

Corporate governance report

EVN AG is a listed stock corporation under Austrian law whose shares are traded on the Vienna Stock Exchange. Corporate governance is therefore based on Austrian law – in particular stock corporation and capital market laws, legal regulations governing co-determination by employees and the company by-laws – as well as the Austrian Corporate Governance Code (ACGC, see www.corporate-governance.at) – and the rules of procedure for the company's corporate bodies.

Commitment to the Austrian Corporate Governance Code

Introduction

The Executive Board and the Supervisory Board of EVN are committed to the principles of good corporate governance and, in this way, meet the expectations of national and international investors for responsible, transparent and sustainable management and control. In the 2014/15 financial year the January 2012 version of the ACGC was complied with in its entirety. On 1 October 2015, EVN announced its commitment to comply with the ACGC in the January 2015 version.

The ACGC standards are divided into three categories. The legal requirements (L-Rules) are based on binding regulations which must be observed by all Austrian listed companies. The C-Rules (Comply or Explain) require public disclosure of the reasons in the event of non-compliance. EVN provides a detailed explanation of any deviations from these rules online under www.evn.at/Corporate-Governance-Report and provides an overview in the following section of this report. The R-Rules represent recommendations and do not require the justification of deviations.

The Executive Board and Supervisory Board formally declare that EVN complies with all C-Rules of the ACGC, with the exception of the following deviations and explanations. Furthermore, the company only deviates from a limited number of R-Rules.

Deviations from C-Rules

EVN does not fully comply with the following C-Rules of the ACGC:

Rule 16: The Supervisory Board did not appoint a member of the Executive Board to serve as chairman because the Executive Board consists of only two members in line with its assigned duties and the structure of the company. In cases where the Executive Board consists of only two members, voting is based on the following rules: meetings must be announced in the approved manner and both Executive Board members must be present. Resolutions must be passed unanimously and abstention from voting is not permitted. If a unanimous decision is not reached, the Executive Board must review and vote again on the respective point of the agenda within ten days. The Executive Board must report to the Supervisory Board if the second round of voting does not bring a unanimous decision. A spokesman is appointed for the Executive Board even when there are only two members, and the rules for the direction of the meetings and the representation also apply in this case. The Supervisory Board's decision not to appoint a chairman for the Executive Board applies for an indefinite period of time.

Rule 45: All members of the Supervisory Board, with one exception, complied with the provision that prohibits them from assuming functions on the boards of other enterprises which compete with EVN. The Supervisory Board member, elected by the Annual General Meeting, who does not meet this rule represents the interests of a specific shareholder of EVN AG. This deviation applies for the full term of office of the respective Supervisory Board member.

Rule 51: Based on an agreement between the Executive Board and Supervisory Board, the remuneration for the Supervisory Board is disclosed in total as well as in percentages for the chairman, the two vice-chairmen and the other members. This presentation provides adequate insight into the remuneration situation for the individual Supervisory Board members.

Corporate bodies

Executive Board



Peter Layr

Spokesman of the Executive Board

Born in 1953. Doctor of Technical Sciences. Joined EVN in 1978. Member of the EVN AG Executive Board since 1 October 1999. Appointed spokesman of the Executive Board in January 2011. His term of office expires on 30 September 2019. Peter Layr has executive responsibility for the Generation, Network Infrastructure Austria and Environmental Services segments as well as the following corporate functions: data processing, procurement and purchasing as well as internal auditing. In accordance with the disclosure required by Rule 16 of the ACGC, he holds one supervisory board mandate in another domestic company that is not included in the consolidated financial statements of the EVN Group¹⁾.

1) Verbund AG, member of the Supervisory Board



Stefan Szyszkowitz

Member of the Executive Board

Born in 1964. Master of Law, Master of Business Administration. Joined EVN in 1993. Member of the EVN AG Executive Board since 20 January 2011. Appointed to office from 20 January 2016 to 19 January 2021. Executive responsibility for the Energy Trade and Supply and Energy Supply South East Europe segments as well as the following corporate functions: controlling (incl. investor relations), customer relations, finance, accounting, general secretary and corporate affairs, information and communications, human resources as well as administration and construction. In accordance with the disclosure required by Rule 16 of the ACGC, he holds three supervisory board mandates in other domestic companies that are not included in the consolidated financial statements of the Group¹⁾.

