

Consolidated Corporate Governance Report 2017

in accordance with Section 267b of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB)

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Corporate governance – framework

VERBUND AG is a listed stock corporation domiciled in Austria. Its corporate governance framework is derived from Austrian and European law, including, in particular, stock corporation and capital market law, the Austrian Commercial Code (UGB) and the regulations governing employee co-determination, the Company's Articles of Association, the rules of procedure for the Company's Boards and, finally, the Austrian Code of Corporate Governance (Österreichischer Corporate Governance Kodex, ÖCGK).

Declaration of commitment to the Austrian Code of Corporate Governance

Declaration of conformity

VERBUND declares its unconditional commitment to the Austrian Code of Corporate Governance. The Executive Board and Supervisory Board see it as their primary duty to comply with all of the rules of the Code as fully as possible and to maintain and continue to develop the Group's high internal standards. The Code was applied during financial year 2017 and was adhered to in accordance with the explanatory notes in this report. Active implementation of the requirements of the Code is intended to ensure responsible management and control of the Group directed at sustainable, long-term value creation and to create a high level of transparency for all stakeholders. VERBUND will continue to actively adhere to the Code as amended in January 2018 during financial year 2018. Applying it as fully as possible is an essential building block for strengthening the trust placed in the Group by shareholders, business partners, employees and the general public.

The Austrian Code of Corporate Governance as amended in January 2018 is available from the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at

Evaluation

In accordance with C Rule 62 of the Austrian Code of Corporate Governance, compliance with the Code and the accuracy of the related reporting is evaluated externally by an independent auditor at regular intervals. The last such evaluation was carried out for 2016 by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H and resulted in a positive report. The next evaluation is planned for financial year 2019.

Additional reporting

A consolidated corporate governance report is presented as required under statutory provisions. Key items of this report are expanded beyond the listed parent company to include the entire Group. Opinion 22 of the Austrian Financial Reporting and Auditing Committee (AFRAC) has been followed with respect to the requirements on content.

This Consolidated Corporate Governance Report includes not only the disclosures required by law but also the additional content as intended by the Code of Corporate Governance. In addition, further information is provided on the relevant indicators under the Global Reporting Initiative (GRI), the global standard on sustainability reporting.

Detailed information on the composition and work procedures of the Executive Board, the Supervisory Board and the Supervisory Board's committees is provided in the sections entitled Executive Board and Supervisory Board.

Further information on the bodies Executive Board, Supervisory Board and Annual General Meeting and on their interactions is available in the document entitled Disclosures on Management Approach (DMA) at www.verbund.com > Investor Relations > Financial reports.

Deviations

VERBUND complies with almost all the rules in the Austrian Code of Corporate Governance, including the R Rules. The deviations applied in financial year 2017 are the same as those applied in the previous year. From a total of 83 rules in the Code, there are slight deviations in the application of only two C Rules which are to some extent the result of legislative circumstances. In accordance with the “comply or explain” principle, these deviations are explained below:

C Rule 2:

The principle of “one share – one vote” is generally adhered to with respect to VERBUND shares. The sole exception is based on a restriction on voting rights embodied in the “federal constitutional act regulating the ownership structure of enterprises in the Austrian electricity industry” and in the provision of the Articles of Association based upon this. The exception is as follows: “With the exception of regional authorities and companies in which regional authorities hold an interest of at least 51%, the voting rights of each shareholder at the Annual General Meeting are restricted to 5% of the share capital.”

C Rule 45:

The rule according to which Supervisory Board members may not assume any functions on the boards of other companies that are competitors of the Group was adhered to by all the members of the Supervisory Board, with two exceptions.

The two Supervisory Board members in question each carry out leading functions on boards in companies which are shareholders of VERBUND AG. If there is a conflict of interest with them in a specific case, then the chairperson will institute appropriate measures (e.g. withholding of certain information or documents, abstention from voting or departure from the meeting). This was required once for one agenda item in the reporting period.

Executive Board

Composition of the Executive Board

In financial year 2017, the Executive Board was once again composed of four members.

GRI 102-18, GRI-405-1

Executive Board

Name	Year of birth	Date of initial appointment	End of current term of office
CEO Dipl.-Ing. Wolfgang Anzengruber Chairman	1956	1/1/2009	31/12/2018
Deputy CEO Dr. Johann Sereinig Vice-Chairman	1952	1/1/1994	31/12/2018
Dr. Peter F. Kollmann Member of the Executive Board	1962	1/1/2014	31/12/2018
Dipl.-Ing. Dr. Günther Rabensteiner Member of the Executive Board	1953	1/4/2011	31/12/2018

