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Remuneration report of VERBUND AG

Basic principles

In accordance with Section 78c and Section 98a of the Austrian Stock Corporation Act (Aktiengesetz, AktG), the executive board and the supervisory board of listed companies are required to prepare a remuneration report governing the remuneration of the members of the executive board and the supervisory board. The remuneration report provides information to shareholders about the remuneration of the members of the executive and supervisory boards and is required to be submitted to the annual general meeting every year for approval. In addition, the company in question must explain in the subsequent remuneration report how the results of the vote on the remuneration report at the last annual general meeting were considered. The remuneration report shall be publicly available on the company's website free of charge for ten years.

Initially, the Executive Board and Supervisory Board of VERBUND AG jointly developed the remuneration report to submit to the Annual General Meeting on 20 April 2021 in accordance with Section 78c of the Austrian Stock Corporation Act (AktG). In doing so, the boards complied with the legal provisions as well as with Opinion 37 of the Austrian Financial Reporting and Auditing Committee (AFRAC). Furthermore, the principles of completeness, reliability, clarity, transparency and comparability were observed. The Executive Board and Supervisory Board updated the report as stipulated in Austrian stock corporation law. The updated remuneration report will now be presented to the Annual General Meeting on 25 April 2022.

The remuneration report provides a comprehensive overview of the remuneration granted or owed to current and former members of the Executive Board and Supervisory Board in the course of financial year 2021 under the remuneration policy (Section 78a), including all benefits, as well as a look back at the years 2019 and 2020, and is covered by the remuneration policy confirmed by the 73rd Annual General Meeting held on 16 June 2020.

A. Remuneration report governing the remuneration of the members of the Executive Board of VERBUND AG (Section 78c of the Austrian Stock Corporation Act (AktG))

1. Introduction

The VERBUND Group delivered a very strong performance in 2021. The financial year was marked by a huge rise in wholesale electricity prices in Europe, which are a key value driver for VERBUND's performance. This trend can be attributed to two main factors.
First, the strong commitment of EU member states to achieving comprehensive decarbonisation of the energy system caused prices for European emission allowances to soar. On 14 July 2021, the European Commission thus took further clear decisions as part of its Fit for 55 package targeting a 55% reduction in all of the EU's greenhouse gas emissions by 2030 compared with 1990 levels.
Second, prices for primary energy sources such as natural gas and coal – key elements in the formation of wholesale electricity prices in Europe – rose sharply in 2021. Reasons for these increases were the

worldwide hunger for energy, especially in Asian countries (above all in China), below-average gas storage inventories in Europe, unfavourable weather conditions and the delay in putting the Nord Stream 2 gas pipeline into operation. VERBUND benefited considerably from these trends and from the strong demand for companies with a clearly sustainable positioning. The income trend in 2021 was therefore very positive, and the performance of VERBUND shares with gains of 41.6% underpinned the Group's attractiveness in an environment that prioritises climate change mitigation and sustainability.

VERBUND strategy revised in 2021 in response to global decarbonisation efforts. VERBUND overhauled its corporate strategy in 2021 in response to the national and global decarbonisation efforts. This led to three strategic focus areas being defined: strengthening the integrated positioning in the domestic market, ranging from renewable electricity generation to electricity transmission up to the sale of electricity to customers; expanding new renewables in Europe; and positioning VERBUND as a player in the development of a European hydrogen economy.

Strengthening VERBUND's integrated positioning in its home market. VERBUND's integrated positioning in its home market comprises its core business of efficient, environmentally friendly generation of electricity from hydropower in addition to the transmission and sale of electricity and gas. VERBUND will progressively combine electricity generation from renewables with flexibility products for an increasingly volatile electricity market. In mid-June 2021, construction began on the Reißeck lake plateau in Carinthia for the Reißeck II plus pumped storage power plant. The Limberg III pumped storage power plant, construction of which started in September 2021, will be pivotal in achieving Austria's ambitious climate targets.
To facilitate the energy transition, VERBUND also invests in the expansion of transmission networks such as the 380-kV Salzburg line between St. Peter in Upper Austria and the Tauern grid hub in Salzburg or the 380-kV Weinviertel line, as well as in numerous large substations to ensure security of supply and further integrate the new renewable electricity generation into the energy system of tomorrow. Our subsidiary Austrian Power Grid AG (APG) is implementing the €3.5bn network development plan for the power grid over a ten-year period because a secure electricity supply is the bedrock of a state-of-the-art, sustainable and digital society. Assisted by our subsidiary Gas Connect Austria GmbH (GCA), we are enhancing the gas grid so that it is in shape for what lies ahead and for subsequent transportation of green hydrogen, a key element in the complete decarbonisation of the energy system of the future. Acquiring a 51% stake in GCA enabled VERBUND to sharpen its risk profile by strengthening its regulated business, but also put the Group in an ideal position for sector coupling and development of a green hydrogen system. Combined with VERBUND's renewable generation portfolio, the highly sophisticated transport infrastructure of GCA is capable of making an important and valuable contribution to the achievement of climate targets.

Expansion of new renewable electricity generation. Electricity generation from onshore wind power and solar power in Europe is another growth area. In our efforts to drive forward the energy transition, we are also looking beyond our national borders. Going forward, VERBUND will therefore purchase and develop renewable projects in other European markets as well. With this approach we aim to generate around 20–25% of our electricity from new renewable sources of energy by 2030. In quarter 2/2021, for example, VERBUND kicked off an energy cooperation with Visiolar GmbH in Germany with the stated goal of producing energy in a sustainable and carbon-neutral manner. In addition, VERBUND acquired the Illora solar project in southern Spain at the end of 2021. The photovoltaic farm with a planned total output of around 148 MWp is expected to come on stream in the first half of 2022.

