) targets and performance incentives ensures the Company's sustainable development in line with the interests of shareholders.

- **Appropriateness and competitiveness**

It should be ensured that the total remuneration of members of the Executive Board is commensurate with the situation of the Company and with the customary remuneration in comparable companies. The remuneration of a member of the Executive Board should take into account the responsibility, scope, and complexity of the position as well as the role in the Executive Board as a whole. It should be competitive to ensure that VERBUND is competitive on the labor market for top management executives.

- **Consideration of employee remuneration and employment conditions**

The Company's goals are competitive remuneration and employment conditions, not only for employees but also for members of the Executive Board, which optimally promote and support the strategy implementation. The principles which apply to employees are also used in adjusted form for the Executive Board. Generally, the Company's remuneration structure is designed for high competitiveness in the energy sector. The annual base salaries are designed in line with the market. Furthermore, the remuneration packages for employees include a balanced and transparent mixture of fixed and occasionally variable components. Business success is equally a determining factor in the performance-based salary model applicable for employees and the variable remuneration for members of the Executive Board. General rules on providing pensions for members of the Executive Board are based on the works agreements that apply to employees in the form of a defined contribution inter-company pension fund – complying with the provisions of the Federal Regulation on Specimen Contracts (Bundes-Vertragsschablonenverordnung) or the Public Appointments Act (Stellenbesetzungsgesetz). By defining non-financial performance criteria, such as workplace safety, promotion of women, or compliance, including appropriately measurable KPIs, the employment conditions of employees and their continuous development have a direct impact on the remuneration of the Executive Board.

2. Overview of remuneration policy

2.1 Summary of remuneration policy

The most important components of the revised remuneration policy are summarized below and compared with the 2020 remuneration policy. The main changes are highlighted for easier understanding:

Remuneration policy of the Executive Board

Remuneration policy 2020		Revised remuneration policy
Fixed, non-performance-related remuneration components		
Fixed annual base salary, paid in 14 monthly instalments	Base salary	Fixed annual base salary, paid in 14 monthly instalments
Payments in kind and customary fringe benefits comprising a company car, contribution to private health and accident insurance and D&O insurance	Fringe benefits	Payments in kind and customary fringe benefits comprising a company car, contribution to private health and accident insurance and D&O insurance
Contributions to the defined contribution pension plan amounting to 10 % of the fixed annual base salary for the duration of the Executive Board contract	Defined contribution pension plan	Contributions to the defined contribution pension plan amounting to 10 % of the fixed annual base salary for the duration of the Executive Board contract

Variable, performance-related remuneration components		
Plan type: Target bonus Target amount: 60 % of the fixed annual base salary Assessment period: 1 year Performance criteria: Financial target: Net profit adjusted for non-recurring effects (70 %) Non-financial targets: Strategic targets (10 %) Personnel/sustainability targets (20 %) Target achievement cap: 100 %, creditability of the overachievement of 20 % of the non-financial targets to the remaining non-financial sub-targets in each case Payout cap: 60 % of the fixed annual base salary	Short-term remuneration - Short-Term Incentive (STI)	Plan type: Target bonus Target amount: 60 % of the fixed annual base salary Assessment period: 1 year Performance criteria: Financial targets Net profit adjusted for non-recurring effects (70 %) Non-financial targets Personnel/sustainability targets (20-30 %) Target achievement cap: 150 %, no creditability of overachievement Payout cap: 90 % of the fixed annual base salary
Plan type: Virtual Performance Share Plan Grant amount: 65 % of the fixed annual base salary Assessment period: 3 years Targets: Development of the relative total shareholder return (ranking versus a peer group of European energy companies) (30 %) Free cash flow before dividends (35 %) Overhead costs (35 %) Target achievement cap: 100 %, creditability of the overachievement of 20 % of the targets to the remaining sub-targets in each case Payout cap: 78 % of the fixed annual base salary	Long-term remuneration - Long-Term Incentive (LTI)	Plan type: Virtual Performance Share Plan Grant amount: 90 % of the fixed annual base salary Assessment period: 4 years Targets: Development of the relative total shareholder return (ranking versus a peer group of European energy companies) (30-50 %) Free cash flow before dividends (30-50 %) Sustainability targets (20-30 %) Target achievement cap: 150 %, no creditability of overachievement Payout cap: 135 % of the fixed annual base salary
Other remuneration components		
Option to reclaim (clawback) variable remuneration components in case of manifestly inaccurate data Malus for the LTI in case of serious events	Malus und Clawback	Option to reduce (malus) and to reclaim (clawback) of all variable remuneration components in case of incorrect consolidated financial statements and in case of compliance violations
No shareholding requirement/share option programme	Share Ownership Guidelines (SOG)	Shareholding requirement: 70 % of annual base salary (SOG target)