Board functions of Executive Board members within the Group

GRI 102-25

Name	Group company		Function
Dipl.-Ing. Wolfgang Anzengruber	VERBUND Hydro Power GmbH	Superv. Board, Gen. Mtg.	Chairman
	VERBUND Solutions GmbH	General Meeting	Chairman
	SMATRICS GmbH & Co KG	Shareholders' Meeting	Chairman
	E-Mobility Provider Austria GmbH	General Meeting	Chairman
Dr. Johann Sereinig	Austrian Power Grid AG	Supervisory Board	Member
	VERBUND Hydro Power GmbH	Supervisory Board	Member
	VERBUND Sales GmbH	General Meeting	Chairman
	VERBUND Sales Deutschland GmbH	General Meeting	Chairman
	VERBUND Services GmbH	General Meeting	Chairman
	VERBUND Trading GmbH	Supervisory Board, General Meeting	Chairman Chairman
Dr. Peter F. Kollmann	Austrian Power Grid AG	Supervisory Board	Chairman
	VERBUND Hydro Power GmbH	Supervisory Board	Member
	VERBUND Services GmbH	General Meeting	Vice-Chairman
	VERBUND Thermal Power GmbH	Supervisory Board	Vice-Chairman
	VERBUND Trading GmbH	Superv. Board, Gen. Mtg.	Vice-Chairman
Dipl.-Ing. Dr. Günther Rabensteiner	Ennskraftwerke AG	Supervisory Board	Vice-Chairman
	VERBUND Hydro Power GmbH	Supervisory Board	Vice-Chairman
	VERBUND Innkraftwerke GmbH	Supervisory Board, Shareholders' Meeting	Chairman Chairman
	Grenzkraftwerke GmbH	Superv. Board, Gen. Mtg.	Chairman
	Innwerk AG	Supervisory Board	Chairman
	Donaukraftwerk Jochenstein AG	Supervisory Board	Chairman
	Österreichisch-Bayerische Kraftwerke AG	Supervisory Board	Chairman
	VERBUND Thermal Power GmbH	Supervisory Board	Chairman

Supervisory Board mandates of Executive Board members outside the Group

Name	Company	Function
Dr. Johann Sereinig	KELAG-Kärntner Elektrizitäts-AG	Member
	FK Austria Wien AG	Member
	APK Pensionskasse AG	Member
Dr. Peter F. Kollmann	Telekom Austria AG	Member

Work procedures and allocation of responsibilities

The Executive Board conducts the Group's business activities and represents it externally.

The rules of procedure govern the allocation of responsibilities and how the members of the Executive Board must work together. In addition, they lay down the Executive Board's duties to notify and report, and contain a list of measures that require approval by the Supervisory Board or its Working Committee. The measures requiring approval also include material business transactions executed by the Group's main subsidiaries.

The allocation of responsibilities within the Executive Board is part of the rules of procedure and defines the range of duties of the Executive Board members without prejudice to the overall responsibility of the Executive Board.

Allocation of responsibilities

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

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

Remuneration of members of the Executive Board

Remuneration of the members of the Executive Board totalled €4,485,156 in 2017 (previous year: €4,293,724) including benefits in kind of €59,858 (previous year: €150,381).

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

in €

	Current remuneration	2016 (of which variable)	Current remuneration	2017 (of which variable)
Dipl.-Ing. Wolfgang Anzengruber	1,219,954	(402,505)	1,327,347	(499,972)
Dr. Johann Sereinig	1,167,133	(385,702)	1,133,133	(342,214)
Dipl.-Ing. Dr. Günther Rabensteiner	752,796	(172,002)	842,193	(254,348)
Dr. Peter F. Kollmann	1,003,460	(229,275)	1,122,625	(339,040)

Because it is only possible to ascertain at the end of the year whether targets have been achieved, variable remuneration components are paid out in the following year. Therefore, the total amount includes variable remuneration components granted to members of the Executive Board in the 2017 reporting period for the 2016 reporting period.

Variable remuneration depends upon performance and is limited to a specific percentage of the respective fixed remuneration. For reporting period 2016 (and for the current reporting period 2017), this percentage rate was 50% or 70% (chairman). The level of performance-based remuneration components depends on the extent to which the targets agreed for the financial year are achieved. In the 2016 reporting period, the agreed goals were based 50% on the attainment of the Group result, 30% on achievement of the free cash flow (three-year target) and 20% on other medium-term (two-year, qualitative) targets such as conclusion of old business (e.g. successfully ending disputes such as pending actions and arbitration proceedings) and the optimisation and adaptation of structures, processes and business models to reflect technological advancement (digitalisation) and changes in the competitive landscape in the energy market. The principles underlying the Executive Board's share of profit were unchanged from the previous year.

A company pension plan has been set up for members of the Executive Board in the form of a defined contribution pension fund agreement. In the 2017 reporting period, contributions to the pension fund were paid for the Executive Board in the amount of €219,681 (previous year: €217,045).