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Sustainability focal points in 2021 – green finance, new Code of Conduct, gender balance and Climate Impact Day. As a long-standing pioneer in green finance, VERBUND brought a world first onto the market in 2021, once again leading the way in the field of sustainable finance. The Green & Sustainability-linked Bond that the international media referred to as a 'super green bond' combined four sustainable elements for the first time, generating huge international demand in a capital market increasingly driven by sustainability criteria. The proceeds of the bond will be invested exclusively in sustainable projects, the Group is additionally committed to achieving long-term sustainability goals, the bond was EU taxonomy compliant for the first time, and it was placed solely with sustainable investors. As an expression of its business ethics, VERBUND a number of years ago set itself the goal of engaging in fair, transparent and sustainable business practices. This goal also forms the basis for VERBUND's completely revised Code of Conduct released in December 2021. In addition, numerous actions were developed and implemented in 2021 within the scope of the Gender Balance project. For example, the proportion of female executives was increased from 9.0% to 13.5%. A Gender Balance Network was also established, with accessibility initiatives helping to foster integration of people with disabilities.

VERBUND's encouraging business and share price performance in 2021. VERBUND saw a significant improvement in the results posted for financial year 2021. EBITDA climbed by 22.1% to €1,579.0m. The Group result surged by 38.3% to €873.6m compared with the same period of the previous year. The hydro coefficient for the run-of-river power plants dropped to 0.95, or 6 percentage points below the prior-year figure and 5 percentage points below the long-term average. Generation from VERBUND's annual storage power plants fell by 6.9% in quarters 1–4/2021 versus 2020. Generation from hydropower thus decreased by 2,185 GWh compared with the previous year. However, the marked increase in wholesale electricity prices on the spot markets and the prices for short-term futures gave a boost to earnings – unlike futures market prices, which declined in the period under review. Consequently, the average sales price obtained for our own generation from hydropower rose significantly by €10.2/MWh to €54.8/MWh. The first-time consolidation of Gas Connect Austria GmbH (GCA), the regulated gas transmission and distribution system operator in Austria acquired with effect from 31 May 2021, also made a positive contribution to earnings.
VERBUND shares turned in a very encouraging performance in financial year 2021. With gains of 41.6%, the shares significantly outperformed the ATX (+38.9%) and the STOXX Europe 600 Utilities (+5.4%).

Dividend. We plan to propose a dividend of €1.05 per share for financial year 2021 at the Annual General Meeting to be held on 25 April 2022. The payout ratio calculated on the basis of the adjusted Group result thus amounts to 45.7% for 2021 (or 41.8% based on the reported Group result).

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2. Basic principles of the remuneration policy

This presentation of the basic principles of the remuneration policy provides an overview of the individual remuneration components and their connection with the Company's goals and long-term development. It is intended to provide a detailed understanding of the framework for the total remuneration presented in the remuneration report.

Remuneration of members of the Executive Board is linked to implementation of the strategy and the long-term performance of the Company. Total remuneration should be commensurate with the situation of the Company and with the customary remuneration in comparable companies. The components of remuneration are designed to support the strategic objectives and thus to provide a basis for the Company's long-term and sustainable performance.

The members of the Executive Board receive the following remuneration components:

- fixed remuneration components and
- variable remuneration components that are based on performance and results.

For the member of the Executive Board, the basic salary represents a fixed income commensurate with his or her responsibility, with the scope and the complexity of his or her activity and with his or her role within the Executive Board. It is at a competitive level in order to ensure that the Company is able to secure top management candidates in this competitive labour market. The fixed remuneration components also include payments in kind and fringe benefits comprising a company car, insurance, leave and contributions to the defined contribution pension plan amounting to 10% of the fixed basic salary.

The performance- and results-related variable remuneration components beyond this basic salary – short-term variable remuneration (short term incentive – STI) and long-term variable remuneration (long-term incentive – LTIP) – reflect the Company's strategic alignment and provide incentives for a reasonable balance between the need to optimise business activities and to grow VERBUND's corporate value in the medium to long term. Binding every member of the Executive Board to VERBUND's strategy through individual targets and performance incentives ensures the sustainable performance of the Company in line with shareholder interests.

The short-term variable remuneration (STI) is based on an annual target setting process defining the specific performance criteria and their weighting; this is adequately linked to one-year performance criteria and includes both financial and non-financial criteria. For the 2021 reporting period, 70% was based on the achievement of financial targets and 30% on the achievement of non-financial targets. The Group result after adjustment for non-recurring effects is used to calculate the achievement of financial targets. This is aligned with the Group electricity supply from hydropower corresponding to the mean energy capability, wind power as per the volume ascertained in an expert opinion, regulatory effects on the grid and changes in the basis of consolidation. Unusual incidents are handled by mutual agreement on a case-by-case basis. The non-financial targets have been set as follows:

- strategic targets (20%): expansion of new renewables generation
- headcount/sustainability target (10%): completion of culture audit including "best employer" certification

The STI is capped at 60% of the annual basic salary. The maximum target achievement is 100%; exceeding maximum achievement is not possible. Exceeding 100% achievement by a maximum of 20 percentage points is possible within the individual performance criteria – depending on the actual weighting of the individual targets – and can be carried over to the target achievement of other performance criteria. For full target achievement, 60% of the fixed annual basic salary is paid out as short-term variable remuneration; payout itself takes place after the reporting period following the approval of the annual financial statements and in 14 equal monthly instalments.
The long-term variable remuneration (LTIP) is a long-term remuneration instrument to promote medium- and long-term value creation. The LTIP is also based on an annual target setting process defining the specific performance- and results-related criteria and their weighting, which in contrast to the short-term variable remuneration is normally concluded covering a three-year period. The members of the Executive Board are measured against individual sustainable medium- and/or long-term targets (performance criteria), and the amount of the long-term remuneration distributed depends on the share price at the end of this period. The following financial targets for the LTIP were agreed for the reporting period:

- total shareholder return ranking versus the peer group: 30%
- free cash flow before dividends: 35%
- overhead costs: 35%

The long-term variable remuneration is reflected in virtual (phantom) shares as a phantom share plan – no “real” shares are distributed. Consequently, the specific amount of this long-term variable remuneration depends not only on the individual target achievement but also on the value of VERBUND shares on the Vienna Stock Exchange, which is aimed at aligning the interests of the management with those of the shareholders and at the same time avoiding undue risk.

