
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 the Stock Corporation Act 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. On 1 March 2018, EVN announced its commitment to comply with the ACGC in the January 2018 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 presents an overview in the following section of this report. The R-Rules (Recommendations) 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 deviation 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-Rule 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 without a designated chairman, 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 representation 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.

Corporate bodies

Executive Board

Stefan Szyszkowitz

Spokesman of the Executive Board

Born in 1964, Master of Law, Master of Business Administration. Joined EVN in 1993, appointed to the Executive Board of EVN AG in January 2011 and designated spokesman of the Executive Board in October 2017. His term of office ends on 19 January 2021. Executive responsibility for the Energy and South East Europe Segments as well as the following corporate functions: controlling, customer relations, finance, accounting, general secretary and corporate affairs, information and communications, human resources, and administration and construction. In accordance with the disclosure required by Rule 16 of the ACGC, he holds four supervisory board mandates in other companies that are not included in the consolidated financial statements of the EVN Group¹⁾.

- 1) CEESEG Aktiengesellschaft, member of the supervisory board
Wiener Börse AG, member of the supervisory board
Österreichische Post Aktiengesellschaft, member of the supervisory board
Verbund AG, member of the supervisory board

Franz Mittermayer

Member of the Executive Board

Born in 1958, Master of Mechanical Engineering and Industrial Management. Joined EVN in 1993, appointed to the Executive Board of EVN AG in October 2017. His term of office expires on 30 September 2022. Executive responsibility for the Generation, Networks and Environment Segments as well as the following corporate functions: data processing, procurement and purchasing, and internal auditing.

The remuneration for the active members of the Executive Board totalled TEUR 1,160.3 in 2017/18 (including compensation in kind and contributions to pension funds). The members of the Executive Board are also covered by directors and officers liability insurance (D&O insurance).

Remuneration of the active Executive Board members

TEUR

	2017/18		
	Fixed remuneration	Variable remuneration	Compensation in kind
Stefan Szyszkowitz ¹⁾	401.7	184.4	14.3
Franz Mittermayer ²⁾	346.2	83.1	13.8

1) For Stefan Szyszkowitz, the pension fund contributions equalled TEUR 60.7.

2) For Franz Mittermayer, the pension fund contributions equalled TEUR 56.1.

□ For more information on the remuneration of the Executive Board, see the consolidated notes on page 191f

Supervisory Board**Members of the Supervisory Board**

Shareholder representatives	Date of initial appointment ¹⁾	Functions in listed companies and other important functions	Independence Rule 53 ACGC ²⁾	Diversity factors ³⁾
Bettina Glatz-Kremsner President and Chairwoman	From 21.01.2016	Member of the management board of Casinos Austria Aktiengesellschaft; managing director, resp. member of the supervisory board in numerous companies of the Casinos Austria Group; chairwoman of the supervisory board of Flughafen Wien Aktiengesellschaft; member of the supervisory board of Telekom Austria Aktiengesellschaft; general council member of Oesterreichische Nationalbank	Yes	Female Born 1962 Austria
Norbert Griesmayr 1 st Vice-Chairman	From 12.01.2001	Chairman of the management board of Hutschinski Privatstiftung; member of the management board of Privatstiftung zur Verwaltung von Anteilsrechten; managing director of Alma-Kano Gesellschaft m.b.H.; vice-chairman of the supervisory board of BauWelt Handels-Aktiengesellschaft; member of the supervisory board of Collegalität Versicherungsverein Privatstiftung and VAV Versicherungs-Aktiengesellschaft	No	Male Born 1957 Austria
Willi Stiowicek 2 nd Vice-Chairman	From 15.01.2009	Head of the presidential committee of the provincial capital St. Pölten; member of the supervisory board of NÖ Regional GmbH	Yes	Male Born 1956 Austria
Philipp Gruber	From 21.01.2016	Administrative lawyer	Yes	Male Born 1979 Austria
Dieter Lutz	From 12.01.2006	Managing director of BENDA LUTZ-WERKE GmbH and IMMRE-LUTZ GmbH; member of the management board of Benda-Lutz Skawina GmbH in Poland; member of the supervisory board of NÖ Bürgschaften und Beteiligungen GmbH; vice-president of the Lower Austrian chamber of commerce	Yes	Male Born 1954 Austria
Reinhard Meißl	From 12.01.2006	Head of the financial group in the provincial government of Lower Austria; managing director of NÖ Holding GmbH and NÖ Landes-Beteiligungsholding GmbH	Yes	Male Born 1959 Austria
Susanne Scharnhorst	From 21.01.2016	Management consultant	Yes	Female Born 1961 Austria
Angela Stransky	From 16.01.2014	Authorised officer of RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG and managing director in numerous companies of the Raiffeisen Group	Yes	Female Born 1960 Austria
Friedrich Zibuschka	From 21.01.2016	Associate professor in the Institute for Transportation Studies at the University of Natural Resources and Life Sciences, Vienna; general partner of Zibuschka Regional Consulting OG	Yes	Male Born 1950 Austria
Johannes Zügel	From 19.01.2017	Head of investment management at EnBW Energie Baden-Württemberg AG	Yes	Male Born 1966 Germany
Employee representatives				
Franz Hemm	From 03.05.1994	Chairman of the Central Works Council of Netz Niederösterreich GmbH		Male Born 1955 Austria
Paul Hofer	From 01.04.2007	Chairman of the Central Works Council of EVN AG		Male Born 1960 Austria
Manfred Weinrichter	From 01.01.2001	Vice-Chairman of the Central Works Council of Netz Niederösterreich GmbH		Male Born 1961 Austria
Friedrich Bußlehner	From 01.01.2016	Member of the Central Works Council		Male Born 1962 Austria
Monika Fraiße	From 01.07.2013	Works Council representative		Female Born 1973 Austria