The background to the important changes compared to the 2020 remuneration policy are as follows:

Revising short-term remuneration

Within the short-term remuneration, the performance criteria will be adjusted to even more strongly align the incentive effect to the current Mission V Strategy of VERBUND as a whole, and in particular to a sustainably oriented operation of the Company. This includes integrating the strategic targets in the personnel and sustainability targets (ESG targets) with a maximum total weighting of 30 %. In the future,

choosing the personnel and sustainability targets will involve annual targets being set by the Remuneration Committee of the Supervisory Board based on a list of criteria derived from the sustainability strategy. Furthermore, the ESG targets are separated more distinctly from the short and long-term remuneration, in order to avoid double incentivization through single KPIs. The overall target achievement cap is also increased to 150 % of the target value (previously 100 %, with over-fulfilments of 20 % of the non-financial targets creditable to the respective other non-financial sub-targets), which achieves a balanced risk/reward profile for short-term remuneration, and consequently rewards the over-fulfilment of targets within a customary market framework.

Revising long-term remuneration

The long-term remuneration, in the form of a virtual performance share plan (“Phantom Share Plan”), will be fully revised to align the incentive effect more closely with the current Mission V Strategy of VERBUND and to take investor expectations into account to a greater extent. For this purpose, ESG targets, with a weighting of 20 % to 30 % are implemented in the long-term remuneration. The relative total shareholder return and the free cash flow before dividends remain financial performance criteria, but their weighting within the LTI is standardized. The financial performance criteria are implemented in the long-term remuneration with an overall weighting of 70 % to 80 %. In addition, the LTI target value is increased to 90 % of the gross annual base salary and an over-fulfilment of the performance criteria is enabled with an increase of the overall target achievement cap to 150 % of the target value. This should strengthen the focus on the long-term variable remuneration and also enable a balanced risk/reward profile. Furthermore, the calculation logic of the conversion rate in virtual shares is adjusted to comply with market practice.

Extension of malus and clawback provisions

In the 2020 remuneration policy there is already a clawback opportunity for variable remuneration components, insofar as it is determined that these were paid out based on obviously incorrect or manipulated data. The LTI provides for reducing the payout to zero in the case of serious events endangering the existence of the company or damage its reputation. These provisions are now expanded to include a clawback regulation, which also includes compliance violations. There is now also an opportunity to reduce variable remuneration components in the case of such violations (malus regulation). Malus and clawback can thereby be applied to all variable remuneration components.

Introduction of a shareholding requirement

With the revised remuneration policy a shareholding requirement is introduced for members of the Executive Board. This should strengthen the capital market orientation and equity culture of the Company and further align the interests of the members of the Executive Board and VERBUND’s investors.

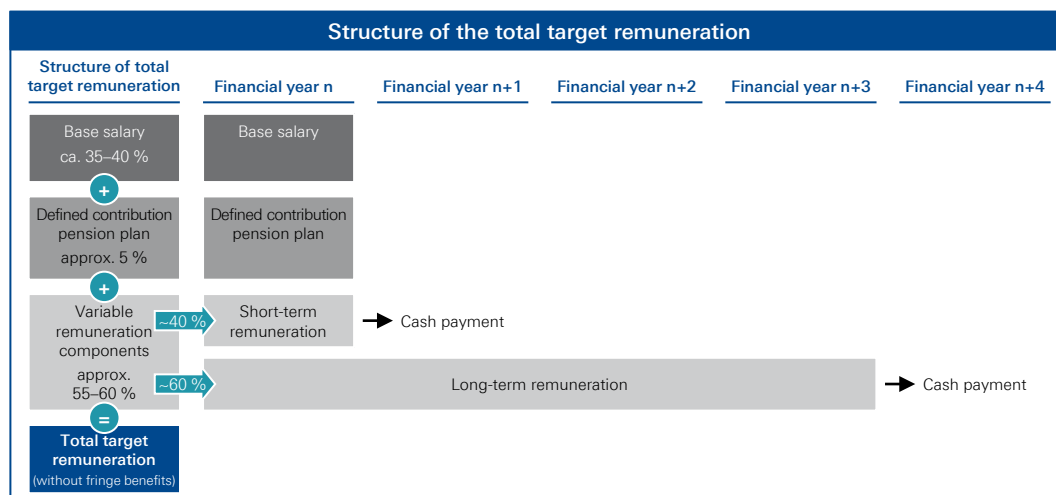
2.2 Remuneration structure

The total target remuneration of the members of the Executive Board comprises fixed, non-performance related remuneration components consisting of annual base salary, fringe benefits and contributions to the pension scheme, as well as target values of the variable remuneration components, consisting of short-term remuneration (short-term incentive, STI) and long-term remuneration (Long-Term Incentive, LTI). The target value in each case indicates the amount of the contractually agreed variable remuneration component assuming a target achievement of 100 %.