The long-term variable remuneration is capped at generally 65% of the fixed annual basic salary for new LTI plans concluded as of 1 January 2021, assuming 100% target achievement. The maximum target achievement is 120%; exceeding maximum achievement is therefore possible. Exceeding 100% achievement (max. 20%) is possible within the individual performance criteria and can be carried over to the target achievement of other performance criteria. Depending on the specific target achievement and the share price, a maximum of 78% of the fixed annual basic salary (in the case of 120% target achievement) can be paid out (cap).
At the beginning of the assessment period, the (normally) maximum gross amount based on 100% target achievement is converted into phantom shares at the average of the daily closing prices of VERBUND shares on the Vienna Stock Exchange in the last full financial year. The final number of phantom shares is determined at the end of the three-year assessment period based on the actual level of target achievement (maximum of 120%). The number of phantom shares determined is multiplied by the average share price of VERBUND shares on the Vienna Stock Exchange based on the three-year term of the relevant LTI plan. The specific payout amount resulting from the phantom shares depending on the individual target achievement (max. 120%) at the end of the relevant LTI plan is limited by the cap defined at the beginning of the LTIP in the amount of 78% of the annual basic salary in the first year of the specific LTIP. The relevant LTIPs are paid out as a lump-sum payment after the (normally) three-year assessment period has expired and after the results for the previous financial year have been approved.

After the end of the financial year, the Supervisory Board's Remuneration Committee evaluates the results of business activities. Fulfilment of the agreed-upon financial and non-financial targets is determined by the Remuneration Committee using predetermined KPIs and a standard evaluation form.

Non-cash benefits received by an Executive Board member for exercising a Board function in a Group company or an investee or in a legal or voluntary interest group to which the Company belongs must be remitted to the Company.

Details on the design of the fixed and variable remuneration components are provided in the remuneration policy for the Executive Board members of VERBUND.

3. Presentation of total remuneration (including shares of variable remuneration in total remuneration)

3.1. General information

To provide the shareholders of VERBUND AG with a clear and understandable overview of the total remuneration of the Executive Board members in accordance with the requirements of Section 78c of the Austrian Stock Corporation Act (AktG), the total remuneration of the Executive Board members is shown in a table (see Appendix 1) [based on the form of presentation recommended by the Austrian Financial Reporting and Auditing Committee (AFRAC)].

This presentation of total remuneration is intended to give the reader a transparent breakdown of the various components and the relative share of fixed and variable remuneration components for each member of the Executive Board. The remuneration paid by affiliated companies to the Executive Board members is shown separately from the other components in Appendix 1.

The following individuals were members of the Executive Board of VERBUND AG in financial year 2021, which is the financial and calendar year covered by the reporting period:

Mag. Dr. Michael Strugl, MBA in the capacity of Chairman of the Executive Board (CEO)
Dr. Peter F. Kollmann in the capacity of Chief Financial Officer (CFO) of the Executive Board
Mag. Dr. Achim Kaspar in the capacity of Chief Operating Officer (COO) of the Executive Board

As recommended in the relevant AFRAC Opinion, the following section shows both the remuneration owed and the remuneration granted to the Executive Board members. The remuneration owed covers the amounts actually paid to the Board member during a specific period which are attributable to this reporting period as well as the conclusively earned entitlements for that period, even if payment will not be made until a subsequent period. The remuneration granted concerns remuneration components that are economically attributable to this reporting period based on legal or contractual obligations but will only be conclusively established and paid out in later periods.

Furthermore, the amounts paid out during the current period, which comprise the earned entitlements in previous years and the entitlements owed by the Company, as well as the amounts (newly) owed for the current period are also disclosed.

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3.2. Fixed remuneration components

Mag. Dr. Michael Strugl, MBA in his capacity as Chairman of the Executive Board (CEO) was paid a fixed annual basic salary of €750k in 14 monthly instalments which was not adjusted for inflation. Mag. Dr. Michael Strugl, MBA also received the following payments in kind and fringe benefits:

a) Contributions to defined contribution inter-company pension fund: €75k per year
b) Premium for accident insurance: €1,453 per year
c) Premium for (collective) supplementary health insurance: €1,410 per year
d) The Company has arranged for D&O insurance and bears the related costs.
e) Company car [including permission to use it for personal purposes and to use the services of a driver for business trips (depending on availability and the purpose and duration of the business trip)]; the value of the payments in kind to be carried in accordance with the Austrian Income Tax Act (Ertragsteuersgesetz, EStG) is €8,640 per year.
f) Payment in kind for parking space: €174 per year
g) Payments in kind of €1,170 were granted.
h) Mag. Dr. Michael Strugl, MBA did not receive remuneration from affiliated companies.

Dr. Peter F. Kollmann in his capacity as CFO of the Executive Board was paid a fixed annual basic salary of €620k in 14 monthly instalments which was not adjusted for inflation. Dr. Peter F. Kollmann also received the following payments in kind and fringe benefits:

a) Contributions to defined contribution inter-company pension fund: €62k per year
b) Premium for accident insurance: €1,453 per year
c) Premium for (collective) supplementary health insurance: €1,813 per year
d) The Company has arranged for D&O insurance and bears the related costs.
e) Company car [including permission to use it for personal purposes and to use the services of a driver for business trips (depending on availability and the purpose and duration of the business trip)]; the value of the payments in kind to be carried in accordance with the Austrian Income Tax Act (EStG) is €8,640 per year.
f) Payment in kind for parking space: €174 per year
g) Dr. Peter F. Kollmann did not receive remuneration from affiliated companies.

