

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. 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 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 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 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 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.

Corporate bodies

Executive Board (from 1 October 2017)

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 (incl. investor relations), 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 three Supervisory Board mandates in other companies that are not included in the consolidated financial statements of the EVN Group¹⁾.

1) EVN-Pensionskasse Aktiengesellschaft, chairman of the Supervisory Board (up to the merger and deletion of the company on 7 July 2017)
CEESEG Aktiengesellschaft, member of the Supervisory Board
Wiener Börse 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.

Executive Board (until 30 September 2017)

Peter Layr

Spokesman of the Executive Board

Stefan Szyszkowitz

Member of the Executive Board

The remuneration of the active members of the Executive Board totalled TEUR 1,106.9 in 2016/17 (including compensation in kind and contributions to pension funds).

Remuneration of the active Executive Board members

TEUR

	2016/17		
	Fixed remuneration	Variable remuneration	Compensation in kind
Peter Layr	392.3	137.4	14.2
Stefan Szyszkowitz ¹⁾	365.8	128.1	14.2

1) For Stefan Szyszkowitz, the pension fund contributions equalled TEUR 54.8.

□ For more information on the remuneration of the Executive Board, see the consolidated notes on page 179

Supervisory Board

Members of the Supervisory Board

Shareholder representatives

Name (year of birth)	Date of initial appointment ¹⁾	Independence Rule 53 ²⁾
Bettina Glatz-Kremsner (1962) ³⁾ President and Chairwoman	From 21.01.2016	Yes
Norbert Griesmayr (1957) 1 st Vice-Chairman	From 12.01.2001	No
Willi Stiwicsek (1956) 2 nd Vice-Chairman	From 15.01.2009	Yes
Philipp Gruber (1979)	From 21.01.2016	Yes
Thomas Kusterer (1968)	From 17.01.2013 until 19.01.2017	Yes
Dieter Lutz (1954)	From 12.01.2006	Yes
Reinhard Meißl (1959)	From 12.01.2006	Yes
Susanne Scharnhorst (1961)	From 21.01.2016	Yes
Angela Stransky (1960)	From 16.01.2014	Yes
Friedrich Zibuschka (1950)	From 21.01.2016	Yes
Johannes Zügel (1966)	From 19.01.2017	Yes

Employee representatives

Franz Hemm (1955)	From 03.05.1994	
Paul Hofer (1960)	From 01.04.2007	
Manfred Weinrichter (1961)	From 01.01.2001	
Friedrich Bußlehner (1962)	From 01.01.2016	
Monika Fraißl (1973)	From 01.07.2013	

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 the release from liability for the 2019/20 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.

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

3) Member of the Supervisory Board of Flughafen Wien Aktiengesellschaft

Composition of the Supervisory Board Committees

The committees are made up of the following members:

Working Committee

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

Personnel Committee

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

Audit Committee

- Norbert Griesmayr (Chairman)
- Bettina Glatz-Kremsner
- Willi Stiwicsek
- 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 and an attendance fee of EUR 500 per meeting. 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 members of the Supervisory Board are also covered by directors and officers liability insurance (D&O insurance).

Remuneration of the Supervisory Board members in 2016/17 (Rule 51 of the ACGC)

EUR	Supervisory Board remuneration	Attendance fees
Bettina Glatz-Kremsner	18,200	5,500
Norbert Griesmayr	13,200	5,500
Willi Stiwicsek	13,200	5,500
Philipp Gruber	10,600	1,500
Thomas Kusterer	5,300	1,000
Dieter Lutz	10,600	2,500
Reinhard Meißl	10,600	3,000
Susanne Scharnhorst	10,600	2,500
Angela Stransky	10,600	2,500
Friedrich Zibuschka	10,600	2,500
Johannes Zügel	5,300	1,500

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 88th Annual General Meeting of EVN on 19 January 2017 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 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 2017, 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 independent members of the EVN Supervisory Board, as defined by Rule 53 of the ACGC, are listed on page 67.

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.

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 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 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, 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.

Subsequent election to the Supervisory Board

Thomas Kusterer resigned from the Supervisory Board by letter dated 17 November 2016. In accordance with the by-laws of EVN AG, the Annual General Meeting on 19 January 2017 subsequently elected Johannes Zügel to the Supervisory Board for the remaining term of office of the resigned member. Mr. Zügel's term of office therefore began at the end of this Annual General Meeting and will end with the Annual General Meeting which votes on the release from liability for the 2019/20 financial year. EVN would like to thank Thomas Kusterer for his many years of successful work on the Supervisory Board and its committees.

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.

Following a request by Peter Layr to prematurely terminate his Executive Board contract as of 30 September 2017, the Supervisory Board ended his appointment as a member of the Executive Board of EVN AG as of 30 September 2017. In accordance with the Austrian Public Appointment Act, a call was then issued for applications for the position of chief technical officer on the Executive Board. The Supervisory Board appointed Franz Mittermayer to the Executive Board of EVN AG as of 1 October 2017 for a period of five years, i. e. up to 30 September 2022, and as of that same date designated Stefan Szyszkowitz spokesman of the Executive Board of EVN AG. These changes led to the amendment by the Supervisory Board of its rules of procedure and the rules of procedure for the Executive Board as of 1 October 2017.