Statutory regulations apply, taking account of the requirements of Rule 27a of the Austrian Code of Corporate Governance, with respect to the claims of members of the Executive Board upon termination of their position. In the 2017 reporting period, €361,817 (previous year: €361,210) was paid out for pensions and €0 (previous year: €0) for termination benefits in favour of beneficiaries. Profit or loss for the period included expenses for termination benefits and pensions and similar obligations - i.e. post-employment benefits - in the amount of €37,715 (previous year: €46,002). Expenses for pensions and similar obligations for former members of the Executive Board and their surviving dependants included in the profit or loss for the period amounted to a total of €50,769 (previous year: €68,322).

As in the previous year, no loans or advances were paid out to members of the Group's or subsidiaries' Boards. As in the previous year, VERBUND does not have a stock option programme for either the members of the Executive Board or senior management staff.

Remuneration policy in the subsidiaries

In essence, the same principles as those described above for the Executive Board apply to the remuneration for the management (managing directors) of the Group's subsidiaries. In addition to the

fixed remuneration, variable remuneration is used up to a limited amount; the amount of this variable component depends on attainment of defined targets (Group targets and individual targets). A company pension plan has also been set up in the subsidiaries in the form of a pension fund agreement.

D&O insurance

VERBUND has taken out pecuniary loss liability insurance in favour of its Boards. This insurance covers the members of the Executive Board and Supervisory Board and the senior management staff of VERBUND AG, as well as all the members of the managing boards, supervisory boards, advisory boards and management, and the authorised signatories and other senior management staff of subsidiaries. The costs are borne by the Group.

Supervisory Board

GRI 102-18, GRI 102-22,
GRI 102-23

The Supervisory Board has also explicitly affirmed its commitment to the Austrian Code of Corporate Governance. Consequently, the Code, together with the Austrian Stock Corporation Act (Aktengesetz, AktG) and the Austrian Commercial Code (UGB), the Austrian Labour Constitutional Act (Arbeitsverfassungsgesetz, ArbVG), the Company's Articles of Association and the rules of procedure for the Executive Board and Supervisory Board, has become the basis for the Supervisory Board's actions.

GRI 102-24

The statutory provisions specify that the Supervisory Board is comprised of members elected by the Annual General Meeting in accordance with the requirements of the Austrian Stock Corporation Act (shareholder representatives) and members appointed by the employee representatives.

Personal details, chairpersons and other Board functions

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

As at 31 December 2017, the Supervisory Board had a total of 15 members. Ten were shareholder representatives elected by the Annual General Meeting and five were employee representatives appointed by the Works Council.

There was one change to the composition of the Supervisory Board among the shareholder representatives which took place during the AGM on 5 April 2017: Dr. Gerhard Roiss and Dipl.-Ing. Peter Weinelt were elected as members of the Supervisory Board in place of Dr. Gilbert Frizberg and Mag. Dr. Martin Krajcsir. Dr. Roiss was then unanimously elected as Chairman of the Supervisory Board. Among the employee representatives, there were no changes in the reporting period.

Name	Year of birth	Date of initial appointment	End of current term of office
Dr. Gilbert Frizberg Chairman	1956	16/3/2000	5/4/2017
Dr. Gerhard Roiss Chairman (from 5 April 2017) Superv. Board of SULZER AG Switzerland (board of directors)	1952	5/4/2017	AGM 2020
Prof. Dr. Michael Süß 1st Vice-Chairman / Member of the supervisory boards of Herrenknecht AG and Oerlikon AG (chairman of the board of directors); Renova AG (asset director); Süß Management Systems and Süß Film (shareholder)	1963	22/4/2015	AGM 2020
Mag. Elisabeth Engelbrechtsmüller-Strauß 2nd Vice-Chairwoman CEO of Fronius International GmbH; member of the board of trustees of the Institute of Science and Technology; Supervisory board of Wels Betriebsansiedelungs-GmbH (Chairwoman)	1970	22/4/2015	AGM 2020
Mag. Harald Kaszanits Head of Cabinet of the Vice-Chancellor and Federal Minister; Secretary-General for the Federal Ministry of Science, Research and Economy (until 30 September 2017); Austrian Economic Chambers (from 1 October 2017)	1963	7/4/2010	AGM 2020
Mag. Dr. Martin Krajcsir	1963	9/4/2014	5/4/2017
Dipl.-Ing. Dr. Peter Layr Spokesman of the managing board of EVN AG (until 30 September 2017); chairman of the supervisory boards of Netz Niederösterreich GmbH, Rohöl-Aufsuchungs AG and RAG-Beteiligungs-AG (until 30 September 2017)	1953	13/4/2011	AGM 2020
Mag. Werner Muhm Member of the supervisory boards of Wiener Städtische Versicherung, AWH Beteiligungsges.m.b.H. and KA Finanz AG; member of the General Council of OeNB; member of the managing board of Leopold Museum Privatstiftung, vice-chairman of the board of trustees of the Austrian National Library	1950	22/4/2015	AGM 2020
Dr. Susanne Riess CEO of Bausparkasse Wüstenrot AG; member of the supervisory boards of Wüstenrot Versicherungs-AG (chairwoman), Wüstenrot stambena štedionica d.d., Croatia (chairwoman), Wüstenrot životno osiguranje d.d., Croatia (chairwoman), Wüstenrot Fundamenta-Lakáskassza Zrt., Hungary (vice-chairwoman), Wüstenrot stavebná sporiteľňa a.s., Slovakia (vice-chairwoman), Wüstenrot poisťovňa a.s., Slovakia (vice-chairwoman) and IHAG Privatbank Zürich (member of the board of directors)	1961	22/4/2015	AGM 2020