Mag. Dr. Achim Kaspar in his capacity as COO of the Executive Board was paid a fixed annual basic salary of €475k in 14 monthly instalments which was not adjusted for inflation. Mag. Dr. Achim Kaspar also received the following payments in kind and fringe benefits:

a) Contributions to defined contribution inter-company pension fund: €47.5k per year
b) Premium for accident insurance: €1,188 per year
c) Premium for (collective) supplementary health insurance: -
d) The Company has arranged for D&O insurance and bears the related costs.
e) Company car [including permission to use it for personal purposes and to use the services of a driver for business trips (depending on availability and the purpose and duration of the business trip)]; the value of the payments in kind to be carried in accordance with the Austrian Income Tax Act (EStG) is €11,520 per year.
f) Payment in kind for parking space: €174 per year
g) Mag. Dr. Achim Kaspar did not receive remuneration from affiliated companies.

Dipl. Ing. Wolfgang Anzengruber, who acted as Chairman of the Executive Board of VERBUND AG until 31 December 2020, was paid compensation of €318k in lieu of holiday as a result of the corresponding final settlement in 2021.

3.3. Variable remuneration components

3.3.1. Short-term variable remuneration: short-term incentive (STI)

Mag. Dr. Michael Strugl, MBA received the following short-term variable remuneration components (STI) in the 2021 financial and calendar year:

a) payments for financial year 2020 (total achievement of targets determined: 100%): €376.8k
b) balance payments for financial year 2019: €95k

a) + b) payout amount for the variable remuneration in financial year 2021: €471.8k

The earned entitlement to variable remuneration for financial year 2020 totalled €479.5k. Taking into account the payments already made in 2021 amounting to €376.8k, there is a difference of €102.8k, which will be paid out as a balance payment in financial year 2022.

A provision of €450k was recognised for the earned entitlement to variable remuneration for financial year 2021, assuming a target achievement level of 100%. The actual calculation takes place only after the target achievement of the individual performance criteria has been determined. The STI will again be paid out in 14 equal monthly instalments, starting in the month following the adoption of the annual financial statements for 2021.

Dr. Peter F. Kollmann received the following short-term variable remuneration components (STI) in the 2021 financial and calendar year:

a) payments for financial year 2020 (total achievement of targets determined: 100%): €341k
b) balance payments for financial year 2019: €86k

a) + b) payout amount for the variable remuneration in financial year 2021: €427k

The earned entitlement to variable remuneration for financial year 2020 totalled €434k. Taking into account the payments already made in 2021 amounting to €341k, there is a difference of €93k, which will be paid out as a balance payment in financial year 2022.

A provision of €372k was recognised for the earned entitlement to variable remuneration for financial year 2021, assuming a target achievement level of 100%. The actual calculation takes place only after the target achievement of the individual performance criteria has been determined. The STI will again be paid out in 14 equal monthly instalments, starting in the month following the adoption of the annual financial statements for 2021.

Mag. Dr. Achim Kaspar received the following short-term variable remuneration components (STI) in the 2021 financial and calendar year:

a) payments for financial year 2020 (total achievement of targets determined: 100%): €261.3k
b) balance payments for financial year 2019: €65.9k

a) + b) payout amount for the variable remuneration in financial year 2021: €327.2k

The earned entitlement to variable remuneration for financial year 2020 totalled €332.5k. Taking into account the payments already made amounting to €261.3k, there is a difference of €71.3k, which will be paid out as a balance payment in financial year 2022.

A provision of €285k was recognised for the earned entitlement to variable remuneration for financial year 2021, assuming a target achievement level of 100%. The actual calculation takes place only after the target achievement of the individual performance criteria has been determined. The STI will again be paid out in 14 equal monthly instalments, starting in the month following the adoption of the annual financial statements for 2021.

Dipl.-Ing. Wolfgang Anzengruber received the following short-term variable remuneration components (STI) in the 2021 financial and calendar year for exercising his function as Chairman of the Executive Board of VERBUND AG until 31 December 2020:

a) payments for financial year 2020 (total achievement of targets determined: 100%): €525k

3.3.2. Long-term variable remuneration: long-term incentive programme (LTIP)

Provisions have been recognised for **Mag. Dr. Michael Strugl, MBA** based on the earned entitlements to the following long-term variable remuneration components (LTIP):

a) Provision for LTIP 2019 (term: 1 January 2019 – 31 December 2021): €376.8k, to be paid out after the 2022 Annual General Meeting of VERBUND AG
b) Provision for LTIP 2020 (term: 1 January 2020 – 31 December 2022): €376.8k, to be paid out after the 2023 Annual General Meeting of VERBUND AG
c) Provision for LTIP 2021 (term: 1 January 2021 – 31 December 2023): €585.0k, to be paid out after the 2024 Annual General Meeting of VERBUND AG

The total provision for the earned entitlement to long-term variable remuneration at the reporting date 31 December 2021 is therefore €1,338.5k. The amount allocated for financial year 2021 is €585.0k.