1) EVN-Pensionskasse Aktiengesellschaft, chairman of the Supervisory Board
CEESEG Aktiengesellschaft, member of the Supervisory Board
Wiener Börse AG, member of the Supervisory Board

The remuneration of the active members of the Executive Board totalled TEUR 987.9 in 2014/15 (including compensation in kind and contributions to pension funds).

The following table provides detailed information on the remuneration of the active members of the Executive Board in 2014/15:

Remuneration of the active Executive Board members

TEUR	2014/15		
	Fixed remuneration	Variable remuneration	Compensation in kind
Peter Layr	380.5	91.3	11.3
Stefan Szyszkowitz	354.8	85.2	11.3

1) For Stefan Szyszkowitz, the pension fund contributions equalled TEUR 53.5.

□ For more information on the remuneration of the Executive Board see the consolidated notes on page 210f.

Supervisory Board

Members of the Supervisory Board

Name (year of birth)	Date of initial appointment	Function in listed companies and other important functions	Independence Rule 53 ¹⁾
Shareholder representatives			
President and Chairman Burkhard Hofer (1944)	from 20.01.2011	Member of the Supervisory Board of Flughafen Wien Aktiengesellschaft, Chairman of the Supervisory Board of HYPO NOE Gruppe Bank AG (up to 17.04.2015)	no
Stefan Schenker 1 st Vice-Chairman (1946)	from 12.12.1996	Independent forestry engineer and agriculturist	no
Willi Stiwicek 2 nd Vice-Chairman (1956)	from 15.01.2009	Head of the Presidential Department of the Magistrate of the Provincial Capital St. Pölten	yes
Norbert Griesmayr (1957)	from 12.01.2001	Chairman of the Executive Board of VAV Versicherungs-Aktiengesellschaft	yes
Thomas Kusterer (1968)	from 17.01.2013	Member of the Executive Board of EnBW Energie Baden-Württemberg AG	yes
Dieter Lutz (1954)	from 12.01.2006	Managing Director of the BENDA LUTZ-WERKE GmbH, Member of the management board of the Benda-Lutz Corporation, USA, Vice-President of the Lower Austrian Chamber of Commerce and of the Association of Österreichische Industrie, Group Lower Austria	yes
Reinhard Meißl (1959)	from 12.01.2006	Head of the Finance department, Provincial Government of Lower Austria, CEO of NÖ Holding GmbH and NÖ Landes-Beteiligungsholding GmbH	yes
Bernhard Müller (1973)	from 12.01.2006	Mayor of the statutory city Wiener Neustadt (up to 20.02.2015), administrative civil servant	yes
Edwin Rambossek (1943)	from 20.01.2011	Management consultant	yes
Angela Stransky (1960)	from 16.01.2014	Authorised representative of Raiffeisenlandesbank Niederösterreich-Wien AG	yes
Employee representatives			
Franz Hemm (1955)	from 03.05.1994 unlimited term	Chairman of the Central Works Council of Netz Niederösterreich GmbH, Vice-President of the Lower Austrian Chamber of Labour	
Ing. Paul Hofer (1960)	from 01.04.2007 unlimited term	Chairman of the Central Works Council of EVN AG	
Mag. Dr. Monika Fraißl (1973)	from 01.07.2013 unlimited term	Central Works Council	
Manfred Weinrichter (1961)	from 01.01.2001 unlimited term	Vice-chairman of the Central Works Council of Netz Niederösterreich GmbH	
Ing. Otto Mayer (1959)	from 12.05.2005 unlimited term	Central Works Council	

The terms of office of all Supervisory Board members elected by the Annual General Meeting expire at the end of the Annual General Meeting that will vote on the release from liability for the 2014/15 financial year. The employee representatives are delegated by the respective Works Council for an unlimited term, but may be recalled by their Works Council at any time.