Mag. Jürgen Roth Managing partner at Tank Roth GmbH; member of the supervisory boards of ICS Internationalisierungszentrum Steiermark GmbH (chairman) and ELG (Erdöl-Lagergesellschaft m.b.H.)	1973	22/4/2015	AGM 2020
Christa Wagner Managing partner at Josko Immobilien GmbH; member of the supervisory board of Eurosun a.s., partner in Josko Holding Gesellschaft m.b.H.	1960	7/4/2010	AGM 2020
Dipl.-Ing. Peter Weinelt Deputy CEO of Wiener Stadtwerke GmbH; member of the supervisory boards of Wien Energie GmbH (chairman) and Wiener Netze GmbH (chairman)	1966	5/4/2017	AGM 2020

Employee representative

Name	Year of birth	Date of initial appointment	
Anton Aichinger Chairman of the Group's employee representatives	1955	since 25/10/2006	appointed by the employee representatives
Kurt Christof Chairman of the Central Works Council Member of the supervisory boards of Stadtwerke Voitsberg GmbH and Sparkasse Voitsberg/Köflach Bankaktiengesellschaft	1964	since 8/3/2004	appointed by the employee representatives
Dr. Isabella Hönlinger Chairwoman of the Works Council	1971	since 1/9/2016	appointed by the employee representatives
Ing. Wolfgang Liebscher Chairman of the Central Works Council	1966	since 1/11/2013	appointed by the employee representatives
Dipl.-Ing. Hans Pfau Chairman of the Works Council	1953	since 1/9/2016	appointed by the employee representatives

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

20% of the Supervisory Board members are between the ages of 30 and 50, 80% are over 50.

Independence

In 2010, the Supervisory Board of VERBUND AG defined the following criteria for its independence (pursuant to C Rule 53 of the Austrian Code of Corporate Governance):

- The Supervisory Board member shall not have served as a member of the Executive Board or as a member of the senior management staff of the Company or one of its subsidiaries in the past five years.
- The Supervisory Board member shall not maintain or have maintained in the past year any business relationships with the Company or one of its subsidiaries to an extent that would be significant to the member of the Supervisory Board. This shall also apply to relationships with companies in which the member of the Supervisory Board has a considerable economic interest, but not to exercising

functions on the boards of the Group. The approval of individual transactions by the Supervisory Board pursuant to L Rule 48 shall not automatically mean that the person is deemed not to be independent.

- The Supervisory Board member shall not have acted as auditor of the Company or have owned a share in the audit firm or have worked there as an employee in the past three years.
- The Supervisory Board member shall not be a member of the managing board of another company in which a member of the Executive Board of the Company is a supervisory board member.
- The Supervisory Board member may not remain on the Supervisory Board for more than 15 years. This shall not apply to Supervisory Board members who are shareholders with a direct equity interest in the Company or who represent the interests of such a shareholder.
- The Supervisory Board member shall not be a close relative (direct descendant, spouse, life partner, parent, uncle, aunt, sibling, niece, nephew) of a member of the Executive Board or of persons who hold one of the aforementioned positions.

Based upon these guidelines for independence (Annex to the Austrian Code of Corporate Governance), all ten shareholder representatives have issued a written statement on their independence. Eight of them have declared their independence, and two members of the Supervisory Board have classified themselves as not being independent (in each case with respect to only the “relationships with related parties” criterion).

In addition, the following shareholder representatives meet the criteria for independence contained in C Rule 54 (not representing the interests of a shareholder with a stake of more than 10%): Roiss, Süß, Engelbrechtsmüller-Strauß, Muhm, Riess, Roth and Wagner. Both quotas required for independence by Rule 53 and Rule 54 of the Code are thus met.