1) The terms of office of the Supervisory Board members elected by the Annual General Meeting expire at the end of the Annual General Meeting that will vote on their release from liability for the 2019/20 financial year. The employee representatives are delegated by the respective Works Council for a term which ends with the next Works Council elections.

2) Rule 53 of the ACGC: Independence of the company and the Executive Board

3) Diversity factors include gender, year of birth and citizenship.

Remuneration of the Supervisory Board members in 2017/18 (Rule 51 of the ACGC)

EUR	Supervisory Board remuneration	Attendance fees
Bettina Glatz-Kremsner	18,200	4,000
Norbert Griesmayr	13,200	4,000
Willi Stiowicek	13,200	4,000
Philipp Gruber	10,600	1,500
Dieter Lutz	10,600	2,500
Reinhard Meißl	10,600	2,500
Susanne Scharnhorst	10,600	2,500
Angela Stransky	10,600	2,500
Friedrich Zibuschka	10,600	2,500
Johannes Zügel	10,600	2,000

Composition of the Supervisory Board committees

The committees are made up of the following members:

Working Committee

- Bettina Glatz-Kremsner (Chairwoman)
- Norbert Griesmayr
- Willi Stiowicek
- Reinhard Meißl
- Franz Hemm
- Paul Hofer

Personnel Committee

- Bettina Glatz-Kremsner
(Chairwoman, remuneration expert)
- Norbert Griesmayr
- Willi Stiowicek

Audit Committee

- Norbert Griesmayr (Chairman)
- Bettina Glatz-Kremsner
- Willi Stiowicek
- Reinhard Meißl (finance expert)
- Franz Hemm
- Paul Hofer

Remuneration for the members of the Supervisory Board

The Supervisory Board remuneration is set at a total amount of TEUR 118.8 per year. The president receives TEUR 18.2, the two vice-presidents each TEUR 13.2 and each remaining member of the Supervisory Board TEUR 10.6. The attendance fee equals EUR 500 per meeting. The members of the Supervisory Board are also covered by directors and officers liability insurance (D&O insurance).

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, in particular stock corporation, stock exchange and commercial laws, as well as the by-laws and 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 rules of procedure for the Executive Board and the Supervisory Board 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

EVN's shareholders 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. These decisions include, 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 annual 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 89th Annual General Meeting of EVN on 18 January 2018 are available on the EVN website (www.evn.at/AGM.aspx).

Clear separation of management and control responsibilities

The Austrian Stock Corporation Act 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 chairwoman 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 2018, 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 chairwoman 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% by the Supervisory Board in a meeting on 29 May 2006. The independence of the members of the EVN Supervisory Board, as defined by Rule 53 of the ACGC, is to be seen on page 77.

The Supervisory Board performs its duties in accordance with legal regulations, in particular 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.