1) Rule 53 of the ACGC: independence of the company and the Executive Board

A list of the Supervisory Board committees can be found on page 99f.

Independence of the Supervisory Board

A member of the Supervisory Board is considered to be independent when he/she has no business or personal relations with the company or its management board that could lead to a material conflict of interest and therefore influence the member's behaviour. If any such conflicts of interest arise, EVN requires multi-year transition periods in accordance with the ACGC.

The guidelines to determine the independence of the elected members of the Supervisory Board stipulate that these persons

- may not have any business or personal relations with EVN AG or its Executive Board that constitute a material conflict of interest and are therefore capable of influencing the member's behaviour;
- may not have served as a member of the Executive Board or a top executive of EVN AG or any of its subsidiaries during the past five years;
- may not maintain, or in the previous year did not maintain, any business relations with EVN AG or a subsidiary of EVN AG that are considered material for that member. This also applies to business relations with companies in which the Supervisory Board member holds a significant economic interest, but does not cover appointments to corporate bodies within the EVN Group. The approval of individual transactions by the Supervisory Board in accordance with L-Rule 48 of the ACGC does not automatically lead to qualification as not independent.
- may not have acted as an auditor of EVN AG or owned a share in or worked as an employee of this firm during the past three years;
- may not serve on the management board of another company in which a member of the Executive Board of EVN AG is a member of the supervisory board;
- may not serve on the Supervisory Board for more than 15 years. This does not apply to Supervisory Board members who hold an investment in the company as shareholders or who represent the interests of such shareholders; and
- may not be closely related (i.e. direct offspring, spouse, life partner, parent, uncle, aunt, brother, sister, niece, nephew) to a member of the Executive Board or to persons who hold one of the above-mentioned positions.

Function and committees of the Supervisory Board

The Supervisory Board fulfils its responsibilities as a joint decision-making body in cases where individual issues are not delegated to its committees. The Supervisory Board committees are responsible for preparing negotiations and resolutions, monitoring the implementation of the Supervisory Board's decisions and taking decisions on issues delegated by the Supervisory Board. The following committees were established by the Supervisory Board of EVN AG, each

of which includes at least three elected Supervisory Board members and the legally required number of employee representatives:

The responsibilities of the **Audit Committee** are as follows:

- monitoring the accounting process;
- monitoring the effectiveness of the internal control system and, if necessary, the company's internal audit and risk management systems;
- monitoring the audit of the annual and consolidated financial statements;
- verifying and monitoring the independence of the auditor of the annual financial statements (consolidated financial statements), in particular with regard to additional services provided for the audited company;
- reviewing the annual financial statements and preparing the required authorisation, reviewing the proposal for the distribution of profits, the management report and, if applicable, the corporate governance report as well as submitting a report on the results of this review to the Supervisory Board;
- examining the consolidated financial statements and the Group management report and submitting a report on the results of this examination to the Supervisory Board of the parent company; and
- preparing a proposal for the Supervisory Board on the selection of the auditor of the annual and consolidated financial statements.

The Audit Committee includes the financial expert required by law and Rule 40 of the ACGC.

The **Personnel Committee** is responsible for all matters involving the relationships between the company and the members of the Executive Board, in cases where the full Supervisory Board is not responsible under law. The Personnel Committee nominates replacements for vacant seats on the Executive Board. As the Remuneration Committee of the Supervisory Board, the Personnel Committee has one member with knowledge and experience relating to remuneration policies (Rule 43 of the ACGC).

The **Working Committee** is responsible for carrying out the specified tasks assigned by the full Supervisory Board. In certain urgent cases, the Working Committee is authorised by the rules of procedure for the Supervisory Board to approve specific business transactions on behalf of this body.