The following parameters were used for the recognition of the LTIP provisions:
LTIP 2019:

- Achievement of targets: 100% (confirmed at the meeting of the Remuneration Committee on 16 March 2020)
- Average daily closing price of VERBUND shares in the financial year before the beginning of the LTIP: €30.37 (determined)
- Average daily closing price of VERBUND shares three months after the end of the LTIP: €93.10 (assumed)

LTIP 2020:

- Achievement of targets: 100% (preliminary assumption)
- Average daily closing price of VERBUND shares in the financial year before the beginning of the LTIP: €46.54 (determined)
- Average daily closing price of VERBUND shares three months after the end of the LTIP: €93.10 (assumed)

LTIP 2021:

- Achievement of targets: 120% (preliminary assumption)
- Average daily closing price of VERBUND shares in the financial year before the beginning of the LTIP: €45.75 (determined)
- Average daily closing price of VERBUND shares based on the three-year term of the LTI plan: €80.12 (assumed)

Provisions have been recognised for **Dr. Peter F. Kollmann** based on the earned entitlements to the following long-term variable remuneration components (LTIP):

a) Provision for LTIP 2019 (term: 1 January 2019 – 31 December 2021): €341.0k, to be paid out after the 2022 Annual General Meeting of VERBUND AG
b) Provision for LTIP 2020 (term: 1 January 2020 – 31 December 2022): €341.0k, to be paid out after the 2023 Annual General Meeting of VERBUND AG
c) Provision for LTIP 2021 (term: 1 January 2021 – 31 December 2023): €483.6k, to be paid out after the 2024 Annual General Meeting of VERBUND AG

The total provision for the earned entitlements to long-term variable remuneration at the reporting date 31 December 2021 is therefore €1,165.6k. The amount allocated for financial year 2021 is €483.6k.

The following parameters were used for the recognition of the LTIP provisions:
LTIP 2019:

- Achievement of targets: 100% (confirmed at the meeting of the Remuneration Committee on 16 March 2020)
- Average daily closing price of VERBUND shares in the financial year before the beginning of the LTIP: €30.37 (determined)
- Average daily closing price of VERBUND shares three months after the end of the LTIP: €93.10 (assumed)

LTIP 2020:

- Achievement of targets: 100% (preliminary assumption)
- Average daily closing price of VERBUND shares in the financial year before the beginning of the LTIP: €46.54 (determined)
- Average daily closing price of VERBUND shares three months after the end of the LTIP: €93.10 (assumed)

LTIP 2021:

- Achievement of targets: 120% (preliminary assumption)
- Average daily closing price of VERBUND shares in the financial year before the beginning of the LTIP: €45.75 (determined)
- Average daily closing price of VERBUND shares based on the three-year term of the LTI plan: €80.12 (assumed)

Provisions have been recognised for **Mag. Dr. Achim Kaspar** based on the earned entitlements to the following long-term variable remuneration components (LTIP):

a) Provision for LTIP 2019 (term: 1 January 2019 – 31 December 2021): €261.3k, to be paid out after the 2022 Annual General Meeting of VERBUND AG
b) Provision for LTIP 2020 (term: 1 January 2020 – 31 December 2022): €261.3k, to be paid out after the 2023 Annual General Meeting of VERBUND AG
c) Provision for LTIP 2021 (term: 1 January 2021 – 31 December 2023): €370.5k, to be paid out after the 2024 Annual General Meeting of VERBUND AG

The total provision for the earned entitlement to long-term variable remuneration at the reporting date 31 December 2021 is therefore €893.0k. The amount allocated for financial year 2021 is €370.5k.

The following parameters were used for the recognition of the LTIP provisions:
LTIP 2019:

- Achievement of targets: 100% (confirmed at the meeting of the Remuneration Committee on 16 March 2020)
- Average daily closing price of VERBUND shares in the financial year before the beginning of the LTIP: €30.37 (determined)
- Average daily closing price of VERBUND shares three months after the end of the LTIP: €93.10 (assumed)

LTIP 2020:

- Achievement of targets: 100% (preliminary assumption)
- Average daily closing price of VERBUND shares in the financial year before the beginning of the LTIP: €46.54 (determined)
- Average daily closing price of VERBUND shares three months after the end of the LTIP: €93.10 (assumed)

LTIP 2021:

- Achievement of targets: 120% (preliminary assumption)
- Average daily closing price of VERBUND shares in the financial year before the beginning of the LTIP: €45.75 (determined)
- Average daily closing price of VERBUND shares based on the three-year term of the LTI plan: €80.12 (assumed)

Dipl.-Ing. Wolfgang Anzengruber received the following long-term variable remuneration components in the 2021 financial and calendar year for exercising his function as Chairman of the Executive Board of VERBUND AG until 31 December 2020:

LTIP 2019 (term: 1 January 2019 – 31 December 2020): €412.5k

- Achievement of targets: 100% (confirmed at the meeting of the Remuneration Committee on 16 March 2020)
- Average daily closing price of VERBUND shares in the financial year before the beginning of the LTIP: €30.37
- Average daily closing price of VERBUND shares three months after the end of the LTIP: €69.80

A provision was recognised for **Dipl.-Ing. Wolfgang Anzengruber** on account of the earned entitlement to long-term variable remuneration until 31 December 2020 (LTIP 2020):

a) Provision for LTIP 2020 (term: 1 January 2020 – 31 December 2021): €412.5k, to be paid out after the 2022 Annual General Meeting of VERBUND AG

The following parameters were used for the recognition of the LTIP provision in 2020:

- Achievement of targets: 100% (preliminary assumption)
- Average daily closing price of VERBUND shares in the financial year before the beginning of the LTIP: €46.54 (determined)
- Average daily closing price of VERBUND shares three months after the end of the LTIP: €93.10 (assumed)

3.3.3. Old-age pension

In financial year 2021, €391.5k was paid out to former members of the Executive Board and their surviving dependants as direct company pension entitlements.

3.4. Alignment of total remuneration with the remuneration policy

The Company's goal is to have competitive terms of remuneration and employment both for the members of the Executive Board and for employees which optimally foster and support strategy implementation. The remuneration structures and remuneration of the members of the Executive Board were defined in accordance with internationally recognised procedures for setting a remuneration structure customary for the market and the industry and are also regularly reviewed in terms of market trends.