Meetings of the Supervisory Board

Five plenary meetings of the Supervisory Board were held during financial year 2017. The overall attendance rate for all Supervisory Board members was 93%. No member of the Supervisory Board attended fewer than half of the meetings in person.

In addition to coordinating the ongoing strategic direction of the Company with the Executive Board, the Supervisory Board focused on decisions relating to the following topics in particular during the reporting period:

- consolidated financial statements and annual financial statements of VERBUND AG for 2016;
- motions for the Annual General Meeting;
- proposal for profit appropriation in accordance with Section 96(1) of the Stock Corporation Act (AktG);
- election of the General Committee of the Supervisory Board and constitution of the committees;
- appointment of the auditor;
- formation of a Strategy Committee;
- sale of shares in E-Mobility Provider Austria GmbH and SMATRICS GmbH & Co KG;
- decommissioning of the Mellach coal-fired power plant;
- approval of agreements with entities that are related parties of Supervisory Board members and
- approval of the Group’s budget for 2018.

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

Each year during the audit of the financial statements, the auditor provides the Supervisory Board with a separate report on the reliability of the risk management system. The report from the auditor details sustainability risks in the same manner as in the written quarterly reports on operating risk management that the Supervisory Board discusses at each of its meetings.

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

Evaluation of Supervisory Board activity

GRI 102-28

The performance of the Supervisory Board is evaluated annually during the Annual General Meeting, at which the shareholders vote to approve the actions of the Supervisory Board. At the 70th Annual General Meeting on 5 April 2017, the actions of all Supervisory Board members were formally approved.

As required by the Austrian Code of Corporate Governance (Rule 36), the Supervisory Board also evaluates its activities, in particular its organisation and work procedures, itself. This self-evaluation was conducted in 2017 on the basis of an extensive questionnaire. The results of the evaluation were presented and discussed by the Supervisory Board at its next meeting.

Composition and work procedures of the Committees

According to the Supervisory Board's rules of procedure, the Supervisory Board shall, following the Annual General Meeting, annually elect a Working Committee that will simultaneously function as the Emergencies Committee, an Audit Committee, a General and Remuneration Committee and a Nomination Committee. The Supervisory Board also formed its own temporary Strategy Committee in May of this year.

Each chairperson of a committee is required to report to the Supervisory Board on the work of the committee he or she chairs and on its decisions. In urgent cases, the chairperson of a committee is required to report in advance to the Chairman of the Supervisory Board.

Working Committee/Emergencies Committee

The Working Committee consists of the chairperson, the two vice-chairpersons and three additional members of the Supervisory Board, elected by the Supervisory Board. The membership of employee representatives is governed by Section 92(4) of the Austrian Stock Corporation Act (AktG).

The Working Committee

- is required to prepare the meetings of the Supervisory Board and to assist the Supervisory Board in the continuous monitoring of the Company's management without prejudice to the rights of the Supervisory Board pursuant to Section 95 of the Austrian Stock Corporation Act (AktG); and
- acts as the Emergencies Committee (Rule 39 of the Austrian Code of Corporate Governance).

The Supervisory Board has permanently assigned to the Working Committee responsibility for the matters that are subject to approval as laid down in Annex 2 of the Executive Board's rules of procedure.

The chairperson is required to make the necessary preparations for rapid decision-making on matters that fall within the remit of the Emergencies Committee or are referred to that committee for a decision (convening a meeting at short notice, video conferences). The grounds for urgency must be stated. If

necessary, the Working Committee can assign decision-making authority to its chairperson in a specific instance.

The Emergencies Committee makes decisions on all matters for which an immediate Supervisory Board decision is needed to gain economic advantages or to avoid impending financial losses.

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

Members of the Working Committee

Name	Function
Dr. Gilbert Frizberg (until 5/4/2017)	Chairman
Dr. Gerhard Roiss (from 5/4/2017)	Chairman
Prof. Dr. Michael Süß	1st Vice-Chairman
Mag. Elisabeth Engelbrechtsmüller-Strauß	2nd Vice-Chairwoman
Mag. Harald Kaszanits	Member
Mag. Werner Muhm	Member
Christa Wagner	Member
Anton Aichinger	Employee representative
Kurt Christof	Employee representative
Dipl.-Ing. Hans Pfau	Employee representative

The Supervisory Board's Working Committee met two times during financial year 2017. The activities of the Working Committee focused on:

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

Audit Committee

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

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

Members of the Audit Committee

Name	Function
Mag. Elisabeth Engelbrechtsmüller-Strauß	Chairwoman
Dr. Gilbert Frizberg (until 5/4/2017)	1st Vice-Chairman
Dr. Gerhard Roiss (from 5/4/2017)	1st Vice-Chairman
Prof. Dr. Michael Süß	2nd Vice-Chairman
Mag. Harald Kaszanits	Member
Mag. Werner Muhm	Member
Christa Wagner	Member
Anton Aichinger	Employee representative
Kurt Christof	Employee representative
Dipl.-Ing. Hans Pfau	Employee representative