The Supervisory Board held five plenary meetings during the reporting year, at which its members fulfilled the tasks and duties required by legal regulations and the company's by-laws. A closed conference was also held, in which the Supervisory Board dealt with the

issue of cybersecurity and the protection of critical infrastructure. These discussions covered international developments, risks and solution approaches as well as developments in Austria and measures in the EVN Group. The Audit Committee of the Supervisory Board met twice during 2014/15. The Working Committee, which also serves as an emergency committee, did not meet during the reporting year. The Personnel Committee, which also serves as a Remuneration and Nominating committee, met three times. Average attendance at Supervisory Board meetings equalled approximately 87% in 2014/15.

One member of the Supervisory Board (Bernhard Müller) did not personally attend more than half the Supervisory Board meetings during the reporting year (Rule 58 of the ACGC).

Composition of the Supervisory Board committees

Working Committee

Burkhard Hofer (Chairman)
Stefan Schenker
Willi Stiwicek
Reinhard Meißl
Franz Hemm
Paul Hofer

Personnel Committee

Burkhard Hofer (Chairman)
Stefan Schenker
Willi Stiwicek

Audit Committee

Stefan Schenker (Chairman)
Burkhard Hofer
Willi Stiwicek
Reinhard Meißl
Franz Hemm
Paul Hofer

Management of the company by the Executive Board

The Executive Board of EVN must have a minimum of two members. If the Supervisory Board does not appoint a chairman or spokesman for the Executive Board, the members are entitled to designate their own spokesman. The Executive Board is responsible for managing the company to support its business activities and continued success in the interests of shareholders, employees and the general public. The work of the Executive Board is based on legal requirements and the company's by-laws as well as the rules of procedure for

the Executive Board that were approved by the Supervisory Board. Important rules of conduct are also defined by the ACGC.

Irrespective of the Executive Board's overall responsibility, the Supervisory Board establishes and assigns specific areas of responsibility to the individual Executive Board members based on the given requirements. Certain transactions are reserved for joint discussions and decision-making by the full Executive Board. The Executive Board is required to obtain the prior consent of the Supervisory Board for business transactions that require this approval based on legal regulations or a previous Supervisory Board resolution. The company by-laws contain a detailed list of such cases.

Reporting obligations of the Executive Board

Organisational regulations require the Executive Board to report to the Supervisory Board. These reporting standards also apply to the Supervisory Board committees. The reporting obligations of the Executive Board include quarterly reports on the development of business in the Group and information on matters of importance relating to major Group subsidiaries.

Annual General Meeting

The shareholders of EVN exercise their legal and voting rights at the Annual General Meeting, whereby each share is entitled to one vote. EVN AG has no preferred shares or shares with multiple voting rights. Decisions on specific matters are reserved for the Annual General Meeting by Austrian law or the company's by-laws including, among others, the distribution of profits, the release of the members of the Executive Board and the Supervisory Board from liability, the selection of the auditor for the individual and consolidated financial statements, and the election of the members of the Supervisory Board. Moreover, the Annual General Meeting is entitled to decide on changes in the company by-laws and planned capital measures. The results of voting and the agenda for the 86th Annual General Meeting of EVN on 15 January 2015 are available on the EVN website (www.evn.at/AGM.aspx).

Clear separation of management and control responsibilities

Austrian stock corporation law prescribes a dual management system and requires strict separation between management bodies (i.e. Executive Board) and controlling bodies (i.e. Supervisory Board). Parallel membership in both bodies is not permitted.

Communications between the Executive Board and the Supervisory Board take place at the meetings of the Supervisory Board and its committees and in writing, as required. In addition, the Executive Board and the chairman of the Supervisory Board maintain regular contact on issues that fall under the responsibility of the Supervisory Board. In particular, this includes the preparation of meetings.

Supervisory Board

As of 30 September 2015, the Supervisory Board of EVN AG had ten shareholder representatives elected by the Annual General Meeting and five members delegated by the Works Council. The Supervisory Board is headed by a chairman and two vice-chairmen, who are chosen by the Supervisory Board from among its members. The minimum number of independent members was set at 50% in a meeting on 29 May 2006. The independent members of the EVN Supervisory Board, as defined by Rule 53 of the ACGC, are listed on page 98.