The remuneration of the Executive Board is primarily performance-related, which is ensured through the high proportion of the variable remuneration in the total target remuneration. In addition, the variable remuneration is predominantly linked to the achievement of ambitious and long-term targets. In this

way the remuneration structure places a strong focus on the long-term development of VERBUND. In each case, up to 30 % of the variable remuneration takes ESG targets into account, which consequently strengthens the sustainable development of VERBUND.

The following illustration shows the general remuneration structure of the members of the Executive Board of VERBUND. The structure of the total target remuneration can deviate slightly between members of the Executive Board, particularly between the CEO and the members of the Executive Board. When determining the remuneration, the Remuneration Committee ensures that the proportion of the remuneration components are within the following ranges. Since the benefits in kind and fringe benefits are naturally subject to annual variation, these are not taken into account in the illustration. Generally, the fringe benefits account for less than 5 % of the total target remuneration and are presented in the remuneration report.



3. Remuneration policy in detail

3.1 Fixed, non-performance related remuneration components

3.1.1 Annual base salary

The fixed annual base salary of the members of the Executive Board is paid in 14 monthly instalments as salary.

3.1.2 Fringe benefits

During the term of the Executive Board service contract, members of the Executive Board receive a company car and, depending on availability and the purpose and duration of the given business trip, they may use a driver. The members of the Executive Board have the right to accident and life insurance, and the opportunity for (collective) supplementary health insurance. Benefits in kind (for instance a parking space) can also be given.

In individual cases, the Remuneration Committee has the option to grant new Executive Board members a one-time payment upon taking up office. For instance, this allows for moving and leasing costs or any losses of variable remuneration at the former employer which are incurred by the change to VERBUND AG to be compensated, upon presentation of proof. This ensures the necessary flexibility for the Supervisory Board or the Remuneration Committee for attracting the best possible candidates.

3.1.3 Leave

The members of the Executive Board are entitled to annual leave of 30 working days. The vacation entitlement lapses two years from the end of the year when it was due. Applying Section 10 of the Vacation Act (UrlG) mutatis mutandis, payment in lieu shall be made for any due vacation that has not lapsed when the service relationship is terminated.

3.1.4 Pension fund contributions

The members of the Executive Board have the right to a defined contribution pension scheme in the form of an inter-company pension fund. During the term of the Executive Board service contract, VERBUND pays contributions amounting to 10 % of the gross annual base salary into a pension fund (APK Pensionskasse AG), thus implementing Section 3 of the Federal Regulation on Specimen Contracts (Bundes-Vertragschablonenverordnung). The actual amount of the defined contribution pension fund payment depends on the available capital in the pension fund. Retirement takes place according to the approved business plan of the pension fund. Receipt of a pension benefit is based on the entitlement conditions of the Austrian statutory pension. All capital market and actuarial risks are borne by the members of the Executive Board, and there is no obligation for VERBUND to make additional payments.

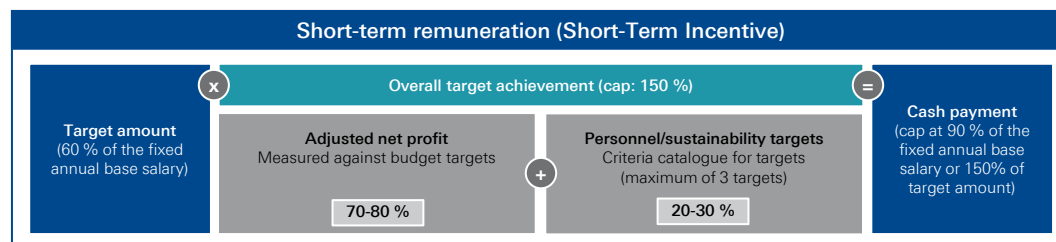
3.1.5 D&O insurance

VERBUND has financial loss liability insurance for the executive bodies; the members of the Executive Board are included in this insurance. The costs are borne by the Company.

3.2 Variable, performance-related remuneration components

3.2.1 Short-term remuneration (Short-Term Incentive)

Members of VERBUND’s Executive Board receive short-term variable remuneration (Short-Term Incentive, STI) in the form of a target bonus model. The following illustration presents the general functioning of the short-term remuneration:



The payment amount of the short-term remuneration not only depends on the achievement of financial targets but also on selected personnel and sustainability targets (ESG targets). Relevant performance criteria are the for non-recurring effects adjusted Group net profit with a weighting of 70-80 % and up to three personnel and sustainability targets with a weighting of 20-30 %. Altogether, the defined performance criteria of the STI represent important steering elements for achieving the 2030 strategic targets of VERBUND. The target amount of the short-term remuneration, which defines the payment amount assuming a target achievement of 100 %, corresponds to 60 % of the gross annual base salary. The maximum STI payment is limited to 150 % of the target amount, or 90 % of the gross annual base salary.