The Supervisory Board's Audit Committee met three times during financial year 2017. The activities of the Audit Committee focused on:

- preparing the resolution on the annual financial statements for 2016, including appropriation of profit;
- selection process for the auditor for 2017 and later (tender process);
- preparing the approval of the consolidated financial statements and annual financial statements of VERBUND AG for 2016;
- proposal for the election of the auditor;
- acknowledgement of the semi-annual financial statements for 2017;
- monitoring financial reporting processes;
- monitoring the internal control system and the audit and risk management systems;
- discussion of areas of emphasis for the 2017 audit (auditor);
- audit and non-audit services and
- acknowledgement of the audit programme and audit reports of the Internal Audit department.

General and Remuneration Committee

According to its rules of procedure, the Supervisory Board is required to appoint a General and Remuneration Committee made up of the chairperson and the two vice-chairpersons. The Supervisory Board has permanently assigned responsibility for the following matters to this committee:

- entering into and amendment of contracts with members of the Executive Board;
- determination of Executive Board member remuneration and
- decisions on management bonuses and premiums for members of the Executive Board.

Members of the General and Remuneration Committee

Name	Function
Dr. Gilbert Frizberg (until 5/4/2017)	Chairman
Dr. Gerhard Roiss (from 5/4/2017)	Chairman
Prof. Dr. Michael Süß	1st Vice-Chairman
Mag. Elisabeth Engelbrechtsmüller-Strauß	2nd Vice-Chairwoman

With Dr. Roiss, the Remuneration Committee has the expert required by Rule 43 of the Austrian Code of Corporate Governance at its disposal. The General and Remuneration Committee met three times during financial year 2017. The meetings dealt with the agreements on targets and the variable remuneration components of the members of the Executive Board as well as the approval of an external supervisory board mandate for one member of the Executive Board.

Nomination Committee

According to its rules of procedure, the Supervisory Board is required to appoint a Nomination Committee consisting of the chairperson and two vice-chairpersons. Employee co-determination is governed by Section 92(4) of the Austrian Stock Corporation Act (AktG).

The Nomination Committee submits proposals to the Supervisory Board on appointments to the Executive Board and is responsible for preparing the election of new Supervisory Board members. The Nomination Committee is required to take account of the fact that a candidate's final nomination for the Executive Board must take place before the nominee's 65th birthday.

Members of the Nomination Committee

Name	Function
Dr. Gilbert Frizberg (until 5/4/2017)	Chairman
Dr. Gerhard Roiss (from 5/4/2017)	Chairman
Prof. Dr. Michael Süß	1st Vice-Chairman
Mag. Elisabeth Engelbrechtsmüller-Strauß	2nd Vice-Chairwoman
Anton Aichinger	Employee representative
Ing. Wolfgang Liebscher	Employee representative

The Nomination Committee met twice during financial year 2017 to deal with the preparations for elections to the Supervisory Board at the 2017 Annual General Meeting and the preparation of the call for applicants to the Executive Board in 2018.

Strategy Committee

In accordance with its rules of procedure, the Supervisory Board resolved in May 2017 to form its own temporary Strategy Committee for no longer than the end of 2018. The primary responsibility of this committee is to support the revision of the corporate strategy. The Strategy Committee met four times during the reporting period.

Members of the Strategy Committee

Name	Function
Dr. Gerhard Roiss	Chairman
Prof. Dr. Michael Süß	1st Vice-Chairman
Mag. Elisabeth Engelbrechtsmüller-Strauß	2nd Vice-Chairwoman
Mag. Harald Kaszanits	Member
Anton Aichinger	Employee representative
Dipl.-Ing. Hans Pfau	Employee representative

GRI 102-25

Contracts requiring consent – conflicts of interest

In financial year 2017, the following contracts and/or transactions approved by the Supervisory Board of VERBUND AG in accordance with the Austrian Stock Corporation Act (AktG) and the Austrian Code of Corporate Governance (Rule 49) existed between the VERBUND Group and individual Supervisory Board members or companies with which Supervisory Board members have close relationships:

Supervisory Board member Mag. Elisabeth Engelbrechtsmüller-Strauß

The general authorisation issued by the Supervisory Board in 2015 for the supply of inverters by the Fronius Group (through external intermediaries or SOLAVOLTA, in which VERBUND owns a 50% stake) in the amount of €600k per year and for the supply of small devices to VERBUND companies in the amount of €60k per year was only partially utilised in financial year 2017. In 2017, Fronius and VERBUND Trading GmbH also entered into a licence agreement for performance data for a fee of €12k. Elisabeth Engelbrechtsmüller-Strauß is CEO of the Fronius Group.