Independence of the Supervisory Board

A member of the Supervisory Board is considered to be independent in accordance with Rule 53 of the ACGC 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 of EVN AG or a subsidiary of EVN AG 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 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 the auditing company 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 and issuing recommendations or suggestions to ensure reliability;
- monitoring the effectiveness of the company's internal control, internal audit and risk management systems;
- monitoring the audit of the annual and consolidated financial statements, including the results and conclusions indicated in the reports by the Auditor Oversight Commission;
- verifying and monitoring the independence of the auditor of the annual financial statements (and consolidated financial statements), in particular with regard to additional services provided for the audited company; moreover, Art. 5 (5) of Regulation (EU) No. 537/2014 on the statutory audit of public-interest entities must be observed;
- reporting on the results of the audit to the Supervisory Board, explaining how the audit contributed to the reliability of financial reporting and explaining the role of the Audit Committee in this procedure;
- 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;
- if necessary, examining the consolidated financial statements, the Group management report and the consolidated corporate governance report and, if necessary, reporting on the results of this examination to the Supervisory Board;
- selecting an auditor for the annual and consolidated financial statements, taking the appropriateness of the fee into consideration, as well as preparing a proposal for the Supervisory Board on this selection; moreover, Art. 16 of Regulation (EU) No. 537/2014 on the statutory audit of public-interest entities must be observed.

The Audit Committee includes a financial expert as required by law and Rule 40 of the ACGC. All members of the Audit Committee are familiar with the sector in which the company operates.

The **Personnel Committee** is responsible for all matters concerning the relationships between the company and the members of the Executive Board, in cases where the full Supervisory Board is not responsible under law. It nominates replacements for vacant seats on the Executive Board and makes recommendations to fill vacant seats on the Supervisory Board. The Personnel Committee also serves as the Remuneration Committee, with the president of the Supervisory Board as its chairwoman and one member with knowledge and experience relating to remuneration policies (Rule 43 of the ACGC).

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

Focal points of the Supervisory Board's activities

The Supervisory Board held four 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. In these meetings, the reports by the Executive Board and other points on the agenda also regularly covered the economic, ecological and social aspects of the subjects under discussion.

A revised version of the Austrian Corporate Governance Code was issued in 2018 and implemented by EVN AG as of 1 March 2018.

The most important decisions taken by the Supervisory Board in 2017/18 – in addition to the authorisation of the 2016/17 annual financial statements and the approval of the 2018/19 budget for the EVN Group – included, above all, the takeover of the Dürnrrohr and Korneuburg power plants as part of a comprehensive settlement with Verbund AG and its subsidiaries. The resolution on the budget also covered the approval of investments in heat and wind power plants, in district and neighbourhood heating plants, in the electricity, natural gas and heating networks and in the IT infrastructure, in particular to uphold supply security and the transport of renewable energy. In the power plant area, the Supervisory Board authorised the construction of an additional steam boiler at the heating interchange in Dürnrrohr. Approvals were also granted for a refinancing line of EUR 350m, a guarantee credit and the issue of a guarantee as well as the renewal of the EUR 400m syndicated revolving credit line. The premature resignation of two members from EVN's Advisory Committee for Environmental and Social Responsibility was followed by the nomination of two new members by the Supervisory Board.

The Supervisory Board approved the report on the current implementation of Regulation (EU) No. 596/2014 (market abuse regulation) and the report prepared in accordance with Rule 18a of the ACGC on measures to prevent corruption in the company. In addition, the Supervisory Board examined all potential conflicts of interest and did not identify any inconsistencies.

The average attendance at Supervisory Board meetings equalled 93.3% in 2017/18.

Focal points of activities in the Supervisory Board's committees

The Personnel Committee of the Supervisory Board, which also serves as the Nominating and Remuneration Committee, met once in 2017/18 and dealt with issues involving the relations between the company and the Executive Board members. Discussions focused on the target agreements for the Executive Board.

The Working Committee of the Supervisory Board did not meet during the reporting year.

The Audit Committee of the Supervisory Board met twice in 2017/18 and dealt with all of its assigned responsibilities (see page 80), above all with preparations for the resolution on the annual financial statements for 2016/17 including the use of profits, the work of the auditor and the half-year financial statements for 2017/18 including expectations for the full financial year. The Audit Committee also dealt extensively with the internal control, audit, risk and compliance management systems.

Evaluation of the Supervisory Board's activities

In 2017/18, the Supervisory Board carried out another self-evaluation of its activities as required by the ACGC. This assessment was based on an extensive written questionnaire which was answered by the members of the Supervisory Board. The results of the evaluation were discussed in a plenary meeting.