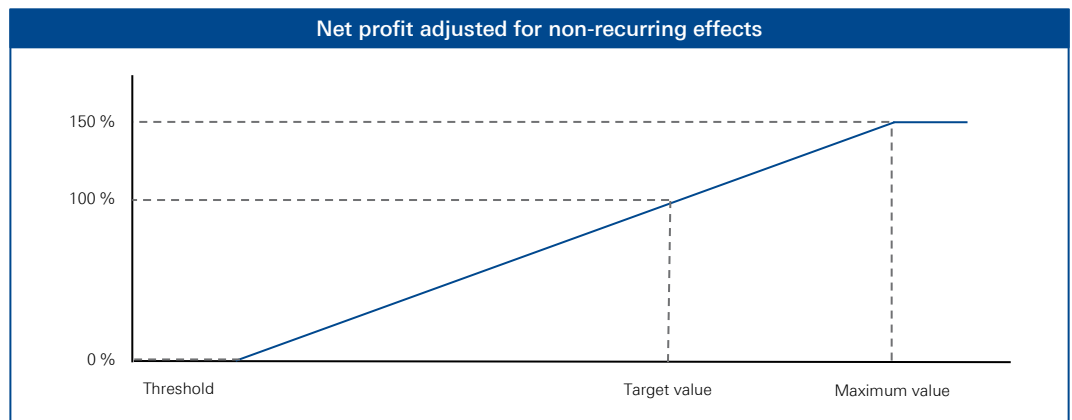
Group net profit adjusted for non-recurring effects

The Group net profit adjusted for non-recurring effects is used as a financial performance criteria. This is adjusted with the Group's generation from hydropower corresponding to the mean energy capability, wind and photovoltaic power as per the volume ascertained in an expert opinion, regulatory effects on the grid and changes in the scope of consolidation. Unusual incidents are handled by mutual agreement on a case-by-case basis. When defining the target value for the Group net profit adjusted for non-recurring effects, the budget planning of the VERBUND Group is taken into account. The target value is oriented to a budget updated at the beginning of the financial year to reflect important developments since the time the budget was drawn up.

To calculate the target achievement, the percentage deviation – from the defined target value – of the Group net profit adjusted for non-recurring effects is determined. The target achievement of the Group net profit adjusted for non-recurring effects is 100 % if the actual value achieved corresponds to the agreed target value. If the actual value achieved is below the threshold value, the target achievement is 0 % ("threshold value"). If the actual value achieved exceeds the maximum value, the target achievement is 150 % ("maximum value"). Target achievement levels between the defined target achievement points (0 %; 100 %; 150 %) are determined by linear interpolation. The target achievement is commercially rounded to two decimal points.

The weighting of the financial performance criteria and the threshold, target and maximum values are defined in a target agreement to be concluded annually by the Remuneration Committee of the Supervisory Board.

The target achievement curve for the Group net profit adjusted for non-recurring effects is as follows:



Personnel and sustainability targets (ESG targets)

The personnel and sustainability targets are derived from VERBUND's sustainability strategy and are defined annually by the Remuneration Committee of the Supervisory Board. For the personnel and sustainability targets, up to three criteria from the categories of ecology and energy, economy, as well as social affairs and governance are defined and operationalized with specific targets and target values.

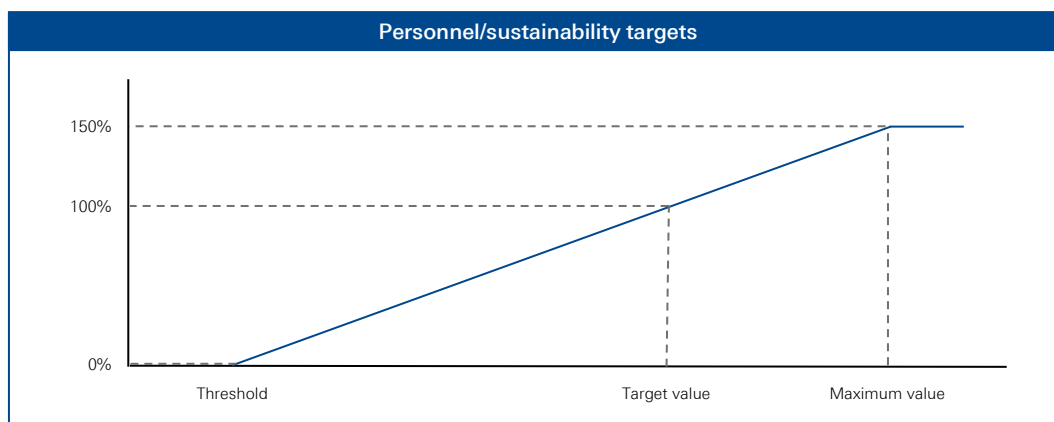
The following list reflects the criteria catalogue based on VERBUND's sustainability strategy:

Criteria catalogue for sustainability targets			
Environment and energy	Economics	Social	Governance
Waste and sewage	Information security and data protection	Occupational safety and health	Compliance and transparency
Biodiversity	Innovation	Attractive employer	Corporate Governance
Renewable energy	Customer relations	Diversity and inclusion	Dialog with stakeholders
Climate change	Supply security	Social engagement	International commitment
Resource and energy consumption	Value enhancement of the company	Sustainable supply chain	Human Rights

The target achievement of the personnel and sustainability targets is 100 % if the actual value achieved corresponds to the agreed target value. If the actual value achieved is below the threshold value, the target achievement is 0 % (“threshold value”). If the actual value achieved exceeds the maximum value, the target achievement is 150 % (“maximum value”). Target achievement levels between the defined target achievement points (0 %; 100 %; 150 %) are determined by linear interpolation. The target achievement is commercially rounded to two decimal points.

The weighting of the personnel and sustainability targets and the threshold, target and maximum values are defined in a target agreement concluded annually by the Remuneration Committee of the Supervisory Board.

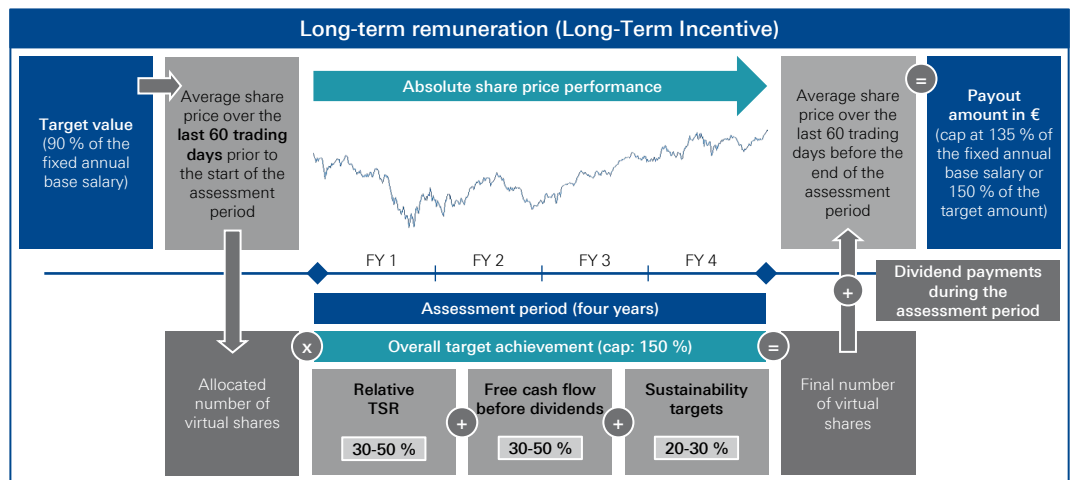
Consequently, the target achievement curve for the personnel and sustainability targets is structured as follows:



Specific payout amounts of the short-term remuneration are subsequently reported in the remuneration report. For this purpose, the threshold, target and maximum values of each performance criteria and also the respective target achievement values are disclosed and explained in the remuneration report.

3.2.2 Long-term remuneration (Long-Term Incentive)

In addition to the short-term remuneration, the members of VERBUND's Executive Board receive long-term variable remuneration (Long-Term Incentive, LTI) in the form of a virtual performance share plan ("Phantom Share Plan") and a four-year assessment period. The following illustration presents the general function of the long-term remuneration:



There is an annual grant of the LTI tranches during the term of the Executive Board service contract.

Relevant performance criteria for assessing the payout amount of the LTI include the relative Total Shareholder Return ("relative TSR") compared to the companies of a peer group of European energy companies, the free cash flow before dividends, and one or more sustainability target(s) based on the criteria catalogue derived from the sustainability strategy.

Financial targets are taken into account in the LTI at 70-80 %. The relative TSR and the free cash flow before dividends are provided as financial targets, which are included in the calculation of the final number of virtual shares with a respective weighting of 30-50 %. By taking an internal and an external financial target into account, on the one hand the long-term growth ambitions of VERBUND are incentivized, and on the other, the performance of VERBUND on the capital market in a relevant cross-sectoral comparison is assessed, which aligns the interests of VERBUND's Executive Board more closely with those of the shareholders of VERBUND. The sustainability targets are included in the calculation of the final payout amount with a weighting of 20-30 %, which also incentivizes sustainable behavior in the LTI.

The target amount of the LTI corresponds to 90 % of the gross annual base salary. The maximum STI payment is limited to 150 % of the target amount, or 135 % of the gross annual base salary.