Remuneration of members of the Executive Board is linked to implementation of the strategy and the long-term performance of the Company. The components of remuneration are designed to support the strategic objectives and thus to provide a basis for the Company's long-term and sustainable performance.

For the member of the Executive Board, the basic salary represents a fixed income commensurate with his or her responsibility, with the scope and the complexity of his or her activity and with his or her role within the Executive Board. It is at a competitive level in order to ensure that the Company is able to

secure top management candidates in this competitive labour market. The performance-related, variable remuneration components beyond this basic salary reflect the Company's strategic direction and provide incentives for a reasonable balance between the need to optimise business activities and to grow VERBUND's corporate value in the medium to long term. Binding every member of the Executive Board to VERBUND's strategy through individual targets and performance incentives ensures the sustainable performance of the Company in line with shareholder interests. There are no plans for an automated mechanism to adjust remuneration for inflation.

The remuneration of the individual members of the Executive Board also corresponds to the overall responsibility associated with the tasks of the Executive Board of a listed and internationally active group in the industry. Taking into account the individual responsibility of the individual Executive Board members depending on the functions assigned, differentiated remuneration is paid in the area of the fixed basic salary; the maximum achievable variable components are distributed equally in percentage terms [STI: 60%, LTIP: 65% or max. 78% (in the case of 120% target achievement) of the basic salary].

The financial performance indicators defined in the remuneration policy enable an overall assessment of VERBUND's financial performance. Appropriate performance criteria as well as ambitious target achievement curves strengthen the corporate strategy and provide incentives for long-term and sustainable management decisions. The financial performance criteria of Group result, total shareholder return, free cash flow before dividends and overhead costs represent the basis for measuring dividends, the return for shareholders as well as VERBUND's investment strength and financial stability.

Neither the scope of the variable remuneration components nor the underlying key figures, or indeed the specifically agreed individual targets encourage the taking of excessive risks. The short-term variable remuneration (STI) amounts to a maximum of 60% of the fixed salary, the long-term variable LTIP to a maximum of 65% of the fixed salary (in the case of 100% target achievement) or a maximum of 78% of the fixed salary (in the case of 120% target achievement). In the case of 100% target achievement, the maximum achievable STI thus amounts to approximately one-quarter of the maximum total remuneration. In the case of 120% target achievement, the maximum achievable LTIP amounts to approximately one-third of the maximum total remuneration. In this context, the ratio of fixed and variable remuneration components ensures that achievement of short-term, bonus-relevant targets does not take precedence.

4. Information on share-based payment

There was no share-based payment at VERBUND AG in the reporting period.

5. Other information and disclosures (on deviations from the remuneration policy, reclaim of variable remuneration components, consideration of the results of the vote at the last Annual General Meeting, where applicable)

As announced in the 2020 remuneration report, changes in short-term and long-term remuneration were made in the 2021 reporting period to further harmonise the target structure of the companies held in the portfolio of Österreichische Beteiligungs AG (ÖBAG). These largely comprise changes in the percentage remuneration caps (STI: 60% instead of 70% previously; LTI: 65% instead of 55% previously) as well as the option to exceed maximum achievement. Furthermore, in view of the volatility

of the stock market, averaging was introduced for the final valuation of the phantom shares from the relevant LTI plans.

The performance criteria will be adjusted for the 2022 financial and calendar year. The “expansion of new renewables” criterion will be included for both short-term variable remuneration and long-term variable remuneration.

B. Remuneration report governing the remuneration of the members of the Supervisory Board of VERBUND AG (Section 98a AktG)

1. Basic principles of the remuneration policy

The remuneration policy is intended to ensure that the members of the Supervisory Board are granted remuneration for their work that is appropriate to their tasks and their responsibilities and that is in line with the Company’s position. It should ensure that the Supervisory Board is able to fulfil its tasks independently and in this way it fosters the sustainable corporate strategy and VERBUND’s positive long-term performance.

In accordance with the VERBUND AG Articles of Association, each member of the Supervisory Board receives an annual remuneration in addition to the reimbursement of cash expenses and an attendance fee for each meeting. The amount of the attendance fee and the annual remuneration (basic salary) is set by resolution of the Annual General Meeting.

Because the employee representatives carry out their role in the Supervisory Board on a voluntary basis in accordance with Section 110(3) of the Austrian Labour Constitution Act (Arbeitsverfassungsgesetz, ArbVG), the annual basic salary does not apply.

The members of the Supervisory Board including the employee representatives are entitled to the attendance fee as it is set by the Annual General Meeting for participation in meetings of the Supervisory Board and its committees.

Details on the design of the fixed and variable remuneration components are provided in the remuneration policy for the Supervisory Board members of VERBUND AG.

2. Presentation of total remuneration

2.1 General information

In order to provide the shareholders of VERBUND AG with a clear and comprehensible overview of the total remuneration of the members of the Supervisory Board based on the requirements of Section 98a in conjunction with Section 78c of the Austrian Stock Corporation Act (AktG), the total remuneration of the members of the Supervisory Board is shown in Appendix 2, which is based on the form of presentation proposed in the AFRAC opinion.

Verbund

In financial year 2021, which covers the period from 1 January 2021 to 31 December 2021, the following persons were appointed as shareholder representatives on the Supervisory Board of VERBUND AG (collectively the "members of the Supervisory Board" or the "Supervisory Board members") and received remuneration as such:

- MMag. Thomas Schmid (until 8 June 2021)
- Mag. Martin Ohneberg
- Mag. Dr. Christine Catasta
- Dr. Susan Hennersdorf
- Prof. Dr. Barbara Praetorius
- Mag. Jürgen Roth
- Dipl.-Ing. Eckhardt Rümmler
- Mag. Christa Schlager
- Mag. Stefan Szyszkowitz
- Dipl.-Ing. Peter Weinelt

The employee representatives carry out their role in the Supervisory Board on a voluntary basis in accordance with Section 110(3) of the Austrian Labour Constitution Act (ArbVG) and do not receive a salary.