The Supervisory Board approved the appointment of Werner Casagrande, Ulrike Jesche, Gerhard Kampichler and Klaus Stricker as authorised representatives of EVN AG as of 1 October 2017. The designation includes the right to sell or encumber land (real estate clause as defined in § 49 (2) of the Austrian Commercial Code). This right was also extended to cover previously registered authorised representatives of EVN AG.

Other important decisions by the Supervisory Board included the approval of the annual financial statements for 2015/16 and the

2017/18 budget for the EVN Group and, above all, the transfer of EVN-Pensionskasse Aktiengesellschaft and extra-budgetary investments in the power plant and heating businesses. The approval of the budget also covered investments in heating and windpower plants, in long-distance and district heating plants, in electricity, natural gas and heating networks and in the IT infrastructure. These investments are required primarily to protect supply security and to transport renewable energy. Investments approved for the environmental services business were related to improving water quality and to international projects for water purification and waste utilisation. Other approvals by the Supervisory Board included a EUR 350m refinancing line, the financing of Steag-EVN Walsum 10 Kraftwerksgesellschaft mbH and the sale of property.

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 94.4% in 2016/17.

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 three times in 2016/17 to deal with issues involving the relations between the company and the Executive Board members. Discussions focused on preparations for a subsequent election to the Supervisory Board, changes on the Executive Board, the variable remuneration of the Executive Board and target agreements.

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

The Audit Committee of the Supervisory Board met three times in 2016/17 and dealt with all of its assigned responsibilities (see page 69), above all with preparations for the resolution on the annual financial statements for 2015/16 including the use of profits, the appointment and work of the auditor and the half-year financial statements for 2016/17 including expectations for the full financial year. The Audit Committee dealt extensively with the internal control, audit, risk and compliance management systems and revised the criteria for the performance of non-audit services by the auditor.

The tender process carried out by the Audit Committee in accordance with Art. 16 of Regulation (EU) No. 537/2014 (statutory audit of public-interest entities) resulted in a recommendation to

the Supervisory Board on the appointment of an auditor for the annual and consolidated financial statements of EVN AG for the 2017/18 financial year. This process also reflected the amendments to Austrian auditing law which were enacted in 2016.

Evaluation of the Supervisory Board's activities

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

In 2016/17, 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.

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, 30 of the ACGC):

In 2016/17 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 2015/16 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 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).

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 67.

Measures to support women (Rule 60 of the ACGC): EVN is committed to offering equal opportunities to all its employees. The percentage of women in EVN's workforce equals 23.3%, while roughly 7.0% of the key management positions are filled by women. There are no women on EVN's Executive Board. The percentage of women on the Supervisory Board equals 26.7%, respectively 30% for the members elected by the Annual General Meeting. The Women@EVN programme was launched 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. Group-wide, 13 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 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 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.

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 2016/17.

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 67 to the consolidated financial statements.

Auditors' fees: EVN's annual and consolidated financial statements for the 2016/17 financial year were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna. The total fees charged by KPMG in 2016/17 amounted to EUR 1.6m (previous year: EUR 2.1m) and were distributed as follows: 48.9% for auditing and audit-related services (previous year: 43.6%), 38.0% for tax consulting services (previous year: 48.1%) and 13.1% for other consulting services (previous year: 8.3%).

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. Separate internal audit departments were also installed at EVN's subsidiaries in Bulgaria and Macedonia. The internal audit departments are responsible for auditing and controlling processes and business units, whereby continuous training for the staffs is ensured by specially organised programmes. The internal audit departments prepare annual audit plans 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 2016/17 management report.

Issuer compliance

EVN has issued a comprehensive set of rules to prevent the misuse of insider information, which are based on the regulations defined by the Market Abuse Directive of the EU, the Austrian Stock Corporation and Stock Exchange Acts, the Austrian Issuer Compliance Regulation and the Regulation (EU) No. 596/2014 (market abuse regulation). 21 permanent and five 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 2016/17 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.

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 2,500 employees and managers in five countries and four languages during the reporting year. 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 were also developed for areas exposed to increased risk. Over 100 managers in EVN's international companies have completed half-day workshops with realistic compliance scenarios, which include the development of appropriate avoidance strategies and reaction approaches. Since the introduction of the CMS, more than 9,000 employees and managers have been trained in connection with the EVN Code of Conduct 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 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.

Activities in 2016/17 focused on the review of previously implemented measures. In addition to the ongoing analysis of compliance-relevant issues and a periodic assessment of compliance risks, the current CMS was critically evaluated. Measures were developed to further optimise and improve the efficiency of the CMS, which are expected to lead to greater acceptance by employees as well as a sustainable improvement in ethical behaviour.

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.

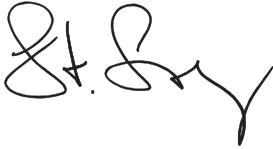
The Supervisory Board received a report on the content, goals and status of the compliance organisation in its meeting on 12 December 2016 in accordance with Rule 18a of the ACGC.

In preparation for the binding EU General Data Protection Regulation which will take effect in May 2018, the data protection specialist in the CCM department is creating numerous organisational and procedural structures to meet the 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 2017



Stefan Szyszkowitz
Spokesman of the Executive Board



Franz Mittermayer
Member of the Executive Board