The Supervisory Board performs its duties in accordance with the provisions of stock corporation law and the company's by-laws. Additional guidelines for its activities are provided by the rules of procedure for the Supervisory Board and by the ACGC.

One particular responsibility of the Supervisory Board is to supervise the work of the Executive Board, from which it may request a report at any time concerning the development of business. Legal regulations allow the Supervisory Board to extend the scope of business transactions requiring its formal consent as defined in § 95 (5) of the Austrian Stock Corporation Act through resolutions. The rules of procedure for the Executive Board and the Supervisory Board contain a detailed list of such business transactions and measures.

The ACGC requires the regular external evaluation of compliance with the C-Rules defined in the Code (Rule 62 of the ACGC). The corresponding external evaluation carried out during the reporting year concluded that, "EVN AG complied with the C-Rules of the ACGC during the 2014/15 financial year".

In 2014/15, the Supervisory Board carried out another self-evaluation of its activities as required by the Code. This evaluation was based on an extensive written questionnaire which was answered by the members of the Supervisory Board.

Remuneration report

Remuneration for top executives (Rule 28a): In light of the requirements defined by the latest version of the ACGC, the current variable remuneration system for top executives was amended by the company's corporate bodies as of 1 October 2010. In the process, the ratio of the variable remuneration to fixed salaries remained the same. This adjustment set the following priorities:

Indicators to illustrate the company's economic situation: The following quantitative parameters are used to measure the further development of management indicators that demonstrate the stra-

tegic and operating priorities of the EVN Group: increase in economic value added (EVA®) and average cash flow contribution.

Sustainability: Within the frame of the new remuneration rules, one of the primary objectives of the current version of the ACGC is to strengthen the focus of the Executive Board and top managers on sustainability and a long-term orientation. The introduction of multi-year targets and a bonus reserve further increased the solidity and stability of the variable remuneration system.

The bonus reserve is defined as a payment mechanism which is converted into an annual pro-rata bonus if the quantitative targets are met during a given period. Up to one-half of the bonus reserve is distributed after the achievement of objectives has been confirmed, while the remainder is carried forward to the next year. The introduction of a bonus reserve is designed to achieve two main goals. On the one hand, it is based on a multi-year approach that links consecutive years by carrying the unpaid bonus components from the initial reserve forward to the next period (similar to an opening account balance). On the other hand, this scheme aims to cushion and smooth the "independent" fluctuations in the company's economic performance.

Multi-year approach: The quantitative objectives are defined in advance for a period of three years. The determination of target achievement is based on internal data and information as well as external sources, e.g. benchmarks, peer group analysis and capital market and rating evaluations. In addition to the general three-year period, the accuracy and validity of the medium-term targets is evaluated each year. These targets are only revised in exceptional cases, for example in light of unforeseeable events or changes in the company which have a significant impact on performance.

Stock options (Rule 29): EVN does not have a stock option programme for the members of the Executive Board or key managers.

Performance-based bonus programme for the Executive Board (Rules 27, 30): In 2014/15, the remuneration of the Executive Board comprised a fixed component of approximately 81% and a variable component of approximately 19%. The variable component was based on the 2013/14 financial year. The performance-based component consists of the following parts: 30% based on the increase in economic value added (EVA®), 40% on the average cash flow contribution and 30% on individually agreed targets. Target corridors between 0% and 200% have been defined for the quantitative performance criteria (EVA® and the cash flow contribution), whereas 0% to 100% of the individually agreed targets can be achieved.

In keeping with the requirements of the current ACGC, the Supervisory Board of EVN AG approved an amendment to the pre-

vious variable remuneration scheme beginning in 2010/11. However, the ratio of variable remuneration to fixed salaries remained unchanged. Additional information is provided under the remuneration system for top executives (Rule 28a).