Measures to support women (Rule 60 of the ACGC)

The percentage of women in EVN's workforce equalled 23.1% and roughly 12.5% of the positions for managing directors and authorised officers were filled by women in 2017/18. There are no women on EVN's Executive Board. The Women@EVN programme is designed to achieve the greatest possible diversity at the upper management level and gradually increase the percentage of women in management positions. Numerous initiatives have been implemented to create a framework that enables women to assume qualified positions in specialised areas and at the management level in line with their inclinations and skills.

Group-wide, 17 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 women's work-life balance. Examples of these measures are 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 all employees on parental leave. EVN's objective for the medium term is to increase the share of women to a level that mirrors their current educational levels 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 Central Works Council.

Diversity concept for appointments to the Executive Board and Supervisory Board (§ 243c (2) no. 2a of the Austrian Commercial Code)

EVN is committed to offering equal opportunities to all its employees. The company is convinced that diversified teams produce better results and are more effective and innovative than single-gender groups. This principle also applies to the company's management and supervisory bodies.

Technical qualifications and personal expertise are the main criteria for the election of members to the Supervisory Board. The goal is to ensure a balanced composition of specialised know-how and personal qualifications. A special focus is placed on diversity with regard to the representation of both genders, a balanced age structure and the international character and professional background of the members.

Based on its current composition, EVN's Supervisory Board – as a whole and in its committees – has the necessary expertise required by the company, especially in the business, legal and technical fields.

Four women were members of EVN's Supervisory Board in 2017/18: three shareholder representatives and one employee representative. Bettina Glatz-Kremsner has served as chairwoman of the

Supervisory Board since 21 January 2016. The percentage of women equalled 30% for the shareholder representatives, 20% for the employee representatives and 26.7% for the Supervisory Board as a whole. The current composition of EVN's Supervisory Board meets the requirements of the Austrian Equality Act for Men and Women on Supervisory Boards (Federal Gazette I 104/2017) with regard to the shareholder representatives, but not for the employee representatives. This law calls for a ratio of 30% for both genders on the supervisory boards of listed corporations with a specified minimum number of supervisory board members and employees. However, existing Supervisory Board mandates remain intact up to the next election or delegation (§ 262 (38) of the Austrian Stock Corporation Act). In accordance with § 86 (9) of the Austrian Stock Corporation Act, EVN must meet the 30% rate in total. The selection of the Supervisory Board's shareholder representatives is, incidentally, the responsibility of the Annual General Meeting.

The members of the Supervisory Board range in age from 39 to 68 years.

Evaluation of compliance with the C-Rules of the ACGC (Rule 62 of the ACGC)

The ACGC requires the regular external evaluation of compliance with the C-Rules defined by the Code, and a corresponding external evaluation was carried out in 2017/18. It concluded that EVN AG complied with the C-Rules of the ACGC (January 2015 version), with only a few exceptions, during the 2016/17 financial year to the extent these rules were covered by the declaration of commitment issued by EVN AG. A number of rules did not apply to EVN AG during the evaluation period.

Remuneration report

Remuneration for top executives (Rule 28a of the ACGC):

In light of the requirements defined by the ACGC, the current variable remuneration system for top executives was amended by the company's corporate bodies as of 1 October 2010. 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 strategic and operating priorities of the EVN Group: increase in economic value added (EVA®) and average cash flow contribution.

Sustainability: Within the framework 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 comparisons, 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 of the ACGC): 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 and 30 of the ACGC): In 2017/18 the remuneration of the Executive Board comprised a fixed component of approximately 74% and a variable component of approximately 26%. The variable component is based on the 2016/17 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 previous variable remuneration scheme beginning in 2010/11. Additional information is provided under the remuneration system for top executives (Rule 28a of the ACGC).

Principles applicable to entitlements and claims by the Executive Board of the company on termination of their functions (Rule 30 of the ACGC): Contributions were made to the employee pension fund on behalf of the Executive Board members. Each Executive Board member is also entitled to a contractually agreed pension on retirement, whereby payments from the Austrian pension scheme and VBV-Pensionskasse are considered part of this amount. The existing pension agreement for Franz Mittermayer was transferred in its current form.

Directors and officers insurance (D&O insurance, Rule 30 of the ACGC): 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 based on the number of insured persons, extending this insurance coverage to the members of the Supervisory Board and the corporate bodies of other Group companies does not increase the premium.

Contracts requiring the approval of the Supervisory Board (Rule 48 of the ACGC): 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 scheme for the Supervisory Board (Rule 51 of the ACGC): See the information on the Supervisory Board on page 78.