Supervisory Board members Mag. Dr. Martin Krajcsir (until 5 April 2017) and Dipl.-Ing. Peter Weinelt (from 5 April 2017)

A number of contractual relationships, some of many years standing, exist between VERBUND and the Wiener Stadtwerke Group, of which Mag. Dr. Martin Krajcsir is CEO and Dipl.-Ing. Peter Weinelt is deputy chairman. Some of these had already been entered into before Mag. Dr. Krajcsir and Dipl.-Ing. Peter Weinelt became members of the Supervisory Board. The business transacted under these contracts and their volume are reported to the Supervisory Board on an annual basis. In financial year 2017, an order volume totalling €830k was processed on the basis of existing contracts (excluding transactions with grid subsidiary APG). This primarily involved invoices for electricity and grid fees for VERBUND companies. In addition, contractual relationships for the supply of electricity exist with e&t Energie HandelsgmbH, in which Wiener Stadtwerke holds a 45% interest.

Supervisory Board member Dipl.-Ing. Dr. Peter Layr

A number of contractual relationships, some of which have been in existence for many years, exist between VERBUND and the EVN Group, of which Dr. Peter Layr was spokesman of the managing board until 30 September 2017. Some of these relationships had already been entered into before Dr. Layr became a member of the Supervisory Board. The business transacted under these contracts and their volume are reported to the Supervisory Board on an annual basis. In financial year 2017, an order volume totalling €1.2m was processed on the basis of existing contracts (excluding transactions with grid subsidiary APG). These primarily involved electricity, gas or grid purchases, usage fees and other payments and recharging of costs for various VERBUND companies. In addition, contractual relationships for the supply of electricity exist with e&t Energie HandelsgmbH, in which EVN holds a 45% interest.

In 2017, the Supervisory Board also granted its approval to the planned settlement agreement between VERBUND AG, VTP and EVN in connection with the decommissioning of the Dürnrrohr and Korneuburg power plants. The sale already approved in 2016 of a main transformer from the Dürnrrohr power plant by VTP to EVN at a price of €4m was completed in autumn 2017.

Supervisory Board member Mag. Jürgen Roth

In 2015, the Supervisory Board approved a contract for the supply of electricity from VSA for filling stations of Tank Roth GmbH with an estimated order volume of €170k per year from 2016. The contract runs until the end of 2018. The actual supply in 2017 was significantly below the level agreed. Mag. Jürgen Roth is managing partner at Tank Roth GmbH.

In financial year 2017, the Supervisory Board also looked in detail at possible (other) conflicts of interest involving Supervisory Board members that could have resulted in particular from activities or equity interests in the energy sector or in companies competing with the VERBUND Group. All Supervisory Board members confirmed that no conflicts of interest existed on their parts which would indicate reporting or disclosure. According to the assessment of the Supervisory Board, there are no fundamental conflicts of interest that would require further measures. Should such conflicts arise in future, suitable measures, such as abstention from voting or from providing advice and voting on individual agenda items, will have to be implemented promptly.

Remuneration of members of the Supervisory Board

The remuneration of the members of the Supervisory Board (including reimbursement of costs/travel expenses recharged) amounted to a total of €380,800.64 in 2017 (previous year: €387,329).

At the Annual General Meeting held on 17 April 2013, the following remuneration scheme was adopted for members of the Supervisory Board. This establishes the annual remuneration for the members elected by the Annual General Meeting and the attendance fees (for all members).

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

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

Specifically, the following remuneration was paid to the members of the Supervisory Board for financial year 2017:

Remuneration of Supervisory Board members			in €
Name (without title)	Annual remuneration	Attendance fees	
Gilbert Frizberg, Chairman (until 5/4/2017)	16,250	1,000	
Gerhard Roiss, Chairman (from 5/4/2017)	48,750	5,500	
Michael Süß, Vice-Chairman	45,000	5,500	
Elisabeth Engelbrechtsmüller-Strauß, Vice-Chairwoman	55,000	6,500	
Harald Kaszanits	30,000	7,000	
Martin Krajcsir (until 5/4/2017)	2,500	0	
Peter Weinelt (from 5/4/2017)	7,500	2,000	
Peter Layr	10,000	2,000	
Werner Muhm	30,000	5,000	
Susanne Riess	10,000	2,500	
Jürgen Roth	10,000	2,000	
Christa Wagner	30,000	4,500	
<i>Employee representatives</i>			
Anton Aichinger	–	7,000	
Kurt Christof	–	5,000	
Isabella Hönlinger	–	2,500	
Wolfgang Liebscher	–	2,500	
Hans Pfau	–	7,000	

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

Annual General Meeting

Further information on the Annual General Meeting is available in the Disclosures on Management Approach (DMA) at www.verbund.com > Investor Relations > Financial reports

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

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

The agenda for the 70th Annual General Meeting held on 5 April 2017, the resolutions adopted and the voting results can be viewed on the website at www.verbund.com > Investor Relations > General Meeting.