Directors and officers insurance (D&O insurance, Rule 30):

EVN has arranged for D&O insurance to cover claims for damages by the company, shareholders, creditors, competitors and customers against the Executive Board resulting from violations of their legal obligation to exercise diligence in their capacity as managing directors. The managerial bodies of the Group's subsidiaries and certain affiliated companies are jointly insured under the prevailing terms and conditions at the present time. The costs for this insurance are carried by the company. Since the premium applies to the Group and is not dependent on the number of insured persons, extending this insurance coverage to the members of the Supervisory Board does not increase the premium.

Contracts requiring the approval of the Supervisory Board (Rule 48):

No member of the Supervisory Board has concluded a contractual agreement with EVN or one of its subsidiaries that would entitle him or her to more than an insignificant payment. All such contracts are subject to the approval of the Supervisory Board.

Remuneration of the Supervisory Board (Rule 51): The Supervisory Board remuneration totals TEUR 98 per year. The chairman receives 15.1% of this amount, each of the two vice-chairman 11.0% and each of the other members slightly more than 9.0%. The attendance fee equals EUR 190 per person and meeting.

Measures to support women (Rule 60): EVN is committed to offering equal opportunities to all its employees. The percentage of women in EVN's workforce amounts to 21.9%, while roughly 7% of the key management positions are filled by women. There are no women on EVN's Executive Board, and the percentage of women on the Supervisory Board equals 13.3%. The Women@EVN programme was developed in 2010/11 to increase this ratio by improving the opportunities and perspectives offered to women working for the EVN Group in Austria. It is designed to create operating conditions that enable women to assume qualified positions in specialised areas and at the management level in line with their inclinations and skills. There were no appointments of women to additional senior positions during the reporting year. Group-wide, nine women currently serve as project managers (project manager career path). The percentage of young women in the Group's management development programme was higher than the current share of women in EVN's workforce during the reporting year. EVN has long pursued measures to support the work-life balance of women. These include flexible working time models, the provision of individualised support

to women returning after maternity leave, day care during holidays, information events for staff members on parental leave as well as a comprehensive programme of vocational and professional education which is also open to men and women on parental leave. EVN's objective for the medium term is to increase the share of women to a level that mirrors the current educational levels of women in the applicable professional groups.

The Austrian Equal Opportunity Act requires companies with a workforce above a certain threshold to submit a biannual remuneration report (§ 11a of the Equal Opportunity Act). All companies in the EVN Group with a workforce above the legally defined threshold prepared the required report and submitted it to the applicable works council.

Directors' Dealings (Rule 73): No purchases of EVN AG shares by members of the corporate bodies or other persons listed in § 48 d (4) of the Austrian Stock Exchange Act were reported to the company or to the Austrian Financial Market Authority during 2014/15.

Related Party: EVN AG and NÖ Landes-Beteiligungsholding GmbH concluded a group and tax settlement agreement in 2005. Additional information on related party transactions as defined in IAS 24 is provided in the consolidated notes (note 68).

Auditor's fees: EVN's annual and consolidated financial statements for the 2014/15 financial year were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna. The fees charged by KPMG in 2014/15 amounted to EUR 1.8m (previous year: EUR 1.5m) and were distributed as follows: 48.2% for auditing and audit-related services (previous year: 52.2%), 48.8% for tax consulting services (previous year: 47.0%) and 3.0% for other consulting services (previous year: 0.8%).

Internal audit and risk management at EVN

Internal audit

EVN's internal audit department reports directly to the Executive Board and to the Audit Committee of the Supervisory Board. It is responsible for auditing and controlling processes and business units throughout the EVN Group. Separate internal audit departments were also established at EVN's subsidiaries in Bulgaria and Macedonia. The internal audit departments prepare annual audit plans based on the results of risk assessments, and these plans are approved by the responsible corporate bodies before implementation. Any problem areas identified during the audits are reported

to the respective business units and measures for improvement are recommended. The implementation of the measures approved by EVN's management is then evaluated in follow-up audits. No serious deficiencies were identified that could endanger the strategy and objectives of the EVN Group.