Relative TSR

Total shareholder return ("TSR") is the percentage amount by which the value of an investment or a company has changed over a period. The TSR is calculated by means of the change in share value during a set period plus the value of the dividends distributed over this period under the assumption they had been invested in company shares. To avoid closing-date effects, the absolute TSR is calculated based on the respective closing rates on average during the last 60 trading days before the beginning and end of the given assessment period.

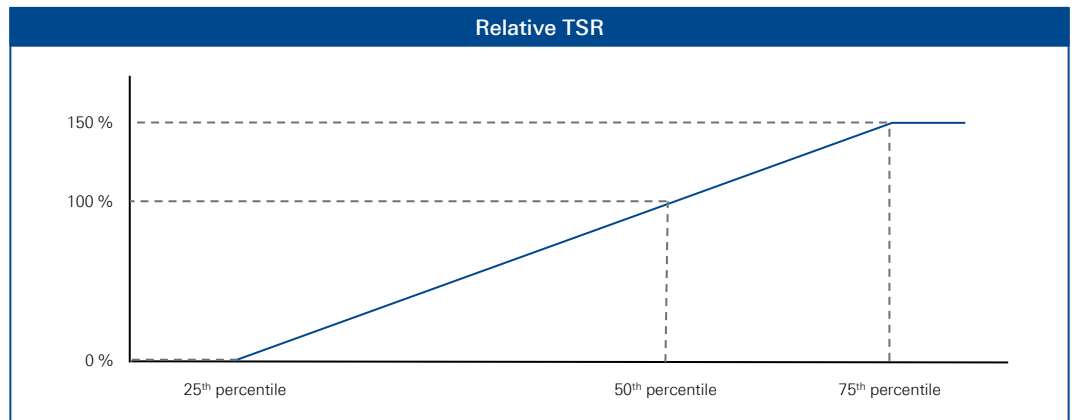
The relative TSR compares the TSR of VERBUND with the TSR of other companies. To calculate the target achievement of the relative TSR, at the end of the assessment period the absolute TSR of VERBUND is compared with a peer group of European energy companies. The peer group is based on the companies included in the impairment testing as part of the consolidated financial statements of the previous financial year, at the beginning of the assessment period for the tranche. Currently the peer group comprises the following eight companies and three other replacement companies, which can be included in the event of serious changes to the companies in the original peer group:

Peer group of European energy companies			
A2A SPA	EDP SA	EDP Renovaveis SA	Endesa SA
Enel SPA	Iberdrola SA	Orsted A/S	SSE PLC
Replacing companies			
BKW Energie AG	Engie SA	RWE AG	

Additional companies may be defined as replacement companies by the Remuneration Committee insofar as the previous replacement companies have been included in the peer group, or they themselves are no longer suitable, or the composition of the peer companies for the impairment testing changes.

To calculate the target achievement of the relative TSR, after the end of the assessment period the absolute TSR values of all companies in the peer group are arranged according to the TSR amount – from highest to lowest (without VERBUND). The percentiles are then calculated. The target achievement level of the relative TSR is calculated based on the relative position of VERBUND’s TSR value within the peer group. A position at the 25th percentile corresponds to the threshold value, a position at the 50th percentile corresponds to the target value, and a position at the 75th percentile corresponds to the maximum value. The weighting of the relative TSR and the definitive peer group are defined in a target agreement concluded annually by the Remuneration Committee of the Supervisory Board for the respective LTI.

Accordingly, the target achievement curve for the relative TSR is structured as follows:



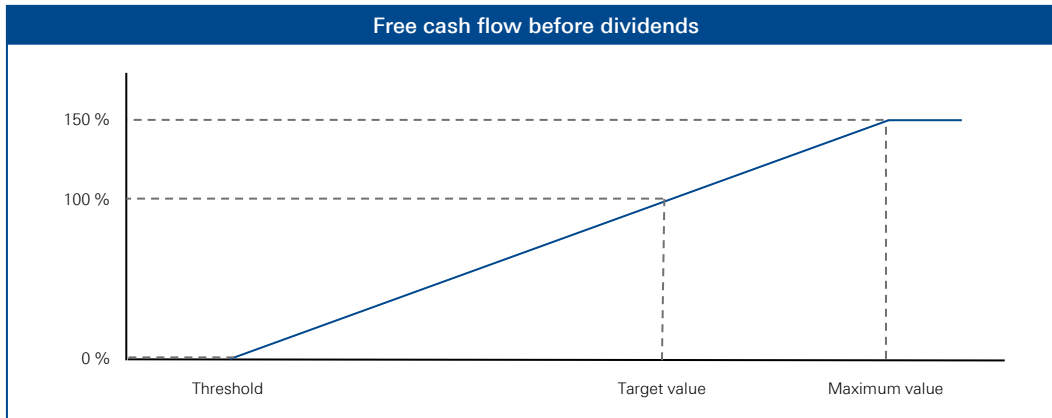
Free cash flow before dividends

In defining the target value for the free cash flow before dividends, the Remuneration Committee takes into account the updated budget and the medium-term budget planning. The target achievement of the free cash flow before dividends is based on the average of the actual annual free cash flow before dividends in accordance with the consolidated financial statements during the four-year assessment period of the respective LTI. To calculate the target achievement, the deviation from the defined target value of the actual average free cash flow before dividends is determined.