The remuneration structure adopted at the 66th Annual General Meeting held on 17 April 2013 for the remuneration of the members of the Supervisory Board was expanded at the 74th Annual General Meeting held on 20 April 2021 such that the annual remuneration and attendance fee will now be paid for all Supervisory Board committees. This particularly affects work performed in the Sustainability Committee that was established in 2020 to support VERBUND's sustainable, forward-looking development. Payment of the remuneration and attendance fee for work performed in the Strategy Committee (formerly the Working Committee) and for work performed in the Audit Committee remains unchanged.

Current remuneration structure of VERBUND AG for the Supervisory Board and its committees:

Annual remuneration	in €
Chairperson	25,000
Vice-Chairperson	15,000
Members	10,000
Attendance fee	500

Other payments, such as contributions to the inter-company pension fund, remuneration from affiliated companies, one-off severance payments or payments for old-age pensions were not granted to members of the Supervisory Board.

Verbund

2.2 Fixed remuneration components

In financial year 2021, the members of the Supervisory Board received the following fixed and variable remuneration components (annual remuneration) in €:

Active members of the Supervisory Board	Basic salary/annual remuneration	Attendance fees	Total
Mag. Martin Ohneberg	50,000	6,000	56,000
Mag. Dr. Christine Catasta[1]	43,333	5,500	48,833
Dr. Susan Hennersdorf[2]	20,000	5,500	25,500
Prof. Dr. Barbara Praetorius[3]	45,000	7,500	52,500
Mag. Jürgen Roth	30,000	7,000	37,000
Dipl.-Ing. Eckhardt Rümmler[4]	40,000	7,000	47,000
Mag. Christa Schlager	31,667	7,000	38,667
Mag. Stefan Szyszkowitz	10,000	3,000	13,000
Dipl.-Ing. Peter Weinelt	10,000	3,500	13,500
Kurt Christof	-	5,000	5,000
Doris Dangl	-	9,000	9,000
Mag. Dr. Isabella Hönlinger	-	5,500	5,500
Ing. Wolfgang Liebscher	-	5,500	5,500
Veronika Neugeboren	-	5,500	5,500
Former members of the Supervisory Board			
MMag. Thomas Schmid[5]	25,000	3,000	28,000
Total			**362,500**

2.3 Variable remuneration components

In accordance with the remuneration policy, no performance-related variable remuneration components were paid to Supervisory Board members in financial year 2021. An overview of the attendance fees granted is provided in the table in Section 2.2.
The remuneration paid to the Supervisory Board members in 2020 and 2019 is shown in Appendix 2.

[1] The remuneration will be paid out to Österreichische Beteiligungs AG (ÖBAG) (beginning with October 2020).
[2] Taking into account the amount of tax due of €5,100, a residual amount of €20,400 was transferred (Section 99(1)(4) EStG in conjunction with Article 16 of the double taxation agreement between Germany and Austria (DBA DE-AT) and Section 101(1) EStG).
[3] Taking into account the amount of tax due of €10,500, a residual amount of €42,000 was transferred (Section 99(1)(4) EStG in conjunction with Article 16 of the double taxation agreement between Germany and Austria (DBA DE-AT) and Section 101(1) EStG).
[4] Taking into account the amount of tax due of €9,400, a residual amount of €37,600 was transferred (Section 99(1)(4) EStG in conjunction with Article 16 of the double taxation agreement between Germany and Austria (DBA DE-AT) and Section 101(1) EStG).
[5] The remuneration will be paid out to Österreichische Beteiligungs AG (ÖBAG).

Verbund

2.4 Long-Term Incentive Programme

There is no Long-Term Incentive Programme for members of the Supervisory Board.

2.5 Alignment of total remuneration with the remuneration policy

Total remuneration for the members of the Supervisory Board in the financial year now ended was in line with the remuneration policy. Remuneration for members of the Supervisory Board must be designed within the normal range and in such a way that the most qualified persons can be obtained for the work on the Supervisory Board. In addition, the board must be balanced in professional and personal terms. In achieving this balance, particular attention is to be given to diversity aspects concerning the representation of both genders, a balanced age structure, internationality, and educational and professional backgrounds of the members.

3. Information on share-based payment

VERBUND AG does not have a share option programme in place and no shares have been offered or granted to the members of the Supervisory Board.

4. Other information and disclosures

4.1 Deviations from the remuneration policy

In the financial year there were no deviations from the remuneration policy or from the procedures described therein to implement this policy.

4.2 Reclaim of variable remuneration components

No variable remuneration components were reclaimed in the financial year now ended.