Risk management

The primary goal of risk management at EVN is to protect the Group's current and future earnings potential. Risks are recorded and analysed based on a centrally managed two-stage process that provides the responsible employees in the EVN Group with methods and tools to identify and evaluate risks. The respective business units, which are also responsible for risk management, communicate their risk exposures to the central risk management department, which classifies, analyses and evaluates risks across the entire Group. Measures to minimise corporate risks are also identified and their implementation is monitored. The two-stage risk management process is supported by standardised guidelines and consistently carried out throughout the Group. The resulting risk analyses are presented to the Executive Board and the responsible managing directors at regular intervals by the Group Risk Committee. A detailed presentation of EVN's main risks and the measures taken to control risks can be found in the chapter on risk management in the 2014/15 management report.

Issuer compliance

EVN has developed a comprehensive set of rules to prevent the misuse of insider information, which are based on the regulations defined by the Austrian Stock Corporation and Stock Exchange Acts, the Austrian Issuer Compliance Code and the Directive of the European Parliament on insider dealing and market manipulation. Twenty permanent and four ad-hoc areas of EVN's business have been designated as strictly confidential, and the involved employees take part in regular training. In accordance with the Austrian Stock Exchange Act, compliance and confidentiality are monitored and evaluated by a designated compliance officer who reports directly to the Executive Board. The regular controls carried out by the compliance officer in 2014/15 did not identify any deficiencies.

EVN Code of Conduct

EVN places great importance on the integrity and legally compliant behaviour of all its employees and business partners. Through their role as an integral part of an international energy and environmental services company, the managers and employees of EVN have a far-reaching responsibility and role model function both in Austria and abroad.

The Code of Conduct, which was developed in a Group-wide process and updated during 2012, forms the basis for all compliance measures at EVN.

Corporate Compliance Management (CCM), a staff department reporting directly to the Executive Board, was established as of 1 October 2012 to develop, manage and improve the Compliance Management System (CMS). The CMS defines a standardised framework for the entire Group which is designed to support employees to behave in an honest and legally compliant manner in everyday business activities.

Following the installation of a Group-wide compliance organisation in 2012/13, activities during the past two financial years focused on employee training. As EVN managers play a key role and serve as role models in establishing a sustainable compliance culture, managers of all strategic business units – in Austria and in other countries – were sensitised for this subject in five-hour interactive, dialogue-oriented workshops.

In order to spread and anchor the CMS as strongly as possible throughout the Group, the sensitisation of managers was followed by training sessions for employees. The compliance officers responsible for the respective departments explained EVN's CMS and the related structures and processes in sessions consisting of small groups and lasting for at least 2.5 hours, whereby special focus was placed on explaining the anonymous whistle-blower system. The content of the training sessions is based on the ten subject areas defined in EVN's Code of Conduct. The following subjects were defined based on the risk analysis and discussed with the help of specific case studies: customers, capital market and investors, integrity and avoidance of corruption, data protection and confidentiality.

The compliance box "Compliance. It's good energy." was developed for these training courses. It can be used as a collection of resources or reference work and was distributed to all participants at the start of the training course. The box is available in German, English, Bulgarian, Macedonian and Russian. An identical training programme is also held for all new employees.

Compliance training courses on the content described above have been held for nearly 8,000 employees and over 200 managers in ten different languages at more than 100 different locations from the start of the CMS to the end of the 2014/15 financial year. These activities ensure that all employees and managers in the EVN Group are well equipped to deal with the challenges resulting from adherence to the compliance rules.

New compliance-relevant content and issues are reviewed on a regular basis. In accordance with the risk assessment, they are processed and included in the compliance box as required. Training courses on special subjects provide additional information for areas exposed to increased risk. In order to strengthen the awareness for

compliance and reinforce the course content, employees are able to access the contents available on the EVN Intranet as well as e-learning tools developed especially for their use. The implementation of the e-learning tools was completed by the end of 2014/15 in all strategic business units and Group companies in Austria. In the other countries, this implementation is scheduled for the first six months of the new financial year. Special content is also offered for managing directors, infrastructure project managers and sales employees. A specific plan continually sets the main points for communications on current compliance issues.