The target achievement of the free cash flows before dividends is 100 % if the actual value achieved corresponds to the agreed target value. If the actual value achieved is below the threshold value, the target achievement is 0 % (“threshold value”). If the actual value achieved exceeds the maximum value, the target achievement is 150 % (“maximum value”). Target achievement levels between the defined target achievement points (0 %; 100 %; 150 %) are determined by linear interpolation. The target achievement is commercially rounded to two decimal points.

The weighting of the free cash flow before dividends and the threshold, target and maximum value are defined in a target agreement concluded annually by the Remuneration Committee of the Supervisory Board for the respective LTI.

Accordingly, the target achievement curve for the free cash flow before dividends is structured as follows:



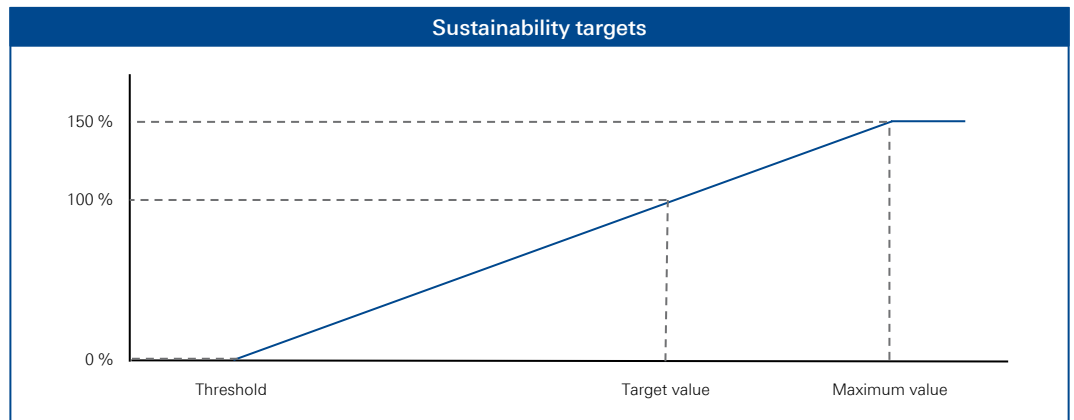
Sustainability targets

The sustainability targets are derived from the sustainability strategy of VERBUND. For every LTI they are defined by the Remuneration Committee for every tranche and based on the criteria catalogue derived from the sustainability strategy of VERBUND. The criteria catalogue shown for the sustainability targets in the short-term variable remuneration is also relevant for the sustainability targets in the long-term variable remuneration. For the sustainability targets, one or more criteria from the categories of ecology and energy, economy, as well as social affairs and governance are defined and operationalized with specific targets and target values.

The target achievement of the sustainability targets is 100 % if the actual value achieved corresponds to the agreed target value. If the actual value achieved is below the threshold value, the target achievement is 0 % (“threshold value”). If the actual value achieved exceeds the maximum value, the target achievement is 150 % (“maximum value”). Target achievement levels between the defined target achievement points (0 %; 100 %; 150 %) are determined by linear interpolation. The target achievement is commercially rounded to two decimal points.

The weighting of the sustainability targets and the threshold, target and maximum value are defined in a target agreement concluded annually by the Remuneration Committee of the Supervisory Board for the respective LTI.

Consequently, the target achievement curve for the sustainability targets is structured as follows:



Specific payout amounts of the long-term remuneration are subsequently reported in the remuneration report. For this purpose, the threshold, target and maximum values of the individual performance criteria and also the respective target achievement values are disclosed and explained in the remuneration report.

3.3 Other contractual elements

3.3.1 Share Ownership Guideline (SOG)

For the members of the Executive Board there is a share ownership obligation (Share Ownership Guideline, SOG). The SOG strengthens the capital market focus and equity culture of the Company, and aligns the interests of the members of the Executive Board and VERBUND's investors.

Every member of the Executive Board is obligated to invest a minimum amount in the Company's shares and to hold these shares legally and economically during their term of employment as a member of the Executive Board. The minimum amount to be invested in shares (SOG target) amounts to 70 % of the gross annual base salary.