Diversity concept for appointments to the Executive Board and Supervisory Board

GRI 405-1

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

Studies indicate that mixed teams achieve better results and are more effective and innovative than homogeneous groups. This is also true for a company's boards. When appointing members of the Executive Board and the Supervisory Board, in order to get maximum benefit from different perspectives for entrepreneurial decisions, the following principles must therefore also be applied in addition to the general and company-specific requirements for specialised and personal qualifications:

Supervisory Board

The relevant aspects of a diverse composition of the Supervisory Board include the age of its members and the duration of their membership in the Supervisory Board, balanced representation of men and women, internationality and a balance in the education and career backgrounds of its members.

Age: The aim is to achieve a balanced age structure among members in which the difference between the oldest and the youngest member must be a minimum of 20 years in order to allow input from the different views of the generations.

No Supervisory Board member may remain on the Supervisory Board for more than 15 years.

Gender representation: The Supervisory Board of VERBUND AG (overall) is not yet in compliance with the statutory quota applicable from January 2018 requiring 30% of the less-represented gender on the supervisory board (women in the case of VERBUND). In any case, this figure is expected to be achieved from the next elections and appointments to the Supervisory Board (in 2018).

The objective is to comply with the federal government's decision from 2011: by 2018, women will make up at least 35% of the shareholder representatives on supervisory boards of state-owned companies.

Internationality: The Supervisory Board shall have an appropriate number of members (at least three) who spent a significant part of their professional career abroad or have many years of experience in international business.

Educational and career background: The goal is a Supervisory Board made up of members with the widest possible range of educational backgrounds and experiences from different professional careers. On the Supervisory Board, at least one member of the Supervisory Board shall contribute proven skills and expertise in each of the following areas:

- economics/management/finance/human resources/risk management;
- legal expertise;
- market/customers;
- technical skills/innovation and
- sustainability/environment/stakeholder management.

The Supervisory Board will consider these diversity criteria in its recommendations for the next elections to the Supervisory Board. The term of office of all current Supervisory Board members expires as at the Annual General Meeting in 2020.

Executive Board

The relevant aspects of a diverse composition of the Executive Board include a balance in the educational and career backgrounds, internationality and the duration of its unchanged composition.

Educational and career background: In addition to extensive managerial experience and comprehensive industry knowledge, members of the Executive Board shall have a sound education and relevant professional experience in either the technical or the commercial/administrative area.

Gender representation: For the medium term, the Executive Board shall have one female member.

Internationality: Some members of the Executive Board shall have spent a significant part of their professional career abroad or have many years of experience in international business.

Duration of the composition: The composition and division of responsibilities of the Executive Board shall not remain unchanged for more than ten years.

Measures for the advancement of women

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

In accordance with its commitment to sustainable management, VERBUND addresses issues of social relevance such as equal opportunity in the workplace. VERBUND treats all its employees equally, regardless of their gender, age, religious beliefs, disability, culture, skin colour, social origins, sexual orientation or nationality. Decisive action is taken against any form of discrimination or harassment.

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

As at 31 December 2017, nine women held management positions within the Group (first and second levels of management). The percentage of women in management positions is therefore 11.1%. The percentage of women among employees throughout the Group is 17.5%. One female executive has worked part time since 2012.

GRI 405-1
Detailed information on
measures to advance
women can be found in
the annual report in the
section entitled Human
resources and social
responsibility

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

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

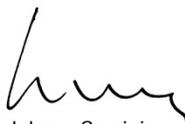
- Under the VERBUND diversity strategy, particular emphasis is placed on the dimension of gender, for which targets and measures are defined and implemented.
- Executives from the first level of management are also measured against targets set to promote the equal treatment of women.
- The VERBUND women's network addresses the ongoing development of a sustainable strategy for the advancement of women within VERBUND.
- Each year, VERBUND awards a scholarship to highly qualified women studying technical subjects.
- VERBUND takes part in the annual Take Your Daughter to Work Day to promote technical careers to girls while they are still at school and awaken their interest in the fascinating technical professions.
- In 2015, VERBUND received the Work and Family Audit certificate for the third time.
- On a regular basis, VERBUND prepares an income report comparing the salaries of men and women.

Vienna, 15 February 2018

The Executive Board



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



Dr. Johann Sereinig
Vice-Chairman of the Executive Board



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



Dr. Peter F. Kollmann
Member of the Executive Board