An important element of the CMS is the whistle-blowing procedure, which provides a framework to report possible violations of EVN's Code of Conduct. This system is voluntary and anonymous, and the identity of the reporting person is never revealed.

Maria Enzersdorf, 18 November 2015



Peter Layr
Spokesman of the Executive Board



Stefan Szyszkowitz
Member of the Executive Board

The EVN Code of Conduct can be found under www.evn.at/Code-of-conduct.aspx. Its content is based on EVN's various stakeholder groups and is designed to support all employees in implementing EVN's values during their working activities.

The Supervisory Board received a report on the content, goals and status of the compliance organisation in its meeting on 10 December 2014 in accordance with Rule 18a of the ACGC.

Audit of compliance with the Austrian Corporate Governance Code by KPMG Austria

The report by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, on their audit of the corporate governance report of EVN AG, Maria Enzersdorf, pursuant to § 96 (2) Stock Corporation Act, to evaluate compliance with the ACGC is available under www.investor.evn.at.

Corporate governance and sustainability

Involvement of management and the highest governance body in sustainability issues

The **Executive Board** of EVN is responsible for the continuous development of the corporate strategy and for the preparation and revision of corporate guidelines and policy statements. This work is carried out in close coordination with the **Supervisory Board** and is supported by steering committees and working groups that are established for specific topics. A **CSR steering committee** was installed to deal with questions regarding sustainability. It comprises the entire management team, including the Executive Board, and therefore reflects European best practice standards. The committee's broad composition allows for the targeted management of CSR issues and continuous coordination with the corporate strategy and operating segments' goals.

△ GRI indicator: Role of the executive board regarding economic, ecological and social impacts, risks and opportunities (G4-42)

The Supervisory Board is provided with extensive information on current economic, ecological and social issues that are relevant for EVN at an annual closed **conference**. The main subjects of this conference in 2014/15 were cybersecurity and the protection of critical infrastructure. The Chief Compliance Officer also reports to the Supervisory Board twice each year at meetings of the Audit Committee. During these meetings, critical issues concerning the Supervisory Board can also be included. Independent of these meetings, the Supervisory Board receives additional information on any initial suspicions of violations that may present an economic risk to the company or damage its reputation. The Audit Committee of the Supervisory Board is informed of any initial suspicions of violations that may have material economic effects or cause damage to the company's reputation. The chairman of the Supervisory Board is notified directly if there are any suspicions of severe compliance violations involving the Executive Board members or if the Executive Board fails to take action. No critical issues were reported to the Supervisory Board during the reporting year.

△ GRI indicators: Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics (G4-43); Process for communicating critical concerns to the highest governance body (G4-49); Nature and total number of critical concerns communicated to the highest governance body (G4-50)

Involvement of stakeholders

Assistance to the Executive Board and Supervisory Board on sustainability issues is also provided by the **Advisory Committee for Environmental and Social Responsibility**. This committee consists of independent internal and external experts as well as employee representatives. For guidance on issues related to social commitment, the Executive Board can also call on the external experts who serve on the Advisory Board of the **EVN Social Fund** (details on these advisory boards can be found on page 234). The stakeholder group "customers" has been represented by a committee since 2011, whose function is to intensify the customer dialogue. The **EVN Customer Advisory Board** has 24 members who are selected to represent the interests of consumers from Lower Austria. The committee's members serve two-year terms, whereby the most recent appointments were made in spring 2015. Regular stakeholder surveys are also carried out to identify the needs and concerns of the various interest groups. The results of these surveys are presented to the Executive Board in detail and flow directly into EVN's strategy in the form of the strategic areas of activity.

△ GRI indicator: Consultation processes between stakeholders and the executive board (G4-37)

Stakeholders have an opportunity to express their views on management's **remuneration** and the remuneration scheme at the **Annual General Meeting**.

The remuneration scheme for key EVN managers was adjusted as of 1 October 2010. Among others, the adjustment included the following points:

- Inclusion of value-oriented indicators
- Inclusion of sustainable development factors for the respective areas

△ GRI indicator: Stakeholders' views on management remuneration (G4-53)