An accumulation phase of four years is envisaged for achieving the SOG target. During this accumulation phase the members of the Executive Board are also obligated to fulfil at least 25 % of the SOG target. This ensures a continuous accumulation to fulfil the SOG target. Relevant to this is the euro amount invested in acquiring company shares from the beginning of the contract, as a member of the Company's Executive Board, since the SOG entered into force. No later than four years from the beginning of the accumulation phase must the SOG target be completely fulfilled. Company shares already held by an Executive Board member at the beginning of the accumulation phase count towards the SOG target.

A contractually agreed purchase automatism via an external provider ensures that the requirements of the market abuse regulation are complied with.

3.3.2 Malus and clawback provision

VERBUND contractually ensures that the Remuneration Committee of the Supervisory Board has the opportunity in pre-defined cases to reduce variable remuneration not yet paid, in whole or in part, to zero (“malus”) or to demand that the variable remuneration already paid out be partly or completely returned (“clawback”).

The pre-defined cases include, on the one hand, intentional violations of the statutory obligations of the member of the Executive Board, a material breach of the contractual service obligation, or other material behavioral principles of the Company, from the code of conduct or the compliance guidelines for instance.

Furthermore, the member of the Executive Board must return variable remuneration already paid if and insofar as it becomes clear after payment that the group accounting underlying the calculation of the amount paid was incorrect, and therefore must be corrected in accordance with the relevant accounting standards, and, based on the corrected group accounting and the given remuneration policy, a smaller payment amount or no payment at all would have been due from the variable remuneration.

Any claims for compensation by the Company, in particular those under Section 84 (2) AktG, the right of the Company to revoke appointments in accordance with Section 75 (4) AktG, and the right of the Company to terminate service contracts for good cause in accordance with Section 1162 of the Austrian Civil Code (ABGB) and Section 27 of the Salaried Employees Act (AngG) remain unaffected by the malus and clawback regulations.

3.3.4 Term of contract

The service contracts for members of the Executive Board are limited to a maximum of five years. The maximum term hence complies with the maximum duration envisaged by the Austrian Stock Corporation Act and the Federal Regulation on Specimen Contracts. With the specific agreements on contract terms it is ensured that not all Executive Board contracts terminate at the same time, but instead the terms are staggered (“Staggered Board Approach”).

3.3.5 Termination provisions

If a member of the Executive Board is dismissed early for good reason for which said member is responsible (Section 27 AngG and Section 75 (4) AktG), an immediate termination is possible without any further obligations for the Company. In the event of dismissal for another important reason, the service contract may be terminated adhering to a notice period of six months to the end of the calendar year. However, if the service contracts of members of the Executive Board are terminated prematurely without an important reason, a severance payment may be agreed if necessary, whereby the circumstances of the resignation and the economic situation of the Company must be taken into account. Such severance payment may not compensate more than the remaining term of the contract, and is limited to a maximum of one gross annual base salary. When the premature termination is attributable to the member of the Executive Board they are not granted severance pay.

In the case of the premature termination of an Executive Board service contract, the following regulations apply to the long-term remuneration: Insofar as there is good cause with attributable fault [in accordance with Section 27 AngG, Section 75 (4) AktG] the right to payment is forfeited. In all other cases a pro-rata payment is made on the original due date. In the case of death, all plans currently still being implemented are terminated and the payment is initiated with the target amount.

Furthermore, in the event of a “change of control”, all ongoing tranches of the LTI are subjected to a final assessment and the resulting pro-rata claims are paid as lump sums. The average share price of VERBUND shares on the Vienna stock exchange during the last 60 trading days before the end of the LTI is used as the authoritative conversion rate for the virtual shares.

4. Deviation from the remuneration policy

The remuneration policy is based on the Federal Regulation on Specimen Contracts in accordance with the Public Appointments Act and the provisions of the Austrian Stock Corporation Act, and is always binding for all service contracts of members of the Executive Board.

However, within the scope of statutory regulations the Supervisory Board is entitled to deviate from the remuneration policy under exceptional circumstances. Exceptional circumstances are situations in which deviating from the remuneration policy is necessary for the long-term development of the Company or for ensuring its profitability. In this context, the Supervisory Board reserves the right to make appropriate adjustments to the annual base salary and raise the upper threshold for the variable remuneration, taking into account the performances of the member of the Executive Board and the composition of the Executive Board on the one hand, and the earnings power of the Company and usual market conditions on the other.

The agreed performance criteria of the LTI are basically unchangeable, unless events occur during the term which, when concluding the given target agreement, were neither foreseeable nor could have been foreseen. Such events are, for instance, massive regulatory interventions that deviate from long-term market conditions, government or supranational (economic) sanctions against important market participants, war events or exceptional natural disasters. After such events occur, the chairperson of the Supervisory Board may refer the matter to the Remuneration Committee, who after hearing the given member of the Executive Board shall make the final decision on possibly changing the current LTI under explicitly granted discretionary powers.

Vienna, 15 March 2023



Martin Ohneberg
Chairman of the Supervisory Board