Vienna, 1 March 2022

Mag. Dr. Michael Strugl, MBA
Chairman of the Executive Board of VERBUND AG

Dr. Peter F. Kollmann
CFO, member of the Executive Board of VERBUND AG

Mag. Dr. Achim Kaspar
Member of the Executive Board of VERBUND AG

Vienna, 16 March 2022

Mag. Martin Ohneberg
Chairman of the Supervisory Board

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Appendix 1	2021				2020				2019			
(€k)	Strugl	Kollmann	Kaspar	Anzengruber	Anzengruber	Strugl	Kollmann	Kaspar	Anzengruber	Strugl	Kollmann	Kaspar
Fixed remuneration												
- Guaranteed annual salary	750	620	475	0	750	685	620	475	750	685	620	475
Subtotal	**750**	**620**	**475**	**0**	**750**	**685**	**620**	**475**	**750**	**685**	**620**	**475**
Variable remuneration												
STI	472	427	327	525	609	348	399	242	575	0	390	0
LTIP				413								
Subtotal	**472**	**427**	**327**	**938**	**609**	**348**	**399**	**242**	**575**	**0**	**390**	**0**
Other remuneration[6]												
Pension fund contributions	75	62	48	0	75	69	62	48	75	69	62	48
Insurance policies	3	3	1	0	3	3	3	1	3	3	4	1
Payments in kind incl. company car and parking space	10	9	12	0	17	9	9	12	10	9	9	12
Compensation in lieu of holiday	0	0	0	318	0	0	0	0	0	0	0	0
Subtotal	**88**	**74**	**60**	**318**	**95**	**80**	**74**	**60**	**88**	**81**	**74**	**60**
Total remuneration												
fixed	750	620	475	0	750	685	620	475	750	685	620	475
variable	472	427	327	938	609	348	399	242	575	0	390	0
other	88	74	60	318	95	80	74	60	88	81	74	60
Total	**1,310**	**1,121**	**862**	**1,256**	**1,454**	**1,113**	**1,093**	**777**	**1,413**	**766**	**1,084**	**535**
Fixed components (%)	*57*	*55*	*55*	*0*	*52*	*62*	*57*	*61*	*53*	*89*	*57*	*89*
Variable components (%)	*36*	*38*	*38*	*75*	*42*	*31*	*37*	*31*	*41*	*0*	*36*	*0*
Other components (%)	*7*	*7*	*7*	*25*	*7*	*7*	*7*	*8*	*6*	*11*	*7*	*11*
Total		**4,549**				**4,438**				**3,799**		
Change in average remuneration of the employees year-on-year		**–0.14%**				**+0.03%**						

[6] For enhanced readability, other remuneration is also included in the table starting from the 2021 reporting period.

Verbund

Appendix 2

Financial year 2020 (amounts in €)

Active members of the Supervisory Board	Basic salary/annual remuneration	Attendance fees	Total
MMag. Thomas Schmid[7]	57,500	5,000	62,500
Mag. Martin Ohneberg	35,000	5,000	40,000
Mag. Dr. Christine Catasta[8]	20,000	3,000	23,000
Dr. Susan Hennersdorf[9]	10,000	3,500	13,500
Prof. Dr. Barbara Praetorius[10]	10,000	3,000	13,000
Mag. Jürgen Roth	20,000	5,000	25,000
Dipl.-Ing. Eckhardt Rümmler[11]	12,500	4,000	16,500
Mag. Christa Schlager	10,000	3,000	13,000
Mag. Stefan Szyszkowitz	10,000	3,000	13,000
Dipl.-Ing. Peter Weinelt	10,000	3,000	13,000
Kurt Christof		4,500	4,500
Doris Dangl		7,000	7,000
Mag. Dr. Isabella Hönlinger		3,500	3,500
Ing. Wolfgang Liebscher		5,000	5,000
Veronika Neugeboren		4,500	4,500
Former members of the Supervisory Board			
Mag. Elisabeth Engelbrechtsmüller-Strauß	25,000	2,000	27,000
Mag. Harald Kaszanits	10,000	500	10,500
Mag. Werner Muhm	10,000	1,500	11,500
Dr. Susanne Riess	5,000	500	5,500
Christa Wagner	5,000	500	5,500
Total			**317,000**

[7] The remuneration will be paid out to Österreichische Beteiligungs AG (ÖBAG).
[8] The remuneration will be paid out to Österreichische Beteiligungs AG (ÖBAG) (beginning with October 2020).
[9] Taking into account the amount of tax due of €2,700, a residual amount of €10,800 was transferred (Section 99(1)(4) EStG in conjunction with Article 16 of the double taxation agreement between Germany and Austria (DBA DE-AT) and Section 101(1) EStG).
[10] Taking into account the amount of tax due of €2,600, a residual amount of €10,400 was transferred (Section 99(1)(4) EStG in conjunction with Article 16 of the double taxation agreement between Germany and Austria (DBA DE-AT) and Section 101(1) EStG).
[11] Taking into account the amount of tax due of €3,300, a residual amount of €13,200 was transferred (Section 99(1)(4) EStG in conjunction with Article 16 of the double taxation agreement between Germany and Austria (DBA DE-AT) and Section 101(1) EStG).

Verbund

Financial year 2019 (amounts in €)

Active members of the Supervisory Board	Basic salary/annual remuneration	Attendance fees	Total
MMag. Thomas Schmid[12]	43,333	4,000	47,333
Mag. Martin Ohneberg	20,000	2,500	22,500
Mag. Elisabeth Engelbrechtsmüller-Strauß	50,000	5,000	55,000
Mag. Harald Kaszanits	20,000	4,000	24,000
Mag. Werner Muhm	20,000	4,000	24,000
Dr. Susanne Riess	10,000	2,000	12,000
Mag. Jürgen Roth	16,667	3,500	20,167
Mag. Stefan Szyszkowitz	10,000	2,500	12,500
Christa Wagner	13,333	3,000	16,333
Dipl.-Ing. Peter Weinelt	10,000	2,500	12,500
Kurt Christof		4,000	4,000
Doris Dangl		5,500	5,500
Mag. Dr. Isabella Hönlinger		2,500	2,500
Ing. Wolfgang Liebscher		3,500	3,500
Veronika Neugeboren		2,000	2,000
Former members of the Supervisory Board			
Dr. Gerhard Roiss	21,667	1,500	23,167
Dr. Michael Süß[13]	10,000	1,000	11,000
Dipl.-Ing. Hans Pfau		500	500
Total			**298,500**

[12] The remuneration will be paid out to Österreichische Beteiligungs AG (ÖBAG).
[13] Taking into account the amount of tax due of €2,200, a residual amount of €8,800 was transferred (Section 99(1)(4) EStG in conjunction with Article 16 of the double taxation agreement between Germany and Austria (DBA DE-AT) and Section 101(1) EStG).