Directors' dealings (Rule 73 of the ACGC): No purchases of EVN AG shares by members of EVN's management or closely related persons (Art. 19 of the Regulation (EU) No. 596/2014 (market abuse regulation)) were reported to the company or to the Austrian Financial Market Authority during 2017/18.

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 under the basis of preparation in note 65 to the consolidated financial statements.

Auditor's fees: EVN's annual and consolidated financial statements for the 2017/18 financial year were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna. The total fees charged by KPMG in 2017/18 amounted to EUR 1.6m (previous year: EUR 1.6m) and were distributed as follows: 34.1% for auditing services (previous year: 36.7%), 17.5% for audit-related services (previous year: 12.2%), 39.8% for tax consulting services (previous year: 38.0%) and 8.6% for other consulting services (previous year: 13.1%).

Internal audit and risk management

Internal audit

EVN's internal audit department reports directly to the Executive Board and to the Audit Committee of the Supervisory Board. The subsidiaries in Bulgaria and Macedonia have separate internal audit departments, whereby these staffs – similar to the corporate internal audit staff – also receive regular training. The internal audit departments are responsible for auditing and controlling processes and business units. Their activities follow annual audit plans which are based on the results of risk assessments. These plans are approved by the responsible corporate bodies and supplemented by ad-hoc and special audits where required. The work of the internal audit departments is based on the International Professional Practices Framework (IPPF) which was issued by the Institute of Internal Auditors (IIA). 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. The above-mentioned audits did not identify any serious deficiencies that could endanger the strategy or goals 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 section on "risk management" in the 2017/18 management report.

Issuer compliance

EVN has issued a comprehensive set of rules to prevent the misuse of insider information, which are based on the rules defined by Regulation (EU) No. 596/2014 (market abuse regulation), the Austrian Stock Corporation Act and capital market law and the Market Abuse Directive of the EU. 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 2017/18 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 a 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 the honest and legally compliant behaviour of employees in everyday business activities.

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 integrating EVN's values into their working activities.

EVN has carried out comprehensive training for its employees on ethical and legally compliant behaviour since 2013/14 based on a compliance box developed especially for this purpose. The training lasts a minimum of two and a half hours and is based on EVN's Code of Conduct. Compliance training was provided for nearly 1,900 employees and managers in five languages and eight countries during 2017/18. Supplementary information is also available to employees in the EVN Intranet. All employees are required to complete a one-hour modular e-learning programme after their mandatory training course. Special lectures on relevant topics are also held for areas exposed to increased risk. In addition, the managers in EVN's international companies have completed half-day workshops with realistic compliance scenarios. Since the introduction of the CMS, more than 9,000 employees and managers have received training on the Code of Conduct in various cycles with different formats on subjects that include customers, the capital market and investors, integrity and the prevention of corruption and data protection and confidentiality.

An important element of the CMS is the whistle-blowing procedure, which provides a framework to communicate possible violations of EVN's Code of Conduct. This system is voluntary and reports can be submitted anonymously. In cases where the information is submitted under a specific name, the identity of the reporting person is treated confidentially. The whistle-blowing structures were reviewed, optimised and further standardised throughout the Group in 2017/18 based on previous experience with the handling of compliance reports.

The focus of activities in 2017/18 also included the enhanced anchoring of compliance in EVN's international companies, based on an evaluation of the previous financial year. Awareness

measures were developed together with the involved managers and implemented in joint training courses with their employees. These initiatives are intended to create higher acceptance on the part of employees and lead to a sustainable improvement in ethical behaviour.

In 2017/18 the compliance team also developed a concept for the identification and categorisation of potential conflicts of interest. The operational implementation in EVN's Austrian companies is planned for the coming financial year.

The Supervisory Board received a report on the content, goals and status of the compliance organisation in its meeting on 13 December 2017 in accordance with Rule 18a of the ACGC.

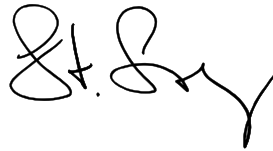
In preparation for the implementation of the binding EU General Data Protection Regulation which took effect on 25 May 2018, EVN's data protection officer organised various projects together

with the staff responsible for data protection. These projects are designed to meet the new requirements for the protection of personal data.

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

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, audited and reported on the corporate governance report of EVN AG, pursuant to § 96 (2) of the Austrian Stock Corporation Act. This report on the evaluation of compliance with the ACGC is available under www.investor.evn.at.

Maria Enzersdorf, 20 November 2018



Stefan Szyszkowitz
Spokesman of the Executive Board



Franz Mittermayer
Member of the Executive Board